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## **Kwong Luen Engineering Holdings Limited**

### **廣聯工程控股有限公司**

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

**(Stock Code: 1413)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the Reporting Period amounted to approximately HK\$265.3 million (six months ended 30 September 2022: approximately HK\$206.0 million).
- Gross profit margin for the Reporting Period was approximately 5.9% (six months ended 30 September 2022: approximately 2.5%).
- Profit attributable to the owners of the Company for the Reporting Period amounted to approximately HK\$9.6 million (six months ended 30 September 2022: loss of approximately HK\$3.7 million).
- Basic and diluted earnings per share for the Reporting Period amounted to approximately HK cents 0.96 (six months ended 30 September 2022: loss per share of approximately HK cents 0.37).
- The Board has resolved not to recommend the declaration of an interim dividend for the Reporting Period (six months ended 30 September 2022: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Kwong Luen Engineering Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2023 (the “**Reporting Period**”), together with the comparative unaudited figures for the corresponding period in 2022.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>Six months ended 30 September</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>REVENUE</b>	3	<b>265,294</b>	205,964
Cost of sales		<u>(249,536)</u>	<u>(200,893)</u>
<b>Gross profit</b>		<b>15,758</b>	5,071
Other income and gains	4	<b>1,263</b>	2,130
Administrative expenses		<b>(5,335)</b>	(5,182)
Fair value gain on a financial asset at fair value through profit or loss (“FVTPL”)		<b>74</b>	75
Expected credit losses (“ECL”) on contract assets		<b>–</b>	(5,511)
Finance costs	6	<u><b>(428)</b></u>	<u>(271)</u>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	5	<b>11,332</b>	(3,688)
Income tax (expense)/credit	7	<u><b>(1,692)</b></u>	<u>20</u>
<b>PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>9,640</b></u>	<u>(3,668)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
– Basic and diluted	9	<u><b>0.96</b></u>	<u>(0.37)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 September</b> <b>2023</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 March 2023 <i>HK\$'000</i> (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>52,907</b>	56,049
Right-of-use assets		<b>355</b>	690
Prepayments and deposits		–	232
Financial asset at fair value through profit or loss		<b>4,699</b>	4,625
		<hr/>	<hr/>
Total non-current assets		<b>57,961</b>	61,596
<b>CURRENT ASSETS</b>			
Contract assets		<b>213,132</b>	199,610
Trade receivables	10	<b>27,615</b>	4,131
Prepayments and deposits		<b>249</b>	19
Current tax assets		<b>535</b>	1,997
Cash and cash equivalents		<b>27,344</b>	25,361
		<hr/>	<hr/>
Total current assets		<b>268,875</b>	231,118
<b>CURRENT LIABILITIES</b>			
Trade and retention payables	11	<b>37,104</b>	27,772
Accruals and other payables		<b>7,945</b>	5,958
Secured bank loans		<b>14,016</b>	511
Lease liabilities		<b>340</b>	605
		<hr/>	<hr/>
Total current liabilities		<b>59,405</b>	34,846
<b>NET CURRENT ASSETS</b>		<b>209,470</b>	196,272
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>267,431</b>	257,868
		<hr/>	<hr/>

		As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
<b>NON-CURRENT LIABILITIES</b>			
Accruals and other payables		263	263
Secured bank loans		1,703	1,966
Lease liabilities		–	44
Deferred tax liabilities		<u>6,704</u>	<u>6,474</u>
Total non-current liabilities		<u>8,670</u>	<u>8,747</u>
<b>Net assets</b>		<b><u>258,761</u></b>	<b><u>249,121</u></b>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	12	10,000	10,000
Reserves		<u>248,761</u>	<u>239,121</u>
<b>Total equity</b>		<b><u>258,761</u></b>	<b><u>249,121</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is 71 Fort Street, PO Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands. The principal place of business of the Company is located at Unit 2909–2910, 29/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

The Company is an investment holding company. During the six months ended 30 September 2023, the Group was principally engaged in the provision of construction services in Hong Kong. There has been no significant change in the Group's principal activities during the six months ended 30 September 2023.

