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Kin Pang Holdings Limited

建鵬控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1722)

**AUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Kin Pang Holdings Limited (the “**Company**”) is hereby to announce the audited consolidated financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the corresponding year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		2023	2022
	<i>Note</i>	<i>MOP'000</i>	<i>MOP'000</i>
Revenue	5	582,928	598,823
Direct costs	6	<u>(572,599)</u>	<u>(575,070)</u>
Gross profit		10,329	23,753
Other income, gain and loss	7	(1,096)	3,320
Administrative expenses	6	(29,797)	(30,577)
Impairment losses of financial assets under expected credit loss model		<u>(6,658)</u>	<u>(903)</u>
Operating loss		(27,222)	(4,407)
Finance costs	8	(6,182)	(5,162)
Share of results of an associate and a joint venture accounted for using the equity method		<u>(25)</u>	<u>(29)</u>
Loss before income tax		(33,429)	(9,598)
Income tax expense	9	<u>(694)</u>	<u>(2,043)</u>
Loss for the year attributable to the owners of the Company		<u>(34,123)</u>	<u>(11,641)</u>
Loss per share attributable to owners of the Company (in MOP cents)			
Basic and diluted	11	<u>(3.12)</u>	<u>(1.16)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	MOP'000	MOP'000
Loss for the year	(34,123)	(11,641)
Other comprehensive loss		
<i>Item that may not be reclassified to profit or loss:</i>		
Change in fair value of equity instrument at fair value through other comprehensive income	—	(16)
Other comprehensive loss for the year, net of tax	—	(16)
Total comprehensive loss for the year attributable to the owners of the Company	(34,123)	(11,657)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		As at 31 December 2023 <i>MOP'000</i>	As at 31 December 2022 <i>MOP'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		86,844	72,861
Right-of-use assets		5,327	5,947
Prepayments and deposits		3,039	435
		<u>95,210</u>	<u>79,243</u>
Current assets			
Trade receivables	12	69,145	32,204
Prepayments, deposits, and other receivables		21,138	20,085
Contract assets		207,164	315,725
Amount due from a joint operation		6,262	2,023
Pledged bank deposits		49,883	67,297
Cash and cash equivalents		18,952	18,915
		<u>372,544</u>	<u>456,249</u>
Total assets		<u>467,754</u>	<u>535,492</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		11,330	10,300
Reserves		167,140	190,963
Total equity		<u>178,470</u>	<u>201,263</u>

		As at 31 December 2023 <i>MOP'000</i>	As at 31 December 2022 <i>MOP'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred government grants		239	404
Lease liabilities		2,594	3,632
Deferred tax liabilities		17	–
		<u>2,850</u>	<u>4,036</u>
		-----	-----
Current liabilities			
Trade and other payables	13	182,033	181,160
Contract liabilities		–	12,638
Amount due to a joint operation		22,922	–
Income tax payable		5,401	6,389
Bank borrowings	14	73,212	127,743
Deferred government grants		165	165
Lease liabilities		2,701	2,098
		<u>286,434</u>	<u>330,193</u>
		-----	-----
Total liabilities		<u>289,284</u>	<u>334,229</u>
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Total equity and liabilities		<u>467,754</u>	<u>535,492</u>
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NOTES

1. GENERAL INFORMATION

Kin Pang Holdings Limited (the “**Company**”) is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate and ultimate parent is Fortunate Year Investments Limited, a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability. Its ultimate controlling party is Mr. Kong Kin I (“**Mr. Kong**”), who is also the Chairman and Chief Executive Officer of the Company, and Ms. Choi Fong Lan (“**Ms. Choi**”), the spouse of Mr. Kong.

The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong is located at Unit B, 23/F, Centre Mark II, 305–313 Queen’s Road Central, Hong Kong. The headquarter in Macau is located at L17 Pak Tak (China Civil Plaza), No. 249–263 Alameda Dr. Carlos d’Assumpção, Macau.

The principal activity of the Company and its subsidiaries is civil engineering in Macau and Hong Kong.

These consolidated financial statements are presented in thousands of Macau Pataca (“**MOP’000**”), unless otherwise stated.

