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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 2020

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 2020 together with the comparative figures in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	205,861	222,971
Direct costs		(204,430)	(210,398)
		<hr/>	<hr/>
Gross profit		1,431	12,573
Other income	5	1,686	136
Other gain/(loss)	6	7	(6)
Impairment losses under expected credit loss model, net of reversal	7	20	–
Administrative expenses		(10,445)	(10,070)
Finance costs	8	(1,430)	(1,379)
		<hr/>	<hr/>
(Loss)/Profit before tax		(8,731)	1,254
Income tax credit/(expense)	9	1,246	(235)
		<hr/>	<hr/>
(Loss)/Profit and total comprehensive (expense)/income for the period		(7,485)	1,019
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/Profit and total comprehensive (expense)/income for the period attributable to owners of the Company		(7,485)	1,019
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/Earnings per share – Basic (<i>HK cents</i>)	11	(0.50)	0.07
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Notes</i>	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		29,541	18,455
Right-of-use assets		2,316	3,515
Investment in a joint venture		–	–
Deposits for acquisition of property, plant and equipment		2,298	6,723
Deferred tax assets		3,294	1,494
		37,449	30,187
Current assets			
Trade and other receivables	12	65,945	60,401
Contract assets		83,603	83,394
Tax recoverable		4,598	5,053
Cash and cash equivalents		164,398	187,521
		318,544	336,369
Total assets		355,993	366,556
Current liabilities			
Trade and other payables	13	55,832	57,794
Amount due to a joint venture		5	5
Amount due to a related company		141,096	139,723
Amount due to a director		10	1,414
Lease liabilities		2,135	2,381
Tax payable		101	7
		199,179	201,324
Net current assets		119,365	135,045
Total assets less current liabilities		156,814	165,232
Non-current liabilities			
Lease liabilities		209	1,142
Net assets		156,605	164,090
Capital and reserves			
Share capital		15,000	15,000
Reserves		141,605	149,090
Total equity		156,605	164,090

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 amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

Application of certain accounting policies which became relevant to the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

3. REVENUE

Disaggregation of revenue from contracts with customers

Six months ended 30 September 2020 (unaudited)

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
Type of services			
Formwork works	205,821	–	205,821
Building construction works	–	40	40
	<u>205,821</u>	<u>40</u>	<u>205,861</u>
Geographical markets			
Hong Kong	<u>205,821</u>	<u>40</u>	<u>205,861</u>
Timing of revenue recognition			
Over time	<u>205,821</u>	<u>40</u>	<u>205,861</u>

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>222,971</u>
Geographical markets			
Hong Kong	<u>222,971</u>	–	<u>222,971</u>
Timing of revenue recognition			
Over time	<u>222,971</u>	–	<u>222,971</u>

4. SEGMENT INFORMATION

The Group's reportable and 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.

Six months ended 30 September 2020 (unaudited)

	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>205,821</u>	<u>40</u>	<u>205,861</u>
Segment (loss)/profit	<u>(3,516)</u>	<u>39</u>	<u>(3,477)</u>
Interest income			604
Unallocated expenses			(4,428)
Finance costs			<u>(1,430)</u>
Loss before tax			<u>(8,731)</u>

Six months ended 30 September 2019 (unaudited)

	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>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>

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, 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.

There were no sales transactions between the operating segments.

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 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Segment assets		
Formwork works	183,404	171,479
Building construction works	249	860
	<hr/>	<hr/>
Total segment assets	183,653	172,339
Unallocated	172,340	194,217
	<hr/>	<hr/>
Consolidated assets	355,993	366,556
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Formwork works	54,832	56,514
Building construction works	8	8
	<hr/>	<hr/>
Total segment liabilities	54,840	56,522
Unallocated	144,548	145,944
	<hr/>	<hr/>
Consolidated liabilities	199,388	202,466
	<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, lease liabilities and unallocated corporate liabilities.

5. OTHER INCOME

	Six months ended 30 September 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Government grants	794	–
Interest income from cash and cash equivalents	604	136
Rental income	215	–
Sundry income	73	–
	<hr/>	<hr/>
	1,686	136
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER GAIN/(LOSS)

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net foreign exchange gain/(loss)	<u>7</u>	<u>(6)</u>

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Impairment losses (reversed)/recognised on:		
Trade receivables	(108)	–
Contract assets	<u>88</u>	<u>–</u>
	<u>(20)</u>	<u>–</u>

8. FINANCE COSTS

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense on:		
Lease liabilities	57	6
Amount due to a related company	<u>1,373</u>	<u>1,373</u>
	<u>1,430</u>	<u>1,379</u>

9. INCOME TAX (CREDIT)/EXPENSE

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	554	341
Deferred tax:		
Current period	<u>(1,800)</u>	<u>(106)</u>
	<u>(1,246)</u>	<u>235</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%.