Kwong Luen Prosperity Limited (“**Kwong Luen Prosperity**”), a company incorporated in the British Virgin Islands (the “**BVI**”) on 18 May 2020, is the immediate holding company of the Company. In the opinion of the Directors, Kwong Luen Prosperity is also the ultimate holding company of the Company.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2023 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated interim financial statements do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2023.

The condensed consolidated interim financial information is unaudited.

The condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”), unless otherwise stated.

The condensed consolidated interim financial statements for the six months ended 30 September 2023 were approved for issue by the board of directors on 30 November 2023.

## 3. REVENUE AND SEGMENT INFORMATION

### 3.1 Segment information

The executive directors of the Company, being the chief operating decision maker, have identified that the Group has only one reportable operating segment, which the Group engages in contract work as a subcontractor. Accordingly, no segment information is presented.

#### *Geographical information*

##### (a) *Revenue from external customers*

No geographical information is presented as all of the Group's revenue from external customers was derived from customers located in Hong Kong during the six months ended 30 September 2023 and 2022.

##### (b) *Non-current assets*

No geographical information is presented as all of the Group's non-current assets were located in Hong Kong as at 30 September 2023 and 31 March 2023.

### Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each reporting period during the six months ended 30 September 2023 and 2022 are set out below:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A	198,061	76,163
Customer B	56,573	91,581
Customer C	N/A *	28,498

\* Less than 10% of the Group's revenue.

The revenue from the above major customers was all derived from the construction work.

### 3.2 Revenue

The Group's principal activities are disclosed in note 1 to the condensed consolidated interim financial statements.

The Group's revenue recognised during the six months ended 30 September 2023 and 2022 are as follows:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Revenue from contracts with customers</b>		
Provision of construction services	265,294	205,964

Disaggregation of revenue from contracts with customers within the scope of HKFRS 15 is as follows:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Type of construction service provided</b>		
Residential	66,726	125,252
Non-residential	198,568	80,712
<b>Total</b>	265,294	205,964
<b>From private sector</b>	67,234	129,527
<b>From public sector</b>	198,060	76,437
<b>Total</b>	265,294	205,964
<b>Timing of revenue recognition</b>		
Services transferred over time	265,294	205,964

#### 4. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Other income and gains</b>		
Gain on disposal of property, plant and equipment, net	1,232	–
Interest income	31	–
Government grants from Employment Support Scheme ( <i>Note a</i> )	–	2,032
Government grants from Construction Innovation and Technology Fund (“CITF”) ( <i>Note b</i> )	–	53
One-off miscellaneous works	–	20
Others	–	25
	<u>1,263</u>	<u>2,130</u>

*Notes:*

- (a) During the six months ended 30 September 2022, the Group received funding support amounting to HK\$2,032,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.
- (b) During the six months ended 30 September 2022, the Group received funding support amounting to HK\$53,000 from the CITF set up by the Hong Kong Government. The purpose of the funding is to support the enterprises and practitioners of the construction industry to wider adoption of innovative constructive methods and new technologies in the construction industry with a view to promoting productivity, uplifting built quality, improving site safety and enhancing environmental performance.

## 5. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Depreciation included in cost of sales:		
– Owned assets	6,432	6,024
– Right-of-use assets	54	54
Depreciation included in administrative expenses:		
– Owned assets	776	777
– Right-of-use assets	281	281
Lease charges on short-term leases	26,982	6,575
Employee benefit expense (excluding directors' remuneration):		
– Wages, salaries, allowances and benefits in kind	40,618	30,023
– Pension scheme contributions ( <i>Note a</i> )	1,071	822
	<u>41,689</u>	<u>30,845</u>
Auditor's remuneration	513	494
Gain on disposal of property, plant and equipment, net	<u>(1,232)</u>	<u>–</u>

*Note:*

- (a) As at 30 September 2023, the Group had no forfeited contributions under the MPF Scheme which may be used by the Group to reduce the existing levels of contributions (as at 31 March 2023: Nil).

