Kin Pang Holdings Limited
建 鵬 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1722)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Kin Pang Holdings Limited (the "Company") is pleased to announce the audited consolidated financial information of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 together with the comparative figures for the corresponding year ended 31 December 2016. Such information should be read in conjunction with the prospectus of the Company dated 30 November 2017 (the"Prospectus").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** *MOP'000*	2016 *MOP'000*
Revenue	4	**245,432**	176,039
Direct costs		**(206,984)**	(141,929)
Gross profit		**38,448**	34,110
Other income, gains and losses, net	5	**239**	183
Administrative expenses		**(12,575)**	(5,867)
Finance costs	6	**(151)**	(199)
Listing expenses		**(16,122)**	–
Profit before taxation	7	**9,839**	28,227
Income tax expense	8	**(3,777)**	(2,248)
Profit and total comprehensive income for the year		**6,062**	25,979
Earnings per share			
Basic (MOP cents)	10	**0.78**	3.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	**2017** *MOP'000*	2016 *MOP'000*
Non-current assets			
Property, plant and equipment		**12,308**	10,435
Deposits		**2,200**	494
		14,508	10,929
Current assets			
Trade receivables	11	**31,041**	37,343
Other receivables, deposits and prepayments		**42,298**	25,398
Amounts due from customers for contract work	12	**72,207**	59,677
Amounts due from a related party		**–**	2,014
Loan to an associate		**–**	583
Pledged bank deposits		**200**	200
Bank balances and cash		**120,588**	37,442
		266,334	162,657
Current liabilities			
Trade and other payables and accruals	13	**68,255**	54,715
Amounts due to customers for contract work	12	**1,026**	9,876
Amounts due to related parties		**180**	10,060
Tax payable		**10,334**	6,557
Bank borrowings	14	**1,070**	1,106
		80,865	82,314
Net current assets		**185,469**	80,343
Total assets less current liabilities		**199,977**	91,272

	NOTES	2017	2016
		MOP'000	MOP'000
Non-current liability			
Bank borrowings	14	**2,482**	3,552
Net assets		**197,495**	87,720
Capital and reserves			
Share capital	15	**10,300**	250
Reserves		**187,195**	87,470
Equity attributable to owners of the Company		**197,495**	87,720

NOTES

1. GENERAL INFORMATION AND REORGANISATION

General information

Kin Pang Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 22 June 2017 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2017. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Office No.5, 20/F, Nam Wo Hong Building, 148 Wing Lok Street, Hong Kong. The Company's immediate and ultimate holding company is Fortunate Year Investments Limited ("Fortunate Year"), a limited company incorporated in the British Virgin Islands ("BVI") with limited liability.

The consolidated financial statements are presented in Macau Pataca ("MOP"), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the "Group").

The principal activity of the Company is investment holding. The Group's principal activities are civil engineering business in Macau.

Group Reorganisation and Basis of Preparation and Presentation

The consolidated financial statements have been prepared based on the accounting policies set out in note 3 which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA.

Before the completion of the reorganisation, Kin Pang Construction and Engineering Company Limited ("Kin Pang") and Greatway Construction Engineering Limited ("Greatway"), the operating subsidiaries of the Company, were owned by Mr. Kong Kin I ("Mr. Kong") and Ms. Choi Fong Lan ("Ms. Choi"), who is the spouse of Mr. Kong.

In preparation of the listing of the Company's shares on the Stock Exchange (the "Listing"), the companies comprising the Group underwent the reorganisation as described below.

(i) On 1 March 2017, Clear Achieve Global Limited ("Clear Achieve") was incorporated as limited liability company in the British Virgin Islands ("BVI") by issuing 60 shares and 40 shares of United States dollar ("US$") 1.00 each to Mr. Kong and Ms. Choi, respectively. On 19 May 2017, Clear Achieve alloted and issued 48 shares and 32 shares to Mr. Kong and Ms. Choi, respectively. The allotment was completed and shares were issued on 1 June 2017.

(ii) On 31 May 2017, Mr. Kong and Ms. Choi transferred to Clear Achieve all shares of Kin Pang at a cash consideration of MOP250,000. Upon the completion of this transaction, Kin Pang became a wholly-owned subsidiary of Clear Achieve.

