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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 2023

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 2023 together with the comparative figures for the corresponding period in 2022.

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 2023, 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 2023*

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	MOP'000	MOP'000
		(Unaudited)	(Unaudited)
Revenue	4	212,986	273,331
Direct costs	6	(204,340)	(271,469)
Gross profit		8,646	1,862
Other income, gain and loss	5	1,502	1,484
Administrative expenses	6	(13,171)	(13,272)
Impairment losses under expected credit loss model		(147)	(495)
Operating loss		(3,170)	(10,421)
Finance costs	7	(2,970)	(2,041)
Loss before income tax		(6,140)	(12,462)
Income tax expense	8	(632)	(117)
Loss for the period attributable to the owners of the Company		(6,772)	(12,579)
Loss per share attributable to owners of the Company (in MOP cents)			
Basic and diluted	10	(0.63)	(1.26)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Loss for the period	(6,772)	(12,579)
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	—	(16)
Other comprehensive loss for the period, net of tax	—	(16)
Total comprehensive loss for the period attributable to the owners of the Company	(6,772)	(12,595)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 <i>MOP'000</i> (Unaudited)	As at 31 December 2022 <i>MOP'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		86,259	72,861
Right-of-use assets		5,709	5,947
Deposits		419	435
		<u>92,387</u>	<u>79,243</u>
Current assets			
Trade receivables	11	27,157	32,204
Prepayments, deposits, and other receivables		16,217	20,085
Contract assets		267,310	315,725
Amount due from a joint operation		1,336	2,023
Pledged bank deposits		58,204	67,297
Cash and cash equivalents		3,414	18,915
		<u>373,638</u>	<u>456,249</u>
Total assets		<u>466,025</u>	<u>535,492</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		11,330	10,300
Reserves		194,491	190,963
Total equity		<u>205,821</u>	<u>201,263</u>

		As at 30 June 2023 <i>MOP'000</i> (Unaudited)	As at 31 December 2022 <i>MOP'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Deferred government grants		322	404
Lease liabilities		<u>3,238</u>	<u>3,632</u>
		<u>3,560</u>	<u>4,036</u>
Current liabilities			
Trade and other payables	12	134,429	181,160
Contract liabilities		4,172	12,638
Income tax payable		7,021	6,389
Bank borrowings	13	108,515	127,743
Deferred government grants		165	165
Lease liabilities		<u>2,342</u>	<u>2,098</u>
		<u>256,644</u>	<u>330,193</u>
Total liabilities		<u>260,204</u>	<u>334,229</u>
Total equity and liabilities		<u>466,025</u>	<u>535,492</u>

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 “**Listing Rules**”).

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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied 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 2023 for the preparation of the Group’s unaudited condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The application of 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.

3. SEGMENT INFORMATION

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

During the six months ended 30 June 2023, the Group had one (six months ended 30 June 2022: two) reportable operating segment, which was provision of building and ancillary services (six months ended 30 June 2022: 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 2023

	Building and ancillary services MOP'000 (Unaudited)	Emergency repair services MOP'000 (Unaudited)	Consolidated MOP'000 (Unaudited)
Segment revenue	<u>212,986</u>	<u>–</u>	<u>212,986</u>
Segment profit	<u>8,499</u>	<u>–</u>	<u>8,499</u>
Other income, gain and loss			1,502
Administrative expenses			(13,171)
Finance costs			<u>(2,970)</u>
Loss before income tax			<u>(6,140)</u>

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>

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 resources 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 2023

	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	(8,346)	–	(351)	(8,697)
Depreciation of right-of-use assets	(304)	–	(1,088)	(1,392)
Reversal of impairment loss on trade receivables recognised in profit or loss	318	–	–	318
Impairment loss on contract assets recognised in profit or loss	(465)	–	–	(465)

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)

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	
	2023 MOP'000 (Unaudited)	2022 MOP'000 (Unaudited)
Macau	190,063	253,974
Hong Kong	22,923	19,357
	<u>212,986</u>	<u>273,331</u>

(b) Non-current assets

The Group's non-current assets by geographic area are as follows:

	At 30 June 2023 MOP'000 (Unaudited)	At 31 December 2022 MOP'000 (Audited)
	Macau	61,671
Hong Kong	30,716	34,140
	<u>92,387</u>	<u>79,243</u>