## 6. FINANCE COSTS

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Interest charges on bank loans and overdrafts	420	254
Finance charges on lease liabilities	8	17
	<u>428</u>	<u>271</u>

## 7. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong		
Current year	(1,462)	–
Deferred tax	(230)	20
	<u>          </u>	<u>          </u>
Total income tax (expense)/credit	<u><b>(1,692)</b></u>	<u><b>20</b></u>

The provision for Hong Kong Profits Tax for the six months ended 30 September 2023 is calculated at 16.5% (six months ended 30 September 2022: 16.5%) of the estimated assessable profits, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2,000,000 are taxed at 16.5%.

## 8. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the six months ended 30 September 2023 attributable to owners of the Company of approximately HK\$9,640,000 (six months ended 30 September 2022 (unaudited): loss of approximately HK\$3,668,000) and the weighted average number of ordinary shares in issue of 1,000,000,000 (six months ended 30 September 2022 (unaudited): 1,000,000,000).

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2023 and 2022.

## 10. TRADE RECEIVABLES

	As at	As at
	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	27,717	4,233
Less: ECL allowance	(102)	(102)
	<u>          </u>	<u>          </u>
	<u><b>27,615</b></u>	<u><b>4,131</b></u>

The directors of the Group consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The Group's trading terms with its customers are on credit. The Group's credit periods with customers range from 15 to 60 days (six months ended 30 September 2022: from 15 to 45 days). The Group seeks to maintain strict control over its outstanding receivables and has a policy to manage its risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of reporting period, based on the progress payment certificate date and net of ECL allowance, is as follows:

	<b>As at 30 September 2023 HK\$'000 (unaudited)</b>	<b>As at 31 March 2023 HK\$'000 (audited)</b>
0–30 days	<b>27,585</b>	–
31–60 days	<b>30</b>	4,131
	<b><u>27,615</u></b>	<b><u>4,131</u></b>

Up to the date of this announcement, 100% of trade receivables have been subsequently settled.

The movement in the ECL allowance of trade receivable is as follows:

	<b>Six months ended 30 September 2023 HK\$'000 (unaudited)</b>	<b>2022 HK\$'000 (unaudited)</b>
Balance as at beginning of period	<b>102</b>	743
ECL allowance recognised during the six months ended 30 September	<b>–</b>	–
Balance as at end of period (unaudited)	<b><u>102</u></b>	<b><u>743</u></b>
At 31 March 2023 (audited) and 2022 (audited)	<b><u>102</u></b>	<b><u>743</u></b>

An impairment analysis is performed at each reporting date using a probability of default model to measure ECL. The provision rates are based on historical data adjusted by forward-looking information. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

## 11. TRADE AND RETENTION PAYABLES

	<i>Notes</i>	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
Trade payables	(a)	19,864	15,688
Retention payables	(b)	<u>17,240</u>	<u>12,084</u>
		<u><b>37,104</b></u>	<u><b>27,772</b></u>

*Notes:*

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

	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
0–30 days	18,827	13,430
31–90 days	840	2,193
91–180 days	197	53
181–365 days	<u>–</u>	<u>12</u>
	<u><b>19,864</b></u>	<u><b>15,688</b></u>

The trade payables are non-interest-bearing and are normally settled within one month.

- (b) Retention payables held by the Group arose from the Group's construction works and are normally settled to subcontractors within a period ranging from one year to two years after the completion of the contract work by the subcontractors, as stipulated in the subcontracting contracts.

## 12. SHARE CAPITAL

The Company's share capital is as follows:

	Number of Shares in issue	Share capital <i>HK\$'000</i>
<b>Authorised:</b>		
As at 30 September 2023 (unaudited) and 31 March 2023 (audited)	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
As at 30 September 2023 (unaudited) and 31 March 2023 (audited)	<u>1,000,000,000</u>	<u>10,000</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

The construction industry and foundation industry in Hong Kong have been negatively affected by the COVID-19 continuously. Hong Kong's business activity has resumed normal since the end of COVID-19 since the end of 2022. Led by inbound tourism and private consumption, the Hong Kong economy continued to recover in the second quarter of 2023. According to the Government of Hong Kong (the "**Government**"), the real GDP of Hong Kong grew by 1.5% from a year earlier, having increased by 2.9% in the preceding quarter.