2. GOING CONCERN

For the year ended 31 December 2023, the Group reported a loss attributable to owners of the Company of approximately MOP34,123,000. As at 31 December 2023, the Group had breached financial covenants in the bank borrowings with a total amount of approximately MOP13,637,000, including secured bank overdrafts of approximately MOP2,603,000, secured bank borrowings of approximately MOP10,952,000 and unsecured bank borrowings of approximately MOP82,000. These matters triggered cross-defaults and resulted in a breach of certain bank borrowings of the Group amounted to approximately MOP30,418,000. As at 31 December 2023, all the above-mentioned bank borrowings contain a repayment on demand clause and were classified as current liabilities.

In view of such circumstances, the Directors have given careful consideration of the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient resources to continue as a going concern. The Directors have reviewed the Group’s cash flow projections prepared by management, covering a period of not less than twelve months from 31 December 2023 taking into consideration the following plans and measures:

- (i) In March 2024, the Group successfully obtained confirmations from the banks to waive the breached financial covenants in the bank borrowings amounted to approximately MOP13,637,000 for the year ended 31 December 2023. Based on the latest discussion with the bank related to the bank borrowings with cross-default clause, the Directors are of the opinion that the bank will not exercise its right under the relevant cross-default clause for demand immediate repayment of the respective bank borrowings and believe that the bank borrowings will be repaid in accordance with the scheduled dates as set out in the relevant loan agreements:
- (ii) As at 31 December 2023, the Group had available committed banking facilities of MOP31,923,000. Up to 27 March 2024, the Group has subsequently drawn down MOP7,120,000 from the above-mentioned committed banking facilities. Given the good track records and relationships the Group has with the banks, the Directors are of opinion that the Group will be able to draw down from the bank facilities, as and when needed;

- (iii) The Group will continue its efforts to generate sufficient operating cash inflows by implementing cost control and measures expediting the collection of trade receivables and contract assets while closely monitoring its operation and take appropriate actions when necessary.

The Directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations as well as the possible changes in its operating performance and securing of additional financing as and when needed, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments)
HKAS 8	Definition of Accounting Estimates (Amendments)
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (Amendments)
HKAS 12	International Tax Reform – Pillar Two Model Rules (Amendments)
HKFRS 17	Insurance Contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

The following new standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1	Classification of Liabilities as Current or Non-Current (Amendments)	1 January 2024
HKAS 1	Non-current Liabilities with Covenants (Amendments)	1 January 2024
HKFRS 16	Lease Liability in a Sale and Leaseback (Amendments)	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7	Supplier Finance Arrangements (Amendments)	1 January 2024
HKAS 21	Lack of Exchangeability (Amendments)	1 January 2025
HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments)	To be determined

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards, amendments and interpretation are not expected to have a material financial impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards, amendments and interpretation to existing standards interpretations and accounting guideline when they become effective.

4. MATERIAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

5. REVENUE AND SEGMENT INFORMATION

The Group provides building and ancillary services to its customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced at customer's site. Revenue is recognised for these construction services using output method.

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

During the year ended 31 December 2023, the Group had one (2022: two) reportable operating segment, which was the provision of building and ancillary services.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

Year ended 31 December 2023

	Building and ancillary services MOP'000	Consolidated MOP'000
Segment revenue	<u>582,928</u>	<u>582,928</u>
Segment profit	<u>4,548</u>	4,548
Other income, gain and loss		(1,096)
Administrative expenses		(29,797)
Finance costs		(6,182)
Share of results of an associate and a joint venture		(25)
Impairment losses of amount due from a joint venture under expected credit loss model		<u>(877)</u>
Loss before income tax		<u>(33,429)</u>

Year ended 31 December 2022

	Building and ancillary services MOP'000	Emergency repair services MOP'000	Consolidated MOP'000
Segment revenue	<u>597,835</u>	<u>988</u>	<u>598,823</u>
Segment profit	<u>21,869</u>	<u>981</u>	22,850
Other income, gain and loss			3,320
Administrative expenses			(30,577)
Finance costs			(5,162)
Share of results of an associate and a joint venture			<u>(29)</u>
Loss before income tax			<u>(9,598)</u>

Segment profit represents the profit earned by each segment without allocation of other income, gain and loss, administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. EXPENSES BY NATURE