10. 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.

11. (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:

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Earnings		
(Loss)/Earnings for the purpose of basic (loss)/earnings per share		
((Loss)/Profit for the period attributable to owners of the Company)	<u>(7,485)</u>	<u>1,019</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>1,500,000,000</u>	<u>1,500,000,000</u>

No diluted (loss)/earnings per share for the periods ended 30 September 2020 and 2019 were presented as there were no potential ordinary shares in issue for both periods.

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
Trade receivables	64,817	59,734
Less: Allowance for credit losses	<u>(425)</u>	<u>(533)</u>
	64,392	59,201
Prepayments	910	396
Deposits and other receivables	<u>643</u>	<u>804</u>
	<u>65,945</u>	<u>60,401</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:

	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
0 – 30 days	41,623	36,516
31 – 60 days	11,460	12,602
Over 60 days	<u>11,309</u>	<u>10,083</u>
	<u>64,392</u>	<u>59,201</u>

13. TRADE AND OTHER PAYABLES

	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
Trade payables	14,047	15,346
Accruals and other payables		
– Accrued salaries	20,904	19,529
– Accrued sub-contracting fee	14,112	15,295
– Others	6,769	7,624
	<u>55,832</u>	<u>57,794</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 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
0 – 30 days	3,324	1,798
31 – 60 days	3,280	2,406
61 – 90 days	3,163	4,249
Over 90 days	4,280	6,893
	<u>14,047</u>	<u>15,346</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the six months ended 30 September 2020, there were 25 projects contributing revenue of approximately HK\$205.9 million, whereas a revenue of HK\$223.0 million for the corresponding period in 2019 was contributed by 37 projects. The decrease of revenue during the six months ended 30 September 2020 was mainly due to (i) the decrease in number of on-hand projects and (ii) the delay in construction progress of certain formwork projects as a result of the outbreak of the novel coronavirus (COVID-19) epidemic.

The Group primarily focused in the Hong Kong market during the six months ended 30 September 2020.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$11.2 million or 88.6% from approximately HK\$12.6 million for the six months ended 30 September 2019 to approximately HK\$1.4 million for the six months ended 30 September 2020. The Group's gross profit margin decreased from approximately 5.6% for the six months ended 30 September 2019 to approximately 0.7% for the six months ended 30 September 2020. The decrease in the gross profit and the gross profit margin was mainly attributable to the (i) an increase of labour cost of skilful worker, (ii) an increase of subcontracting costs due to the increase in market demand of experienced subcontractors, (iii) additional costs and resources to deal with unexpected changes to on-site arrangement initiated by main contractors and (iv) fierce competition for new formwork works contracts in the market.

Other income

Other income increased by approximately HK\$1.6 million from approximately HK\$136,000 for the six months ended 30 September 2019 to approximately HK\$1.7 million for the six months ended 30 September 2020, representing an increase of approximately 1,139.7%. Such increase was mainly attributable to the increase in interest income and the receipt of Government grants under the Anti-epidemic Fund.

Other gain/(loss)

Other gain increased by approximately HK\$13,000 from other loss of approximately HK\$6,000 for the six months ended 30 September 2019 to other gain of approximately HK\$7,000 for the six months ended 30 September 2020.

Administrative expenses

Administrative expenses increased from approximately HK\$10.1 million for the six months ended 30 September 2019 to approximately HK\$10.4 million for the six months ended 30 September 2020, representing an increase of approximately 3.7%.

Income tax

Income tax expenses decreased by approximately HK\$1.4 million from income tax expenses of approximately HK\$0.2 million for the six months ended 30 September 2019 to income tax credit of approximately HK\$1.2 million for the six months ended 30 September 2020, representing a decrease of approximately 630.2%. Such decrease was mainly due to the decrease in assessable profits of the Group for the six months ended 30 September 2020.

(Loss)/Profit attributable to owners of the Company

As a result of the foregoing, the loss attributable to owners of the Company amounted to approximately HK\$7.5 million for the six months ended 30 September 2020 as compared to the profit attributable to owners of the Company of approximately HK\$1.0 million for the six months ended 30 September 2019, representing an increase of approximately 834.5%. The loss for the six months ended 30 September 2020 was mainly attributable to the decrease in gross profit.

