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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 2019

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 2019 together with comparative figures in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Notes</i>	2019 HK\$’000	2018 <i>HK\$’000</i>
Revenue	3	850,565	576,856
Direct costs		(802,880)	(513,545)
Gross profit		47,685	63,311
Other income	5	2,404	959
Other (losses)/gains	6	(36,571)	13
Administrative expenses		(23,955)	(30,645)
Share of loss of a joint venture		–	(5)
Finance costs	7	(2,812)	(973)
(Loss)/Profit before tax		(13,249)	32,660
Income tax expense	8	(6,070)	(5,380)
(Loss)/Profit and total comprehensive (expense)/income for the year	9	(19,319)	27,280
(Loss)/Profit and total comprehensive (expense)/ income for the year attributable to owners of the Company		(19,319)	27,280
(Loss)/Earnings per share	10		
– Basic (HK cents)		(1.29)	1.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		22,758	19,424
Investment in a joint venture		–	–
Deposits for acquisition of property, plant and equipment		–	297
Deferred tax assets		2,294	4,353
		<u>25,052</u>	<u>24,074</u>
Current assets			
Trade and other receivables	12	94,504	108,063
Contract assets		128,853	–
Amounts due from customers for contract work		–	89,861
Tax recoverable		3,427	9,735
Cash and cash equivalents		181,688	92,438
		<u>408,472</u>	<u>300,097</u>
Total assets		<u>433,524</u>	<u>324,171</u>
Current liabilities			
Trade and other payables	13	89,298	67,897
Amounts due to customers for contract work		–	6,658
Amount due to a joint venture		5	5
Amount due to a related company		137,023	–
Amount due to a director		30,078	–
Bank borrowings		–	41,712
Tax payable		3	1,333
		<u>256,407</u>	<u>117,605</u>
Net current assets		<u>152,065</u>	<u>182,492</u>
Total assets less current liabilities		<u>177,117</u>	<u>206,566</u>
Non-current liabilities			
Deferred tax liabilities		2,196	1,972
Net assets		<u>174,921</u>	<u>204,594</u>
Capital and reserves			
Share capital		15,000	15,000
Reserves		159,921	189,594
Total equity		<u>174,921</u>	<u>204,594</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 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22 Amendments to HKFRS 2	Foreign Currency Transactions and Advance Consideration Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Formwork works; and
- Building construction works

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1 April 2018.

	<i>Note</i>	Impact of adopting HKFRS 15 at 1 April 2018 <i>HK\$'000</i>
Retained profits		
Adjustments of amounts due from customers for contract work	(b)	(12,400)
Tax effect	(b)	<u>2,046</u>
Impact at 1 April 2018		<u><u>(10,354)</u></u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 March 2018	Reclassification	Remeasurement	Carrying amounts under HKFRS 15 at 1 April 2018*
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets					
Trade and other receivables	(a)	108,063	(38,055)	–	70,008
Contract assets	(a) & (b)	–	115,516	–	115,516
Amounts due from customers for contract work	(b)	89,861	(77,461)	(12,400)	–
Tax recoverable	(b)	9,735	–	2,046	11,781
Current liabilities					
Trade and other payables	(c)	67,897	(10,615)	–	57,282
Contract liabilities	(b) & (c)	–	17,273	–	17,273
Amounts due to customers for contract work	(b)	6,658	(6,658)	–	–
Capital and reserve					
Retained profits	(b)	113,760	–	(10,354)	103,406

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

- (a) At the date of initial application, retention receivables of approximately HK\$38,055,000 arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.
- (b) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Amounts due from customers for contract work of approximately HK\$77,461,000 and amounts due to customers for contract work of approximately HK\$6,658,000 were reclassified to contract assets and contract liabilities respectively. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured based on surveys of work performed. Under HKFRS 15, costs that related to satisfy performance obligations are expensed as incurred. Construction costs of approximately HK\$12,400,000 that have been incurred but deferred to be recognised in profit or loss under HKAS 11 included in amounts due from customers for contract work were charged to retained profits. The related tax effect of approximately HK\$2,046,000 were recognised in tax recoverable and included in adjustment to retained profits.
- (c) At the date of initial application, advances from customers of approximately HK\$10,615,000 arising from the construction contracts previously included in trade and other payables was reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Amounts without application of HKFRS 15 <i>HK\$'000</i>
Current assets			
Trade and other receivables	94,504	63,169	157,673
Contract assets	128,853	(128,853)	–
Amounts due from customers for contract work	–	93,085	93,085
Tax recoverable	3,427	(1,356)	2,071
Current liabilities			
Tax payable	3	3,165	3,168
Capital and reserve			
Retained profits	84,087	22,880	106,967

Impact on the consolidated statement of profit and loss and other comprehensive income

	As reported <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Amounts without application of HKFRS 15 <i>HK\$'000</i>
Direct costs	(802,880)	15,001	(787,879)
Gross profit	47,685	15,001	62,686
(Loss)/Profit before tax	(13,249)	15,001	1,752
Income tax expense	(6,070)	(2,475)	(8,545)
Loss and total comprehensive expense for the year	(19,319)	12,526	(6,793)

2.2 *HKFRS 9 Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and contract assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

The initial application of HKFRS 9 had no material impact on the classification and measurement of the Group's financial assets and applying HKFRS 9's expected credit loss model did not result in the recognition of loss allowance on 1 April 2018 for the Group's financial assets and contract assets.

