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Kin Pang Holdings Limited
建鵬控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1722)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Kin Pang Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018.

The financial information set out below in this announcement represents an extract from the condensed consolidated financial statements for the six months ended 30 June 2019, which are unaudited, but have been reviewed by the Company’s audit committee.

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

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	NOTES	MOP'000	MOP'000
		(unaudited)	(unaudited)
Revenue	3	59,386	153,309
Direct costs		<u>(47,662)</u>	<u>(132,399)</u>
Gross profit		11,724	20,910
Other income, gains and losses, net	4	511	785
Impairment loss allowance of trade receivables and contract assets		(710)	–
Administrative expenses		(8,081)	(7,757)
Finance costs		<u>(118)</u>	<u>(45)</u>
Profit before taxation	5	3,326	13,893
Income tax expense	6	<u>(736)</u>	<u>(1,946)</u>
Profit and total comprehensive income for the period		<u><u>2,590</u></u>	<u><u>11,947</u></u>
Earnings per share			
Basic (MOP cents)	8	<u><u>0.26</u></u>	<u><u>1.19</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		At 30 June 2019 MOP'000 (unaudited)	At 31 December 2018 MOP'000 (audited)
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment		17,297	13,822
Right-of-use assets		2,241	–
Deposits	10	642	701
Equity instrument at FVTOCI		10,154	10,154
		30,334	24,677
Current assets			
Trade receivables	9	53,295	11,351
Other receivables, deposits and prepayments	10	14,069	46,794
Contract assets		85,988	85,722
Pledged bank deposits		30,900	32,259
Bank balances and cash		49,223	65,817
		233,475	241,943
Current liabilities			
Trade and other payables and accruals	11	32,578	40,489
Tax payable		10,638	9,902
Lease liabilities		1,590	–
Bank borrowings	12	411	640
		45,217	51,031
Net current assets		188,258	190,912
Total assets less current liabilities		218,592	215,589
Non-current liabilities			
Lease liabilities		745	–
Bank borrowings	12	1,672	1,880
		2,417	1,880
Net assets		216,175	213,709
Capital and reserves			
Share capital	13	10,300	10,300
Reserves		205,875	203,409
Equity attributable to owners of the Company		216,175	213,709

NOTES

1. GENERAL INFORMATION

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 Company’s immediate and ultimate holding company is Fortunate Year Investment Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability and controlled by Mr. Kong Kin I (“Mr. Kong”) and Ms. Choi Fong Lan (“Ms. Choi”), who is the spouse of Mr. Kong.

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

The unaudited condensed consolidated financial statements are presented in Macau Pataca (“MOP”), which is also the functional currency of the Company.

Basis of Preparation and Presentation

This interim financial report for the six months ended 30 June 2019 (the “Interim Financial Report”) has been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the Interim Financial Report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The Interim Financial Report is unaudited. The financial information relating to the financial year ended 31 December 2018 that is included in the Interim Financial Report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2018 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2019.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s unaudited condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the unaudited condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately MOP3,561,000 and right-of-use assets of approximately MOP3,437,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 4.25%.

	As 1 January 2019 MOP’000
Operating lease commitments disclosed as at 31 December 2018	2,298
Lease Liabilities discounted at relevant incremental borrowing rates	3,561
Less: Recognition exemption – short-term leases	–
Lease Liabilities as at 1 January 2019	<u>3,561</u>
Analysed as	
Current	2,447
Non-current	<u>1,114</u>
	<u>3,561</u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets MOP'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,437
By class:	
Land and buildings	3,437

2.2 Significant changes in significant judgements and key sources of estimation uncertainty

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The following adjustments were made to the amounts recognised in the unaudited condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

Unaudited Condensed Consolidated Statement of Financial Position (Extract)

	31 December 2018 (As previously reported) MOP'000	Effects of adopting HKFRS 16 “Leases” MOP'000	1 January 2019 MOP'000
Non-current assets			
Right-of-use assets	–	3,437	3,437
Equity			
Reserves	203,409	(124)	203,285
Current liabilities			
Lease liabilities	–	2,447	2,447
Non-current liability			
Lease liabilities	–	1,114	1,114

2.3 Impact on the Group's financial statement

The impact of the adoption of HKFRS 16 "Leases" to the financial statements for six months ended and as at 30 June 2019 is disclosed below which includes the full unaudited condensed consolidated statement of profit or loss and other comprehensive income and those affected line items on the unaudited condensed consolidated statement of financial position and unaudited condensed consolidated statement of cash flows.

