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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board of directors (the “**Board**”) of Kin Shing Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2019 together with the comparative figures in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended	
		30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	222,971	417,585
Direct costs		(210,398)	(372,134)
Gross profit		12,573	45,451
Other income	5	136	440
Other losses	6	(6)	(26,720)
Administrative expenses		(10,070)	(12,137)
Finance costs	7	(1,379)	(1,343)
Profit before tax		1,254	5,691
Income tax expense	8	(235)	(5,416)
Profit and total comprehensive income for the period		1,019	275
Profit and total comprehensive income for the period attributable to owners of the Company		1,019	275
Earnings per share – Basic (<i>HK cents</i>)	10	0.07	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	<i>Notes</i>	As at 30 September 2019 (Unaudited) <i>HK\$'000</i>	As at 31 March 2019 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		19,339	22,758
Right-of-use assets		338	–
Investment in a joint venture		–	–
Deposits for acquisition of property, plant and equipment		1,341	–
Deferred tax assets		2,198	2,294
		23,216	25,052
Current assets			
Trade and other receivables	11	56,890	94,504
Contract assets		121,822	128,853
Tax recoverable		3,147	3,427
Cash and cash equivalents		170,721	181,688
		352,580	408,472
Total assets		375,796	433,524
Current liabilities			
Trade and other payables	12	56,678	89,298
Amount due to a joint venture		5	5
Amount due to a related company		138,396	137,023
Amount due to a director		2,427	30,078
Lease liabilities		90	–
Tax payable		16	3
		197,612	256,407
Net current assets		154,968	152,065
Total assets less current liabilities		178,184	177,117
Non-current liabilities			
Lease liabilities		250	–
Deferred tax liabilities		1,994	2,196
		2,244	2,196
Net assets		175,940	174,921
Capital and reserves			
Share capital		15,000	15,000
Reserves		160,940	159,921
Total equity		175,940	174,921

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements.

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

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 lessee

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

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK\$385,000 and right-of-use assets of approximately HK\$385,000 at 1 April 2019.

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 lessee's incremental borrowing rate applied is 3.97%.

	At 1 April 2019 <i>HK\$'000</i>
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)
	<u>385</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	<u>385</u>
Analysed as	
Current	89
Non-current	296
	<u>385</u>

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

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

The following adjustments were made to the amounts recognised in the condensed 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 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Non-current assets			
Right-of-use assets	–	385	385
Current liabilities			
Lease liabilities	–	89	89
Non-current liabilities			
Lease liabilities	–	296	296

3. REVENUE

Disaggregation of revenue from contracts with customers

Six months ended 30 September 2019 (unaudited)

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
Type of services			
Formwork works	<u>222,971</u>	<u>–</u>	<u>222,971</u>
Geographical markets			
Hong Kong	<u>222,971</u>	<u>–</u>	<u>222,971</u>
Timing of revenue recognition			
Over time	<u>222,971</u>	<u>–</u>	<u>222,971</u>

Six months ended 30 September 2018 (unaudited)

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
Type of services			
Formwork works	<u>417,585</u>	<u>–</u>	<u>417,585</u>
Geographical markets			
Hong Kong	<u>417,585</u>	<u>–</u>	<u>417,585</u>
Timing of revenue recognition			
Over time	<u>417,585</u>	<u>–</u>	<u>417,585</u>

4. SEGMENT INFORMATION

The Group's reportable and operating segments are as follows:

1. Formwork works – Provision of formwork works and other 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.

Six months ended 30 September 2019 (unaudited)

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
Revenue			
External sales and segment revenue	<u>222,971</u>	<u>–</u>	<u>222,971</u>
Segment profit	<u>7,294</u>	<u>–</u>	<u>7,294</u>
Interest income			136
Unallocated expenses			(4,797)
Finance costs			<u>(1,379)</u>
Profit before tax			<u>1,254</u>

Six months ended 30 September 2018 (unaudited)

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
Revenue			
External sales and segment revenue	<u>417,585</u>	<u>–</u>	<u>417,585</u>
Segment profit	<u>40,092</u>	<u>–</u>	<u>40,092</u>
Interest income			151
Unallocated expenses			(6,498)
Net loss arising on financial assets measured at fair value through profit or loss			(26,711)
Finance costs			<u>(1,343)</u>
Profit before tax			<u>5,691</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 interest income, central administration costs, net loss arising on financial assets measured at fair value through profit or loss 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.

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Segment assets		
Formwork works	198,821	245,047
Building construction works	860	860
	<hr/>	<hr/>
Total segment assets	199,681	245,907
Unallocated	176,115	187,617
	<hr/>	<hr/>
Consolidated assets	375,796	433,524
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Formwork works	56,091	88,139
Building construction works	–	8
	<hr/>	<hr/>
Total segment liabilities	56,091	88,147
Unallocated	143,765	170,456
	<hr/>	<hr/>
Consolidated liabilities	199,856	258,603
	<hr/> <hr/>	<hr/> <hr/>

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 and unallocated corporate liabilities.