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Material and subcontractor costs	403,547	432,408
Auditor's remuneration	1,112	1,391
Depreciation of property, plant and equipment	18,690	15,056
Depreciation of right-of-use assets	2,800	2,392
Employee benefit costs (including directors' emoluments)	111,120	93,532
Legal and professional fees	4,754	2,515
Expense relating to short-term leases	10,007	11,538
Transportation and delivery costs	26,415	25,217
Others	23,951	21,598
	<u>602,396</u>	<u>605,647</u>

7. OTHER INCOME, GAIN AND LOSS

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Interest income	838	248
Interest income on loan to a joint operation (<i>Note a</i>)	88	–
Income from rental of equipment	340	358
Government grants (<i>Note b</i>)	–	1,138
Loss on disposal of property, plant and equipment	(44)	(116)
Gain on lease termination	1	171
Amortisation of deferred government grants	165	90
Sale of leftover piles	–	152
Loss on prepayment of property, plant and equipment (<i>Note c</i>)	(4,470)	–
Sundry income	1,986	1,279
	<u>(1,096)</u>	<u>3,320</u>

Notes:

- a During the years ended 31 December 2023, the Group's joint operation, Consórcio Companhia de J&T – Kin Pang – MC Dynasty had bank borrowings of MOP80,400,000 with a carrying interest rate of MOP best lending rate minus 1.75% per annum. The proceeds from the bank borrowings were loaned to the joint operation, Consórcio Companhia de Kin Pang – MC Dynasty with the same interest rate per annum, and earned interest income accordingly.
- b During the year ended 31 December 2022, the Group recognised government grants of MOP1,138,000 in respect of COVID-19 related subsidies, of which MOP638,000 related to Employment Support Scheme provided by the Hong Kong Government and MOP500,000 related to Subsidies for Businesses 2022 (2022年疫情援助款項計劃) by the Macau Government. There are no unfulfilled conditions or other contingencies attaching to these grants.
- c During the year ended 31 December 2023, the Group initiated an acquisition process for a construction machinery from a supplier. Total amounts of approximately MOP4,470,000 were remitted to two bank accounts the purchase consideration for the machinery. Subsequently, it was discovered that the email address used for communication was appeared to be a hacked email address. The bank accounts designated by the suspected hacker were found to be unrelated to the supplier, and the supplier confirmed that they did not receive any payment from the Group. The directors of the Company considered that the recovery of the payment was unlikely, and a loss of approximately MOP4,470,000 was recognised.

8. FINANCE COSTS

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Interest expense on bank borrowings	5,588	4,770
Interest expense on bank overdrafts	269	141
Interest expense on lease liabilities	325	251
	<u>6,182</u>	<u>5,162</u>

9. INCOME TAX EXPENSE

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Current tax		
Macau Complementary Tax	677	2,043
Deferred tax	17	–
	<u>694</u>	<u>2,043</u>

Macau Complementary Tax is calculated at 12% of the estimated assessable profits above MOP600,000 for the year ended 31 December 2023 (2022: same).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands (2022: Nil).

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the year ended 31 December 2023 (2022: same).

10. DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2023 (2022: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year excluding shares purchased by the Company for the share award scheme.

	2023	2022
Loss attributable to the owners of the Company (<i>MOP'000</i>)	(34,123)	(11,641)
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in thousands</i>)	<u>1,092,000</u>	<u>1,000,000</u>
Basic loss per share (<i>MOP cents</i>)	<u>(3.12)</u>	<u>(1.16)</u>

(b) Diluted loss per share

No diluted loss per share for both years were presented as there were no potential ordinary shares in issue for both years.

12. TRADE RECEIVABLES

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Trade receivables		
– contracts with customers	69,906	32,947
Less: Allowance for credit losses	(761)	(743)
	69,145	32,204

The Group generally allows credit period of 0 to 60 days to its customers. The ageing analysis of the trade receivables based on invoice date is as follows:

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Within 30 days	44,441	13,329
31 to 60 days	13,671	11,054
61 to 90 days	9,499	6,958
Over 90 days	2,295	1,606
	69,906	32,947

13. TRADE AND OTHER PAYABLES

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Trade payables	116,450	125,353
Retention payables	30,320	13,363
Salaries payable	18,801	24,302
Accruals and other payables	16,462	18,142
	182,033	181,160