Key Customers

For the six months ended 30 June 2023, there were three customers (six months ended 30 June 2022: two) 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	
	2023 MOP'000 (Unaudited)	2022 MOP'000 (Unaudited)
Customer A	N/A*	158,707
Customer B	N/A*	36,422
Customer C	59,000	N/A*
Customer D	49,394	N/A*
Customer E	25,804	N/A*
	<u>25,804</u>	<u>N/A*</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	
	2023	2022
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Recognised over time		
– Building and ancillary services	212,986	272,343
– Emergency repair services	–	988
	<u>212,986</u>	<u>273,331</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 2023 and the expected timing of recognising revenue are as follows:

	Six months ended 30 June	
	2023	2022
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Within one year	281,790	204,834
More than one year but not more than two years	354,773	291,685
	<u>636,563</u>	<u>496,519</u>

As at 30 June 2023, there is no provision of emergency repair works. As at 30 June 2022, the provision of emergency repair works was for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. OTHER INCOME, GAIN AND LOSS

	Six months ended 30 June	
	2023	2022
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Interest income	398	238
Government grants (<i>Note</i>)	–	247
Amortisation of deferred government grants	82	–
Sale of leftover piles	–	151
Sundry income	1,022	848
	<u>1,502</u>	<u>1,484</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. There are no unfulfilled conditions or other contingencies attached to these grants.

6. EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Material and subcontractor costs	128,058	195,840
Depreciation of property, plant and equipment	8,697	7,544
Depreciation of right-of-use assets	1,392	1,073
Employee benefit costs (including directors' emolument)	50,106	49,041
Legal and professional fees	1,286	1,055
Expense relating to short-term leases	6,539	5,374
Transportation and delivery costs	2,161	5,116
Others	19,272	19,698
	<u>217,511</u>	<u>284,741</u>
Total direct costs and administrative expenses	<u>217,511</u>	<u>284,741</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	2,699	1,879
Interest expense on bank overdrafts	118	56
Interest expense on lease liabilities	153	106
	<u>2,970</u>	<u>2,041</u>
	<u>2,970</u>	<u>2,041</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	
	2023	2022
	MOP'000	MOP'000
	(Unaudited)	(Unaudited)
Macau Complementary Tax		
Current tax	632	117
	<u>632</u>	<u>117</u>

9. DIVIDENDS

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

10. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss 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	
	2023	2022
	(Unaudited)	(Unaudited)
Loss attributable to the owners of the Company (<i>MOP'000</i>)	<u>(6,772)</u>	<u>(12,579)</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in thousands</i>)	<u>1,082,778</u>	<u>1,000,000</u>
Basic loss per share (<i>MOP cents</i>)	<u>(0.63)</u>	<u>(1.26)</u>

(b) Diluted loss per share

No diluted loss 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	At 31 December
	2023	2022
	<i>MOP'000</i>	<i>MOP'000</i>
	(Unaudited)	(Audited)
Trade receivables – contracts with customers	27,582	32,947
Less: Allowance for credit losses	<u>(425)</u>	<u>(743)</u>
	<u>27,157</u>	<u>32,204</u>

The carrying amounts of the Group's trade receivables are denominated in MOP and HK\$.

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 2023 MOP'000 (Unaudited)	At 31 December 2022 MOP'000 (Audited)
Within 30 days	26,682	13,329
31 to 60 days	89	11,054
61 to 90 days	219	6,958
Over 90 days	592	1,606
	27,582	32,947

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 2023 MOP'000 (Unaudited)	At 31 December 2022 MOP'000 (Audited)
At beginning of the period	743	408
(Reversal of)/provision for impairment	(318)	335
At end of the period	425	743

During six months ended 30 June 2023, the Group was granted a banking facility which includes factoring services with the amount not exceeding MOP37,080,000 (HK\$36,000,000) (31 December 2022: 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 2023 and 31 December 2022, the Company has transferred no trade receivables to the bank in exchange for cash.