(iii) Quasar Global Selection SPC Fund – Shenzhen Qianhai Glory Fund ("Pre-IPO Investor"), an independent third party and a segregated portfolio company incorporated in the Cayman Islands, entered into a subscription agreement with Clear Achieve, Mr. Kong and Ms. Choi for the subscription of 20 shares of Clear Achieve for a cash consideration of Hong Kong dollar ("HK$") 13,000,000 (equivalent to MOP13,450,000) on 19 May 2017. The subscription was completed on 1 June 2017.

(iv) On 22 June 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each with one share allotted and issued as nil-paid to the initial subscriber. On the same date, the initial subscriber transferred his one share to Fortunate Year, a company incorporated in the BVI with limited liability and owned as to 60% by Mr. Kong and 40% by Ms. Choi.

(v) On 26 June 2017, Mr. Kong and Ms. Choi transferred the entire issued share capital of Greatway to Clear Achieve at a cash consideration of HK$2. Upon the completion of this transaction, Greatway became a wholly-owned subsidiary of Clear Achieve.

(vi) On 14 July 2017, Mr. Kong, Ms. Choi and Pre-IPO Investor transferred their entire equity interest in Clear Achieve to the Company in consideration of the allotment and issue of 89 shares of the Company to Fortunate Year (under the instruction of Mr. Kong and Ms. Choi) and 10 shares of the Company to Pre-IPO Investor. Upon completion of the transaction, Clear Achieve is the wholly-owned subsidiary of the Company.

Pursuant to the reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 14 July 2017. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity, accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated financial statements have been prepared under the principles of merger accounting in accordance with the AG 5 issued by the HKICPA. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2017 and 2016 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the years ended 31 December 2017 and 2016. The consolidated statement of financial position of the Group as at 31 December 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted and consistently applied HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 January 2017 for both current and prior years.

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014 – 2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for building and ancillary services and emergency repair services rendered by the Group to customers.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the management of the Group, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

(a) Building and ancillary services; and

(b) Emergency repair services.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and profit

Year ended 31 December 2017

	Building and ancillary services *MOP'000*	**Emergency repair services** *MOP'000*	**Total** *MOP'000*
Segment revenue	**233,585**	**11,847**	**245,432**
Segment results	**33,094**	**5,354**	**38,448**
Other income, gains and losses, net			**239**
Administrative expenses			**(12,575)**
Finance costs			**(151)**
Listing expenses			**(16,122)**
Profit before taxation			**9,839**

Year ended 31 December 2016

	Building and ancillary services *MOP'000*	**Emergency repair services** *MOP'000*	**Total** *MOP'000*
Segment revenue	163,003	13,036	176,039
Segment results	29,758	4,352	34,110
Other income			183
Administrative expenses			(5,867)
Finance costs			(199)
Profit before taxation			28,227

Segment results mainly represented profit earned by each segment, excluding other income, gains and losses, net, administrative expenses, finance costs, listing expenses and income tax expense.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2017	2016
	MOP'000	*MOP'000*
Interest income	**13**	–
Loss on disposal of property, plant and equipment	**(35)**	–
Gain on disposal of an associate	**15**	–
Other income	**246**	183
	239	183

6. FINANCE COSTS

	2017	2016
	MOP'000	*MOP'000*
Interests on bank borrowings	**151**	199

7. PROFIT BEFORE TAXATION

	2017	2016
	MOP'000	*MOP'000*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,200**	78
Depreciation of property, plant and equipment	**2,983**	2,400
Staff costs (including directors' emoluments):		
Salaries and other benefits	**41,638**	24,092
Retirement benefits scheme contributions	**143**	99
	41,781	24,191
Less: staff cost capitalised to direct costs	**(35,174)**	(22,190)
	6,607	2,001
Minimum lease payments under operating leases in respect of		
– land and building (included in administrative expenses)	**1,997**	1,191
– site equipment (included in direct costs)	**2,039**	844
	4,036	2,035

8. INCOME TAX EXPENSE

	2017	2016
	MOP'000	*MOP'000*
Macau Complementary Tax:		
Current tax	**3,777**	2,248

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for both years.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

9. DIVIDENDS

No dividend was paid or declared during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 December 2016, Kin Pang declared and paid dividends of MOP8,900,000, to the then shareholders. The rate of dividend and number of shares ranking for dividend are not presented, as such information is not considered as meaningful.

10. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit for the year attributable to owners of the Company of approximately MOP6,062,000 (2016: approximately MOP25,979,000) and the weighted average number of ordinary shares in issue during the years ended 31 December 2017 of approximately 776,219,000 (2016: 720,000,000) on the assumption that the reorganisation and the capitalisation issue as defined in notes 1 and 15 respectively, had been effective on 1 January 2016. No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

11. TRADE RECEIVABLES

The Group grants credit terms of 30 – 60 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	2017	2016
	MOP'000	*MOP'000*
0 – 30 days	**18,338**	28,387
31 – 60 days	**3,200**	3,491
61 – 90 days	**1,553**	3,948
91 – 365 days	**7,235**	1,452
Over 365 days	**715**	65
	31,041	37,343

12. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017	2016
	MOP'000	*MOP'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised loss	**127,190**	109,304
Less: Progress billings	**(56,009)**	(59,503)
Total	**71,181**	49,801
Analysed as:		
Amounts due from customers for contract work	**72,207**	59,677
Amounts due to customers for contract work	**(1,026)**	(9,876)
	71,181	49,801

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	2017	2016
	MOP'000	*MOP'000*
Trade payables	**47,824**	31,185
Salaries payable	**7,316**	4,709
Retention payables	**10,301**	9,668
Accruals and other payables	**2,814**	9,153
	68,255	54,715

The credit period grants to the Group by suppliers/subcontractors normally ranges from 0 to 60 days. The following is an ageing analysis of trade payables based on the invoice date at the end of the reporting period:

	2017	2016
	MOP'000	*MOP'000*
0 to 30 days	**43,727**	6,260
31 – 60 days	**864**	11,639
61 – 90 days	**596**	667
91 – 180 days	**796**	1,194
181 – 365 days	**81**	6,482
Over 365 days	**1,760**	4,943
	47,824	31,185

Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts (i.e. one year after completion of respective contract). All retention payables are expected to be settled within one year based on the expiry date of the defect liability period.

14. BANK BORROWINGS

	2017	2016
	MOP'000	*MOP'000*
Carrying amount repayable base on schedule repayment terms:		
– Within one year	**1,070**	1,106
– More than one year but not exceeding two years	**641**	1,070
– More than two years but not exceeding five years	**1,321**	1,503
– More than five years	**520**	979
	3,552	4,658
Less: Amounts due within one year under current liabilities	**(1,070)**	(1,106)
Amounts show under non-current liabilities	**2,482**	3,552

The bank borrowings are at floating rate which carry interest at MOP best lending rate plus/minus a spread. The effective interest rate on the Group's bank borrowings was 4.88% (2016: 4.96%) per annum as at 31 December 2017.

15. SHARE CAPITAL

The share capital as at 1 January 2016 and 31 December 2016 represented the combined share capital of Kin Pang and Greatway. The share capital as at 31 December 2017 represented the share capital of the Company.

Details of the share capital of the Company are disclosed as follows:

	Number of shares	Amount *MOP'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 22 June 2017 (date of incorporation) *(note i)*	**38,000,000**	**391**
Increase on 24 November 2017 *(note iii)*	**9,962,000,000**	**102,609**
At 31 December 2017	**10,000,000,000**	**103,000**
Issued and fully paid:		
At 22 June 2017 (date of incorporation) *(note i)*	**1**	**–**
Issue of new shares on reorganisation *(note ii)*	**99**	**–**
Capitalisation issue *(note iv)*	**799,999,900**	**8,240**
Issue of new shares upon the Listing *(note v)*	**200,000,000**	**2,060**
At 31 December 2017	**1,000,000,000**	**10,300**

Notes:

(i) On 22 June 2017, the Company was incorporated with an authorised share capital of HK$380,000 (equivalent to MOP391,400) divided into 38,000,000 shares of HK$0.01 each. Upon its incorporation, one share was allotted at par and credited as fully paid.

(ii) On 14 July 2017, 99 shares of the Company were allotted and issued for acquisition of Clear Achieve. Details refer to note 1(vi).

(iii) Pursuant to the written resolutions passed by the shareholders on 24 November 2017, the authorised share capital of the Company was increased from HK$380,000 (equivalent to MOP391,400) to HK$100,000,000 (equivalent to MOP103,000,000) by creation of additional 9,962,000,000 ordinary shares of HK$0.01 each which, upon issue, shall rank pari passu in all aspects with the existing issued ordinary shares.

(iv) Pursuant to the written resolutions passed by the shareholders on 24 November 2017, conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK$7,999,999 (equivalent to MOP8,239,999) from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par. The capitalisation issue was completed on 15 December 2017.

