

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

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 2022 together with the comparative figures for the corresponding period in 2021.

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 2022, which are unaudited, but have been reviewed by the Company’s audit committee.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 MOP'000 (Unaudited)	2021 MOP'000 (Unaudited) (Restated)
Revenue	4	273,331	481,065
Direct costs	6	<u>(271,469)</u>	<u>(456,360)</u>
Gross profit		1,862	24,705
Other income, gain and loss	5	1,484	870
Administrative expenses	6	(13,272)	(12,804)
Impairment losses under expected credit loss model		<u>(495)</u>	<u>(2,693)</u>
Operating (loss)/profit		(10,421)	10,078
Finance costs	7	<u>(2,041)</u>	<u>(722)</u>
(Loss)/profit before income tax		(12,462)	9,356
Income tax expense	8	<u>(117)</u>	<u>(2,116)</u>
(Loss)/profit for the period attributable to the owners of the Company		<u>(12,579)</u>	<u>7,240</u>
(Loss)/earnings per share attributable to owners of the Company (in MOP cents)			
Basic and diluted	10	<u>(1.26)</u>	<u>0.72</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(12,579)	7,240
Other comprehensive loss		
<i>Item that may not be reclassified to profit or loss:</i>		
Change in fair value of equity instrument at fair value through other comprehensive income	<u>(16)</u>	<u>–</u>
Other comprehensive loss for the period, net of tax	<u>(16)</u>	<u>–</u>
Total comprehensive (loss)/income for the period attributable to the owners of the Company	<u>(12,595)</u>	<u>7,240</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>MOP'000</i> (Unaudited)	As at 31 December 2021 <i>MOP'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		70,007	72,300
Right-of-use assets		5,813	5,022
Deposits		334	334
Investments in associates		7	7
Equity instrument at fair value through other comprehensive income		–	3,016
		<u>76,161</u>	<u>80,679</u>
Current assets			
Trade receivables	11	26,072	42,874
Prepayments, deposits, and other receivables		43,886	47,602
Contract assets		322,201	352,108
Amount due from a joint operation		859	1,289
Pledged bank deposits		57,499	48,558
Cash and cash equivalents		18,927	10,330
		<u>469,444</u>	<u>502,761</u>
Total assets		<u>545,605</u>	<u>583,440</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		10,300	10,300
Reserves		190,025	202,620
Total equity		<u>200,325</u>	<u>212,920</u>

		As at	As at
		30 June	31 December
		2022	2021
	<i>Notes</i>	<i>MOP'000</i>	<i>MOP'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		4,067	3,221
Bank borrowings	13	<u>—</u>	<u>—</u>
		4,067	3,221
Current liabilities			
Trade and other payables	12	136,602	227,693
Contract liabilities		28,214	3,054
Income tax payable		4,464	4,346
Bank borrowings	13	169,501	130,219
Lease liabilities		2,432	1,987
		341,213	367,299
Total liabilities		345,280	370,520
Total equity and liabilities		545,605	583,440

NOTES

1. GENERAL INFORMATION

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 (the “**Stock Exchange**”). Its immediate and ultimate parent is Fortunate Year Investments Limited, a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability. Its ultimate controlling party is Mr. Kong Kin I (“**Mr. Kong**”), who is also the Chairman and Chief Executive Officer of the Company, and Ms. Choi Fong Lan (“**Ms. Choi**”), the spouse of Mr. Kong.

The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong is located at Unit B, 23/F, Centre Mark II, 305–313 Queen’s Road Central, Hong Kong. The headquarter in Macau is located at L17 Pak Tak (China Civil Plaza), No. 249–263 Alameda, Dr. Carlos d’Assumpção, Macau.

The principal activity of the Company and its subsidiaries is civil engineering in Macau and Hong Kong.