Hong Kong has record outbreak of COVID-19 in 2022. Since early-2023, the business activities in Hong Kong have resumed normal. However the outbreak of COVID-19 has completely reshaped the construction industry and brought along continuous consequences. In particular, shortage of construction-related professions resulting in continuous difficulty in recruiting sufficient construction staff to commence new construction projects. According to the "Manpower Forecast for Hong Kong Construction Industry (February 2023)" published by the Construction Industry Council, the Construction Instruction has a shortage of 17,500 to 24,000 workers and professionals, and the number is expected to increased to 48,500 to 55,000 in 2027.

Despite the aforementioned difficulties, the Group expects that there are upsides to the industry. In June 2023, the Government of Hong Kong proposed to import workers to alleviate the labour crunch in various industries, including the construction industry. The construction industry may hire up to 12,000 non-local workers, which the Government aims to ease manpower shortfalls in the short term. There are still ample room of growth for the construction industry when the economy of Hong Kong improves.

### BUSINESS REVIEW AND OUTLOOK

The Group is a foundation works contractor in Hong Kong. The Group has commenced its business in 1995 and has since undertaken foundation works in the role of subcontractor through Kwong Luen Engineering Limited ("**Kwong Luen Engineering**"), the Group's principal operating subsidiary. The Group's foundation works services are widely required in residential and non-residential developments such as commercial and infrastructure developments. In particular, the Group has established a solid track record in undertaking foundation works mainly in residential developments initiated by private property developers in Hong Kong. In the Reporting Period, the majority of the Group's revenue was derived from foundation works in non-residential developments.

During the Reporting Period, the construction industry and foundation industry in Hong Kong was affected by labour crunch in the construction industry. According to the Chief Executive's 2023 Policy Address, it was proposed that (i) the Government will build about 410,000 public housing units in the next decade; (ii) the Government has published the Hong Kong Major Transport Infrastructure Development Blueprint, enhancing the three railways and three major roads proposals and pursuing new projects of two railways and one major road; and (iii) new smart and green mass transit in east Kowloon, Kai Tak and Hung Shui Kiu/Ha Tsuen will be constructed.

Looking into the future, the local economy of Hong Kong is expected to improve. The Group will continue leverage its solid track record in the foundation industry and the favourable government policies to explore different options in this difficult time.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased by approximately HK\$59.3 million or 28.8% to approximately HK\$265.3 million for the Reporting Period, from approximately HK\$206.0 million for the six months ended 30 September 2022. This was principally due to the increase in revenue contributed by a sizable project awarded during the year ended 31 March 2023. The estimated contract sum of the project, which commenced in November 2022, was approximately HK\$147.8 million. The revenue contribution from the project was approximately HK\$51.8 million (six months ended 30 September 2022: Nil) for the Reporting Period.

### **Gross profit and gross profit margin**

The Group's cost of sales increased from approximately HK\$200.9 million for the six months ended 30 September 2022 to approximately HK\$249.5 million for the Reporting Period, representing an increase of approximately HK\$48.6 million or 24.2%.

The Group's overall gross profit increased from approximately HK\$5.1 million for the six months ended 30 September 2022 to approximately HK\$15.8 million for the Reporting Period, representing an increase of approximately 210.8%. Such increase in the Group's overall gross profit was mainly attributable to the revenue growth during the Reporting Period as discussed above. As the increase in revenue was greater than the increase in cost of sales, the Group's overall gross profit margin increased from 2.5% for the six months ended 30 September 2022 to 5.9% for the Reporting Period.

### **Other income and gains**

Other income and gains of the Group decreased by approximately HK\$0.8 million from approximately HK\$2.1 million for the six months ended 30 September 2022 to approximately HK\$1.3 million for the Reporting Period. The decrease was mainly due to no government grants received from the Employment Support Scheme of the Government for the purpose to retain employment and combat the COVID-19 during the Reporting Period (six months ended 30 September 2022: approximately HK\$2.0 million).