(v) On 15 December 2017, 200,000,000 shares of the Company were issued at HK$0.48 per share for a total consideration of HK$96,000,000 (equivalent to MOP98,880,000).

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 15 December 2017 (the "Listing Date"), the shares of the Company (the "Shares") were listed (the "Listing") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is an integrated construction contractor which provides (i) building and ancillary services; and (ii) emergency repair services. The services are required in various building and construction projects in relation to hotel and casino resorts, infrastructures of electricity and water supply, and public amenities and utilities (such as carriageways, footpaths, drains and sewers).

The Group's revenue was derived from Macau and the Group was engaged in projects in both private and public sectors. Public sector projects refer to projects of which the project employer is the Macau Government, while private sector projects refer to projects that are not within the public sector. The Group's customers mainly included (i) hotel and casino owners or their main contractors; (ii) electricity and water utility companies; and (iii) the Macau Government.

During the year ended 31 December 2017, 61 building and ancillary services projects with an aggregate contract sum of MOP121.1 million were awarded. The Group had completed 50 building and ancillary services projects. As at 31 December 2017, the Group's backlog included 27 building and ancillary services projects, with an aggregate outstanding contract sum of MOP73.2 million.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by business segments during the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	MOP'000	*%*	*MOP'000*	*%*
Building and ancillary services	**233,585**	**95.2**	163,003	92.6
Emergency repair services	**11,847**	**4.8**	13,036	7.4
Total	**245,432**	**100.0**	176,039	100.0

During the year ended 31 December 2017, the Group's revenue increased by approximately MOP69.4 million or 39.4%. The increase was attributable to increase in building and ancillary services revenue of approximately MOP70.6 million or 43.3%. The increase in building and ancillary services revenue was mainly due to more foundation associated works of building and ancillary services projects with revenue recognised for the year ended 31 December 2017 as compared to the previous year.

Gross profit and gross profit margin

During the year ended 31 December 2017, the Group's gross profit increased by approximately MOP4.3 million or 12.7% from approximately MOP34.1 million for the year ended 31 December 2016 to approximately MOP38.4 million for the year ended 31 December 2017. The increase in gross profit was mainly resulted from increase in the revenue.

The Group's gross profit margin decreased from approximately 19.4% for the year ended 31 December 2016 to approximately 15.7% for the year ended 31 December 2017. The decrease in gross profit margin was mainly attributable to lower gross profit margin from the building and ancillary services as a result of lower profit margin of building and ancillary services projects were awarded and recognised, as well as the delay of the completion time of large scale building and ancillary services projects.

Other income, gains and losses, net

The Group's other income increased by approximately MOP56,000 or 30.6% from approximately MOP183,000 for the year ended 31 December 2016 to approximately MOP239,000 for the year ended 31 December 2017. Such increase was mainly attributable to the increase sponsor income from nil in the year ended 31 December 2016 to approximately MOP128,000 for the year ended 31 December 2017, offset by decrease of sundry income from approximately MOP183,000 for the year ended 31 December 2016 to approximately MOP111,000 for the year ended 31 December 2017.

Administrative expenses

The Group's administrative expenses increased by approximately MOP6.7 million or 114.3% from approximately MOP5.9 million for the year ended 31 December 2016 to approximately MOP12.6 million for the year ended 31 December 2017. Such increase was mainly attributable to (i) the increase in staff costs (including Directors' emoluments) of approximately MOP4.6 million due to the increase in the number of employees in administration, accounting and finance department and the increase in directors' emoluments; (ii) the increase in the audit fees of approximately MOP1.1 million; and (iii) the increase in rent of approximately MOP0.8 million due to the increase in rental expenses on staff quarter, offices in Hong Kong and Macau.

Listing expenses

The Group incurred listing expenses of approximately MOP16.1 million for the year ended 31 December 2017 while the Group did not incur any listing expenses for the year ended 31 December 2016.

Finance costs

The Group's finance costs decreased by approximately MOP48,000 or 24.1% from approximately MOP199,000 for the year ended 31 December 2016 to approximately MOP151,000 for the year ended 31 December 2017. Such decrease was mainly attributable to the bank borrowings decreased by approximately MOP1.1 million during the year ended 31 December 2017, which in turn decreased the interest expenses incurred.