These unaudited condensed consolidated financial statements are presented in thousands of Macau Pataca (“**MOP’000**”), unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have 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 unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

2.1 Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Annual Improvements Project	Annual Improvements 2018–2020 Cycle (Amendments)
HKFRS 3, HKAS 16 and HKAS 37	Narrow-Scope Amendments (Amendments)
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 – Merger Accounting for Common Control Combinations

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

2.2 Prior period adjustments

During the preparation of the consolidated financial statements of the Group for the year ended 31 December 2021, the management has carried out a reassessment and identified certain adjustments in the consolidated financial statements of prior years. The prior period adjustments are to adjust the recognition of construction revenue and construction costs in the proper accounting periods.

In preparing the condensed consolidated financial statements for the current interim period, the management has adjusted the prior period adjustments for the preceding interim period following the same accounting principles in adjusting the prior period adjustments as set out in Note 2.2 to the consolidated financial statements of the Group for the year ended 31 December 2021. The effect of the prior period adjustments in the respective line items of consolidated financial position of the Group as at 31 December 2020 are also presented in the same Note. Impact on the unaudited condensed consolidated statement of profit or loss for the six months period ended 30 June 2021 is as below:

	Six months ended 30 June 2021 <i>MOP'000</i> (Previously reported)	Prior period adjustments <i>MOP'000</i>	Six months ended 30 June 2021 <i>MOP'000</i> (Restated)
Revenue (<i>Note a</i>)	559,770	(78,705)	481,065
Direct costs (<i>Note a</i>)	<u>(535,065)</u>	<u>78,705</u>	<u>(456,360)</u>
Gross profit	24,705	–	24,705
Other income, gain and loss	870	–	870
Administrative expenses	(12,804)	–	(12,804)
Impairment losses under expected credit loss model	<u>(2,693)</u>	<u>–</u>	<u>(2,693)</u>
Operating profit	10,078	–	10,078
Finance costs	<u>(722)</u>	<u>–</u>	<u>(722)</u>
Profit before income tax	9,356	–	9,356
Income tax expense	<u>(2,116)</u>	<u>–</u>	<u>(2,116)</u>
Profit for the period attributable to the owners of the Company	<u><u>7,240</u></u>	<u><u>–</u></u>	<u><u>7,240</u></u>
Earnings per share attributable to owners of the Company (<i>in MOP cents</i>)			
Basic and diluted	<u><u>0.72</u></u>	<u><u>–</u></u>	<u><u>0.72</u></u>

Note:

- (a) Being derecognition of “Revenue” amounting to MOP78,705,000 and “Direct costs” amounting to MOP78,705,000 in relation to the reassessment of construction works including variation orders as stated in Note 2.2.

3. SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM"), which has been identified as the Board of Directors, considers the segment from a business perspective and monitors the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment.

During the six months ended 30 June 2022, the Group had two (six months ended 2021: two) reportable operating segments, which were provision of building and ancillary services and emergency repair services.

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

Segment revenue and results

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

For the six months ended 30 June 2022

	Building and ancillary services MOP'000 (Unaudited)	Emergency repair services MOP'000 (Unaudited)	Consolidated MOP'000 (Unaudited)
Segment revenue	<u>272,343</u>	<u>988</u>	<u>273,331</u>
Segment profit	<u>389</u>	<u>978</u>	1,367
Other income, gain and loss			1,484
Administrative expenses			(13,272)
Finance costs			<u>(2,041)</u>
Loss before income tax			<u>(12,462)</u>

For the six months ended 30 June 2021

	Building and ancillary services MOP'000 (Unaudited) (Restated)	Emergency repair services MOP'000 (Unaudited) (Restated)	Consolidated MOP'000 (Unaudited) (Restated)
Segment revenue	<u>476,237</u>	<u>4,828</u>	<u>481,065</u>
Segment profit	<u>19,346</u>	<u>2,666</u>	22,012
Other income, gain and loss			870
Administrative expenses			(12,804)
Finance costs			<u>(722)</u>
Profit before income tax			<u>9,356</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. 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.

The CODM makes decisions according to 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.