The credit period granted to the Group by its suppliers/subcontractors normally ranges from 0 to 60 days. The ageing analysis of the trade payables based on invoice date was as follows:

	2023	2022
	<i>MOP'000</i>	<i>MOP'000</i>
0 to 30 days	89,447	77,157
31 to 60 days	9,341	16,406
61 to 90 days	3,607	10,266
Over 90 days	14,055	21,524
	<u>116,450</u>	<u>125,353</u>

14. BANK BORROWINGS

	2023	2022
	<i>MOP'000</i>	<i>MOP'000</i>
Secured:		
– Bank overdrafts	2,603	13,641
– Bank borrowings	65,527	86,837
Unsecured:		
– Bank borrowings	5,082	27,265
	<u>73,212</u>	<u>127,743</u>

The bank borrowings are at floating rates which carry interests at MOP best lending rate, Macau Interbank Offered Rate (“**MIBOR**”) and Hong Kong Interbank Offered Rate (“**HIBOR**”) plus/minus a spread. The effective interest rate on the Group’s bank borrowings was 4.38% per annum for the year ended 31 December 2023 (2022: 5.15% per annum).

As at 31 December 2023 and 2022, there were breaches of financial covenants in the bank borrowings with a total amount of approximately MOP13,637,000 (2022: MOP29,953,000), including secured bank overdrafts of approximately MOP2,603,000 (2022: MOP13,641,000), secured bank borrowings of approximately MOP10,952,000 (2022: MOP13,982,000) and unsecured bank borrowings of approximately MOP82,000 (2022: MOP2,330,000). These matters triggered cross-defaults and resulted in a breach of certain bank borrowings of the Group amounted to approximately MOP30,418,000 (2022: MOP12,480,000) as at 31 December 2023. All the above-mentioned bank borrowings and secured bank overdrafts are guaranteed by the Company and secured by pledged bank deposits and property, plant and equipment amounted to approximately MOP40,109,000 (2022: MOP50,026,000) and MOP9,495,000 (2022: MOP9,862,000), respectively.

In March 2024, the Group successfully obtained confirmations from the banks to waive the breached financial covenants in the bank borrowings amounted to approximately MOP13,637,000 for the year ended 31 December 2023.

As at 31 December 2023, the remaining bank borrowings of approximately MOP29,157,000 (2022: MOP85,310,000) contain a repayment on demand clause. Out of such amounts, the bank borrowings of approximately MOP5,000,000 (2022: MOP2,432,000) and MOP Nil (2022: MOP1,756,000) that have original contractual repayment due one to two years and two to five years, respectively were classified as current liabilities (2022: same).

As at 31 December 2023, the secured bank overdrafts and bank borrowings are guaranteed by the Company and secured by pledged bank deposits and property, plant and equipment amounted to approximately MOP49,883,000 and MOP9,495,000 (2022: MOP67,297,000 and MOP9,862,000), respectively.

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

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
MOP	73,212	94,053
HK\$	—	33,690
	73,212	127,743

The Group's bank borrowings and other banking facilities (including performance guarantees) had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Property, plant and equipment	9,495	9,862
Pledged bank deposits	49,883	67,297
	59,378	77,159

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an integrated construction contractor which provides building and ancillary services. The services are required in various building and construction projects in relation to hotel and casino resorts, infrastructures of electricity and water supply, and public amenities and utilities (such as carriageways, footpaths, drains and sewers).

The Group's revenue was derived from Macau and Hong Kong and the Group was engaged in projects in both private and public sectors. Public sector projects refer to projects of which the project employer is the Macau Government, while private sector projects refer to projects that are not within the public sector. The Group's customers mainly included (i) hotel and casino owners or their main contractors; (ii) electricity and water utility companies; (iii) the Macau Government; and (iv) other private developers or their contractors.