3. REVENUE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Provision of formwork works and other ancillary works	850,565	576,856
Provision of building construction works	<u>–</u>	<u>–</u>
	<u>850,565</u>	<u>576,856</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 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.

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	<u>850,565</u>	<u>–</u>	<u>850,565</u>
Segment profit/(loss)	<u>38,016</u>	<u>(12)</u>	38,004
Interest income			371
Loss from changes in fair value of financial assets at fair value through profit or loss			(36,565)
Unallocated expenses			(12,247)
Finance costs			<u>(2,812)</u>
Loss before tax			<u>(13,249)</u>

For the year ended 31 March 2018

	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>576,856</u>	<u>–</u>	<u>576,856</u>
Segment profit/(loss)	<u>53,339</u>	<u>(2,497)</u>	50,842
Interest income			300
Unallocated expenses			(17,504)
Share of loss of a joint venture			(5)
Finance costs			<u>(973)</u>
Profit before tax			<u>32,660</u>

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, share of loss of a joint venture 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.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Segment assets		
Formwork works	245,047	216,510
Building construction works	<u>860</u>	<u>986</u>
Total segment assets	245,907	217,496
Unallocated	<u>187,617</u>	<u>106,675</u>
Consolidated assets	<u>433,524</u>	<u>324,171</u>
Segment liabilities		
Formwork works	88,139	74,102
Building construction works	<u>8</u>	<u>8</u>
Total segment liabilities	88,147	74,110
Unallocated	<u>170,456</u>	<u>45,467</u>
Consolidated liabilities	<u>258,603</u>	<u>119,577</u>

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 bank borrowings, 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.

Other segment information

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	9,621	–	9,621
Depreciation of property, plant and equipment	<u>6,287</u>	<u>–</u>	<u>6,287</u>

For the year ended 31 March 2018

	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	12,661	–	12,661
Depreciation of property, plant and equipment	<u>4,128</u>	<u>–</u>	<u>4,128</u>

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A ¹	228,150	245,779
Customer B ¹	164,673	N/A ²
Customer C ¹	159,379	N/A ²
Customer D ¹	N/A ²	85,365
Customer E ¹	128,488	N/A ²
	<u>228,150</u>	<u>245,779</u>

¹ Revenue from provision of formwork works.

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

5. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income from cash and cash equivalents	268	284
Interest income from loan receivables	103	16
Rental income	1,842	158
Sales of scrap materials	39	68
Sundry income	152	433
	<u>2,404</u>	<u>959</u>

6. OTHER (LOSSES)/GAINS

	2019 <i>HK\$'000</i>	2018 <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)/gain	(6)	13
	<u>(36,571)</u>	<u>13</u>

7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest expense on:		
Bank loans and overdrafts	789	973
Amount due to a related company	2,023	–
	<u>2,812</u>	<u>973</u>

8. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year	3,788	3,950
– Over provision in prior year	–	(6)
	<u>3,788</u>	<u>3,944</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>2,282</u>	<u>1,436</u>
	<u>6,070</u>	<u>5,380</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, starting from the current year, the 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.

9. (LOSS)/PROFIT FOR THE YEAR

(Loss)/Profit for the year has been arrived at after charging:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Directors’ emoluments	7,691	8,273
Other staff costs	396,738	295,588
Contributions to retirement benefit scheme, excluding those of directors	<u>14,094</u>	<u>10,530</u>
Total staff costs	418,523	314,391
Less: Amounts charged to direct costs	(403,566)	(269,139)
Less: Amounts charged to administrative expenses	<u>(14,957)</u>	<u>(16,077)</u>
Amounts capitalised in contracts in progress	<u>–</u>	<u>29,175</u>
Depreciation of property, plant and equipment	6,287	4,128
Auditors’ remuneration	800	680
Listing expenses	<u>–</u>	<u>4,814</u>

10. (LOSS)/EARNINGS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss)/Earnings		
(Loss)/Earnings for the purpose of basic (loss)/earnings per share		
((Loss)/Profit for the year attributable to owners of the Company)	<u><u>(19,319)</u></u>	<u><u>27,280</u></u>
	2019 <i>'000</i>	2018 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u><u>1,500,000</u></u>	<u><u>1,446,904</u></u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2018 has been adjusted for the capitalisation issue on 16 June 2017.