Other segment information

For the six months ended 30 June 2022

	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)
Amounts included in the measure of segment profit:				
Depreciation of property, plant and equipment	7,181	–	363	7,544
Depreciation of right-of-use assets	930	–	143	1,073
Reversal of impairment loss on trade receivables recognised in profit or loss	(10)	–	–	(10)
Impairment loss on contract assets recognised in profit or loss	505	–	–	505

For the six months ended 30 June 2021

	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)
Amounts included in the measure of segment profit:				
Depreciation of property, plant and equipment	4,324	–	411	4,735
Depreciation of right-of-use assets	852	–	175	1,027
Impairment loss on trade receivables recognised in profit or loss	618	–	–	618
Impairment loss on contract assets recognised in profit or loss	2,075	–	–	2,075

Geographical information

(a) Revenue from external customers

The Group's revenue from external customers by geographical area, which is determined by the country/region where the services were provided, is as follows:

	Six months ended 30 June	
	2022 MOP'000 (Unaudited)	2021 MOP'000 (Unaudited) (Restated)
Macau	253,974	459,497
Hong Kong	19,357	21,568
	<u>273,331</u>	<u>481,065</u>

(b) Non-current assets

The Group's non-current assets other than investments in associates and equity instrument at fair value through the other comprehensive income by geographic area are as follows:

	As at 30 June 2022 MOP'000 (Unaudited)	As at 31 December 2021 MOP'000 (Audited)
	Macau	41,676
Hong Kong	34,485	32,900
	<u>76,161</u>	<u>77,656</u>

Key Customers

For the six month ended 30 June 2022, there were two customers (six months ended 30 June 2021: one) which individually contributed over 10% of the Group's total revenue, the revenue contributed from these customers was as follows:

	Six months ended 30 June	
	2022 MOP'000 (Unaudited)	2021 MOP'000 (Unaudited) (Restated)
Customer A	158,707	436,346
Customer B	36,422	N/A*
	<u>195,129</u>	<u>436,346</u>

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with external customers

	Six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(Unaudited)	(Unaudited) (Restated)
Recognised over time		
– Building and ancillary services	272,343	476,237
– Emergency repair services	988	4,828
	<u>273,331</u>	<u>481,065</u>

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) in respect of building and ancillary services as at 30 June 2022 and the expected timing of recognising revenue are as follows:

	Six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(Unaudited)	(Unaudited) (Restated)
Within one year	204,834	330,694
More than one year but not more than two years	291,685	192,882
	<u>496,519</u>	<u>523,576</u>

The provision of emergency repair works is for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed for both periods.

5. OTHER INCOME, GAIN AND LOSS

	Six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Interest income	238	702
Government grants (<i>Note</i>)	247	–
Sale of leftover piles	151	12
Sundry income	848	156
	<u>1,484</u>	<u>870</u>

Note: During the six months ended 30 June 2022, the Group recognised government grants of MOP247,000 relating to Employment Support Scheme provided by the Hong Kong Government.

6. EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(Unaudited)	(Unaudited) (Restated)
Material and subcontractor costs	195,840	396,360
Depreciation of property, plant and equipment	7,544	4,735
Depreciation of right-of-use assets	1,073	1,027
Employee benefit costs (including directors' emolument)	49,041	50,482
Legal and professional fees	1,055	188
Expense relating to short-term leases	5,374	1,311
Transportation and delivery costs	5,116	1,090
Others	19,698	13,971
	<u>284,741</u>	<u>469,164</u>
Total direct costs and administrative expenses	<u>284,741</u>	<u>469,164</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	1,879	540
Interest expense on bank overdrafts	56	46
Interest expense on lease liabilities	106	136
	<u>2,041</u>	<u>722</u>

8. INCOME TAX EXPENSE

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands for both periods.