5. OTHER INCOME

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest income from cash and cash equivalents	136	116
Interest income from loan receivables	–	35
Rental income	–	138
Sundry income	–	151
	<u>136</u>	<u>440</u>

6. OTHER LOSSES

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net loss arising on financial assets measured at fair value through profit or loss	–	26,711
Net foreign exchange loss	6	9
	<u>6</u>	<u>26,720</u>

7. FINANCE COSTS

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest expense on:		
Lease liabilities	6	–
Bank borrowings	–	730
Amount due to a related company	1,373	613
	<u>1,379</u>	<u>1,343</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	341	5,041
Deferred tax:		
Current period	(106)	375
	<u>235</u>	<u>5,416</u>

Hong Kong profits tax 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 for the period.

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<u>1,019</u>	<u>275</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,500,000,000</u>	<u>1,500,000,000</u>

No diluted earnings per share for the periods ended 30 September 2019 and 2018 were presented as there were no potential ordinary shares in issue for both periods.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 (Unaudited) <i>HK\$'000</i>	As at 31 March 2019 (Audited) <i>HK\$'000</i>
Trade receivables	53,083	91,462
Prepayments	55	213
Deposits and other receivables	3,752	2,829
	<u>56,890</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 at the end of the reporting period, presented based on the progress payment certificate date:

	As at 30 September 2019 (Unaudited) <i>HK\$'000</i>	As at 31 March 2019 (Audited) <i>HK\$'000</i>
0 – 30 days	42,876	49,373
31 – 60 days	8,704	22,687
Over 60 days	1,503	19,402
	<u>53,083</u>	<u>91,462</u>

12. TRADE AND OTHER PAYABLES

	As at 30 September 2019 (Unaudited) <i>HK\$'000</i>	As at 31 March 2019 (Audited) <i>HK\$'000</i>
Trade payables	13,711	19,365
Accruals and other payables		
– Accrued salaries	19,385	32,733
– Accrued sub-contracting fee	19,484	29,495
– Others	4,098	7,705
	<u>56,678</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:

	As at 30 September 2019 (Unaudited) <i>HK\$'000</i>	As at 31 March 2019 (Audited) <i>HK\$'000</i>
0 – 30 days	3,174	1,421
31 – 60 days	4,605	1,602
61 – 90 days	3,526	4,864
Over 90 days	2,406	11,478
	<u>13,711</u>	<u>19,365</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the six months ended 30 September 2019, there were 37 projects contributing revenue of approximately HK\$223.0 million, whereas a revenue of HK\$417.6 million for the corresponding period in 2018 was contributed by 40 projects. The decrease of revenue during the six months ended 30 September 2019 was mainly due to (i) decrease in formwork works contracts supplied by the market and (ii) delay in the commencement of new projects awarded to the Group.

The focus of the Group remained to be primarily in the Hong Kong market during the six months ended 30 September 2019.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$32.9 million or 72.3% from approximately HK\$45.5 million for the six months ended 30 September 2018 to approximately HK\$12.6 million for the six months ended 30 September 2019. The decrease in gross profit was mainly resulted from the decrease in the gross profit margin of newly awarded projects taken up by the Group as a result of the keen competition for new formwork contracts in the market.

The Group's gross profit margin decreased from approximately 10.9% for the six months ended 30 September 2018 to approximately 5.6% for the six months ended 30 September 2019.

Other income

Other income decreased by approximately HK\$304,000 from approximately HK\$440,000 for the six months ended 30 September 2018 to approximately HK\$136,000 million for the six months ended 30 September 2019, representing a decrease of approximately 69.1%. Such decrease was mainly attributable to the decrease in interest income from loan receivable and rental income generated from letting of equipment.

Other losses

Other losses decreased by approximately HK\$26.7 million from approximately HK\$26.7 million for the six months ended 30 September 2018 to approximately HK\$6,000 for the six months ended 30 September 2019. Such decrease was mainly due to no loss arising on the fair value change and disposals of financial assets at fair value through profit or loss during the six months ended 30 September 2019.

Administrative expenses

Administrative expenses decreased from approximately HK\$12.1 million for the six months ended 30 September 2018 to approximately HK\$10.1 million for the six months ended 30 September 2019, representing a decrease of approximately 17.0%. Such decrease was mainly attributable to the decrease in the professional fee.

Finance costs

Finance costs increased from approximately HK\$1.3 million for the six months ended 30 September 2018 to approximately HK\$1.4 million for the six months ended 30 September 2019, representing an increase of approximately 2.7%. Such increase was mainly attributable to the increase in interest expense on an existing loan from a related company during the six months ended 30 September 2019.

Income tax

Income tax expenses decreased to approximately HK\$0.2 million for the six months ended 30 September 2019 compared to approximately HK\$5.4 million for the six months ended 30 September 2018, representing a decrease of approximately 95.7%. Such decrease was mainly due to the decrease in assessable profits of the Group for the six months ended 30 September 2019.

Profit attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company amounted to approximately HK\$1.0 million for the six months ended 30 September 2019 as compared to approximately HK\$0.3 million for the six months ended 30 September 2018, representing an increase of approximately 270.5%.