12. TRADE AND OTHER PAYABLES

	At 30 June 2023 MOP'000 (Unaudited)	At 31 December 2022 MOP'000 (Audited)
Trade payables	77,115	125,353
Salaries payable	12,834	13,363
Retention payables	27,009	24,302
Accruals and other payables (<i>Note</i>)	17,471	18,142
	<u>134,429</u>	<u>181,160</u>

Note: As at 30 June 2023, included in the Group's accruals and other payables are the amount of approximately MOP11,033,000 (31 December 2022: MOP11,033,000) received from the nominated subcontractor as the surety bond, and the amount of approximately MOP265,000 (31 December 2022: MOP265,000) 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 2023 MOP'000 (Unaudited)	At 31 December 2022 MOP'000 (Audited)
0 to 30 days	37,256	77,157
31 to 90 days	22,863	26,672
Over 90 days	16,996	21,524
	<u>77,115</u>	<u>125,353</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 2023 MOP'000 (Unaudited)	At 31 December 2022 MOP'000 (Audited)
Retention payables of construction contract		
Repayable within one year	1,788	2,966
Repayable more than one year	25,221	21,336
	<u>27,009</u>	<u>24,302</u>

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

	At 30 June 2023 MOP'000 (Unaudited)	At 31 December 2022 MOP'000 (Audited)
MOP	124,542	168,458
HK\$	<u>9,887</u>	<u>12,702</u>
	<u>134,429</u>	<u>181,160</u>

13. BANK BORROWINGS

	At 30 June 2023 MOP'000 (Unaudited)	At 31 December 2022 MOP'000 (Audited)
Secured:		
– Bank overdrafts	5,666	13,641
– Bank borrowings	76,870	86,837
Unsecured:		
– Bank borrowings	<u>25,979</u>	<u>27,265</u>
	<u>108,515</u>	<u>127,743</u>

The bank borrowings are at floating rates which carry interests at MOP best lending rate, Macau Interbank Offered Rate (“**MIBOR**”) and Hong Kong Interbank Offered Rate (“**HIBOR**”) plus/minus a spread. The effective interest rate on the Group’s bank borrowings was 4.70% per annum for the six months ended 30 June 2023 (31 December 2022: 5.15% per annum).

As at 30 June 2023 and 31 December 2022, there were breaches of financial covenants in the bank borrowings with a total amount of approximately MOP17,237,000 (31 December 2022: MOP29,953,000), including secured bank overdrafts of approximately MOP5,666,000 (31 December 2022: MOP13,641,000), secured bank borrowings of approximately MOP10,351,000 (31 December 2022: MOP13,982,000) and unsecured bank borrowings of approximately MOP1,220,000 (31 December 2022: MOP2,330,000). These matters triggered cross-defaults and resulted in certain other bank borrowings of the Group of approximately MOP29,960,000 (31 December 2022: MOP12,480,000) as at 30 June 2023 that may become immediate due for repayment if requested by the bank. Consequently, the entire bank borrowings have been classified as current liabilities at the end of the reporting period. The secured bank overdrafts and bank borrowings are guaranteed by the Company and secured by pledged bank deposits and property, plant and equipment amounted to approximately MOP43,870,000 (31 December 2022: MOP50,026,000) and MOP9,677,000 (31 December 2022: MOP9,862,000) respectively.

As at 30 June 2023, the remaining bank borrowings of approximately MOP61,318,000 (31 December 2022: MOP85,310,000) contain a repayment on demand clause. Out of such amounts, the bank borrowings of approximately MOP7,670,000 (31 December 2022: MOP2,432,000) and MOP718,000 (31 December 2022: MOP1,756,000) that have original contractual repayment due one to two years and two to five years respectively, were classified as current liabilities (31 December 2022: same).

As at the date of this announcement, the lenders have not made any demand for immediate repayment of these borrowings under the loan facility letters. The management of the Group has obtained the waivers of the breach of the covenants as at the date of this announcement.

The carrying amounts of bank borrowings approximate their fair values and are denominated in the following currencies.

	At 30 June 2023 MOP'000 (Unaudited)	At 31 December 2022 MOP'000 (Audited)
MOP	86,000	94,053
HK\$	<u>22,515</u>	<u>33,690</u>
	<u>108,515</u>	<u>127,743</u>

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 2023 MOP'000 (Unaudited)	At 31 December 2022 MOP'000 (Audited)
Property, plant and equipment	9,677	9,862
Pledged bank deposits	<u>58,204</u>	<u>67,297</u>
	<u>67,881</u>	<u>77,159</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Groups is an integrated construction contractor which provides building and ancillary services. The services are required in various building and construction projects in relation to hotel and casino resorts, infrastructures of 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 or its main contractors; and (iv) other private developers or their contractors.