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

An analysis of the income tax expense is as follows:

	Six months ended 30 June	
	2022	2021
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Macau Complementary Tax		
Current tax	<u>117</u>	<u>2,116</u>

9. DIVIDENDS

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding shares purchased by the Company for the share award scheme.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
(Loss)/profit attributable to the owners of the Company (MOP'000)	(12,579)	7,240
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in thousands</i>)	<u>1,000,000</u>	<u>1,000,000</u>
Basic (loss)/earnings per share (<i>MOP cents</i>)	<u><u>(1.26)</u></u>	<u><u>0.72</u></u>

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

11. TRADE RECEIVABLES

	At 30 June 2022 MOP'000 (Unaudited)	At 31 December 2021 MOP'000 (Audited)
	Trade receivables – contracts with customers	26,470
Less: Allowance for credit losses	<u>(398)</u>	<u>(408)</u>
	<u><u>26,072</u></u>	<u><u>42,874</u></u>

The carrying amounts of the Group's trade receivables are denominated in MOP.

The Group generally allows credit period of 0 to 60 days to its customers. The ageing analysis of the trade receivables based on invoice date is as follows:

	At 30 June 2022 MOP'000 (Unaudited)	At 31 December 2021 MOP'000 (Audited)
Within 30 days	14,455	11,735
31 to 60 days	5	1,133
61 to 90 days	–	4,150
Over 90 days	12,010	26,264
	26,470	43,282

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral over these balances.

The movement in provision for loss allowance on trade receivables are as follows:

	At 30 June 2022 MOP'000 (Unaudited)	At 31 December 2021 MOP'000 (Audited)
At beginning of the year	408	1,407
Reversal of impairment	(10)	(999)
At end of the period	398	408

The Group was granted a banking facility which includes factoring services with the amount not exceeding MOP52,530,000 (HK\$51,000,000). All debts owing by an approved customer in collection with the supply or provision of goods or services are assigned to and purchased by the bank.

As at 30 June 2022, the Company has transferred trade receivables amounting to MOP10,300,000 (HK\$10,000,000) (31 December 2021: MOP10,300,000 (HK\$10,000,000)) to the bank in exchange for cash. The bank has rights of recourse to the Group if the customers default on payment of the trade receivables to the banks (Note 13). These transactions have been accounted for as secured bank borrowings.

The transferred trade receivables that are not derecognised in their entirety to the extent of the Group's continuing involvements:

	At 30 June 2022 MOP'000 (Unaudited)	At 31 December 2021 MOP'000 (Audited)
Bank borrowings and receivables		
Carrying amount of the trade receivables before transfer and that the Group continues to recognise	10,300	10,300
Carrying amount of associated liabilities	(10,300)	(10,300)
	–	–

12. TRADE AND OTHER PAYABLES

	At 30 June 2022 MOP'000 (Unaudited)	At 31 December 2021 MOP'000 (Audited)
Trade payables	67,854	153,548
Salaries payable	9,558	12,684
Retention payables	46,849	45,732
Accruals and other payables (<i>Note</i>)	12,341	15,729
	<u>136,602</u>	<u>227,693</u>

Note: As at 30 June 2022, included in the Group's accruals and other payables are the amount of MOP6,172,000 (31 December 2021: MOP6,712,000) received from the nominated subcontractor as the surety bond, and the amount of MOP2,465,000 (31 December 2021: MOP3,565,000) withheld from the payment to subcontractors as the performance bonds of the building and ancillary services provided to the Group.

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

The ageing analysis of the trade payables based on invoice date was as follows:

	At 30 June 2022 MOP'000 (Unaudited)	At 31 December 2021 MOP'000 (Audited)
0 to 30 days	29,407	111,034
31 to 90 days	25,856	36,438
Over 90 days	12,591	6,076
	<u>67,854</u>	<u>153,548</u>

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 after the expiry date of the defect liability period.

The Group classifies these retention payables as current because the Group expects to settle them in its normal operating cycle.

The retention payables by due dates are as follows:

	At 30 June 2022 MOP'000 (Unaudited)	At 31 December 2021 MOP'000 (Audited)
Retention payable of construction contract		
Repayable within one year	31,014	31,568
Repayable more than one year	15,835	14,164
	<u>46,849</u>	<u>45,732</u>

The carrying amounts of trade and other payables approximate their fair values and are denominated in MOP.