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Before adoption of HKFRS 16 "Leases" MOP'000	Effects of adopting HKFRS 16 "Leases" MOP'000	As reported MOP'000
Revenue	59,386	–	59,386
Direct costs	(47,662)	–	(47,662)
Gross profit	11,724	–	11,724
Other income, gains and losses, net	511	–	511
Impairment loss allowance of trade receivables and contract assets	(710)	–	(710)
Administrative expenses	(8,176)	95	(8,081)
Finance costs	(53)	(65)	(118)
Profit before taxation	3,296	30	3,326
Income tax expense	(736)	–	(736)
Profit and total comprehensive income for the period	<u>2,560</u>	<u>30</u>	<u>2,590</u>

Unaudited Condensed Consolidated Statement of Financial Position (Extract)

	Before adoption of HKFRS 16 "Leases" MOP'000	Effects of adopting HKFRS 16 "Leases" MOP'000	As reported MOP'000
Non-current assets			
Right-of-use assets	–	2,241	2,241
Equity			
Reserves	205,969	(94)	205,875
Current liabilities			
Lease liabilities	–	1,590	1,590
Non-current liability			
Lease liabilities	<u>–</u>	<u>745</u>	<u>745</u>

Unaudited Condensed Consolidated Statement of Cash Flows (Extract)

	Before adoption of HKFRS 16 “Leases” MOP’000	Effects of adopting HKFRS 16 “Leases” MOP’000	As reported MOP’000
Operating activities	(12,264)	1,291	(10,973)
Investing activities	(3,841)	–	(3,841)
Financing activities	(489)	(1,291)	(1,780)
Net change in cash and cash equivalents	<u>(16,594)</u>	<u>–</u>	<u>(16,594)</u>

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the net amounts received and receivable for building and ancillary services and emergency repair services rendered by the Group to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using output method.

Timing of revenue recognition and category of revenue

	Six months ended 30 June	
	2019	2018
	MOP’000	MOP’000
	(unaudited)	(unaudited)
Recognised over time:		
Building and ancillary services	51,210	147,354
Emergency repair services	<u>8,176</u>	<u>5,955</u>
	<u>59,386</u>	<u>153,309</u>

Transactions price allocated to the remaining performance obligations

	Six months ended 30 June	
	2019	2018
	MOP’000	MOP’000
Building and ancillary services	962,395	238,921
Emergency repair services	<u>1,663</u>	<u>3,154</u>
	<u>964,058</u>	<u>242,075</u>

Segment information

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.

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

For the six months ended 30 June 2019

	Building and ancillary services MOP'000 (unaudited)	Emergency repair services MOP'000 (unaudited)	Total MOP'000 (unaudited)
Segment revenue	<u>51,210</u>	<u>8,176</u>	<u>59,386</u>
Segment results	<u>5,933</u>	<u>5,081</u>	11,014
Other income, gains and losses, net			511
Administrative expenses			(8,081)
Finance costs			<u>(118)</u>
Profit before taxation			<u>3,326</u>

For the six months ended 30 June 2018

	Building and ancillary services MOP'000 (unaudited)	Emergency repair services MOP'000 (unaudited)	Total MOP'000 (unaudited)
Segment revenue	<u>147,354</u>	<u>5,955</u>	<u>153,309</u>
Segment results	<u>19,599</u>	<u>1,311</u>	20,910
Other income, gains and losses, net			785
Administrative expenses			(7,757)
Finance costs			<u>(45)</u>
Profit before taxation			<u>13,893</u>

Segment results mainly represented profit earned by each segment excluding (i) other income, gains and losses, net; (ii) administrative expenses; and; (iii) finance costs.

Other segment information

For the six months ended 30 June 2019

	Building and ancillary services <i>MOP'000</i> (unaudited)	Emergency repair services <i>MOP'000</i> (unaudited)	Unallocated <i>MOP'000</i> (unaudited)	Total <i>MOP'000</i> (unaudited)
Amount included in the measurement of segment profit or loss:				
Depreciation of property, plant and equipment	1,861	–	1,498	3,359
Impairment loss allowance of trade receivables and contract assets	710	–	–	710

For the six months ended 30 June 2018

	Building and ancillary services <i>MOP'000</i> (unaudited)	Emergency repair services <i>MOP'000</i> (unaudited)	Unallocated <i>MOP'000</i> (unaudited)	Total <i>MOP'000</i> (unaudited)
Amount included in the measurement of segment profit or loss:				
Depreciation of property, plant and equipment	1,645	–	251	1,896
Impairment loss allowance of trade receivables and contract assets	–	–	–	–

Geographical information

No geographical segment information is presented for the Group's revenue as all derived from Macau based on the location of the projects.

