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Kin Shing Holdings Limited

建成控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1630)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board of directors (the “**Board**”) of Kin Shing Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2020 together with comparative figures in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	434,647	850,565
Direct costs		(422,041)	(802,880)
Gross profit		12,606	47,685
Other income	5	449	2,404
Other losses	6	(9)	(36,571)
Impairment losses under expected credit loss model	7	(1,007)	–
Administrative expenses		(21,532)	(23,955)
Finance costs	8	(2,730)	(2,812)
Loss before tax		(12,223)	(13,249)
Income tax credit/(expense)	9	1,392	(6,070)
Loss and total comprehensive expense for the year	10	(10,831)	(19,319)
Loss and total comprehensive expense for the year attributable to owners of the Company		(10,831)	(19,319)
Loss per share	11		
– Basic (HK cents)		(0.72)	(1.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		18,455	22,758
Right-of-use assets		3,515	–
Investment in a joint venture		–	–
Deposits for acquisition of property, plant and equipment		6,723	–
Deferred tax assets		1,494	2,294
		<u>30,187</u>	<u>25,052</u>
Current assets			
Trade and other receivables	13	60,401	94,504
Contract assets		83,394	128,853
Tax recoverable		5,053	3,427
Cash and cash equivalents		187,521	181,688
		<u>336,369</u>	<u>408,472</u>
Total assets		<u>366,556</u>	<u>433,524</u>
Current liabilities			
Trade and other payables	14	57,794	89,298
Amount due to a joint venture		5	5
Amount due to a related company		139,723	137,023
Amount due to a director		1,414	30,078
Lease liabilities		2,381	–
Tax payable		7	3
		<u>201,324</u>	<u>256,407</u>
Net current assets		<u>135,045</u>	<u>152,065</u>
Total assets less current liabilities		<u>165,232</u>	<u>177,117</u>
Non-current liabilities			
Deferred tax liabilities		–	2,196
Lease liabilities		1,142	–
		<u>1,142</u>	<u>2,196</u>
Net assets		<u>164,090</u>	<u>174,921</u>
Capital and reserves			
Share capital		15,000	15,000
Reserves		149,090	159,921
Total equity		<u>164,090</u>	<u>174,921</u>

NOTES

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 April 2016. Its parent and ultimate holding company is Five Continental Enterprise Limited, a company incorporated in the British Virgin Islands and controlled by Mr. Leung Chi Kit, Mr. Chow Siu Yu and Ms. Tso Yuk Ching. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 June 2017.

The Group is principally engaged in the provision of formwork works and building construction works.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

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

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

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. The application of lessor accounting requirements in HKFRS 16 has had no material impact on the consolidated financial statements of the Group for the current year.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.97%.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	2,283
Lease liabilities discounted at relevant incremental borrowing rates	2,252
Less: Recognition exemption – short-term leases	(1,838)
Recognition exemption – low value assets	(29)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	<u>385</u>

	At 1 April 2019 HK\$'000
Analysed as	
Current	89
Non-current	<u>296</u>
	<u><u>385</u></u>

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

	At 1 April 2019 HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u><u>385</u></u>
By class:	
Office equipment	<u><u>385</u></u>

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

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	385	385
Current liabilities			
Lease liabilities	–	89	89
Non-current liabilities			
Lease liabilities	–	296	296

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

3. REVENUE

The following is an analysis of the Group's revenue from its major services:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision of formwork works and related ancillary works	434,647	850,565
Provision of building construction works	<u>–</u>	<u>–</u>
	<u>434,647</u>	<u>850,565</u>

4. SEGMENT INFORMATION

Information reported to the Company's Executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on the types of services provided. The Group's reportable and operating segments under "HKFRS 8 – Operating Segments" are as follows:

1. Formwork works – Provision of formwork works and related ancillary works
2. Building construction works – Provision of building construction works