During the year ended 31 December 2023, 39 building and ancillary services projects with an aggregate contract sum of MOP727.7 million were awarded. The Group had completed 20 building and ancillary services projects during the year ended 31 December 2023. As at 31 December 2023, the Group's backlog consisted of 31 building and ancillary services projects, which exclude those completed but not certified with an aggregate outstanding contract sum of MOP722.1 million.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by business segments during the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	<i>MOP'000</i>	<i>%</i>	<i>MOP'000</i>	<i>%</i>
Building and ancillary services	582,928	100.0	597,835	99.8
Emergency repair services	—	—	988	0.2
Total	582,928	100.0	598,823	100.0

During the year ended 31 December 2023, the Group's total revenue decreased by approximately MOP15.9 million or 2.7% as compared to the year ended 31 December 2022. The decrease was due to the decrease in construction works performed by the Group during the year ended 31 December 2023.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately MOP13.4 million or 56.5% to approximately MOP10.3 million for the year ended 31 December 2023 from approximately MOP23.8 million for the year ended 31 December 2022. The Group's gross profit margin decreased to approximately 1.8% for the year ended 31 December 2023 from approximately 4.0% for the year ended 31 December 2022.

The decrease in the gross profit was mainly attributable to the decrease in gross profit margin of the construction projects undertaken by the Group during the year ended 31 December 2023, coupled with an increase in construction costs due to inflation.

Other Income, Gain and Loss

The Group's other income, gain and loss recorded a loss of approximately MOP1,096,000 for the year ended 31 December 2023 compared to a gain of approximately MOP3,320,000 for the year ended 31 December 2022. Such loss was mainly attributable to the loss incurred by the Group in the amount of approximately MOP4,470,000, resulting from a suspected case of fraud in relation to machinery acquisition, details of which are set forth in the Company's announcement dated 7 November 2023.

Impairment Losses under Expected Credit Loss Model

The Group's impairment losses under expected credit loss ("ECL") model were approximately MOP6.7 million for the year ended 31 December 2023 and were approximately MOP0.9 million for the year ended 31 December 2022. Except for certain balances of contract assets being assessed on an individual basis, the Group applied simplified approach to measuring ECL which used a lifetime ECL for all trade receivables and contract assets, and general approach to measuring ECL which used a 12-month ECL for amount due from a joint venture since initial recognition. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The impairment losses under ECL on the contract assets which remained unsettled for more than a year were approximately MOP7.2 million for 31 December 2023 and were approximately MOP1.1 million for 31 December 2022.

Administrative Expenses

The Group's administrative expenses decreased by approximately MOP780,000 or 2.6% from approximately MOP30,577,000 for the year ended 31 December 2022 to approximately MOP29,797,000 for the year ended 31 December 2023. Such decrease was mainly attributable to the reduction in the setup fees for the joint operations.

Finance Costs

The Group's finance costs increased by approximately MOP1,020,000 or 19.8% from approximately MOP5,162,000 for the year ended 31 December 2022 to approximately MOP6,182,000 for the year ended 31 December 2023. Such increase was mainly attributable to the increase in interest expenses on bank borrowings and the increase in the interest rate on bank borrowings.

Income Tax Expense

The Group has income tax expense of MOP694,000 for the year ended 31 December 2023 compared to income tax expense of approximately MOP2,043,000 for the year ended 31 December 2022.

Loss for the Year

The Group's loss for the year was approximately MOP34.1 million for the year ended 31 December 2023 compared to loss for the year of approximately MOP11.6 million for the year ended 31 December 2022. It was primarily attributable to (i) the decrease in gross profit margin of the construction projects undertaken by the Group in FY2023, coupled with an increase in construction costs due to inflation; (ii) the loss incurred by the Group in the amount of approximately MOP4.5 million, resulting from a suspected case of fraud in relation to machinery acquisition, details of which are set forth in the Company's announcement dated 7 November 2023; and (iii) provision for expected credit loss on the financial and contract assets which remained unsettled for more than a year.

Other Comprehensive Loss for the Year

The Group's other comprehensive loss was nil for the year ended 31 December 2023 compared to the other comprehensive loss of approximately MOP16,000 for the year ended 31 December 2022. This was mainly attributable to fair value loss on investment in an equity instrument at fair value through other comprehensive income.

Total Comprehensive Loss for the Year

The Group's total comprehensive loss was approximately MOP34.1 million for the year ended 31 December 2023 compared to total comprehensive loss for the year of approximately MOP11.7 million for the year ended 31 December 2022. It was mainly attributable to the combined effect of the aforementioned items.

Basic Loss per Share

The Company's basic loss per share for the year ended 31 December 2023 was approximately MOP3.12 cents (2022: basic loss per share of MOP1.16 cents).