The Group's non-current assets (excluding equity instrument at FVTOCI) by geographical location of the assets are detailed below:

	Non-current assets	
	At 30 June 2019 MOP'000 (unaudited)	At 31 December 2018 MOP'000 (audited)
Macau	19,656	14,292
Hong Kong	524	231
	20,180	14,523

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the six-month period which is generated from the building and ancillary services segment is as follow:

	Six months ended 30 June	
	2019 MOP'000 (unaudited)	2018 MOP'000 (unaudited)
Customer A	23,048	45,715
Customer B	7,856	N/A *
Customer C	6,948	N/A *
Customer D	N/A *	56,331
Customer E	N/A *	16,709

* Less than 10% of the Group's total revenue

4. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2019	2018
	<i>MOP'000</i> (unaudited)	<i>MOP'000</i> (unaudited)
Interest income	438	1
Loss on disposal of property, plant and equipment	–	(3)
Other income	73	787
	<u>511</u>	<u>785</u>

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	<i>MOP'000</i> (unaudited)	<i>MOP'000</i> (unaudited)
Profit before taxation has been arrived at after charging:		
Interests on bank borrowing	53	45
Donation	309	309
Depreciation of property, plant and equipment	3,359	1,896
Staff costs (including directors' emoluments):		
Salaries and other benefits	17,863	20,733
Retirement benefits scheme contributions	80	89
	17,943	20,822
Less: staff cost capitalised to direct costs	(14,537)	(17,467)
	<u>3,406</u>	<u>3,355</u>
Minimum lease payments under operating leases in respect of		
– land and building (included in administrative expenses)	–	1,085
– site equipment (included in direct costs)	317	1,716
	<u>317</u>	<u>2,801</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Macau Complementary Tax:		
Current tax	<u>736</u>	<u>1,946</u>

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

No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group has no assessable profits for both periods.

7. DIVIDENDS

The Board has resolved not to declare payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

8. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit for the period attributable to owners of the Company of approximately MOP2,590,000 (six months ended 30 June 2018: approximately MOP11,947,000) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 of approximately 1,000,000,000 (six months ended 30 June 2018: 1,000,000,000). No diluted earnings per share is presented for both periods as there was no potential ordinary share outstanding.

9. 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:

	At 30 June 2019 MOP'000 (unaudited)	At 31 December 2018 MOP'000 (audited)
0–30 days	50,492	8,010
31–60 days	483	–
61–90 days	–	1,097
91–365 days	1,622	1,415
Over 365 days	<u>787</u>	<u>911</u>
	53,384	11,433
Less: Impairment loss allowance	<u>(89)</u>	<u>(82)</u>
	<u>53,295</u>	<u>11,351</u>

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2019 MOP'000 (unaudited)	At 31 December 2018 MOP'000 (audited)
Other deposits	2,926	4,684
Prepayments to suppliers and subcontractors	8,389	40,626
Other prepayments	3,396	2,185
Total	14,711	47,495
Analysed for reporting purposes as:		
Non-current assets (<i>note</i>)	642	701
Current assets	14,069	46,794
	14,711	47,495

Note: Included in the balance as at 30 June 2019 was MOP85,000 (31 December 2018: MOP85,000) paid to Mr. Kong and Ms. Choi as the refundable rental deposit in relation to the lease of premises which are owned by Mr. Kong and Ms. Choi as office of the Group.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 June 2019 MOP'000 (unaudited)	At 31 December 2018 MOP'000 (audited)
Trade payables	13,035	15,388
Salaries payable	3,135	4,110
Retention payables	13,197	13,918
Accruals and other payables	3,211	7,073
	32,578	40,489

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:

	At 30 June 2019 MOP'000 (unaudited)	At 31 December 2018 MOP'000 (audited)
0–30 days	11,492	12,757
31–60 days	105	398
61–90 days	72	977
91–180 days	320	195
181–365 days	–	112
Over 365 days	1,046	949
	13,035	15,388

Retention payables to subcontractors and suppliers 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.

