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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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**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 2019 together with the comparative figures for the corresponding year ended 31 December 2018.

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

*For the year ended 31 December 2019*

		<b>2019</b>	2018
	<i>NOTES</i>	<i>MOP'000</i>	<i>MOP'000</i>
Revenue	4	<b>292,625</b>	260,629
Direct costs		<u><b>(253,614)</b></u>	<u>(223,774)</u>
Gross profit		<b>39,011</b>	36,855
Other income, gain and loss	5	<b>630</b>	1,139
Impairment losses under expected credit loss model		<b>(4,214)</b>	(511)
Administrative expenses		<b>(17,588)</b>	(17,597)
Finance costs	6	<u><b>(303)</b></u>	<u>(110)</u>
Profit before tax		<b>17,536</b>	19,776
Income tax expense	7	<u><b>(3,294)</b></u>	<u>(2,941)</u>
Profit for the year	8	<b>14,242</b>	16,835
Other comprehensive income (expense) for the year			
Fair value gain (loss) on equity instrument at fair value through other comprehensive income ("FVTOCI")		<u><b>971</b></u>	<u>(546)</u>
Total comprehensive income for the year		<u><b>15,213</b></u>	<u>16,289</u>
Profit for the year attributable to owners of the Company		<u><b>14,242</b></u>	<u>16,835</u>
Total comprehensive income for the year attributable to owner of the Company		<u><b>15,213</b></u>	<u>16,289</u>
Earnings per share	10		
Basic ( <i>MOP cents</i> )		<u><b>1.42</b></u>	<u>1.68</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2019*

		<b>2019</b>	<b>2018</b>
	<i>NOTES</i>	<i>MOP'000</i>	<i>MOP'000</i>
Non-current assets			
Property, plant and equipment		<b>27,855</b>	13,822
Right-of-use assets		<b>6,172</b>	–
Deposits		<b>8,614</b>	701
Equity instrument at FVTOCI		<b>11,125</b>	10,154
		<b>53,766</b>	24,677
Current assets			
Trade receivables	11	<b>84,251</b>	11,351
Other receivables, deposits and prepayments		<b>15,463</b>	46,794
Contract assets		<b>157,317</b>	85,722
Pledged bank deposits		<b>25,750</b>	32,259
Bank balances and cash		<b>30,067</b>	65,817
		<b>312,848</b>	241,943
Current liabilities			
Trade and other payables	12	<b>108,005</b>	40,489
Tax payable		<b>7,654</b>	9,902
Bank borrowings	13	<b>2,643</b>	640
Lease liabilities		<b>1,608</b>	–
		<b>119,910</b>	51,031
Net current assets		<b>192,938</b>	190,912
Total assets less current liabilities		<b>246,704</b>	215,589
Non-current liabilities			
Bank borrowings	13	<b>13,196</b>	1,880
Lease liabilities		<b>4,586</b>	–
		<b>17,782</b>	1,880
Net assets		<b>228,922</b>	213,709
Capital and reserves			
Share capital		<b>10,300</b>	10,300
Reserves		<b>218,622</b>	203,409
Total equity		<b>228,922</b>	213,709

## NOTES

### 1. GENERAL

Kin Pang Holdings Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its immediate and ultimate holding company is Fortunate Year Investments Limited (“Fortunate Year”), a company incorporated in the British Virgin Islands (“BVI”) with limited liability. Its ultimate controlling party is Mr. Kong Kin I (“Mr. Kong”), who is the Chairman and Chief Executive Officer of the Company and Ms. Choi Fong Lan, the spouse of Mr. Kong.

The principal activity of the Company and its subsidiaries (collectively referred to as the “Group”) is civil engineering in Macau and Hong Kong.

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

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **HKFRS 16 “Leases”**

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

#### ***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 standard 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.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16 C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained 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; and
- 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.

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 incremental borrowing rate applied is 4.375%.