13. BANK BORROWINGS

	At 30 June 2022 MOP'000 (Unaudited)	At 31 December 2021 MOP'000 (Audited)
Secured:		
– Bank borrowings	72,224	71,130
– Bank borrowings which contain a repayment on demand clause	68,925	35,851
Unsecured:		
– Bank borrowings	3,417	4,483
– Bank borrowings which contain a repayment on demand clause	24,935	18,755
	<u>169,501</u>	<u>130,219</u>
Less: Non-current portion	<u>–</u>	<u>–</u>
Current portion	<u>169,501</u>	<u>130,219</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 3.10% per annum for the six months ended 30 June 2022 (31 December 2021: 3.21% per annum).

The Group's bank borrowings were repayable based on scheduled repayment dates set out in the loan agreements as follows:

	At 30 June 2022 MOP'000 (Unaudited)	At 31 December 2021 MOP'000 (Audited)
On demand or within one year	152,587	124,372
Within a period of more than one year but not more than two years	9,756	2,195
Within a period of more than two years but not more than five years	7,158	3,652
Within a period of more than five years	<u>–</u>	<u>–</u>
	<u>169,501</u>	<u>130,219</u>

As at 30 June 2022, there was a technical breach of a loan covenant in the banking facility letter that primarily related to the liabilities/total assets ratio more than 50% in the Group. The secured bank borrowings of MOP72,224,000 are guaranteed by the Company and secured by pledged bank deposit and property, plant and equipment amounted to MOP41,900,000 and MOP10,045,000 respectively, and the unsecured bank borrowings of MOP3,417,000 and the entire bank borrowings have been classified as current liabilities at the end of the reporting period. During the year ended 31 December 2021, there was a technical breach of a loan covenant in the banking facility letter that primarily related to the liabilities/total assets ratio more than 50% in the Group.

As at the date of this announcement, the lender has not made any demand for immediate repayment of the borrowings under the loan facility letter. The banking facilities related to the technical breach of a loan covenant was renewed for 3 months in August 2022 and will be renewed for 9 more months in October 2022, subject to the bank's final review. The management of the Group has commenced negotiations with the bank for a waiver of the technical breach of the loan covenant, and not yet obtained such waiver as at the date of this announcement.

The carrying amounts of bank borrowings approximate their fair values and are denominated in MOP.

The Group's bank borrowings and other banking facilities (including performance guarantees) had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	At 30 June 2022 MOP'000 (Unaudited)	At 31 December 2021 MOP'000 (Audited)
Property, plant and equipment	10,045	10,229
Pledged bank deposits	57,499	48,558
Trade receivables	10,300	10,300
	77,844	69,087

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Kin Pang Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) are 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) water utility company in Macau; (iii) the Macau Government; and (iv) other private developers or their contractors.

During the six months ended 30 June 2022, 14 building and ancillary services projects with an aggregate contract sum of MOP113.2 million were awarded. These include a contract of construction works on public road and drainage network from Macau government. This project, amounting MOP10.3 million, was jointly awarded with a Macau construction company. The Group had completed 4 building and ancillary services projects during this period. As at 30 June 2022, the Group’s backlog consisted of 29 building and ancillary services projects, which exclude those completed but not certified, with an aggregate outstanding contract sum of MOP496.5 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 2022 and 2021:

	Six months ended 30 June (Unaudited)			
	2022		2021	
	<i>MOP’000</i>	%	<i>MOP’000</i>	%
			(Restated)	
Building and ancillary services	272,343	99.6	476,237	99.0
Emergency repair services	988	0.4	4,828	1.0
Total	273,331	100.0	481,065	100.0

During the six months ended 30 June 2022, the Group’s total revenue decreased by approximately MOP207.7 million or 43.2% relative to that of the corresponding period in 2021. The decrease was attributable to (i) large-scale foundation associated works of a major building and ancillary services project approaching to its final stage with less construction works undertaken; and (ii) no emergency repair services contract awarded during the period for the six months ended 30 June 2022.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately MOP22.8 million or 92.3% to approximately MOP1.9 million for the six months ended 30 June 2022 from approximately MOP24.7 million for the corresponding period in 2021. The Group's gross profit margin decreased to approximately 0.7% for the six months ended 30 June 2022 from approximately 5.1% for the corresponding period in 2021.