## **Administrative expenses**

The administrative expenses of the Group increased from approximately HK\$5.2 million for the six months ended 30 September 2022 to approximately HK\$5.3 million for the Reporting Period, representing an increase of approximately HK\$0.1 million or approximately 3.0%. The increase during the Reporting Period was mainly due to the increase in directors' emoluments of approximately HK\$0.3 million.

## **Expected credit losses ("ECL") on contract assets**

The ECL on contract assets of the Group decreased from approximately HK\$5.5 million for the six months ended 30 September 2022 to nil for the Reporting Period, representing a decrease of approximately HK\$5.5 million or approximately 100.0%. The decrease during the Reporting Period was mainly due to no ECL allowance recognised during the Reporting Period (six months ended 30 September 2022: the individual assessment of 2 contract assets arising from construction contracts, with an aggregate total gross carrying amount of approximately HK\$5.5 million before measurement of the ECL, were assigned with a loss rate of 100%).

The Directors of the Group assessed the recoverability of contract assets as at 30 September 2023 and believed that the ECL allowances were adequate because:

- For contract assets arisen from projects which were close to or at the final stage, it generally takes longer period of time for customers in the foundation works industry to proceed with the final review and approval for the relevant work done of the entire project before issuing the relevant completion certificate. On such occasion, the recovery of contract assets generally takes a longer period of time but are generally recoverable;
- A substantial portion of the contract assets were from customers which the Group has established long business relationship with. The Directors regularly meet and discuss with the relevant customers to monitor the recoverability of the contract assets and are not aware of any difficulties in the recoverability of the contract assets; and
- The retention receivables are generally released (i) upon completion of works to the satisfaction of the main contractor or project owner; or (ii) pursuant to the terms of the main contracts on back-to-back basis. In general, the retention receivables are fully recoverable in accordance to the contract once the final account is confirmed by the customer. As the contract works of most projects which recorded retention receivables as at 30 September 2023 are still ongoing (the duration of the projects may be up to three years), a portion of the retention receivables have yet to be recovered as at the date of the enquiry. The Directors are not aware of any circumstances that would raise question on the recoverability of the retention receivables.

## **Finance costs**

The finance costs of the Group increased from approximately HK\$271,000 for the six months ended 30 September 2022 to approximately HK\$428,000 for the Reporting Period, representing an increase of approximately HK\$157,000 or 57.9%. The increase in our finance costs was primarily attributable to the increase in bank import loan interest rate range from approximately 3.5%–6.0% during the six months ended 30 September 2022 to approximately 6.5%–8.2% during the Reporting Period.

## **Income tax (expenses)/credit**

The Group recorded income tax expense of approximately HK\$1,692,000 for the Reporting Period whilst the Group recorded income tax credit of approximately HK\$20,000 for the six months ended 30 September 2022. The increase in income tax expenses was due to the increase in the Group's revenue and gross profit as discussed above.

## **Profit/(loss) and total comprehensive income/(expense)**

The Group recorded profit and total comprehensive income of approximately HK\$9.6 million for the Reporting Period whilst the Group recorded loss and total comprehensive expense of approximately HK\$3.7 million for the six months ended 30 September 2022. The increase in profit and total comprehensive income was due to the increase in the Group's revenue and gross profit as discussed above.

## **LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE**

On 11 March 2021, the shares of the Company (the “**Shares**”) were listed on the Main Board (the “**Listing**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

There has been no change in the capital structure of the Group since the date of Listing (the “**Listing Date**”) and up to the date of this announcement.

As at 30 September 2023, the Company's issued capital was HK\$10.0 million and the number of its issued ordinary Shares was 1,000,000,000 Shares of HK\$0.01 each.

As at 30 September 2023, the Group had total cash and cash equivalents of approximately HK\$27.3 million (31 March 2023: approximately HK\$25.4 million).

## **CURRENT RATIO**

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

The current ratio of the Group decreased to approximately 4.5 times as at 30 September 2023 from approximately 6.6 times as at 31 March 2023. The decrease was mainly due to the increase in secured bank loans.

## **GEARING RATIO**

Gearing ratio is calculated as total borrowings (including secured bank loans and lease liabilities) divided by the total equity as at the respective reporting dates.