Segment revenue and results

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

For the year ended 31 March 2020

	Formwork works <i>HK\$'000</i>	Building construction works <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External sales and segment revenue	<u>434,647</u>	<u>–</u>	<u>434,647</u>
Segment profit/(loss)	<u>521</u>	<u>(10)</u>	511
Interest income			190
Unallocated expenses			(10,194)
Finance costs			<u>(2,730)</u>
Loss before tax			<u>(12,223)</u>

For the year ended 31 March 2019

	Formwork works <i>HK\$'000</i>	Building construction works <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External sales and segment revenue	850,565	–	850,565
Segment profit/(loss)	38,016	(12)	38,004
Interest income			371
Loss from change in fair value of financial assets at fair value through profit or loss			(36,565)
Unallocated expenses			(12,247)
Finance costs			(2,812)
Loss before tax			(13,249)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of interest income, loss from changes in fair value of financial assets at fair value through profit or loss, central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment assets		
Formwork works	171,479	245,047
Building construction works	860	860
Total segment assets	172,339	245,907
Unallocated	194,217	187,617
Consolidated assets	366,556	433,524
Segment liabilities		
Formwork works	56,514	88,139
Building construction works	8	8
Total segment liabilities	56,522	88,147
Unallocated	145,944	170,456
Consolidated liabilities	202,466	258,603

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than cash and cash equivalents, tax recoverable, deferred tax assets, investment in a joint venture and unallocated corporate assets.
- all liabilities are allocated to operating segments other than amount due to a joint venture, amount due to a related company, amount due to a director, tax payable, deferred tax liabilities, lease liabilities and unallocated corporate liabilities.

Other segment information

For the year ended 31 March 2020

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>			
Additions to non-current assets (<i>Note</i>)	13,308	–	13,308
Depreciation	7,758	–	7,758
Impairment losses on trade receivables recognised in profit or loss	533	–	533
Impairment losses on contract assets recognised in profit or loss	474	–	474
	<u>474</u>	<u>–</u>	<u>474</u>

For the year ended 31 March 2019

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>			
Additions to non-current assets (<i>Note</i>)	9,621	–	9,621
Depreciation	6,287	–	6,287
	<u>6,287</u>	<u>–</u>	<u>6,287</u>

Note: Non-current assets excluded deferred tax assets.

Geographical information

The Group's operations are located in Hong Kong. All of the Group's revenue is derived from external customers located in Hong Kong and the Group's non-current assets are all located in Hong Kong.

Information about major customers

Revenue from customers for the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	135,118	228,150
Customer B ¹	N/A ²	164,673
Customer C ¹	N/A ²	159,379
Customer D ¹	71,830	N/A ²
Customer E ¹	N/A ²	128,488
Customer F ¹	55,319	N/A ²

¹ Revenue from Formwork works.

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from cash and cash equivalents	190	268
Interest income from loan receivables	–	103
Rental income	259	1,842
Sales of scrap materials	–	39
Sundry income	–	152
	<u>449</u>	<u>2,404</u>

6. OTHER LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss from changes in fair value of financial assets at fair value through profit or loss	–	36,565
Net foreign exchange loss	9	6
	<u>9</u>	<u>36,571</u>

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment losses recognised on:		
Trade receivables	533	–
Contract assets	474	–
	<u>1,007</u>	<u>–</u>

8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expense on:		
Bank loans and overdrafts	–	789
Lease liabilities	30	–
Amount due to a related company	2,700	2,023
	<u>2,730</u>	<u>2,812</u>

9. INCOME TAX (CREDIT)/EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year	7	3,787
– Over provision in prior year	(3)	–
	4	3,787
Deferred tax:		
Origination and reversal of temporary differences	(1,396)	2,283
	<u>(1,392)</u>	<u>6,070</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Directors' emoluments	7,506	7,691
Other staff costs	150,436	396,738
Contributions to retirement benefit scheme, excluding those of directors	<u>6,601</u>	<u>14,094</u>
Total staff costs	<u>164,543</u>	<u>418,523</u>
Depreciation of property, plant and equipment	7,270	6,287
Depreciation of right-of-use assets	<u>488</u>	<u>–</u>
Total depreciation	<u>7,758</u>	<u>6,287</u>
Auditors' remuneration	<u>760</u>	<u>800</u>