The decrease in the gross profit was mainly attributable to (i) downward pressure on the Group's tender price and hence gross profit margin in general as a result of intense market competition in the construction industry in Macau; and (ii) the persistent and gradual increase in construction costs due to impact of the 2019 Novel Coronavirus (“COVID-19”) on the global supply chain.

Other Income, Gain and Loss

The Group's other income increased by approximately MOP614,000 or 70.6% from approximately MOP870,000 for the six months ended 30 June 2021 to approximately MOP1,484,000 for the six months ended 30 June 2022. Such increase was mainly attributable to the receipt of government grant and the increase in sundry income.

Administrative Expenses

The Group's administrative expenses increased by approximately MOP0.5 million or 3.9% from approximately MOP12.8 million for the six months ended 30 June 2021 to approximately MOP13.3 million for the six months ended 30 June 2022. Such increase was mainly attributable to increased staff costs for Hong Kong operation.

Impairment Losses under Expected Credit Loss Model

The Group's impairment losses under expected credit loss model was approximately MOP495,000 for the six months ended 30 June 2022 and was approximately MOP2,693,000 for the corresponding period in 2021. Except for certain balances of contract assets and trade receivables 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.

Finance Costs

The Group's finance costs increased by approximately MOP1,319,000 or 182.7% from approximately MOP722,000 for the six months ended 30 June 2021 to approximately MOP2,041,000 for the six months ended 30 June 2022. Such increase was mainly attributable to the increase in interest expenses of bank borrowings.

Income Tax Expense

The Group has income tax expense MOP117,000 for the six months ended 30 June 2022 compared to income tax expense of approximately MOP2,116,000 for the six months ended 30 June 2021.

(Loss)/Profit for the Period

The Group's loss for the period was approximately MOP12.6 million for the six months ended 30 June 2022 compared to profit for the period of approximately MOP7.2 million for six months ended 30 June 2021.

Other Comprehensive Loss for the Period

The Group's other comprehensive loss was approximately MOP16,000 for the six months ended 30 June 2022 compared to Nil for the six months ended 30 June 2021. This was mainly attributable to the disposal of investment in an equity instrument at fair value through other comprehensive income.

Total Comprehensive (Loss)/Income for the Period

The Group's total comprehensive loss was approximately MOP12.6 million for the six months ended 30 June 2022 compared to total comprehensive income of approximately MOP7.2 million for the six months ended 30 June 2021. It was mainly attributable to the combined effect of the aforementioned items.

Basic (Loss)/Earnings per Share

The Company's basic loss per share for the six months ended 30 June 2022 was approximately MOP1.26 cents (six months ended 30 June 2021: basic earnings per share of MOP0.72 cents).

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Property, Plant and Equipment

The Group's property, plant and equipment was approximately MOP70 million as at 30 June 2022 compared to approximately MOP72.3 million as at 31 December 2021.

As at 30 June 2022, the Group has pledged certain property, plant and equipment with carrying values of MOP10,045,000 (31 December 2021: MOP10,229,000) to secure its bank borrowings and other banking facilities (including performance guarantees).

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources and Capital Structure

As at 30 June 2022, the Group had bank balances and cash of approximately MOP18.9 million (31 December 2021: MOP10.3 million) and had no bank overdrafts (31 December 2021: Nil).

As at 30 June 2022, the Group had an aggregate of pledged bank deposits of approximately MOP57.5 million (31 December 2021: MOP48.6 million) that are used to secure banking facilities.