The gearing ratio of the Group increased to approximately 6.2% as at 30 September 2023 from approximately 1.3% as at 31 March 2023. The increase was mainly due to the increase in secured bank loans.

## **TREASURY POLICY**

The Group has adopted a conservative approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **PLEDGE OF ASSETS**

As at 30 September 2023, a life insurance policy with a carrying amount of approximately HK\$4,699,000 (31 March 2023: approximately HK\$4,625,000) was pledged to secure certain bank loans granted to the Group.

## **FOREIGN EXCHANGE EXPOSURE**

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollars, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Reporting Period.

## **CAPITAL EXPENDITURE**

During the Reporting Period, the Group invested approximately HK\$8.5 million in the purchase of property, plant and equipment which was fully financed with the internal resources.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 30 September 2023 and 31 March 2023, the Group did not have any capital commitment and significant contingent liabilities.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

Apart from the reorganisation in relation to the Listing (as set out under the section headed “History, reorganisation and corporate structure” of the prospectus of the Company dated 26 February 2021 (the “**Prospectus**”)), there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the Reporting Period. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 30 September 2023.

## **INTERIM DIVIDEND**

The Board has resolved not to recommend the declaration of interim dividend for the Reporting Period (six months ended 30 September 2022: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2023, we employed a total of 177 employees (including four executive Directors but excluding three independent non-executive Directors), as compared to a total of 136 employees as at 31 March 2023. The remuneration packages that the Group offers to employees includes salaries, allowances, discretionary bonuses, and/or other benefits in kind. In general, the Group determines employees’ salaries based on their qualifications, position and seniority. The Group also adopted a share option scheme whereby qualified participants may be granted options to acquire shares in the Company. The total staff cost, excluding four independent non-executive Directors, incurred by the Group for the Reporting Period was approximately HK\$42.7 million compared to approximately HK\$31.7 million for the six months ended 30 September 2022.

The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group’s operating results, individual performance and comparable market statistics.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group had no significant events from the end of the Reporting Period to the date of this announcement.

## CORPORATE GOVERNANCE/OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, THE UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were 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 were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the required standard of dealings as referred to in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange, were as follows:

#### I. Long position in the ordinary shares of the Company

Name of Director	Nature of interest	Number of shares held/ interested	Percentage of shareholding
Mr. Yip Kwong Cheung (“Mr. Yip”)	Interest in a controlled corporation; Interest held jointly with another person; Interest of spouse ( <i>Note</i> )	286,490,000	28.6%
Ms. Kwan Chui Ling (“Ms. Kwan”)	Interest in a controlled corporation; Interest held jointly with another person; Interest of spouse ( <i>Note</i> )	286,490,000	28.6%

*Note:* Kwong Luen Prosperity holding 286,490,000 Shares is beneficially owned as to 50% and 50% by Mr. Yip and Ms. Kwan respectively. By virtue of the SFO, Mr. Yip and Ms. Kwan are deemed to be interested in the Shares held by Kwong Luen Prosperity. Ms. Kwan is the spouse of Mr. Yip. Accordingly, each of them is deemed or taken to be interested in all the Shares which the other is interested for the purpose of the SFO.

#### II. Long position in the ordinary shares of associated corporation – Kwong Luen Prosperity

Name of Director	Nature of interest	Number of shares held/ interested	Percentage of shareholding
Mr. Yip	Beneficial owner	2	50%
Ms. Kwan	Beneficial owner	2	50%

Saved as disclosed above, as at 30 September 2023, none of the Directors nor the chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, AND UNDERLYING SHARES OF THE COMPANY**

As at 30 September 2023, the following parties (other than the Directors or the chief executive of the Company) had interests of 5% or more in the Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

<b>Name of substantial shareholder</b>	<b>Nature of interest</b>	<b>Number of shares held/ interested</b>	<b>Percentage of shareholding</b>
Kwong Luen Prosperity	Beneficial owner ( <i>Note 1</i> )	286,490,000	28.6%
Ma Wenkui	Beneficial owner ( <i>Note 2</i> )	75,580,000	7.5%
Yang Zhenwei	Beneficial owner ( <i>Note 2</i> )	74,010,000	7.4%
Lin Tongbing	Beneficial owner ( <i>Note 2</i> )	52,430,000	5.2%

*Notes:*

- (1) Kwong Luen Prosperity is beneficially owned as to 50% and 50% by Mr. Yip and Ms. Kwan respectively. By virtue of the SFO, Mr. Yip and Ms. Kwan are deemed to be interested in the Shares held by Kwong Luen Prosperity.
- (2) The information is based on the disclosure of interests filings available to the Company.

