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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 2021

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 2021 together with comparative figures in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	523,949	434,647
Direct costs		(519,666)	(422,041)
Gross profit		4,283	12,606
Other income	5	23,757	449
Other gain/(loss)	6	16	(9)
Impairment losses under expected credit loss model, net of reversal	7	215	(1,007)
Administrative expenses		(21,355)	(21,532)
Finance costs	8	(2,796)	(2,730)
Profit/(Loss) before tax		4,120	(12,223)
Income tax (expense)/credit	9	(1,489)	1,392
Profit/(Loss) and total comprehensive income/(expense) for the year	10	2,631	(10,831)
Profit/(Loss) and total comprehensive income/(expense) for the year attributable to owners of the Company		2,631	(10,831)
Earnings/(Loss) per share	11		
— Basic (HK cents)		0.18	(0.72)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		34,923	18,455
Right-of-use assets		1,710	3,515
Investment in a joint venture		–	–
Deposits for acquisition of property, plant and equipment		–	6,723
Deferred tax assets		–	1,494
		<u>36,633</u>	<u>30,187</u>
Current assets			
Trade and other receivables	<i>13</i>	82,644	60,401
Contract assets		80,660	83,394
Tax recoverable		4,572	5,053
Cash and cash equivalents		186,621	187,521
		<u>354,497</u>	<u>336,369</u>
Total assets		<u>391,130</u>	<u>366,556</u>
Current liabilities			
Trade and other payables	<i>14</i>	75,066	57,794
Contract liabilities		4,971	–
Amount due to a joint venture		–	5
Amount due to a related company		142,423	139,723
Amount due to a director		212	1,414
Lease liabilities		1,271	2,381
Tax payable		–	7
		<u>223,943</u>	<u>201,324</u>
Net current assets		<u>130,554</u>	<u>135,045</u>
Total assets less current liabilities		<u>167,187</u>	<u>165,232</u>
Non-current liabilities			
Lease liabilities		<u>466</u>	<u>1,142</u>
Net assets		<u>166,721</u>	<u>164,090</u>
Capital and reserves			
Share capital		15,000	15,000
Reserves		151,721	149,090
Total equity		<u>166,721</u>	<u>164,090</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")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2020 for the preparation of the 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

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

3. REVENUE

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

	2021 HK\$'000	2020 HK\$'000
Provision of formwork works and related ancillary works	523,909	434,647
Provision of building construction works	40	–
	<u>523,949</u>	<u>434,647</u>

4. SEGMENT INFORMATION

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

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

Segment revenue and results

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

For the year ended 31 March 2021

	Formwork works HK\$'000	Building construction works HK\$'000	Total HK\$'000
Revenue			
External sales and segment revenue	<u>523,909</u>	<u>40</u>	<u>523,949</u>
Segment profit	<u>16,236</u>	<u>31</u>	<u>16,267</u>
Interest income			819
Unallocated expenses			(10,170)
Finance costs			<u>(2,796)</u>
Profit before tax			<u>4,120</u>

For the year ended 31 March 2020

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

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment assets		
Formwork works	199,788	171,479
Building construction works	–	860
	<hr/>	<hr/>
Total segment assets	199,788	172,339
Unallocated	191,342	194,217
	<hr/>	<hr/>
Consolidated assets	391,130	366,556
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Formwork works	78,686	56,514
Building construction works	8	8
	<hr/>	<hr/>
Total segment liabilities	78,694	56,522
Unallocated	145,715	145,944
	<hr/>	<hr/>
Consolidated liabilities	224,409	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, lease liabilities, tax payable and unallocated corporate liabilities.

Other segment information

For the year ended 31 March 2021

	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 (Note)	29,795	–	29,795
Depreciation	15,132	–	15,132
Impairment losses on trade receivables reversed in profit or loss	(140)	–	(140)
Impairment losses on contract assets reversed in profit or loss	(75)	–	(75)
	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2020

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

Note: Non-current assets excluded deferred tax assets.