As at 30 June 2022, bank borrowings amounted to approximately MOP169.5 million (31 December 2021: MOP130.2 million). No bank borrowings amounts due are based on scheduled repayment dates set out in the loan agreement (31 December 2021: Nil). The bank borrowings amounts containing on demand clause of approximately MOP54.5 million, MOP2.4 million, and MOP3.0 million (31 December 2021: MOP48.7 million, MOP2.2 million, and MOP3.7 million) will mature within one year, one year to two years and two years to five years respectively. The bank borrowings amounts repayable on demand due to breach of loan covenants were approximately MOP75.6 million (31 December 2021: MOP75.6 million). The banking facilities related to the technical breach of a loan covenant were renewed for 3 months in August 2022 and will be renewed for 9 more months in October 2022, subject to the bank's final review.

Current ratio remained unchanged at 1.4 times as at 30 June 2022 (31 December 2021: 1.4 times).

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 61.2% as at 31 December 2021 to 84.6% as at 30 June 2022. It was mainly due to the increase in bank borrowings during the six months ended 30 June 2022.

As at 30 June 2022, the share capital and equity attributable to owners of the Company amounted to approximately MOP10.3 million and approximately MOP200.3 million, respectively (31 December 2021: MOP10.3 million and MOP212.9 million, respectively).

Capital Commitments

At as 30 June 2022, the Group had no capital commitments (31 December 2021: MOP1,112,000).

Contingent Liabilities

As at 30 June 2022, performance guarantees of approximately MOP166.4 million (31 December 2021: MOP178.7 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 its 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 pledged deposits and 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 pledged bank deposits and bank balances and MOP best lending rate arising from the Group's variable-rate bank borrowings.

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 30 June 2022 and 31 December 2021.

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 counter-parties 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.

As at 30 June 2022, the Group has concentration of credit risks as 40.7% (31 December 2021: 43.4%) and 92.6% (31 December 2021: 86.4%) 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 464 full-time employees as at 30 June 2022 (31 December 2021: 416).

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 MOP49.0 million for the six months ended 30 June 2022 (six months ended 30 June 2021: MOP50.5 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.

PROSPECTS AND STRATEGIES

During July 2022, the Macau government required all non-essential industrial and commercial companies and venues in Macau to suspend operations from 11 July 2022 to 23 July 2022. The Group complied with all government administrative regulations and suspended its construction works and business activities accordingly. The Group has been fully resumed its operations and the Group will do its utmost to fulfil and complete its projects on schedule and keep in touch with the customers.

As the Macau government will keep launching large-scale projects for housing development and reclamation projects in New Town Zones, the Group has captured this opportunity and has been rewarded two related projects. The Group will continue to enhance the market shares in the public sector market in Macau.

Macau's construction market has become more competitive. The Group expects to have greater challenges on rewarding new projects. Also, the competitive Macau's construction market may cause a negative impact on the profitability of the construction projects. The inflation, the shortage of construction materials supplies due to the transportation and the shortage of labour supply are expected to continuously affect the Group's operation. The Group's financial performance may not be improved in the second half of the year. Therefore, the Group keeps taking a conservative view over the Group's business and financial performance in the near future.

Going forward, the Group will strive to further improve the cost control measures with a view to reducing the impact from the expected increase in construction costs. In the long term, the Group will continue to focus on further strengthening its position as an integrated construction contractor in Macau and further expanding the business in Hong Kong. The Group will keep seeking other business opportunities related to construction including the property development in other regions such as the Greater Bay Area and Asia-Pacific Region, subject to the COVID-19 development.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

During the six months ended 30 June 2022, 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 events requiring disclosure that has taken place subsequent to 30 June 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2022 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 Listing Rules except the deviation from provision C.2.1 of the CG Code.

Pursuant to code provision C.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, all of them confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022 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 the unaudited condensed consolidated financial statements of the Group and this interim results announcement of the Company for the six months ended 30 June 2022.

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 and Chief Executive Officer

Hong Kong, 30 August 2022

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.