11. LOSS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	<u>(10,831)</u>	<u>(19,319)</u>
	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,500,000</u>	<u>1,500,000</u>

No diluted loss per share for the years ended 31 March 2020 and 2019 were presented as there were no potential ordinary shares in issue for both years.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

13. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	59,734	91,462
Less: Allowance for credit losses	<u>(533)</u>	<u>–</u>
	59,201	91,462
Prepayments	396	213
Deposits and other receivables	<u>804</u>	<u>2,829</u>
	<u>60,401</u>	<u>94,504</u>

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aging analysis of the Group's trade receivables net of allowance for credit losses at the end of the reporting period, presented based on the progress payment certificate date:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	36,516	49,373
31–60 days	12,602	22,687
Over 60 days	<u>10,083</u>	<u>19,402</u>
	<u>59,201</u>	<u>91,462</u>

14. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	15,346	19,365
Accruals and other payables		
– Accrued salaries	19,529	32,733
– Accrued sub-contracting fee	15,295	29,495
– Others	7,624	7,705
	<u>57,794</u>	<u>89,298</u>

The following is an aging analysis of the Group's trade payables at the end of the reporting period, presented based on the invoice date:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	1,798	1,421
31–60 days	2,406	1,602
61–90 days	4,249	4,864
Over 90 days	6,893	11,478
	<u>15,346</u>	<u>19,365</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 March 2020 amounted to approximately HK\$434,647,000 (2019: approximately HK\$850,565,000).
- Loss attributable to the equity shareholders of the Company for the year ended 31 March 2020 amounted to approximately HK\$10,831,000 (2019: approximately HK\$19,319,000).
- Basic loss per share for the year ended 31 March 2020 amounted to approximately 0.72 HK cents (2019: approximately 1.29 HK cents).

BUSINESS REVIEW

The Group is principally engaged in the provision of formwork works with an insignificant portion from building construction works (including concrete works and finishes works). Based on the materials used in the formwork works, we categorise our formwork works into (i) traditional timber formwork by using timber and plywood; and (ii) metal formwork system by using aluminium and metals. Since the listing of the Company on 16 June 2017 (the “**Listing**”), there has been no significant change in the business operations of the Group.

During the year ended 31 March 2020, formwork works contributed approximately HK\$434,647,000 to the Group’s revenue (2019: approximately HK\$850,565,000).

The Group predominately engaged in erecting formworks for construction works in private residential and commercial buildings during the year ended 31 March 2020. In recent years, in order to diversify the scope in different kinds of construction projects, the Group had also engaged in formwork works for construction works in public housing. As such, the construction projects undertaken by us include both public-sector projects (including projects where the ultimate employer(s) are Government departments and statutory bodies) and private sector projects (including projects where the ultimate employer(s) are property developer(s) and land owner(s)). During the year ended 31 March 2020, the revenue generated from private sector projects accounted for approximately HK\$331,403,000 (2019: approximately HK\$633,149,000), representing approximately 76.2% (2019: approximately 74.4%), of the total revenue of the Group, and approximately HK\$103,244,000 (2019: approximately HK\$217,416,000), representing approximately 23.8% (2019: approximately 25.6%), of the total revenue of the Group were generated from public sector projects undertaken by us.

During the year ended 31 March 2020, there were 17 customers who contributed a total revenue of approximately HK\$434,647,000, whereas there were 19 customers who contributed a total revenue of approximately HK\$850,565,000 for the corresponding period in 2019.