	<b>At 1 January 2019 MOP'000</b>
Operating lease commitments disclosed as at 31 December 2018	2,298
Lease liabilities discounted at relevant incremental borrowings rates	2,156
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	(64)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	2,092
Analysed as	
Current	649
Non-current	1,443
	2,092

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

	<b>Right-of-use assets MOP'000</b>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	2,092

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

	<b>Carrying amounts previously reported at 31 December 2018 MOP'000</b>	<b>Adjustments MOP'000</b>	<b>Carrying amounts under HKFRS 16 at 1 January 2019 MOP'000</b>
<b>Non-current assets</b>			
Right-of-use assets	–	2,092	2,092
<b>Current liabilities</b>			
Lease liabilities	–	649	649
<b>Non-current liabilities</b>			
Lease liabilities	–	1,443	1,443

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

#### 4. REVENUE AND SEGMENT INFORMATION

The Group provides building and ancillary services and emergency repair services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced at customers' site. Revenue is recognised for these construction services based on the stage of completion of the contract using output method.

Information reported to management of the Group, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and assessment of segment performance focused on types of services provided.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

1. Building and ancillary services
2. Emergency repair services

##### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

##### *Year ended 31 December 2019*

	<b>Building and ancillary services <i>MOP'000</i></b>	<b>Emergency repair services <i>MOP'000</i></b>	<b>Consolidated <i>MOP'000</i></b>
Segment revenue	<b>275,865</b>	<b>16,760</b>	<b>292,625</b>
Segment profit	<b>25,065</b>	<b>9,732</b>	<b>34,797</b>
Other income, gain and loss			<b>630</b>
Administrative expenses			<b>(17,588)</b>
Finance costs			<b>(303)</b>
Profit before tax			<b>17,536</b>

*Year ended 31 December 2018*

	Building and ancillary services <i>MOP'000</i>	Emergency repair services <i>MOP'000</i>	Consolidated <i>MOP'000</i>
Segment revenue	246,775	13,854	260,629
Segment profit	31,280	5,064	36,344
Other income, gain and loss			1,139
Administrative expenses			(17,597)
Finance costs			(110)
Profit before taxation			19,776

Segment profit represents the profit earned by each segment without allocation of other income, gain and loss, administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

**5. OTHER INCOME, GAIN AND LOSS**

	2019 <i>MOP'000</i>	2018 <i>MOP'000</i>
Interest income	618	317
Gain on lease termination	33	–
Loss on disposal of property, plant and equipment	(96)	(3)
Sales of leftover piles	–	775
Others	75	50
	630	1,139

**6. FINANCE COSTS**

	2019 <i>MOP'000</i>	2018 <i>MOP'000</i>
Interest on bank borrowings	125	110
Interest on bank overdrafts	19	–
Interest on lease liabilities	159	–
	303	110



## 7. INCOME TAX EXPENSE

	2019 <i>MOP'000</i>	2018 <i>MOP'000</i>
Macau Complementary Tax:		
Current tax	3,308	3,346
Overprovision in prior years	(14)	(405)
	<u>3,294</u>	<u>2,941</u>

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

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for both years.

## 8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2019 <i>MOP'000</i>	2018 <i>MOP'000</i>
Depreciation of property, plant and equipment	4,917	4,076
Depreciation of right-of-use assets	2,401	–
Total depreciation	<u>7,318</u>	<u>4,076</u>
Auditor's remuneration	824	1,300
Employees benefits expenses	52,405	41,206
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	<u>3,583</u>	<u>–</u>

## 9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2018 and 2019, nor has any dividend been proposed since the end of the reporting period.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

### Earnings

	2019 <i>MOP'000</i>	2018 <i>MOP'000</i>
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>14,242</u>	<u>16,835</u>

### Number of shares

	2019 '000	2018 '000
Weight average number of ordinary shares for the purpose of basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

No diluted earnings per share for both years were presented as there was no potential ordinary share in issue for both years.

## 11. TRADE RECEIVABLES

	2019 <i>MOP'000</i>	2018 <i>MOP'000</i>
Trade receivables		
– contracts with customers	84,685	11,433
Less: Allowance for credit losses	<u>(434)</u>	<u>(82)</u>
	<u>84,251</u>	<u>11,351</u>

The Group allows credit period of 30 to 60 days to its customers. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates.