No diluted (loss)/earnings per share for the years ended 31 March 2019 and 2018 were presented as there were no potential ordinary shares in issue for both years.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

12. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	91,462	69,541
Retention money receivables	–	38,055
Prepayments	213	154
Deposits and other receivables	<u>2,829</u>	<u>313</u>
	<u><u>94,504</u></u>	<u><u>108,063</u></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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–30 days	49,373	39,053
31–60 days	22,687	15,640
Over 60 days	19,402	14,848
	<u>91,462</u>	<u>69,541</u>

13. TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	19,365	15,652
Advances received from customers for contract work	–	10,615
Accruals and other payables		
– Accrued salaries	32,733	29,251
– Accrued sub-contracting fee	29,495	7,657
– Others	7,705	4,722
	<u>89,298</u>	<u>67,897</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–30 days	1,421	6,472
31–60 days	1,602	1,461
61–90 days	4,864	4,081
Over 90 days	11,478	3,638
	<u>19,365</u>	<u>15,652</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 March 2019 amounted to approximately HK\$850,565,000 (2018: approximately HK\$576,856,000).
- Loss attributable to the equity shareholders of the Company for the year ended 31 March 2019 amounted to approximately HK\$19,319,000 (2018: profit attributable to the equity shareholders of the Company approximately HK\$27,280,000).
- Basic loss per share for the year ended 31 March 2019 amounted to approximately 1.29 HK cents (2018: basic earnings per share approximately 1.89 HK cents).

BUSINESS REVIEW

The Group is principally engaged in the provision of formwork works with an insignificant portion from building construction works (include both 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 2019 and 2018, formwork works contributed for the Group’s total revenue was approximately HK\$850,565,000 (2018: approximately HK\$576,856,000).

The Group predominately engaged in erecting formworks for construction works in private residential and commercial buildings during the year ended 31 March 2019. In recent years, in order to diversify 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 2019, the revenue generated from private sector projects accounted for approximately HK\$633,149,000 (2018: approximately HK\$417,729,000), representing approximately 74.4% (2018: approximately 72.4%), of the total revenue of the Group, and approximately HK\$217,416,000 (2018: approximately HK\$159,127,000), representing approximately 25.6% (2018: approximately 27.6%), of the total revenue of the Group were generated from public sector projects undertaken by us.

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.

FINANCIAL REVIEW

Revenue

The business of the Group primarily focused in the Hong Kong market during the year ended 31 March 2019.

During the year ended 31 March 2019, there were 49 projects contributing revenue of approximately HK\$850,565,000, whereas revenue for the corresponding period of 2018 of approximately HK\$576,856,000 was contributed by 51 projects. The increase of revenue in 2019 was mainly due to 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) which are at the initial stage of the construction cycle, hence the revenue generated for the year ended 31 March 2019 is maximal. Set out below is a breakdown of the Group's projects based on their respective revenue recognised during the year ended 31 March 2019 and 2018.

	2019	2018
	No. of	No. of
	projects	projects
Revenue recognised		
HK\$100,000,001 or above	3	–
HK\$50,000,001 to HK\$100,000,000	1	2
HK\$10,000,001 to HK\$50,000,000	11	16
HK\$1,000,000 to HK\$10,000,000	21	20
Below HK\$1,000,000	13	13
	49	51

Gross Profit and Gross Profit Margin

During the year ended 31 March 2019, the Group's gross profit decreased by approximately HK\$15,626,000 or approximately 24.7% from approximately HK\$63,311,000 for the year ended 31 March 2018 to approximately HK\$47,685,000 for the year ended 31 March 2019. The decrease in gross profit was mainly resulted from keen competition for newly awarded formwork works contracts in the market and the direct labour cost and rates charged by the subcontractors increased substantially.

The Group's gross profit margin decreased from approximately 11.0% for the year ended 31 March 2018 to approximately 5.6% for the year ended 31 March 2019. The decrease in the gross profit margin was mainly resulted from the increase of direct staff cost and subcontracting fees in several projects due to unexpected delay in the commencement of certain formwork works projects which prolonged the duration of the construction programmes, the additional costs caused by the unexpected changes to on-site arrangements and the decrease in the gross profit margin of newly awarded formwork works projects.

Other income

Other income increased by approximately HK\$1,445,000 from approximately HK\$959,000 for the year ended 31 March 2018 to approximately HK\$2,404,000 for the year ended 31 March 2019, representing an increase of approximately 150.7%. Such increase was mainly attributable to the increase in rental income.

