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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 2020

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 2020 together with the comparative figures for the corresponding period in 2019.

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 2020, 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 2020

		Six months ended 30 June	
		2020	2019
	<i>NOTES</i>	MOP'000	<i>MOP'000</i>
		(unaudited)	(unaudited)
Revenue	2	235,453	59,386
Direct costs		(218,109)	(47,662)
Gross profit		17,344	11,724
Other income, gain and loss	4	1,115	511
Impairment losses under expected credit loss model, net of reversal		(3,182)	(710)
Administrative expenses		(10,157)	(8,081)
Finance costs	5	(551)	(118)
Profit before tax	6	4,569	3,326
Income tax expense	7	(1,343)	(736)
Profit and total comprehensive income for the period attributable to owners of the Company		3,226	2,590
Earnings per share			
Basic (<i>MOP cents</i>)	9	0.32	0.26

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		At 30 June 2020	At 31 December 2019
	<i>NOTES</i>	<i>MOP'000</i> (unaudited)	<i>MOP'000</i> (audited)
Non-current assets			
Property, plant and equipment		44,694	27,855
Right-of-use assets		5,917	6,172
Deposits		379	8,614
Equity instrument at fair value through other comprehensive income		11,125	11,125
		<u>62,115</u>	<u>53,766</u>
Current assets			
Trade receivables	10	52,993	84,251
Other receivables, deposits and prepayments		46,142	15,463
Contract assets		140,363	157,317
Pledged bank deposits		41,674	25,750
Bank balances and cash		29,433	30,067
		<u>310,605</u>	<u>312,848</u>
Current liabilities			
Trade and other payables	11	97,424	108,005
Tax payable		8,997	7,654
Bank borrowings	12	6,123	2,643
Lease liabilities		1,694	1,608
		<u>114,238</u>	<u>119,910</u>
Net current assets		<u>196,367</u>	<u>192,938</u>
Total assets less current liabilities		<u>258,482</u>	<u>246,704</u>

		At 30 June 2020	At 31 December 2019
	<i>NOTES</i>	<i>MOP'000</i>	<i>MOP'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Bank borrowings	12	22,049	13,196
Lease liabilities		4,285	4,586
		<u>26,334</u>	<u>17,782</u>
Net assets		<u>232,148</u>	<u>228,922</u>
Capital and reserves			
Share capital		10,300	10,300
Reserves		221,848	218,622
Total equity		<u>232,148</u>	<u>228,922</u>

NOTES

1. GENERAL INFORMATION, BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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 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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

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 2020 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

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. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020 <i>MOP'000</i> (unaudited)	2019 <i>MOP'000</i> (unaudited)
Types of services		
Building and ancillary services	229,609	51,210
Emergency repair services	5,844	8,176
Total	<u>235,453</u>	<u>59,386</u>
Geographical markets		
Macau	235,453	59,386
Hong Kong	–	–
Total	<u>235,453</u>	<u>59,386</u>
Timing of revenue recognition		
Over time	<u>235,453</u>	<u>59,386</u>
Performance obligations for contracts with customers		

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 customer's site. Revenue is recognised for these construction services based on the stage of completion of the contract using output method.

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) as at 30 June 2020 and the expected timing of recognising revenue are as follows:

	Building and ancillary services <i>MOP'000</i> (unaudited)	Emergency repair services <i>MOP'000</i> (unaudited)
Within one year	160,086	–
More than one year but not more than two years	513,407	–
	<u>673,493</u>	<u>–</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2019 and the expected timing of recognising revenue are as follows:

	Building and ancillary services <i>MOP'000</i> (unaudited)	Emergency repair services <i>MOP'000</i> (unaudited)
Within one year	212,040	–
More than one year but not more than two years	750,355	–
	<u>962,395</u>	<u>–</u>

3. OPERATING SEGMENT

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

Specifically, the Group’s reportable segments under HKFRS 8 “Operating Segments” are as follows:

1. Building and ancillary services
2. Emergency repair services

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

Segment revenue and results

For the six months ended 30 June 2020

	Building and ancillary services <i>MOP'000</i> (unaudited)	Emergency repair services <i>MOP'000</i> (unaudited)	Total <i>MOP'000</i> (unaudited)
Segment revenue	<u>229,609</u>	<u>5,844</u>	<u>235,453</u>
Segment profit	<u>10,732</u>	<u>3,430</u>	14,162
Other income, gain and loss			1,115
Administrative expenses			(10,157)
Finance costs			<u>(551)</u>
Profit before tax			<u>4,569</u>