Interim dividend

The Board has resolved not to recommend the declaration of any interim dividend for the six months ended 30 September 2020.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

As at 30 September 2020, the Group had cash and cash equivalents of approximately HK\$164.4 million as compared with HK\$187.5 million as at 31 March 2020, representing a decrease of approximately 12.3%. The decrease was mainly due to the purchase of aluminum formwork systems during the six months ended 30 September 2020.

The Group has no bank borrowing as at 30 September 2020 (31 March 2020: 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 2020 was approximately 91.6% (31 March 2020: approximately 88.2%).

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 2020, the Group did not pledge its assets.

Capital commitments

As at 30 September 2020, the Group had approximately HK\$9,487,000 of off-balance sheet capital commitments in respect of the acquisition of property, plant and equipment.

Contingent liabilities

As at 30 September 2020, 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 2020.

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 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group employed 902 employees in Hong Kong (30 September 2019: 739 employees). Increase in the number of employees was mainly due to the commencement of certain formwork works projects in August 2020, the Group has employed 184 extra employees to meet the Group’s human resource needs. Remuneration packages are reviewed based on their performance and experience of the employees 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 2020 was approximately HK\$130.2 million when compared to approximately HK\$114.2 million for the six months ended 30 September 2019.

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 “**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 30 September 2020 are stated below:

	Planned use of net proceeds <i>HK\$ million</i>	Amount utilised up to 31 March 2020 <i>HK\$ million</i>	Amount utilised during the period ended 30 September 2020 <i>HK\$ million</i>	Amount utilised up to 30 September 2020 <i>HK\$ million</i>	Unutilised balance up to 30 September 2020 <i>HK\$ million</i>	Expected timeline
Acquire additional machineries and equipment	32.8	24.6	–	24.6	8.2	End of 2022
Purchase aluminum formwork systems	21.3	6.7	11.2	17.9	3.4	End of 2021
Invest in human resources	9.6	8.4	0.3	8.7	0.9	End of 2022
Additional rental expense for leasing of a warehouse	4.3	3.0	0.9	3.9	0.4	End of 2021
General working capital	7.0	7.0	–	7.0	–	
Total	<u>75.0</u>	<u>49.7</u>	<u>12.4</u>	<u>62.1</u>	<u>12.9</u>	

The unused amount of the net proceeds of approximately HK\$12.9 million has been deposited into licensed banks in Hong Kong.

REVIEW

The total revenue of our Group decreased by approximately HK\$17.1 million or 7.7% from approximately HK\$223.0 million for the six months ended 30 September 2019 to approximately HK\$205.9 million for the six months ended 30 September 2020. Our Group's loss attributable to owners of the Company increased by HK\$8.5 million or 834.5% to approximately HK\$7.5 million, when compared to the profit attributable to owners of the Company of approximately HK\$1.0 million for the corresponding period of 2019. The increase in loss was mainly due to the decrease in the gross profit and the gross profit margin during six months ended 30 September 2020.

The decrease in the gross profit margin was attributable to the increase in the labour cost of skilful worker; increase in subcontracting costs due to the increase in market demand of experienced subcontractors, the additional costs and resources to deal with unexpected changes to the on-site arrangements initiated by the main-contractors and fierce competition for new formwork works contracts in the market.

Furthermore, the continuation of the novel Coronavirus (COVID-19) epidemic and the overall economic environment in Hong Kong during the six months ended 30 September 2020 brought negative impacts to the Group, such as cash flow, operational effectiveness and completion progress on certain final stage projects. During the six months ended 30 September 2020, the Group had been awarded 5 new contracts with total contract sum of approximately HK\$433.8 million during the period under review.

OUTLOOK AND PROSPECT

The 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 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 2020 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 2020, 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\$171.6 million for the six months ended 30 September 2020 (2019: approximately HK\$147.7 million), which represents approximately 83.3% of the total revenue of the Group (2019: approximately 66.2%). The revenue generated from the public sector projects accounted for approximately HK\$34.3 million for the six months ended 30 September 2020 (2019: approximately HK\$75.3 million), which represents approximately 16.7% of the total revenue of the Group (2019: approximately 33.8%).

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 2020.

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 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 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 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 during the period from the date of Listing.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

After the reporting period, Leung Pui Form Mould & Engineering Company Limited, an indirect wholly-owned subsidiary of the Company (“**Leung Pui**”) and King Fu Plastic Products Limited (“**King Fu**”) entered into a Master Purchase Agreement pursuant to which Leung Pui agreed to purchase and King Fu agreed to supply tools and materials for formwork works to the Group for a term up to 31 March 2023. Please refer to the announcement dated 9 October 2020 published by the Company.

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 2020 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, 30 November 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.