	2019 <i>MOP'000</i>	2018 <i>MOP'000</i>
0 – 30 days	67,581	6,739
31 – 60 days	1,523	1,271
61 – 90 days	199	–
91 – 365 days	13,322	1,888
Over 365 days	<u>1,626</u>	<u>1,453</u>
	<u>84,251</u>	<u>11,351</u>

## 12. TRADE AND OTHER PAYABLES

	2019 <i>MOP'000</i>	2018 <i>MOP'000</i>
Trade payables	79,424	15,388
Salaries payable	7,157	4,110
Retention payables	18,807	13,918
Accruals and other payables	2,617	7,073
	<u>108,005</u>	<u>40,489</u>

The following is an aged analysis of trade payables based on the invoice date.

	2019 <i>MOP'000</i>	2018 <i>MOP'000</i>
0 to 30 days	70,352	12,757
31 – 60 days	6,625	398
61 – 90 days	760	977
91 – 180 days	736	195
181 – 365 days	1	112
Over 365 days	950	949
	<u>79,424</u>	<u>15,388</u>

The credit period granted to the Group by suppliers/subcontractors normally ranges from 0 to 60 days.

## 13. BANK BORROWINGS

	2019 <i>MOP'000</i>	2018 <i>MOP'000</i>
Secured bank borrowings	<u>15,839</u>	<u>2,520</u>
The carrying amounts of the above borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):		
– Within one year	2,643	640
– Within a period of more than one year but not more than two years	2,746	420
– Within a period of more than two years but not more than five years	6,634	1,460
– Within a period of more than five years	<u>3,816</u>	<u>–</u>
	15,839	2,520
Less: Amounts due within one year shown under current liabilities	<u>(2,643)</u>	<u>(640)</u>
Amounts shown under non-current liabilities	<u>13,196</u>	<u>1,880</u>

The bank borrowings are at floating rates which carry interest at MOP best lending rate plus/minus a spread. The effective interest rate on the Group's bank borrowings was 3.43% (2018: 4.55%) per annum as at 31 December 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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 Hong Kong 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 2019, 32 building and ancillary services projects with an aggregate contract sum of MOP786.9 million were awarded. The Group had completed 30 building and ancillary services projects. As at 31 December 2019, the Group's backlog included 19 building and ancillary services projects, with an aggregate outstanding contract sum of MOP782.8 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 2019 and 2018:

	Year ended 31 December			
	2019		2018	
	<i>MOP'000</i>	<i>%</i>	<i>MOP'000</i>	<i>%</i>
Building and ancillary services	<b>275,865</b>	<b>94.3</b>	246,775	94.7
Emergency repair services	<b>16,760</b>	<b>5.7</b>	13,854	5.3
Total	<b><u>292,625</u></b>	<b><u>100.0</u></b>	<b><u>260,629</u></b>	<b><u>100.0</u></b>

During the year ended 31 December 2019, the Group's total revenue increased by approximately MOP32.0 million or 12.3% as compared to the year ended 31 December 2018. The increase was attributable to an increase in building and ancillary services revenue of approximately MOP29.1 million or 11.8%, a majority of which were derived from foundation associated works of building and ancillary services projects.

### **Gross Profit and Gross Profit Margin**

The Group's gross profit increased by approximately MOP2.1 million or 5.7% to approximately MOP39.0 million for the year ended 31 December 2019 from approximately MOP36.9 million for the year ended 31 December 2018. The Group's gross profit margin decreased to approximately 13.3% for the year ended 31 December 2019 from approximately 14.1% for the year ended 31 December 2018.

The increase in the gross profit was mainly attributable to the increase in revenue of the building and ancillary services projects undertaken. The drop in the gross profit margin was mainly attributable to the decrease in the gross profit margin of building ancillary services. The large-scale foundation associated works of building and ancillary services projects undertaken had a relatively low gross profit margin during the year ended 31 December 2019.