12. BANK BORROWINGS

During the current interim period, the Group has repaid bank loans amounting to MOP436,000.

The bank borrowings and other bank facilities including performance guarantee are secured by:

- (i) the pledged bank balances of MOP30,900,000 as at 30 June 2019 (31 December 2018: MOP32,259,000); and
- (ii) unlimited deed of guarantee by the Company.

13. SHARE CAPITAL

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 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (unaudited)	10,000,000,000	103,000
Issued and fully paid:		
At 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (unaudited)	1,000,000,000	10,300

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 shares of the Company (the “Shares”) were listed 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 six months ended 30 June 2019, 22 building and ancillary services projects with an aggregate contract sum of MOP741.9 million were awarded. The Group had completed 15 building and ancillary services projects during this period. As at 30 June 2019, the Group’s backlog included 24 building and ancillary services projects, with an aggregate outstanding contract sum of MOP962.4 million.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group’s revenue by business segments during the six months ended 30 June 2019 and 2018:

	Six months ended 30 June (Unaudited)			
	2019		2018	
	<i>MOP’000</i>	<i>%</i>	<i>MOP’000</i>	<i>%</i>
Building and ancillary services	51,210	86.2	147,354	96.1
Emergency repair services	8,176	13.8	5,955	3.9
Total	59,386	100.0	153,309	100.0

During the six months ended 30 June 2019, the Group’s total revenue decreased by approximately MOP93.9 million or 61.3% relative to that of the corresponding period in 2018. The decrease was attributable to a decrease in building and ancillary services revenue of approximately MOP96.1 million or 65.2%. The Group had completed 15 building and ancillary services projects during the period for the six months ended 30 June 2019. The Group undertook relatively fewer building and ancillary services projects and those projects undertaken were of relatively small scale during the period for the six months ended 30 June 2019.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately MOP9.2 million or 44.0% to approximately MOP11.7 million for the six months ended 30 June 2019 from approximately MOP20.9 million for the corresponding period in 2018. The Group's gross profit margin increased to approximately 19.7% for the six months ended 30 June 2019 from approximately 13.6% for the corresponding period in 2018.

The drop in the gross profit was mainly attributable to the decrease in revenue of the building and ancillary services projects undertaken. The increase in the gross profit margin was mainly attributable to the increase in the proportion of gross profit for emergency and repair services, which had a relatively higher gross profit margin, during the period for the six months ended 30 June 2019.

Impairment Loss Allowance of Trade Receivables and Contract Assets

The Group's impairment loss allowance of trade receivables and contract assets was MOP710,000 for the six months ended 30 June 2019 and was nil for the corresponding period in 2018. The Group applied simplified approach to measure expected credit losses ("ECL") which used a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics.

Other Income, Gains and Losses, Net

The Group's other income decreased by approximately MOP274,000 or 34.9% from approximately MOP785,000 for the six months ended 30 June 2018 to approximately MOP511,000 for the six months ended 30 June 2019. Such decrease was mainly attributable to the decrease in sundry income, mainly the disposal of scraps, from MOP787,000 for the six months ended 30 June 2018 to approximately MOP73,000 for the six months ended 30 June 2019, offset by the increase in bank interest income from MOP1,000 for the six months ended 30 June 2018 to approximately MOP438,000 for the six months ended 30 June 2019.

Administrative Expenses

The Group's administrative expenses increased by approximately MOP0.3 million or 3.8% from approximately MOP7.8 million for the six months ended 30 June 2018 to approximately MOP8.1 million for the six months ended 30 June 2019. Such increase was mainly attributable to the increase in salary of employees and the increase in Directors' emoluments.

Finance Costs

The Group's finance costs increased by approximately MOP73,000 or 162.2% from approximately MOP45,000 for the six months ended 30 June 2018 to approximately MOP118,000 for the six months ended 30 June 2019. Such increase was mainly attributable to the increase in the interest expense by applying the new accounting standard, HKFRS 16.

Income Tax Expense

The Group's income tax expense decreased by approximately MOP1.2 million or 63.2% from approximately MOP1.9 million for the six months ended 30 June 2018 to approximately MOP0.7 million for the six months ended 30 June 2019. The Group's effective tax rate increased from 14.0% for the six months ended 30 June 2018 to 22.1% for the six months ended 30 June 2019.