Save as disclosed above, as at 30 September 2023, the Company is not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## **SHARE OPTION SCHEME**

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 19 February 2021. The purpose of the Share Option Scheme is to reward the participants who have contributed or will contribute to the Group and to encourage participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and shareholders as a whole, and to maintain or attract business relationships with the participants whose contributions are or may be beneficial to the growth of the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 19 February 2021, and there is no outstanding share option as at 30 September 2023.

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

The Board confirms that during the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

#### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE**

No transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time during the Reporting Period was a Director or his connected entity had, directly or indirectly, a material interest subsisted at any time during the Reporting Period.

#### **SUFFICIENCY OF PUBLIC FLOAT**

As at the date of this announcement, based on the information that is publicly available to the Company and within the best knowledge of the Directors, the Company maintained a sufficient amount of public float for its Shares as required under the Listing Rules.

#### **COMPETING INTERESTS**

None of the Directors, the controlling shareholders of the Company, or any of their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Reporting Period, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

#### **CORPORATE GOVERNANCE PRACTICES**

The Company recognises the importance of corporate transparency and accountability. The Company is committed to achieving and maintaining a high standard of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Company's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules. To the best knowledge of the Board, the Company has complied with the CG Code for the Reporting Period and up to the date of this announcement, with the exception of the deviation from code provision A.2.1. The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Yip currently assumes the role of both chairman of the Board and chief executive officer of the Company. The Board considers that both roles being held by Mr. Yip will provide a strong and consistent leadership to the Company which will facilitate effective planning and efficient management of the Company. Furthermore, having considered Mr. Yip's extensive experience in the foundation industry, the relationships Mr. Yip has built with customers and the historical development of the Group, the Board considers that it is beneficial for the Group to have Mr. Yip continue to act as both chairman and chief executive officer of the Company. In order to maintain good corporate governance and fully comply with the code provision A.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the Shares (the "**Code of Conduct**"). After specific enquiries by the Company, all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the Reporting Period.

## **AUDIT COMMITTEE**

The Group established the audit committee (the "**Audit Committee**") on 19 February 2021 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to, among other things, review and approve the Group's financial reporting process and internal control and risk management system, oversee the Group's audit process and perform other duties and responsibilities as assigned by the Board. The Audit Committee consists of three members, namely Ms. Cheng Shing Yan, Mr. Wong Yiu Kit Ernest and Mr. Tang Man Joe. The chairlady of the Audit Committee is Ms. Cheng Shing Yan.

## **REVIEW OF INTERIM RESULTS**

The Group's condensed consolidated interim results for the Reporting Period have not been audited, but have been reviewed by the Audit Committee. Based on their review and discussions with the management, there is no disagreement by the Audit Committee with the accounting treatment adopted by the Group, the Audit Committee was satisfied that the interim results were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the Reporting Period.

## **PUBLICATION OF THE UNAUDITED INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement of the Company is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([www.kwong-luen.com.hk](http://www.kwong-luen.com.hk)). The interim report of the Company for the Reporting Period containing all the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

The Board would like to take this opportunity to express its sincere gratitude to the management team and staff for their hard work and contributions, and to our shareholders, investors and business partners for their trust and support.

By order of the Board  
**Kwong Luen Engineering Holdings Limited**  
**YIP Kwong Cheung**  
*Chairman and Executive Director*

Hong Kong, 30 November 2023

*As at the date of this announcement, the executive directors are Mr. YIP Kwong Cheung, Ms. KWAN Chui Ling, Mr. LIN Rida and Mr. BU Lei; and the independent non-executive directors are Ms. CHENG Shing Yan, Mr. WONG Yiu Kit Ernest and Mr. TANG Man Joe.*