### **Other Income, Gain and Loss**

The Group's other income decreased by approximately MOP509,000 or 44.7% from approximately MOP1,139,000 for the year ended 31 December 2018 to approximately MOP630,000 for the year ended 31 December 2019. Such decrease was mainly attributable to the decrease in the disposal of scraps from approximately MOP775,000 for the year ended 31 December 2018 to nil for the year ended 31 December 2019, offset by the increase in bank interest income from approximately MOP317,000 for the year ended 31 December 2018 to approximately MOP618,000 for the year ended 31 December 2019.

### **Impairment Losses under Expected Credit Loss Model**

The Group's impairment losses under expected credit loss model was approximately MOP4.2 million for the year ended 31 December 2019 and was approximately MOP0.5 million for the year ended 31 December 2018. Except for certain balances of contract assets being assessed on an individual basis, the Group applied simplified approach to measure expected credit loss ("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. The increase in impairment losses under expected credit loss model was mainly due to the result of the contract assets being assessed on an individual basis.

## **Administrative Expenses**

The Group's administrative expenses decreased by approximately MOP9,000 or 0.1% from approximately MOP17,597,000 for the year ended 31 December 2018 to approximately MOP17,588,000 for the year ended 31 December 2019. Such decrease was mainly attributable to the savings in auditor's remuneration and other listing related expenses, offset by the increase in salary of employees and the increase in Directors' emoluments.

## **Finance Costs**

The Group's finance costs increased by approximately MOP193,000 or 175.5% from approximately MOP110,000 for the year ended 31 December 2018 to approximately MOP303,000 for the year ended 31 December 2019. Such increase was mainly attributable to the increase in bank loan interest and the increase in the interest expense by applying the new accounting standard, HKFRS 16.

## **Income Tax Expense**

The Group's income tax expense increased by approximately MOP0.4 million or 13.8% from approximately MOP2.9 million for the year ended 31 December 2018 to approximately MOP3.3 million for the year ended 31 December 2019. The Group's effective tax rate increased from 15.0% for the year ended 31 December 2018 to 18.8% for the year ended 31 December 2019.

## **Profit for the Year**

The Group's profit for the year decreased by approximately MOP2.6 million or 15.5% from approximately MOP16.8 million for the year ended 31 December 2018 to approximately MOP14.2 million for the year ended 31 December 2019.

## **Other Comprehensive Income for the Year**

The Group's other comprehensive income was approximately MOP971,000 for the year ended 31 December 2019 compared to other comprehensive expense approximately MOP546,000 for the year ended 31 December 2018. The increase was mainly attributable to fair value gain on investment in an equity instrument at fair value through other comprehensive income.

## **Total Comprehensive Income for the Year**

The Group's total comprehensive income for the year ended 31 December 2019 decreased by approximately MOP1.1 million or 6.7% from approximately MOP16.3 million for the year ended 31 December 2018 to approximately MOP15.2 million for the year ended 31 December 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 year ended 31 December 2019 was approximately MOP1.42 cents (2018: MOP1.68 cents), representing a decrease of approximately MOP0.26 cents or 15.5% which is in line with the profit for the period attributable to owners of the Company when compared to the year ended 31 December 2018.

## **Final Dividend**

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

## **CORPORATE FINANCE AND RISK MANAGEMENT**

### **Liquidity and Financial Resources and Capital Structure**

As at 31 December 2019, the Group had bank balances and cash of approximately MOP30.1 million (2018: MOP65.8 million) and had no bank overdrafts (2018: Nil).

As at 31 December 2019, the Group had an aggregate of pledged bank deposits of approximately MOP25.8 million (2018: MOP32.3 million) that are used to secure banking facilities.

As at 31 December 2019, bank borrowings amounted to approximately MOP15.8 million (2018: MOP2.5 million) of which approximately MOP2.6 million, MOP2.8 million, MOP6.6 million, and MOP3.8 million (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 decreased from 4.7 times as at 31 December 2018 to 2.6 times as at 31 December 2019. It was mainly due to the increase of trade and other payables, current portions of lease liabilities and bank borrowings.

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 increased from 1.2% as at 31 December 2018 to 6.9% as at 31 December 2019. It was mainly due to the increase in bank borrowings of MOP13.3 million during the year ended 31 December 2019.