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)	Total <i>MOP'000</i> (unaudited)
Segment revenue	51,210	8,176	59,386
Segment profit	5,933	5,081	11,014
Other income, gain and loss			511
Administrative expenses			(8,081)
Finance costs			(118)
Profit before tax			3,326

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 2020

	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	2,958	–	490	3,448
Depreciation of right-of-use assets	798	–	141	939
Reversal of impairment loss on trade receivables recognised in profit or loss	(10)	–	–	(10)
Impairment loss on contract assets recognised in profit or loss	3,192	–	–	3,192

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
Depreciation of right-of-use assets	793	–	141	934
Impairment loss on trade receivables recognised in profit or loss	7	–	–	7
Impairment loss on contract assets recognised in profit or loss	703	–	–	703

Geographical information

The Group's operations are located in Macau and Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	At 30 June 2020 <i>MOP'000</i> (unaudited)	At 30 June 2019 <i>MOP'000</i> (unaudited)	At 30 June 2020 <i>MOP'000</i> (unaudited)	At 31 December 2019 <i>MOP'000</i> (audited)
Macau	235,453	59,386	29,703	28,650
Hong Kong	–	–	21,287	13,991
	235,453	59,386	50,990	42,641

Note: Non-current assets excluded financial instruments.

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	
	2020	2019
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Customer A	207,131	23,048
Customer B	N/A*	7,856
Customer C	N/A*	6,948

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

4. OTHER INCOME, GAIN AND LOSS

	Six months ended 30 June	
	2020	2019
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Interest income	635	438
Government subsidies	311	–
Other income	169	73
	<u>1,115</u>	<u>511</u>

During the current interim period, the Group recognized government grants of MOP311,000 in respect of COVID-19 related subsidies, of which MOP111,000 relates to Employment Support Scheme provided by the Hong Kong Government and MOP200,000 relates to Subsidies for Businesses (企業援助款項計劃) by the Macau Government.

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Interest on bank borrowings	412	51
Interest on bank overdrafts	9	2
Interest on lease liabilities	130	65
	<u>551</u>	<u>118</u>

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2020 MOP'000 (unaudited)	2019 MOP'000 (unaudited)
Depreciation of property, plant and equipment	3,448	2,164
Depreciation of right-of-use assets	939	1,195
Total depreciation	<u>4,387</u>	<u>3,359</u>
Employee benefits expenses	40,074	17,943
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>2,615</u>	<u>317</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 MOP'000 (unaudited)	2019 MOP'000 (unaudited)
Macau Complementary Tax: Current tax	<u>1,343</u>	<u>736</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 consolidated financial statements as the Group has no assessable profits for both periods.

8. DIVIDENDS

The Board has resolved not to declare payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

9. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2020 <i>MOP'000</i> (unaudited)	2019 <i>MOP'000</i> (unaudited)
Earnings for the purpose of basic earnings per share attributable to owners of the Company	<u>3,226</u>	<u>2,590</u>

Number of shares

	2020 '000 (unaudited)	2019 '000 (unaudited)
	Weighted average number of ordinary shares for the purpose of calculating basic earnings for share	<u>1,000,000</u>

No diluted earnings per share is presented as there is no potential ordinary share outstanding for both periods.

10. TRADE RECEIVABLES

	At 30 June 2020 <i>MOP'000</i> (unaudited)	At 31 December 2019 <i>MOP'000</i> (audited)
	Trade receivables – contracts with customers	53,417
Less: Allowance for credit losses	<u>(424)</u>	<u>(434)</u>
	<u>52,993</u>	<u>84,251</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.

	At 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
0 – 30 days	40,938	67,581
31 – 60 days	2,771	1,523
61 – 90 days	–	199
91 – 365 days	626	13,322
Over 365 days	8,658	1,626
	52,993	84,251

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
Trade payables	50,659	79,424
Salaries payable	8,971	7,157
Retention payables	23,486	18,807
Accruals and other payables	14,308	2,617
	97,424	108,005

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

	At 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
0 – 30 days	41,696	70,352
31 – 60 days	5,340	6,625
61 – 90 days	2,477	760
91 – 180 days	196	736
181 – 365 days	–	1
Over 365 days	950	950
	50,659	79,424

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

12. BANK BORROWINGS

	At 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
Secured bank borrowings	28,172	15,839
The carrying amounts of the above borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	6,123	2,643
Within a period of more than one year but not more than two years	6,375	2,746
Within a period of more than two years but not more than five years	12,231	6,634
Within a period of more than five years	3,443	3,816
	28,172	15,839
Less: Amounts due within one year shown under current liabilities	(6,123)	(2,643)
Amounts shown under non-current liabilities	22,049	13,196

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 3.81% (31 December 2019: 3.43%) per annum as at 30 June 2020.