Geographical information

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

Information about major customers

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

	2021 HK\$'000	2020 HK\$'000
Customer A ¹	164,492	135,118
Customer B ¹	67,082	N/A ²
Customer C ¹	59,780	N/A ²
Customer D ¹	53,246	71,830
Customer E ¹	58,602	N/A ²
Customer F ¹	81,571	55,319
	<u> </u>	<u> </u>

¹ Revenue from Formwork Works.

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

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income from cash and cash equivalents	819	190
Government grants	21,745	–
Rental income	1,106	259
Others	87	–
	<u>23,757</u>	<u>449</u>

6. OTHER GAIN/(LOSS)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net foreign exchange gain/(loss)	16	(9)
	<u>16</u>	<u>(9)</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Impairment losses (reversed)/recognised on:		
Trade receivables	(140)	533
Contract assets	(75)	474
	<u>(215)</u>	<u>1,007</u>

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expense on:		
Lease liabilities	96	30
Amount due to a related company	2,700	2,700
	<u>2,796</u>	<u>2,730</u>

9. INCOME TAX EXPENSE/(CREDIT)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
— Current year	—	7
— Over provision in prior year	(5)	(3)
	(5)	4
Deferred tax:		
Origination and reversal of temporary differences	1,494	(1,396)
	<u>1,489</u>	<u>(1,392)</u>

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

10. PROFIT/(LOSS) FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Directors' emoluments	7,831	7,506
Other staff costs	177,669	150,436
Contributions to retirement benefit scheme, excluding those of directors	8,834	6,601
	<u>194,334</u>	<u>164,543</u>
Total staff costs		
	12,649	7,270
Depreciation of property, plant and equipment	2,483	488
Depreciation of right-of-use assets		
	<u>15,132</u>	<u>7,758</u>
Total depreciation		
Auditors' remuneration	<u>740</u>	<u>760</u>

11. EARNINGS/(LOSS) PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings/(Loss)		
Earnings/(Loss) for the purpose of basic earnings/(loss) per share		
(Profit/(Loss) for the year attributable to owners of the Company)	<u>2,631</u>	<u>(10,831)</u>
	2021 <i>'000</i>	2020 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>1,500,000</u>	<u>1,500,000</u>

No diluted earnings/(loss) per share for the years ended 31 March 2021 and 2020 were presented as there were no potential ordinary shares in issue for both years.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

13. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	79,737	59,734
Less: Allowance for credit losses	<u>(393)</u>	<u>(533)</u>
	79,344	59,201
Prepayments	486	396
Deposits and other receivables	<u>2,814</u>	<u>804</u>
	<u>82,644</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	39,180	36,516
31–60 days	18,686	12,602
Over 60 days	<u>21,478</u>	<u>10,083</u>
	<u>79,344</u>	<u>59,201</u>

14. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	15,601	15,346
Accruals and other payables		
— Accrued salaries	26,251	19,529
— Accrued sub-contracting fee	25,233	15,295
— Others	7,981	7,624
	<u>75,066</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	10,766	1,798
31–60 days	3,664	2,406
61–90 days	868	4,249
Over 90 days	303	6,893
	<u>15,601</u>	<u>15,346</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 March 2021 amounted to approximately HK\$523,949,000 (2020: approximately HK\$434,647,000).
- Profit attributable to the equity shareholders of the Company for the year ended 31 March 2021 amounted to approximately HK\$2,631,000 (2020: Loss attributable to the equity shareholders of the Company approximately HK\$10,831,000).
- Basic earnings per share for the year ended 31 March 2021 amounted to approximately 0.18 HK cents (2020: Basic loss per share approximately 0.72 HK cents).

BUSINESS REVIEW

The Group is principally engaged in the provision of formwork works with an insignificant portion from building construction works (including concrete works and finishes works). Based on the materials used in the formwork works, we categorise our formwork works into (i) traditional timber formwork by using timber and plywood; and (ii) metal formwork system by using aluminium and metals. Since the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited 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 2021, formwork works contributed approximately HK\$523,909,000, and building construction work contributed approximately HK\$40,000 to the Group's revenue (2020: formwork works contributed approximately HK\$434,647,000).