PROSPECT

Looking forward, it is foreseeable that the intensified market competition, challenges and uncertainties in the costs of staff, materials and subcontracting fees will continue to plague the formwork works industry. In response to the dynamic business environment and to overcome these unfavorable factors, the Group will continue to diversify the scope in different types of construction projects and the customer base to minimise the market risk. During the year ended 31 March 2020, there were 46 projects which contributed a total revenue of approximately HK\$434,647,000, whereas there were 49 projects which contributed a total revenue of approximately HK\$850,565,000 for the corresponding period in 2019.

FINANCIAL REVIEW

Revenue

The business of the Group primarily focused in the Hong Kong market during the year ended 31 March 2020.

During the year ended 31 March 2020, there were 46 projects contributing revenue of approximately HK\$434,647,000, whereas revenue for the corresponding period of 2019 of approximately HK\$850,565,000 was contributed by 49 projects. The decrease of revenue in 2020 was mainly due to the fact that five sizable formwork projects (total latest contract amount of approximately HK\$562.6 million and were being awarded to the Group during the period from January 2018 to April 2018) are at the final stage of the construction cycle, hence the revenue generated for the year ended 31 March 2020 is minimal. Set out below is a breakdown of the Group's projects based on their respective revenue recognised during the year ended 31 March 2020 and 2019.

	2020	2019
	No. of	No. of
	projects	projects
Revenue recognised		
HK\$100,000,001 or above	–	3
HK\$50,000,001 to HK\$100,000,000	2	1
HK\$10,000,001 to HK\$50,000,000	12	11
HK\$1,000,000 to HK\$10,000,000	20	21
Below HK\$1,000,000	12	13
	<hr/>	<hr/>
	46	49
	<hr/> <hr/>	<hr/> <hr/>

Gross profit and gross profit margin

During the year ended 31 March 2020, the Group's gross profit decreased by approximately HK\$35,079,000 or approximately 73.6% from approximately HK\$47,685,000 for the year ended 31 March 2019 to approximately HK\$12,606,000 for the year ended 31 March 2020.

The Group's gross profit margin decreased from approximately 5.6% for the year ended 31 March 2019 to approximately 2.9% for the year ended 31 March 2020. The decrease in the gross profit margin was mainly resulted from the fact that several sizable formworks project are at the final stage, the increase of rate of direct labours and subcontractors, the additional costs caused by the unexpected changes to on-site arrangements and the keen competition for new formwork works contracts in the market.

Other income

Other income decreased by approximately HK\$1,955,000 from approximately HK\$2,404,000 for the year ended 31 March 2019 to approximately HK\$449,000 for the year ended 31 March 2020, representing a decrease of approximately 81.3%. Such decrease was mainly attributable to the decrease in rental income.

Other losses

Other losses decreased by approximately HK\$36,562,000 from approximately HK\$36,571,000 for the year ended 31 March 2019 to approximately HK\$9,000 for the year ended 31 March 2020. Decrease in other losses was mainly due to the fact that there was no loss arise on the fair value change and on disposals of financial assets at fair value through profit or loss during the year ended 31 March 2020.

Administrative expenses

Administrative expenses decreased from approximately HK\$23,955,000 for the year ended 31 March 2019 to approximately HK\$21,532,000 for the year ended 31 March 2020, representing a decrease of approximately 10.1%. Such decrease was mainly attributable to the decrease in professional fees and entertainment expenses.

Finance costs

Finance costs decreased from approximately HK\$2,812,000 for the year ended 31 March 2019 to approximately HK\$2,730,000 for the year ended 31 March 2020, representing a decrease of approximately 2.9%.

Income tax

Income tax expenses decreased by approximately HK\$7,462,000 from income tax expenses of approximately HK\$6,070,000 for the year ended 31 March 2019 to income tax credit of approximately HK\$1,392,000 for the year ended 31 March 2020. Such decrease was mainly due to the decrease in assessable profits during the year ended 31 March 2020.