Final Dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

Property, Plant and Equipment

The Group's property, plant and equipment was approximately MOP86.8 million as at 31 December 2023 compared to approximately MOP72.9 million as at 31 December 2022. Due to business expansion, the Group acquired property, plant and equipment of approximately MOP32.7 million during the year ended 31 December 2023 (2022: approximately MOP15.7 million). The capital expenditures were financed by the proceeds from internal resources and general bank borrowings of the Group.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources and Capital Structure

As at 31 December 2023, the Group had bank balances and cash of approximately MOP18.9 million (2022: MOP18.9 million).

As at 31 December 2023, the Group had an aggregate of pledged bank deposits of approximately MOP49.9 million (2022: MOP67.3 million) that are used to secure banking facilities.

As at 31 December 2023, bank borrowings amounted to approximately MOP73.2 million (2022: MOP127.7 million), including bank overdrafts of approximately MOP2.6 million (2022: MOP13.6 million). The bank borrowings amounts containing on demand clause of approximately MOP24.1 million, MOP5.0 million, and nil (2022: MOP81.1 million, MOP2.4 million, and MOP1.8 million) will mature within one year, one year to two years and two years to five years respectively. The breach of loan covenants in bank borrowings amounts were approximately MOP44.1 million (2022: MOP42.4 million).

Current ratio remained 1.3 times as at 31 December 2023 compared to 1.4 times as at 31 December 2022.

Gearing ratio is calculated based on debts divided by the total equity as at the respective reporting dates. Gearing ratio decreased from 63.5% as at 31 December 2022 to 41.0% as at 31 December 2023. It was mainly due to the greater decrease in debts than in total equity during the year ended 31 December 2023.

As at 31 December 2023, the share capital and equity attributable to the owners of the Company amounted to approximately MOP11.3 million and approximately MOP178.5 million, respectively (2022: MOP10.3 million and MOP201.3 million, respectively).

Raising of Funds and Use of Proceeds

On 9 January 2023, the Company entered into a placing agreement (the “**Placing Agreement**”) with a placing agent pursuant to which the Company has conditionally agreed to place up to 100,000,000 placing shares (the “**Placing Share(s)**”) at a price of HK\$0.11 per Placing Share (the “**Placing**”).

All conditions to the Placing Agreement was fulfilled and completion of the Placing took place on 1 February 2023 (“**Completion**”). An aggregate of 100,000,000 Placing Shares have been successfully placed by the placing agent to not less than six places at placing price of HK\$0.11 per Placing Share pursuant to the terms and conditions of the Placing Agreement, representing (i) 10% of the then existing issued share capital of the Company before Completion; and (ii) approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of 100,000,000 Placing Shares immediately upon Completion.

The gross proceeds from the Placing amounted to HK\$11,000,000 and the net proceeds (after deduction of the placing commission and other expenses of the Placing) from the Placing amounted to approximately HK\$10,835,000. The Company intended to use such net proceeds for the general working capital. As at the date of this announcement, the net proceeds from the Placing were fully utilized as general working capital.

For the details of the Placing, please refer to the announcements of the Company dated 9 January 2023 and 1 February 2023.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies and Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, during the year ended 31 December 2023, the Group did not have any significant investments held, material acquisitions or disposals of subsidiaries and associations. There is no other plan for material investments or capital assets as at 31 December 2023.

Capital Commitments

As at 31 December 2023, the Group had capital commitments for purchases of property, plant and equipment of approximately MOP5,417,000 (2022: MOP1,953,000).

Contingent Liabilities

As at 31 December 2023, performance guarantees of approximately MOP279.9 million (2022: MOP358.8 million) were given by the banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. The Group has contingent liabilities to indemnify the banks for any claims from customers under the guarantees due to the failure of the Group's performance. The performance guarantees will be released upon completion of the contract works. At the end of the reporting period, the management of the Group does not consider it probable that a claim will be made against the Group.

Foreign Exchange Exposure

The Group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to foreign exchange risk primarily through sales proceeds received from customers and the proceeds from issue of shares upon share offer that are denominated in a currency other than the Group entities' functional currency. The currencies giving rise to this risk are primarily Hong Kong dollar.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest Rate Risk

The Group's interest rate risk arises primarily from the Group's bank deposits and borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's pledged bank deposits, bank balances and MOP best lending rate, MIBOR and HIBOR arising from the Group's variable-rate bank borrowings. The Group does not use financial derivatives to hedge against the interest rate risk.