Income tax expense

The Group's income tax expense increased by approximately MOP1.5 million or 68.0% from approximately MOP2.2 million for the year ended 31 December 2016 to approximately MOP3.8 million for the year ended 31 December 2017. The Group's effective tax rate increased to approximately 38.4% for the year ended 31 December 2017. Such increase was mainly attributable to the non-tax deductible professional services fees in respect to the listing of the Shares incurred in 2017.

Profit and total comprehensive income

The Group's profit and total comprehensive income for the year decreased by approximately MOP19.9 million or 76.7% from approximately MOP26.0 million for the year ended 31 December 2016 to approximately MOP6.1 million for the year ended 31 December 2017, which was mainly attributable to the combined effect of the aforementioned items.

Basic earnings per share

The Company's basic earnings per Share for the year ended 31 December 2017 was approximately MOP0.78 cents (2016: MOP3.61 cents), representing a decrease of approximately MOP2.83 cents or 78.4% which is in line with the profit for the year attributable to owners of the Company when compared to the year ended 31 December 2016.

Final dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: MOP8.9 million).

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

The Group adopts a prudent approach in cash management to minimise financial and operational risks. The Group's operations mainly rely on internally generated cash flows and bank borrowings.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

As at 31 December 2017, the Group had bank balances and cash of approximately MOP120.6 million (2016: MOP37.4 million) and had no bank overdrafts (2016: Nil).

As at 31 December 2017, the Group had an aggregate of pledged bank deposits of approximately MOP0.2 million (2016: MOP0.2 million) that are used to secure banking facilities.

As at 31 December 2017, bank borrowings amounted to approximately MOP3.6 million (2016: MOP4.7 million) of which approximately MOP1.1 million, MOP0.6 million, MOP1.3 million, and MOP0.6 million (2016: MOP1.1 million, MOP1.1 million, MOP1.5 million, and MOP1.0 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively.

Current ratio increased from 2.0 times as at 31 December 2016 to 3.3 times as at 31 December 2017. It was mainly due to the net proceeds from the Listing.

Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business dividend by the total equity as at the reporting dates. Gearing ratio decreased from 16.8% as at 31 December 2016 to 1.8% as at 31 December 2017. It was mainly due to the increase in the total equity and decrease in the amount of non-trade amount due to related parties.

As at 31 December 2017, the share capital and equity attributable to owners of the Company amounted to approximately MOP10.3 million and approximately MOP197.5 million, respectively (2016: MOP0.3million and MOP87.7 million, respectively).

Capital commitments

At as 31 December 2017, the Group had operating lease commitments of approximately MOP2.6 million (2016: MOP2.4 million).

At as 31 December 2017, the Group had no capital commitments (2016: MOP0.4 million).

Contingent liabilities

As at 31 December 2017, performance guarantee of approximately MOP36.9 million (2016: MOP38.0 million) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. The Group has contingent liabilities to indemnify the bank for any claims from customers under the guarantee due to the failure of the Group's performance. The performance guarantee will be released upon completion of the contract works. At the end of the reporting period, the management of the Group does not consider it is probable that a claim will be made against the Group.

Exposure to fluctuations in exchange rates and interest rates and corresponding hedging arrangements

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through sales proceeds received from customers and the proceeds from issue of shares upon share offer that are denominated in a currency other than the group entities' functional currency. The currencies giving rise to this risk are primarily Hong Kong dollar.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's pledged bank deposits and bank balances and MOP best lending rate arising from the Group's variable-rate bank borrowings.

Credit exposure

The Group's credit risk is primarily attributable to trade receivables, retention receivables and bank balances as at 31 December 2017 and 2016 and also loan to an associate and amount due from a related party as at 31 December 2016.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

Management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation of the customers or the ultimate customers if those contracts allow the Group to obtain payment directly from the ultimate customers under certain circumstances, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. The top three debtors amounting to approximately MOP17.7 million (2016: MOP27.7 million) comprised approximately 57% (2016: 74%) of the Group's trade receivables as at 31 December 2017. Management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered not material as such amounts are placed in banks with good reputations.

The Group has concentration of credit risk on amounts due from a related party and loan to an associate as at 31 December 2016. The management of the Group considers the counterparties with good credit worthiness based on its past repayment history and subsequent settlement.

EMPLOYEES

The Group had 87 full-time employees as at 31 December 2017 (2016: 64).

The Group offers remuneration packages that includes salary, discretionary bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of our employees, which forms the basis of the decisions with respect to salary raises, bonuses and promotions.