Loss attributable to the equity shareholders of the Company

As a result of the foregoing, the loss attributable to the equity shareholders of the Company amounted to approximately HK\$10,831,000 for the year ended 31 March 2020 as compared to that of approximately HK\$19,319,000 for the year ended 31 March 2019. The loss for the year ended 31 March 2020 was mainly attributable to the decrease in gross profit.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

As at 31 March 2020, the Group had cash and cash equivalents of approximately HK\$187,521,000 as compared with that of approximately HK\$181,688,000 as at 31 March 2019.

The Group did not have any bank borrowings as at 31 March 2020 and 2019. The gearing ratio is calculated based on the amount of the total debts, which include, amount due to a director, amount due to a related company, amount due to a joint venture and lease liabilities, divided by the total equity. The gearing ratio of the Group as at 31 March 2020 is approximately 88.2% (2019: approximately 95.5%).

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the Board of Directors closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of assets

As at 31 March 2020, the Group did not pledge its assets.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 March 2020, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital commitments

As at 31 March 2020, the Group had approximately HK\$8,651,000 of off-balance sheet capital commitments in respect of the acquisition of property, plant and equipment.

Contingent liabilities

As at 31 March 2020, the Group had no material contingent liabilities.

Foreign Exchange Risk

The Group mainly operates in Hong Kong and the majority of its operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group did not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the year ended 31 March 2020.

Principal risk and uncertainty

The Group's operation is subject to general economic and market risks which may affect the competition and profitability of construction projects. The Group's key risk exposures are summarised as follows:

1. The Group derives its revenue mainly from projects which are non-recurrent in nature, and there is no guarantee that the customers will provide us with new business or that we can secure new contracts.
2. The Group determines the contract price based on the estimated time and costs involved in the project. Inaccurate estimation or ineffective cost management may adversely affect the Group's financial results.
3. Any significant increase in construction material costs and/or the occurrence of any substandard construction materials may have adverse impacts on the financial results of the Group.
4. Construction litigation and disputes may adversely affect the Group's performance.
5. The Group's liquidity position may be adversely affected if the progress payment or the retention money is not paid or released to the Group on time or in full or the construction project cash flows are fluctuated.

For other risks and uncertainties facing the Group, please refer to the section headed “Risks Factors” in the Prospectus dated 31 May 2017 published by the Company.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to sustainable development of the Group. The Group recognises the importance of maintaining good relationships with its employees, business partners, customers, suppliers and sub-contractors to achieve its long-term business growth and development. Accordingly, the Group keeps good communications and shares business updates with them when appropriate.

The Group has provided its major customers formwork works for many years. Main contractors tend to select their subcontractors based on reputation, proven high-quality work and on-time project completion track records. Moreover, maintaining good customer relationships provides more opportunities and higher chances to (i) be invited for and (ii) win tenders. The Group considers that the long-term relationship with some of the major customers reinforces the Group as one of the preferred subcontractors to their projects. In particular, some of the customers with long-term relationship are wholly-owned subsidiaries of public companies listed on the Main Board and are long-established property developers or contractors in Hong Kong. The Directors believe that satisfactory completion of previous works on a timely basis enables us to maintain a continuous business relationship with these customers.

On the other hand, the Group keeps a pre-approved list of suppliers and a list of pre-approved subcontractors. These subcontractors possess the relevant qualifications and/or relevant experience, and certain subcontractors and suppliers have been our subcontractors and suppliers for many years. The Directors believe that the Group’s stable relationship with the subcontractors and/or suppliers facilitates (i) a smooth delivery of good quality materials and/or services to the Group; (ii) a favourable bargaining position for purchase of materials with relatively stable price and terms; and (iii) the availability of supplies throughout the entire project period, which is crucial to the Group’s day-to-day operations and future business development.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed 612 employees in Hong Kong (2019: 1,204 employees). Remuneration packages are reviewed based on their performance, experience and the prevailing industry practice. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work. In addition to salary payments and discretionary bonuses, the Group also provides the eligible staff other employment benefits, provident fund and educational subsidies. The total remuneration cost incurred by the Group for the year ended 31 March 2020 was approximately HK\$164,543,000 compared to approximately HK\$418,523,000 for the year ended 31 March 2019.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The shares of the Company have been listed and traded on the Main Board of the Stock Exchange since 16 June 2017 (the “**Listing**”). The net proceeds (after deducting the underwriting fees, commissions and all related expenses) from the Listing amounted to approximately HK\$75.0 million. After the Listing, these net proceeds have been and will be utilised in accordance with the future plans and use of proceeds as set out in the prospectus of the Company dated 31 May 2017.