During the six months ended 30 June 2023, 14 building and ancillary services projects with an aggregate contract sum of MOP437.2 million were awarded. The Group had completed 8 building and ancillary services projects during this period. As at 30 June 2023, the Group's backlog consisted of 18 building and ancillary services projects, which exclude those completed but not certified, with an aggregate outstanding contract sum of MOP636.6 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 2023 and 2022:

	Six months ended 30 June			
	2023		2022	
	<i>MOP'000</i>	<i>%</i>	<i>MOP'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Building and ancillary services	212,986	100.0	272,343	99.6
Emergency repair services	–	0.0	988	0.4
Total	<u>212,986</u>	<u>100.0</u>	<u>273,331</u>	<u>100.0</u>

During the six months ended 30 June 2023, the Group's total revenue decreased by approximately MOP60.3 million or 22.1% relative to that of the corresponding period in 2022. The decrease was attributable to (i) smaller scale of the building and ancillary services projects being undertaken during the period; and (ii) limited revenue contribution from the newly awarded building and ancillary services projects in respect of which the construction works only began in the second quarter of 2023.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately MOP6.7 million to approximately MOP8.6 million for the six months ended 30 June 2023 from approximately MOP1.9 million for the corresponding period in 2022. The Group's gross profit margin increased to approximately 4.1% for the six months ended 30 June 2023 from approximately 0.7% for the corresponding period in 2022.

The increase in the gross profit was mainly attributable to (i) building and ancillary services projects with higher gross profit margin undertaken ; and (ii) the effective control over construction costs.

Other Income, Gain and Loss

The Group's other income increased by approximately MOP18,000 or 1.2% from approximately MOP1,484,000 for the six months ended 30 June 2022 to approximately MOP1,502,000 for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in interest income and sundry income.

Administrative Expenses

The Group's administrative expenses decreased by approximately MOP0.1 million or 0.8% from approximately MOP13.3 million for the six months ended 30 June 2022 to approximately MOP13.2 million for the six months ended 30 June 2023. Such decrease was mainly attributable to the reduction in other administrative expenses, yet partially offset by an increase in staff costs.

Impairment Losses under Expected Credit Loss Model

The Group's impairment losses under expected credit loss model were approximately MOP147,000 for the six months ended 30 June 2023 and was approximately MOP495,000 for the corresponding period in 2022. 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, except for certain balances of contract assets and trade receivables being assessed on an individual basis, trade receivables and contract assets have been grouped based on shared credit risk characteristics.

Finance Costs

The Group's finance costs increased by approximately MOP929,000 or 45.5% from approximately MOP2,041,000 for the six months ended 30 June 2022 to approximately MOP2,970,000 for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in interest expenses on bank borrowings.

Income Tax Expense

The Group has income tax expense MOP632,000 for the six months ended 30 June 2023 compared to income tax expense of approximately MOP117,000 for the six months ended 30 June 2022. Such increase was due to the increase in the profit of Macau operation.

Loss for the Period

The Group's loss for the period was approximately MOP6.8 million for the six months ended 30 June 2023 compared to loss for the period of approximately MOP12.6 million for six months ended 30 June 2022.

Other Comprehensive Loss for the Period

The Group's other comprehensive loss was nil for the six months ended 30 June 2023 compared to approximately MOP16,000 for the six months ended 30 June 2022. The other comprehensive loss for the six months ended 30 June 2022 was mainly attributable to the loss on disposal of investment in an equity instrument at fair value through other comprehensive income.

Total Comprehensive Loss for the Period

The Group's total comprehensive loss was approximately MOP6.8 million for the six months ended 30 June 2023 compared to total comprehensive loss of approximately MOP12.6 million for the six months ended 30 June 2022. It was mainly attributable to the combined effect of the aforementioned items.

Basic Loss per Share

The Company's basic loss per share for the six months ended 30 June 2023 was approximately MOP0.63 cents (six months ended 30 June 2022: basic loss per share of MOP1.26 cents).

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Property, Plant and Equipment

The Group's property, plant and equipment was approximately MOP86.3 million as at 30 June 2023 compared to approximately MOP72.9 million as at 31 December 2022. Due to business expansion, the Group acquired property, plant and equipment of approximately MOP22.9 million during the six months ended 30 June 2023 (six months ended 30 June 2022: approximately MOP5.3 million).

As at 30 June 2023, the Group has pledged certain property, plant and equipment with carrying values of MOP9.7 million (31 December 2022: MOP9.9 million) 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 2023, the Group had bank balances and cash of approximately MOP3.4 million (31 December 2022: MOP18.9 million).

As at 30 June 2023, the Group had an aggregate of pledged bank deposits of approximately MOP58.2 million (31 December 2022: MOP67.3 million) that are used to secure banking facilities.