The Group predominately engaged in erecting formworks for construction works in private residential and commercial buildings during the year ended 31 March 2021. In recent years, in order to diversify the scope in different kinds of construction projects, the Group had also engaged in formwork works for construction works in public housing. As such, the construction projects undertaken by us include both public-sector projects (including projects where the ultimate employer(s) are Government departments and statutory bodies) and private sector projects (including projects where the ultimate employer(s) are property developer(s) and land owner(s)). During the year ended 31 March 2021, the revenue generated from private sector projects accounted for approximately HK\$452,246,000 (2020: approximately HK\$331,403,000), representing approximately 86.3% (2020: approximately 76.2%), of the total revenue of the Group, and approximately HK\$71,703,000 (2020: approximately HK\$103,244,000), representing approximately 13.7% (2020: approximately 23.8%), of the total revenue of the Group were generated from public sector projects undertaken by us.

During the year ended 31 March 2021, there were 14 customers who contributed a total revenue of approximately HK\$523.9 million, whereas there were 17 customers who contributed a total revenue of approximately HK\$434.6 million for the corresponding period in 2020.

PROSPECT

Looking forward, it is foreseeable that the intensified market competition, challenges and uncertainties in the costs of staff, materials and subcontracting fees will continue to plague the formwork works industry. In response to the dynamic business environment and to overcome these unfavorable factors, the Group will continue to diversify the scope in different types of construction projects and the customer base to minimise the market risk. During the year ended 31 March 2021, there were 42 projects which contributed a total revenue of approximately HK\$523.9 million whereas there were 46 projects which contributed a total revenue of approximately HK\$434.6 million for the corresponding period in 2020.

FINANCIAL REVIEW

Revenue

The business of the Group primarily focused in Hong Kong during the year ended 31 March 2021.

During the year ended 31 March 2021, there were 42 projects which contributed revenue of approximately HK\$523,949,000, whereas revenue for the corresponding period of 2020 of approximately HK\$434,647,000 was contributed by 46 projects. The increase of revenue in 2021 was mainly due to the fact that five sizable formwork projects were at the peak stage of the construction cycle.

Set out below is a breakdown of the Group's projects based on their respective revenue recognised during the year ended 31 March 2021 and 2020.

	2021 <i>No. of projects</i>	2020 <i>No. of projects</i>
Revenue recognised		
HK\$50,000,001 to HK\$100,000,000	5	2
HK\$10,000,001 to HK\$50,000,000	7	12
HK\$1,000,000 to HK\$10,000,000	15	20
Below HK\$1,000,000	15	12
	42	46

Gross profit and gross profit margin

During the year ended 31 March 2021, the Group's gross profit decreased by approximately HK\$8,323,000 or approximately 66.0% from approximately HK\$12,606,000 for the year ended 31 March 2020 to approximately HK\$4,283,000 for the year ended 31 March 2021.

The Group's gross profit margin decreased from approximately 2.9% for the year ended 31 March 2020 to approximately 0.8% for the year ended 31 March 2021. The decrease in the gross profit margin was mainly resulted from the increase in the cost of wood materials due to shortage of supply, the additional cost of steel materials as requested by main contractors, the additional costs caused by the unexpected changes to the on-site arrangements and the keen competition for new formwork works contracts in the market.

Other income

Other income increased by approximately HK\$23,308,000 from approximately HK\$449,000 for the year ended 31 March 2020 to approximately HK\$23,757,000 for the year ended 31 March 2021, representing an increase of approximately 5,191.1%. Such increase was mainly attributable to the receipt of subsidies from the Employment Support Scheme under the Anti Epidemic Fund set up by the Hong Kong SAR Government.

Other gain

Other gain increased by approximately HK\$25,000 from other loss approximately HK\$9,000 for the year ended 31 March 2020 to other gain approximately HK\$16,000 for the year ended 31 March 2021. Increase in other gain was mainly due to the foreign exchange gain.