Details of the utilisation of the net proceeds raised by the Company from the date of Listing up to 31 March 2020 are stated below:

	Planned use of net proceeds	Amount utilised up to 31 March 2020	Unutilised balance up to 31 March 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Acquire additional machineries and equipment	32.8	24.6	8.2
Purchase aluminium formwork systems	21.3	6.7	14.6
Invest in human resources	9.6	8.4	1.2
Additional rental expense for leasing of a warehouse	4.3	3.0	1.3
General working capital	7.0	7.0	–
Total	<u>75.0</u>	<u>49.7</u>	<u>25.3</u>

The unused amount of the net proceeds of approximately HK\$25.3 million has been deposited into licensed banks in Hong Kong.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group considers that a stringent quality assurance system and strong commitment to work's quality, safety, occupational health and environmental management are crucial in delivering quality works to the customers on a timely basis. Therefore, the Group has implemented a stringent management system to regulate the work's quality, safety and environmental management standards, which comply with international standards. During the year 31 March 2020, the Group has satisfied the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 accreditation for the quality management system, environmental management system and occupational safety and health management system respectively.

During the year ended 31 March 2020, there is no material breach of or non-compliance with applicable laws and regulations by the Group in respect of environmental issues that have significant impact on the business and operations of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2020, the Group was fined for a total sum of HK\$34,000 in respect of one summons for violation of certain regulations under the Construction Sites (Safety) Regulations and Factories and Industrial Undertakings (Safety Management) Regulations.

The Directors consider that these violations are independent and isolated incidents. During the year ended 31 March 2020, save as disclosed above or otherwise in this announcement, the Group has complied with all applicable laws and regulations in Hong Kong in all material aspects for the business operation of the Group. During the year ended 31 March 2020, the Group has also obtained all the licenses, permits or certificates which are necessary to conduct its business operation in Hong Kong.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 March 2020 and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2020.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 14 August 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 11 August 2020 to Friday, 14 August 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Monday, 10 August 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the Listing.

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). All Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2020.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with all relevant code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the year.

Details of the Company’s corporate governance policies and practices will be discussed in the Company’s 2020 annual report.

AUDIT COMMITTEE

The Company established the Audit Committee on 23 May 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. Lam Kai Yeung, Mr. Chang Chun Pong and Mr. Tsui Leung Cho. Mr. Lam Kai Yeung is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group, and the financial information of the Group and the annual results announcement of the Company for the year ended 31 March 2020.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the Group’s consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the Group’s auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 March 2020. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the respective websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.kinshingholdings.com.hk). The annual report for the year ended 31 March 2020 containing all the information required by the Listing Rules will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited and despatched to the shareholders in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our management and staff members for their commitment and contribution, and to all our shareholders, customers, subcontractors, suppliers and business partners for their endless support, and to the growth of the Group.

By order of the Board
Kin Shing Holdings Limited
Leung Chi Kit
Chairman and Executive Director

Hong Kong, 30 June 2020

As at the date of this announcement, Mr. Leung Chi Kit, Ms. Tso Yuk Ching, Mr. Chow Dik Cheung, Mr. Chan Sik Mau and Mr. Chiu Sin Nang, Kenny are the Executive Directors; and Mr. Chang Chun Pong, Mr. Tsui Leung Cho and Mr. Lam Kai Yeung are the Independent Non-executive Directors.