As at 30 June 2023, bank borrowings amounted to approximately MOP108.5 million (31 December 2022: MOP127.7 million), including bank overdrafts of approximately MOP5.7 million (31 December 2022: MOP13.6 million). The bank borrowings amounts containing on demand clause of approximately MOP52.9 million, MOP7.7 million, and MOP0.7 million (31 December 2022: MOP81.1 million, MOP2.4 million, and MOP1.8 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 MOP47.2 million (31 December 2022: MOP42.4 million).

Current ratio increased from 1.4 times as at 31 December 2022 to 1.5 times as at 30 June 2023. It was mainly due to the contraction in trade and other payables during the six months ended 30 June 2023.

Gearing ratio is calculated based on debts divided by the total equity as at the respective reporting dates. Gearing ratio decreased from 63.5% as at 31 December 2022 to 52.7% as at 30 June 2023. It was mainly due to the decrease in bank borrowings during the six months ended 30 June 2023 and the increase in the total equity resulted of placement of new shares.

As at 30 June 2023, the share capital and equity attributable to owners of the Company amounted to approximately MOP11.3 million and approximately MOP205.8 million, respectively (31 December 2022: MOP10.3 million and MOP201.3 million, respectively).

Material Acquisition and Disposals of Subsidiaries and Associated Companies

Save as disclosed in this announcement, during the six months ended 30 June 2023, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

Capital Commitments

As at 30 June 2023, the Group had capital commitments for purchases of property, plant and equipment and right-of-use for an office premise of approximately MOP7,163,000 (31 December 2022: MOP1,953,000).

Contingent Liabilities

As at 30 June 2023, performance guarantees of approximately MOP209.9 million (31 December 2022: MOP358.8 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's interest rate risk arises primarily from the Group's bank deposits and borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. 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, bank balances and MOP best lending rate, MIBOR and HIBOR arising from the Group's variable-rate bank borrowings. The Group does not use financial derivatives to hedge against the interest rate risk.

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 2023 and 31 December 2022.

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 2023, the Group has concentration of credit risks as 33.4% (31 December 2022: 51.8%) and 94.9% (31 December 2022: 88.7%) 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 511 full-time employees as at 30 June 2023 (31 December 2022: 538).

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 its 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) were approximately MOP50.1 million for the six months ended 30 June 2023 (six months ended 30 June 2022: MOP49.0 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.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") pursuant to the written resolutions passed on 24 November 2017. The Share Option Scheme enables the Company to grant share options to the eligible persons as incentives or rewards for their contributions to the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 24 November 2017 and up to 30 June 2023.

PROSPECTS AND STRATEGIES

During the first half of 2023, the Group successfully secured several construction projects in New Town Zones, leading to an expansion of its market share in the public sector of Macau. Anticipating increased activity in the private sector for the remainder of 2023 and 2024, the Group plans to capitalise on this opportunity by obtaining more construction projects from the private sector. In the Hong Kong market, the Group will continue to strengthen its presence.

While the projected pace of increase in inflation and interest rates is expected to slow down, these factors still pose challenges to the Group's operations. To mitigate the impact of rising construction and finance costs, the Group will maintain its current cost control measures. Moreover, the construction markets in Macau and Hong Kong have become more competitive, potentially leading to lower profitability and restricting the Group's gross profit margin. As a result, the Group maintains a cautious outlook on its business and financial performance in the near future.

Moving ahead, the Group will concentrate on solidifying its position as an integrated construction contractor in Macau while expanding its operations in Hong Kong. Additionally, the Group will actively pursue other construction-related business prospects in regions such as the Greater Bay Area and Asia-Pacific Region. The Group's unwavering commitment to delivering high-quality projects and upholding its industry reputation remains unchanged. By prioritising cost control and business growth, the Group is well-prepared to overcome challenges and capitalise on opportunities for expansion. The Group maintains a positive outlook on its future and remains dedicated to implementing its strategies for long-term success.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

During the six months ended 30 June 2023, 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

Buildway Development Limited, an associated company of the Group which has been inactive since incorporation, has been deregistered and is accordingly dissolved from 14 July 2023.

Saved as disclosed in this announcement, the Board is not aware of any significant events requiring disclosure that has taken place subsequent to 30 June 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 June 2023 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 2023 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 unaudited condensed consolidated financial statements of the Group and this interim results announcement of the Company for the six months ended 30 June 2023.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.kinpang.com.mo. The interim report will be despatched to shareholders of the Company 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 2023

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.