Credit Risk

The Group's credit risk is primarily attributable to trade receivables, contract assets, other receivables and deposits, amount due from a joint operation, pledged bank deposits and bank balances as at 31 December 2023 and 2022.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counter-parties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

The Group has concentration of credit risks as 26.9% (2022: 51.8%) and 86.4% (2022: 88.7%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively within the building and ancillary services segment. In order to minimise the risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The credit risk for pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit rating agencies.

EMPLOYEES

The Group had 598 full-time employees as at 31 December 2023 (2022: 538).

The Group offers remuneration packages that includes salary, discretionary bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of our employees, which forms the basis of the decisions with respect to salary raises, bonuses and promotions.

The Group's gross staff costs from operations (including the Director's emoluments) was approximately MOP111.1 million for the year ended 31 December 2023 (2022: MOP93.5 million).

The Company adopted a share option scheme so that the Company may grant options to the eligible persons as incentives or rewards for their contributions to the Group.

PROSPECTS AND STRATEGIES

The Group anticipates an increase in Macau's construction market activities, driven by the recovery of the gaming and tourism industry. With this growth, the Group aims to capitalize on opportunities in the expanding private sector market. Simultaneously, the Group will continue to strengthen its presence and market share in the public sector market in Macau. Additionally, the Group remains committed to pursuing business opportunities in Hong Kong. The Group believes that prioritizing the development of foundation works will bring advantages and contribute to its overall growth. Furthermore, the Group plans to diversify its business portfolio by exploring opportunities in new markets, including the Greater Bay Area.

Moving ahead, improving financial performance through cost control remains the Group's top priority. The Group will closely monitor market conditions and adjust its strategies accordingly to ensure ongoing financial stability and sustained success.

The Group prioritizes quality project delivery and upholds its industry reputation. Through a combination of cost control and strategic business development, the Group is prepared to overcome challenges and seize growth opportunities. The Group is well equipped to navigate economic uncertainties and leverage emerging trends in the construction industry. Overall, the Group maintains a positive outlook on its future prospects and remains dedicated to providing value to its stakeholders

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) is scheduled to be held on Thursday, 6 June 2024. In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 31 May 2024.

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

During the year 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed, the Board is not aware of any significant events requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023 and up to the date of this announcement, the Company has complied with the code provisions set out in the section head “Part 1 – mandatory disclosure requirements” and the applicable code provisions set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of Corporate Governance Code (the “CG Code”) as set out in Appendix 14 (which was re-numbered as Appendix C1 with effect from 31 December 2023) to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) except the deviation from provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Kong Kin I currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Besides, with three independent non-executive Directors out of a total of five Directors in the Board, there will be sufficient independent voice within the Board to protect the interests of the Company and its shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 (which was re-numbered as Appendix C3 with effect from 31 December 2023) to the Listing Rules as its own code of conduct regarding securities transactions of the Company by the Directors. Upon specific enquiries of all Directors, all of them confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2023 and up to the date of this announcement.

CONSTITUTIONAL DOCUMENT

The shareholders of the Company have approved the second amended and restated memorandum and articles of association (the “**New Memorandum and Articles of Association**”) of the Company in the annual general meeting of the Company held on 14 June 2023 by way of special resolution and the New Memorandum and Articles of Association has been published on the respective websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 24 November 2017 in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely, Mr. Cheung Kin Wing, Mr. Cheung Wai Lun Jacky and Mr. Zhao Zhipeng. Mr. Cheung Kin Wing is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group, and the financial information of the Group and the annual results of the Company for the year ended 31 December 2023.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Linksfield CPA Limited ("**Linksfield**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by Linksfield in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Linksfield on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.kinpang.com.mo and the Stock Exchange's website at www.hkexnews.hk. The 2023 Annual Report will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the year.

By Order of the Board
Kin Pang Holdings Limited
Kong Kin I
Chairman

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises (i) Mr. Kong Kin I (Chairman and Chief Executive Officer) and Ms. Choi Fong Lan as executive Directors; and (ii) Mr. Cheung Wai Lun Jacky, Mr. Cheung Kin Wing and Mr. Zhao Zhipeng as independent non-executive Directors.