The Group's gross staff costs from operations (including the Director's emoluments) was approximately MOP41.8 million for the year ended 31 December 2017 (2016: MOP24.2 million).

The Company adopted a share option scheme so that the Company may grant options to the eligible persons as incentives or rewards for their contributions to the Group.

USE OF PROCEEDS FROM THE SHARE OFFER

The Shares have been listed and traded on the Main Board of the Stock Exchange since 15 December 2017.

The net proceeds from the share offer (the "Share Offer") as defined in the Prospectus amounted to approximately HK$72.0 million (equivalent to approximately MOP74.2 million) (after deducting underwriting fees and commissions and all related expenses). Such net proceeds are intended to be applied in the same manner and the same proportion as disclosed in the Prospectus and the announcement of the Company in relation to the allotment result dated 14 December 2017. The below table sets out the proposed applications and utilised amounts of the net proceeds up to the date of this announcement.

	Net proceeds (HK$ million)		
	Available	**Utilised**	**Unutilised**
Financing for the issue of performance guarantees for future projects	39.6	–	39.6
Acquisition of additional machinery and equipment	14.4	0.8	13.6
Further strengthening manpower	10.8	–	10.8
General working capital	7.2	5.8	1.4
	72.0	6.6	65.4

As at the date of this announcement, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group.

PROSPECTS AND STRATEGIES

The Group believes that there will be the growing demand in the construction industry in Macau in the foreseeable future.

According to the Frost & Sullivan Report, the estimated revenue of building and ancillary services market in Macau has grown from approximately MOP13.4 billion in 2012 to approximately MOP47.1 billion in 2016, representing a compound annual growth rate (“CAGR”) of approximately 36.9%. Driven by the growing demand for the building and ancillary services from redevelopment of gambling and tourism industry and supportive policies in new construction works, it is expected that building and ancillary services market in Macau will continue to expand at a CAGR of approximately 17.7%, increase from approximately MOP56.7 billion in 2017 to approximately MOP108.8 billion in 2021.

The Group’s principal business objective is to further strengthen its position as an integrated construction contractor in Macau. The Group intends to achieve its business objective by expanding its scale of operation through its intended effort in actively seeking opportunities in undertaking additional building and ancillary services projects and emergency repair services projects, from both existing and potential new customers, on top of its present scale of operation and its current projects on hand.

The Directors intend to apply (i) approximately HK$39.6 million (equivalent to approximately MOP40.8 million) to finance the issue of performance guarantees for future projects; (ii) approximately HK$14.4 million (equivalent to approximately MOP14.8 million) to acquire additional machinery and equipment; (iii) approximately HK$10.8 million (equivalent to approximately MOP11.1 million) to further strengthen the manpower; and (iv) approximately HK$7.2 million (equivalent to approximately MOP7.4 million) will be used as the general working capital.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on Wednesday, 13 June 2018. In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 8 June 2018 to Wednesday, 13 June 2018, both days inclusive, during which period no transfer of Shares will be registered. All transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 7 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Shares of the Company were listed on 15 December 2017. Since the Listing Date and up to 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the period from the Listing Date to the date of this announcement, the Company has complied with all applicable code provisions set out in the Corporate Governance Code (the "CG Code") except the deviation from provision A.2.1 of the CG Code. The CG Code is not applicable to the Company before the Listing Date.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Kong Kin I currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Besides, with three independent non-executive Directors out of a total of five

Directors in the Board, there will be sufficient independent voice within the Board to protect the interests of the Company and its shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Company by the Directors. Upon specific enquiries of all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The Company established the audit committee on 24 November 2017 in compliance with the CG Code. As at the date of this announcement, the audit committee consists of three independent non-executive Directors, namely, Mr. Cheung Wai Lun Jacky, Mr. Cheung Kin Wing and Mr. Zhao Zhipeng. Mr. Cheung Kin Wing is the chairman of the audit committee.

The audit committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group, and the financial information of the Group and the annual results of the Company for the year ended 31 December 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.kinpang.com.mo and the Stock Exchange's website at www.hkexnews.hk. The 2017 Annual Report will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the year.

By Order of the Board
Kin Pang Holdings Limited
Kong Kin I
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprises (i) Mr. Kong Kin I (Chairman and Chief Executive Officer) and Ms. Choi Fong Lan as executive directors of the Company; and (ii) Mr. Cheung Wai Lun Jacky, Mr. Cheung Kin Wing and Mr. Zhao Zhipeng as independent non-executive directors of the Company.