As at 31 December 2019, the share capital and equity attributable to owners of the Company amounted to approximately MOP10.3 million and approximately MOP228.9 million, respectively (2018: MOP10.3 million and MOP213.7 million, respectively).

## **Operating Lease Commitments and Capital Commitments**

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

At as 31 December 2019, the Group had capital commitments of MOP15.2 million (2018: Nil).

## **Contingent Liabilities**

As at 31 December 2019, performance guarantee of approximately MOP35.5 million (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 guarantees due to the failure of the Group's performance. The performance guarantees 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.

## **Currency Risk**

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



## **Other Price Risk**

The Group is exposed to equity price risk through its investments in equity securities measured at fair value through other comprehensive income (“FVTOCI”). The Group invested in an unquoted equity security for investee operating in construction industry sector for long term strategic purposes which had been designated as FVTOCI. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

## **Credit Risk**

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 31 December 2019 and 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 consolidated statement of financial position at the end of the reporting period.

The Group has concentration of credit risks as 58.4% (2018: 37.1) and 97.2% (2018: 84.9%) of the total trade receivables was due from the Group’s largest customer and the five largest customers respectively within the building and ancillary services segment. In order to minimise the risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The credit risk for pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit rating agencies.

## EMPLOYEES

The Group had 147 full-time employees as at 31 December 2019 (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 MOP52.4 million for the year ended 31 December 2019 (2018: MOP41.2 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 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 as at 31 December 2019.

	<b>Net proceeds (HK\$ million)</b>		
		<b>Actual utilisation up to 31 December 2019</b>	<b>Unutilised amount as at 31 December 2019</b>
	<b>Net proceeds from the Share Offer</b>		
Financing for the issue of performance guarantees for future projects	39.6	36.3	3.3
Acquisition of additional machinery and equipment	14.4	14.4	—
Further strengthening manpower	10.8	10.8	—
General working capital	7.2	7.2	—
	<u>72.0</u>	<u>68.7</u>	<u>3.3</u>

As at the date of this announcement, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group. The Group intends to utilise the remaining proceeds for the intended use on or before 31 December 2021 subject to the amount of bank deposits required for the issue of performance guarantees for future projects.

## **PROSPECTS AND STRATEGIES**

Driven by the redevelopment of gaming and tourism industry and new construction works for disaster prevention and mitigation, the demand for building and ancillary services market in Macau will continue to expand. The Group believes that the group is able to undertake more potential new projects in Macau and further strengthening its position as an integrated construction contractor in Macau.

The Group will involve the building and ancillary services in Hong Kong. The Group believes developing Hong Kong market may allow the Group to expand the revenue base and achieve long-term growth.

The development of Hong Kong and Macau areas will lead to the high demand on construction. It creates a huge business opportunity for the building ancillary services. The Group will take this opportunity to participate in such development. The Group expects it may enhance the market shares in order to build value over the medium to long term for its shareholders.

However, due to the outbreak of coronavirus (COVID-19), the Group may slow down market development in Hong Kong until the situation resumes relatively stable. Meanwhile in Macau, the progress of the projects has been extended. It was mainly resulted from the shortage of workers. The tenders from both public and private sectors may be postponed or suspended. The Group expects there may be less projects awarded during 2020 and may have negative impact on the Group's financial performance.

## **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 December 2019.

## **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, 10 June 2020. In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 5 June 2020 to Wednesday, 10 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 4 June 2020.

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

During the year 31 December 2019, 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 2019 and up to the date of this announcement.

## **CORPORATE GOVERNANCE CODE**

During the year ended 31 December 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 (the "Listing Rules") Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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**

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 year ended 31 December 2019 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 Kin Wing, Mr. Cheung Wai Lun Jacky 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 2019.

## REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2019 including the accounting principles and practices adopted by the Group have been reviewed by the Audit Committee of the Company and audited by the auditor of the Company, Moore Stephens CPA Limited.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at [www.kinpang.com.mo](http://www.kinpang.com.mo) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2019 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, 26 March 2020

*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.*