During the current interim period, the Group has repaid bank borrowings amounting to MOP2,143,000.

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

- (i) property, plant and equipment of MOP10,779,000 as at 30 June 2020 (31 December 2019: MOP10,963,000);
- (ii) the pledged bank balances of MOP41,674,000 as at 30 June 2020 (31 December 2019: MOP25,750,000); and
- (iii) unlimited deed of guarantee by the Company.

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) electricity and water utility companies in Macau; and (iii) the Macau Government.

During the six months ended 30 June 2020, 12 building and ancillary services projects with an aggregate contract sum of MOP120.3 million were awarded. The Group had completed 5 building and ancillary services projects during this period. As at 30 June 2020, the Group’s backlog included 26 building and ancillary services projects, with an aggregate outstanding contract sum of MOP673.5 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 2020 and 2019:

	Six months ended 30 June (Unaudited)			
	2020		2019	
	<i>MOP’000</i>	<i>%</i>	<i>MOP’000</i>	<i>%</i>
Building and ancillary services	229,609	97.5	51,210	86.2
Emergency repair services	5,844	2.5	8,176	13.8
Total	235,453	100.0	59,386	100.0

During the six months ended 30 June 2020, the Group's total revenue increased by approximately MOP176.1 million or 296.5% relative to that of the corresponding period in 2019. The increase was attributable to an increase in building and ancillary services revenue of approximately MOP178.4 million or 348.4%. Two large-scale building and ancillary services projects undertaken contributed to the increase in the revenue during the period for the six months ended 30 June 2020.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately MOP5.6 million or 47.9% to approximately MOP17.3 million for the six months ended 30 June 2020 from approximately MOP11.7 million for the corresponding period in 2019. The Group's gross profit margin decreased to approximately 7.4% for the six months ended 30 June 2020 from approximately 19.7% for the corresponding period in 2019.

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 gross profit margin of building and ancillary services. The large-scale building and ancillary services projects undertaken during the period for the six months ended 30 June 2020 had relatively low profit margin.

Other Income, Gain and Loss

The Group's other income increased by approximately MOP604,000 or 118.2% from approximately MOP511,000 for the six months ended 30 June 2019 to approximately MOP1,115,000 for the six months ended 30 June 2020. Such increase was mainly attributable to subsidies granted by both Macau and Hong Kong Governments related to the 2019 Novel Coronavirus ("COVID-19") outbreak and the increase in bank interest income to approximately MOP635,000 for the six months ended 30 June 2020 as compared with MOP438,000 for the corresponding period in 2019.

Impairment Losses under Expected Credit Loss Model, net of Reversal

The Group's impairment losses under expected credit loss model was MOP3,182,000 for the six months ended 30 June 2020 and was MOP710,000 for the corresponding period in 2019. 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 increased by approximately MOP2.1 million or 25.9% from approximately MOP8.1 million for the six months ended 30 June 2019 to approximately MOP10.2 million for the six months ended 30 June 2020. Such increase was mainly attributable to the increase in salary of employees due to the increase in numbers of administrative employees and the increase in depreciation of the right-of-use assets due to the leases of staff quarters.

Finance Costs

The Group's finance costs increased by approximately MOP433,000 or 366.9% from approximately MOP118,000 for the six months ended 30 June 2019 to approximately MOP551,000 for the six months ended 30 June 2020. Such increase was mainly attributable to the increase in bank loan interest and the increase in the interest expense in lease liabilities.

Income Tax Expense

The Group's income tax expense increased by approximately MOP0.6 million or 85.7% from approximately MOP0.7 million for the six months ended 30 June 2019 to approximately MOP1.3 million for the six months ended 30 June 2020. The Group's effective tax rate increased from 22.1% for the six months ended 30 June 2019 to 29.4% for the six months ended 30 June 2020. Such increase was mainly attributable to the increase in the non-tax deductible impairment losses under expected credit loss.

Profit and Total Comprehensive Income Attributable to Owners of the Company

The Group's profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 2020 increased by approximately MOP0.6 million or 23.1% from approximately MOP2.6 million for the six months ended 30 June 2019 to approximately MOP3.2 million for the six months ended 30 June 2020, 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 2020 was approximately MOP0.32 cents (2019: MOP0.26 cents), representing an increase of approximately MOP0.06 cents or 23.1% 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 2019.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: Nil).