Profit and Total Comprehensive Income

The Group's profit and total comprehensive income for the six months ended 30 June 2019 decreased by approximately MOP9.3 million or 78.2% from approximately MOP11.9 million for the six months ended 30 June 2018 to approximately MOP2.6 million for the six months ended 30 June 2019, 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 six months ended 30 June 2019 was approximately MOP0.26 cents (six months ended 30 June 2018: MOP1.19 cents), representing a decrease of approximately MOP0.93 cents or 78.2% which is in line with the profit for the period attributable to owners of the Company when compared to the six months ended 30 June 2018.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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 30 June 2019, the Group had bank balances and cash of approximately MOP49.2 million (31 December 2018: MOP65.8 million) and had no bank overdrafts (31 December 2018: Nil).

As at 30 June 2019, the Group had an aggregate of pledged bank deposits of approximately MOP30.9 million (31 December 2018: MOP32.3 million) that are used to secure banking facilities.

As at 30 June 2019, bank borrowings amounted to approximately MOP2.1 million (31 December 2018: MOP2.5 million) of which approximately MOP0.4 million, MOP0.4 million, MOP1.3 million, and nil (31 December 2018: MOP0.6 million, MOP0.4 million, MOP1.5 million, and nil) 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 4.7 times as at 31 December 2018 to 5.1 times as at 30 June 2019. It was mainly due to the reduction of trade payables, accruals and other payables.

Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the respective reporting dates. Gearing ratio decreased from 1.2% as at 31 December 2018 to 1.0% as at 30 June 2019. It was mainly due to the reduction of bank borrowings of MOP0.4 million during the six months ended 30 June 2019.

As at 30 June 2019, the share capital and equity attributable to owners of the Company amounted to approximately MOP10.3 million and approximately MOP216.2 million, respectively (31 December 2018: MOP10.3 million and MOP213.7 million, respectively).

Operating Lease Commitments and Capital Commitments

At as 30 June 2019, the Group had no operating lease commitments (31 December 2018: MOP2.3 million).

At as 30 June 2019, the Group had no capital commitments (31 December 2018: Nil).

Contingent Liabilities

As at 30 June 2019, performance guarantee of approximately MOP40.1 million (31 December 2018: MOP43.2 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, contract assets, other receivables and deposits, pledged bank deposits and bank balances as at 30 June 2019 and 31 December 2018.

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 unaudited condensed 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 assessing financial information, seeking 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 MOP48.7 million (31 December 2018: MOP7.3 million) comprised approximately 91% (31 December 2018: 64%) of the Group's trade receivables as at 30 June 2019. 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 high credit ratings assigned by international credit rating agencies.

EMPLOYEES

The Group had 114 full-time employees as at 30 June 2019 (31 December 2018: 79).

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 MOP17.9 million for the six months ended 30 June 2019 (2018: MOP20.8 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 prospectus of the Company dated 30 November 2017 (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 30 June 2019.

	Net proceeds (HK\$ million)		
	Available	Utilised	Unutilised
Financing for the issue of performance guarantees for future projects	39.6	36.3	3.3
Acquisition of additional machinery and equipment	14.4	10.8	3.6
Further strengthening manpower	10.8	9.1	1.7
General working capital	7.2	7.2	–
	<u>72.0</u>	<u>63.4</u>	<u>8.6</u>

As at 30 June 2019, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group.

PROSPECTS AND STRATEGIES

Taking into account the redevelopment of gaming and tourism industry and supportive policies in new construction works, the Group expects that the demand in the construction industry in Macau will keep growing.

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.

Meanwhile, the Group will start exploring the business opportunities in other geographical areas outside Macau. The Group expects that such strategy may expand revenue base and achieve long-term growth.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2019 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2019 and up 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") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except the deviation from provision A.2.1 of the CG Code.

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 BY DIRECTORS

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 throughout the six months ended 30 June 2019.

AUDIT COMMITTEE

The audit committee of the Company, consisting of three independent non-executive Directors, has reviewed the unaudited condensed consolidated financial statements of the Group and the interim results announcement of the Company for the six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim 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 interim 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 period.

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

Hong Kong, 29 August 2019

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; and (ii) Mr. Cheung Wai Lun Jacky, Mr. Cheung Kin Wing and Mr. Zhao Zhipeng as independent non-executive Directors.