Other losses/gains

Other gains decreased by approximately HK\$36,584,000 from other gains approximately HK\$13,000 for the year ended 31 March 2018 to other losses approximately HK\$36,571,000 for the year ended 31 March 2019. Such increase was mainly attributable to the loss on disposals of financial assets at fair value through profit or loss during the year ended 31 March 2019.

Administrative expenses

Administrative expenses decreased from approximately HK\$30,645,000 for the year ended 31 March 2018 to approximately HK\$23,955,000 for the year ended 31 March 2019, representing a decrease of approximately 21.8%. Such decrease was mainly attributable to the decrease in professional fees and entertainment fees subsequent to the listing of the Company's ordinary shares on the Main Board. Staff costs of approximately HK\$14,957,000 were recorded for the year ended 31 March 2019 compared to approximately HK\$16,077,000 for the year ended 31 March 2018.

Finance costs

Finance costs increased from approximately HK\$973,000 for the year ended 31 March 2018 to approximately HK\$2,812,000 for the year ended 31 March 2019, representing an increase of approximately 189.0%. Such increase was mainly attributable to the increase in interest expense on a loan from a related company during the year ended 31 March 2019.

Income tax

Income tax expense increased to approximately HK\$6,070,000 for the year ended 31 March 2019 compared to approximately HK\$5,380,000 for the year ended 31 March 2018. Such increase was mainly due to the increase in non-deductible expenses during the year ended 31 March 2019.

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\$19,319,000 for the year ended 31 March 2019 as compared to profit attributable to the equity shareholders of the Company approximately HK\$27,280,000 for the year ended 31 March 2018.

The Board is of the view that the loss attributable to the equity shareholders of the Company is primarily due to the aggregate effect: (a) of increase in other loss due to the loss on disposals of financial assets at fair value through profit or loss for the year ended 31 March 2019; (b) increase in direct costs as a result of an increase in the direct staff costs and subcontracting costs due to the unexpected delay in the commencement of certain formwork works projects which prolonged the duration of the construction programmes and the additional costs caused by the unexpected changes to the on-site arrangements; and (c) a decrease in the gross profit margin of newly awarded formwork works projects as a result of the keen competition for new formwork works contracts in the market; and (d) increase in the finance cost due to the increase in interest expenses on a loan from a related company during the year ended 31 March 2019.

When excluding the other loss due to the loss on disposals of financial assets at fair value through profit or loss during the year ended 31 March 2019, the loss attributable to the equity shareholders of the Company would have decreased by approximately HK\$36.6 million.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

As at 31 March 2019, the Group had cash and cash equivalents of approximately HK\$181,688,000 as compared with approximately HK\$92,438,000 as at 31 March 2018. The significant increase was mainly due to the receipt of approximately HK\$165.0 million from a related company.

The Group did not have any bank borrowings as at 31 March 2019 (2018: approximately HK\$41,712,000). The gearing ratio is calculated based on the amount of the total debts, which include, bank borrowings, amount due to a director, amount due to a related company and amount due to a joint venture, divided by the total equity. The gearing ratio of the Group as at 31 March 2019 is approximately 95.5% (2018: approximately 20.4%).

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 2019, the Group did not pledge its assets.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 March 2019, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital commitments

As at 31 March 2019, the Group had no material off-balance sheet capital commitments.

Contingent liabilities

As at 31 March 2019, the Group had no material contingent liabilities.

Foreign Exchange Risk

The Group mainly operates in Hong Kong and 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 did not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the year ended 31 March 2019.

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 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 2019, the Group employed 1,204 employees in Hong Kong (2018: 1,089 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 2019 was approximately HK\$418,523,000 compared to approximately HK\$314,391,000 for the year ended 31 March 2018.

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 2019 are stated below:

	Planned use of net proceeds HK\$ million	Amount utilised up to 31 March 2019 HK\$ million	Unutilised balance up to 31 March 2019 HK\$ million
Acquire additional machineries and equipment	32.8	21.7	11.1
Purchase aluminium formwork systems	21.3	–	21.3
Invest in human resources	9.6	5.6	4.0
Additional rental expense for leasing of a warehouse	4.3	1.2	3.1
General working capital	7.0	7.0	–
	<hr/>	<hr/>	<hr/>
Total	<u>75.0</u>	<u>35.5</u>	<u>39.5</u>

The unused amount of the net proceeds of approximately HK\$39.5 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 2019, 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 2019, 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 2019, the Group was fined for a total sum of HK\$37,000 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 2019, 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 2019, 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 2019 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 2019.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 9 August 2019. 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, 6 August 2019 to Friday, 9 August 2019 (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, 5 August 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 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 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 2019.

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 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 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 2019.

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 2019, and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 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 2019. 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 2019 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, 26 June 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.