Property, Plant and Equipment

The Group's property, plant and equipment was approximately MOP44.7 million as at 30 June 2020 compared to approximately MOP27.9 million as at 31 December 2019. Such increase was due to the Group acquired property, plant and equipment of approximately MOP20.3 million during the period ended 30 June 2020 (during the year ended 31 December 2019: approximately MOP19.3 million) during the period ended 30 June 2020. The Group acquired construction equipment for business expansion and the acquisition was in line with the capital commitment of MOP 15.2 million as at 31 December 2019. The capital expenditures were financed by the internal resources and general borrowings of the Group.

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 2020, the Group had bank balances and cash of approximately MOP29.4 million (31 December 2019: MOP30.1 million) and had no bank overdrafts (31 December 2019: Nil).

As at 30 June 2020, the Group had an aggregate of pledged bank deposits of approximately MOP41.7 million (31 December 2019: MOP25.8 million) that are used to secure banking facilities.

As at 30 June 2020, bank borrowings amounted to approximately MOP28.2 million (31 December 2019: MOP15.8 million) of which approximately MOP6.1 million, MOP6.4 million, MOP12.2 million, and MOP3.5 million (31 December 2019: MOP2.6 million, MOP2.8 million, MOP6.6 million, and MOP3.8 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively.

Current ratio increased from 2.6 times as at 31 December 2019 to 2.7 times as at 30 June 2020. 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 increased from 6.9% as at 31 December 2019 to 12.1% as at 30 June 2020. It was mainly due to the increase in bank borrowings of MOP12.4 million during the six months ended 30 June 2020.

As at 30 June 2020, the share capital and equity attributable to owners of the Company amounted to approximately MOP10.3 million and approximately MOP232.1 million, respectively (31 December 2019: MOP10.3 million and MOP228.9 million, respectively).

Operating Lease Commitments and Capital Commitments

At as 30 June 2020, the Group had no operating lease commitments (31 December 2019: Nil).

At as 30 June 2020, the Group had no capital commitments (31 December 2019: MOP15.2 million).

Contingent Liabilities

As at 30 June 2020, performance guarantee of approximately MOP130.5 million (31 December 2019: MOP35.5 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.

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 an 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 30 June 2020 and 31 December 2019.

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.

The Group has concentration of credit risks as 72.5% (31 December 2019: 58.4%) and 78.6% (31 December 2019: 97.2%) 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 512 full-time employees as at 30 June 2020 (31 December 2019: 147).

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 MOP40.1 million for the six months ended 30 June 2020 (2019: MOP17.9 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 up to 30 June 2020.

	Net proceeds (HK\$ million)		
	Net proceeds from the Share Offer	Actual utilisation up to 30 June 2020	Unutilised amount as at 30 June 2020
Financing for the issue of performance guarantees for future projects	39.6	39.6	–
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>72.0</u>	<u>–</u>

PROSPECTS AND STRATEGIES

Since the outbreak of COVID-19, draconian measures including extended travel restrictions had been imposed within the PRC and Macau, as well as other countries and territories, in an effort to contain the outbreak. The Macau Government imposed various precautionary measures including mandatory quarantine requirements and other restrictive border controls to combat the spread of COVID-19 within the territories.

With the strict precautionary measures imposed by the Macau Government, the pandemic was gradually getting under control in Macau. The problem on the shortage of workers was less than expected as most of our employees (including our foreign workers) did not have difficulties to report duty despite the extensive travel restrictions or mandatory quarantine requirements in Macau. The impact of the outbreak of COVID-19 on Macau's construction market was relatively mild. As a result, the impact on the progress of the Group's projects is relatively limited. However, the Group will continue to keep this under close monitoring in view of the uncertainty in relation to COVID-19 development.

At the same time, the Group expects that there will be increased competition in Macau's construction market. The profitability of the projects may be lower than previous years. The Group therefore takes a conservative view over the Group's business and financial performance in the near future.

Going forward, while the Group will continue to focus on further strengthening its position as an integrated construction contractor in Macau, it will seek to explore new business opportunities and actively develop its market outside Macau, in particular Hong Kong, subject to COVID-19 development.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

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

During the six months ended 30 June 2020, 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 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020 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, 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 2020 and up to the date of this announcement.

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 2020.

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, 27 August 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.