Interim dividend

The Board has resolved not to recommend the declaration of any interim dividend for the six months ended 30 September 2019.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

As at 30 September 2019, the Group had cash and cash equivalents of approximately HK\$170.7 million as compared with HK\$181.7 million as at 31 March 2019, representing a decrease of approximately 6.0%. The decrease was mainly due to the repayment of amount due to a director during the six months ended 30 September 2019.

The Group has no bank borrowing as at 30 September 2019 (31 March 2019: Nil). The gearing ratio is calculated based on the amount of total debts, which include amount due to a joint venture, amount due to a related company, amount due to a director and lease liabilities, divided by total equity. The gearing ratio of the Group as at 30 September 2019 was approximately 80.2% (31 March 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

At 30 September 2019, the Group did not pledge its assets.

Capital commitments

As at 30 September 2019, the Group had approximately HK\$1,479,000 capital commitments for the acquisition of property, plant and equipment.

Contingent liabilities

As at 30 September 2019, the Group had no material contingent liabilities.

Foreign exchange risk

The Group mainly operates in Hong Kong and the majority of the 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 has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the six months ended 30 September 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the reporting period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the reporting period, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 31 May 2017 (the “**Prospectus**”), the Group does not have other plans for material investments and capital assets.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 23 May 2017. The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus. The Share Option Scheme is an incentive scheme established to recognise and motivate the contributions that employees (full-time and part-time), Directors, suppliers, customers, advisers or service providers of the Group have made or may make to the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 23 May 2017, and there is no outstanding share option as at 30 September 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed 739 employees in Hong Kong (31 March 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 eligible staff other employment benefits such as provident fund and educational subsidies. The total remuneration cost recognised to profit or loss for the six months ended 30 September 2019 was approximately HK\$114.2 million compared to approximately HK\$214.8 million for the six months ended 30 September 2018.

USE OF PROCEEDS FROM THE COMPANY’S INITIAL PUBLIC OFFERING

The shares of the Company (the “**Shares**”) have been listed and traded on the Main Board of the Stock Exchange since 16 June 2017. 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 30 September 2019 are stated below:

	Planned use net of proceeds <i>HK\$ million</i>	Amount utilised up to 30 September 2019 <i>HK\$ million</i>	Unutilised balance up to 30 September 2019 <i>HK\$ million</i>
Acquire additional machineries and equipment	32.8	23.1	9.7
Purchase aluminium formwork systems	21.3	–	21.3
Invest in human resources	9.6	7.4	2.2
Additional rental expense for leasing of a warehouse	4.3	2.1	2.2
General working capital	7.0	7.0	–
	<u>75.0</u>	<u>39.6</u>	<u>35.4</u>
Total	<u>75.0</u>	<u>39.6</u>	<u>35.4</u>

The unused amount of the net proceeds of approximately HK\$35.4 million has been deposited into licensed banks in Hong Kong.

OUTLOOK AND PROSPECT

Total revenue of the Group has decreased and the performance of the Group has been adversely affected by the competition in the building formwork industry which has become more competitive. The market share of the Group has decreased since the infrastructure formwork market players responsible for the aforesaid infrastructure formwork works also compete with the building formwork market players for new tenders in the building formwork industry. As a result, the profit margin of new building formwork contracts awarded has been reduced.

In addition, due to the uncertainty of the private property market in Hong Kong, Hong Kong private property developers may adopt conservative development plans and pricing strategy in the near future. Consequently, there will be a trend of keen competition for new building formwork contracts in the market.

In view of the aforesaid, in addition to adjusting the profit margin in bidding new contracts, the Group will continue to try its best endeavour to explore new customers, implement stringent cost control measures on existing projects, strengthen the effectiveness of project management and improve the efficiency of work flow throughout the construction process in order to maintain the competitiveness for the best interests of the Group.

As disclosed in the 2019 Annual Report, to mitigate the market risk and to diversify the business scope in different kinds of construction projects and to cope with the increasing supply in public housing units in coming future, the Group has also engaged in formwork works for construction of public housing. During the six months ended 30 September 2019, the Group has been awarded a new formwork works contract for public housing.

The revenue generated from the private sector projects accounted for approximately HK\$147.7 million for the six months ended 30 September 2019 (2018: approximately HK\$338.7 million), which represents approximately 66.2% of the total revenue of the Group (2018: approximately 81.1%). The revenue generated from the public sector projects accounted for approximately HK\$75.3 million for the six months ended 30 September 2019 (2018: approximately HK\$78.9 million), which represents approximately 33.8% of the total revenue of the Group (2018: approximately 18.9%).

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**”). On specific enquiries made, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code since the Listing and up to the six months ended 30 September 2019.

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 issued by the Stock Exchange during the period.

Details of the Company’s corporate governance policies and practices had been discussed in the Company’s 2019 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 approved and 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 interim results announcement of the Company for the six months ended 30 September 2019.

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 during the period from the date of Listing.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after the reporting period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 interim report for the six months ended 30 September 2019 containing all the information required by the Listing Rules will be published on the websites of the Company and the Hong Kong Exchanges and Clearing Limited and despatched to the shareholders in due course.

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

Hong Kong, 29 November 2019

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