Administrative expenses

Administrative expenses decreased from approximately HK\$21,532,000 for the year ended 31 March 2020 to approximately HK\$21,355,000 for the year ended 31 March 2021, representing a decrease of approximately 0.8%. Such decrease was mainly attributable to the decrease in entertainment expenses.

Finance costs

Finance costs increased from approximately HK\$2,730,000 for the year ended 31 March 2020 to approximately HK\$2,796,000 for the year ended 31 March 2021, representing an increase of approximately 2.4%. Such increase was mainly attributable to the increase in interest on lease liabilities.

Income tax

Income tax expense increased by approximately HK\$2,881,000 from income tax credit of approximately HK\$1,392,000 for the year ended 31 March 2020 to income tax expense of approximately HK\$1,489,000 for the year ended 31 March 2021. Such increase was mainly due to the decrease in the recognition of deferred tax assets.

Profit attributable to the equity shareholders of the Company

As a result of the foregoing, the profit attributable to the equity shareholders of the Company amounted to approximately HK\$2,631,000 for the year ended 31 March 2021 as compared to that loss attributable to the equity shareholders of the Company amounted to approximately HK\$10,831,000 for the year ended 31 March 2020. The profit for the year ended 31 March 2021 was mainly attributable to the receipts from the Employment Support Scheme under the Anti Epidemic Fund set up by the Hong Kong SAR Government.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$186,621,000 as compared with that of approximately HK\$187,521,000 as at 31 March 2020.

The Group did not have any bank borrowings as at 31 March 2021 and 2020. The gearing ratio is calculated based on the amount of the total debts, which include, amount due to a director, amount due to a related company, amount due to a joint venture and lease liabilities, divided by the total equity. The gearing ratio of the Group as at 31 March 2021 is approximately 86.6% (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

As at 31 March 2021, the Group did not pledge its assets.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

New Allied (H.K.) Limited, a joint venture of the Group, was deregistered on 26 March 2021.

Except for the above, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2021.

Capital commitments

As at 31 March 2021, the Group had no material capital commitments.

Contingent liabilities

As at 31 March 2021, the Group had no material contingent liabilities.

Foreign exchange risk

The Group mainly operates in Hong Kong and the majority of its operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group did not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the year ended 31 March 2021.

Principal risk and uncertainty

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

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

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to sustainable development of the Group. The Group recognises the importance of maintaining good relationships with its employees, business partners, customers, suppliers and subcontractors 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 2021, the Group employed 1,198 employees in Hong Kong (2020: 612 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 2021 was approximately HK\$194,334,000 compared to approximately HK\$164,543,000 for the year ended 31 March 2020.

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 2021 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 year ended 31 March 2021 <i>HK\$ million</i>	Amount utilised up to 31 March 2021 <i>HK\$ million</i>	Unutilised balance up to 31 March 2021 <i>HK\$ million</i>	Expected timeline
Acquire additional machineries and equipment	32.8	24.6	5.6	30.2	2.6	End of 2022
Purchase aluminum formwork systems	21.3	6.7	14.6	21.3	–	
Invest in human resources	9.6	8.4	0.6	9.0	0.6	End of 2022
Additional rental expense for leasing of a warehouse	4.3	3.0	1.3	4.3	–	
General working capital	7.0	7.0	–	7.0	–	
	<u>75.0</u>	<u>49.7</u>	<u>22.1</u>	<u>71.8</u>	<u>3.2</u>	

The unused amount of the net proceeds of approximately HK\$3.2 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 ended 31 March 2021, 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 2021, the Group was fined for a total sum of HK\$26,500 in respect of three 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 2021, 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 2021, 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 2021 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 2021.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Friday, 13 August 2021. 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, 10 August 2021 to Friday, 13 August 2021 (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, 9 August 2021.

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 Date of Listing.

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). All Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2021.

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 2021 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 2021.

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 2021, and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 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 2021. 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 2021 containing all the information required by the Listing Rules will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited and despatched to the shareholders in due course.

APPRECIATION

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

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

Hong Kong, 30 June 2021

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.