Kingland Group Holdings Limited
景聯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1751)

ANNOUNCEMENT OF ANNUAL RESULT FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kingland Group 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 December 2019 (the "**Financial Year 2019**"), together with the audited comparative figures for the year ended 31 December 2018 (the "**Financial Year 2018**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	3	**100,937**	147,413
Cost of sales		**(83,082)**	(95,727)
Gross profit		**17,855**	51,686
Other income and gains	3	**546**	632
Net impairment losses on financial assets and contract assets		**(6,435)**	(207)
Impairment of non-financial assets		**(5,977)**	–
Administrative and other operating expenses		**(30,879)**	(28,370)
Operating (loss)/profit		**(24,890)**	23,741
Finance costs		**(332)**	–
(Loss)/profit before income tax	4	**(25,222)**	23,741
Income tax credit/(expense)	5	**565**	(3,558)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company		**(24,657)**	20,183
Basic and diluted (loss)/earnings per share *(HK cents)*	6	**(3.67)**	3.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**18,729**	15,414
Right-of-use assets		**4,333**	–
		23,062	15,414
Current assets			
Contract assets		**43,153**	29,395
Trade and other receivables	7	**41,277**	65,697
Tax recoverable		**1,667**	612
Pledged bank deposit		**10,284**	10,106
Cash and bank balances		**17,895**	26,464
		114,276	132,274
Total assets		**137,338**	147,688
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves			
Share capital	8	**6,720**	6,720
Reserves		**96,387**	121,044
Total equity		**103,107**	127,764
LIABILITIES			
Non-current liabilities			
Borrowings		**7,343**	–
Other non-current liabilities		**856**	756
Lease liabilities		**1,829**	–
Government grants		**400**	–
Deferred taxation		**–**	1,298
		10,428	2,054

	Notes	2019 HK$'000	2018 HK$'000
Current liabilities			
Borrowings		**2,164**	–
Trade and other payables	9	**16,862**	17,353
Lease liabilities		**3,681**	–
Government grants		**160**	–
Amounts due to directors		**22**	22
Tax payable		**914**	495
		23,803	17,870
Total liabilities		**34,231**	19,924
Total equity and liabilities		**137,338**	147,688
Net current assets		**90,473**	114,404
Total assets less current liabilities		**113,535**	129,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Kingland Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 5 January 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 16 December 2016.

The Company's shares are currently listed on the Main Board of the Stock Exchange. Dealings in the shares on the Main Board commenced on 12 June 2018 pursuant to the approval granted by the Stock Exchange for the transfer of listing of the shares from the GEM to the Main Board of the Stock Exchange.

The address of the Company's registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the Company's principal place of business is Flat B, G/F., Fu Hop Factory Building, 209 and 211 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") is principally engaged in the provision of concrete demolition services in Hong Kong and Macau mainly as a subcontractor.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except otherwise indicated.

These consolidated financial statements have been approved for issue by the board of directors on 30 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies.

The preparation of the consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

2.2 Changes in accounting policies and disclosures

(i) New and amended standards and interpretations 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 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(ii) HKFRS 16 Leases – Impact of adoption

The Group has adopted HKFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.88%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(iii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease*.

(iv) Measurement of lease liabilities and right-of-use assets

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**3,380**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**3,355**
Add: adjustment as a result of different treatment of termination options	**2,597**
(Less): short-term leases not recognised as a liability	**(1,620)**
Lease liabilities recognised as at 1 January 2019	**4,332**
Of which are:	
Current lease liabilities	**2,220**
Non-current lease liabilities	**2,112**
	4,332

The right-of use assets were recognised at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

(v) ***Adjustments recognised in the consolidated statement of financial position on 1 January 2019***

The following table shows the adjustments recognised for each individual line item as at 1 January 2019 (line items that were not affected have not been included).

Consolidated statement of financial position (extract)	**As at 31 December 2018 (As originally presented)**	**Effects of the adoption of HKFRS 16**	**As at 1 January 2019 (Restated)**
	HK$'000	*HK$'000*	***HK$'000***
Non-current assets			
Right-of-use assets	–	4,332	**4,332**
Non-current liabilities			
Lease liabilities	–	2,112	**2,112**
Current liabilities			
Lease liabilities	–	2,220	**2,220**

The adoption of HKFRS 16 has no impact on retained earnings on 1 January 2019.

(vi) ***New and amended standards in issue but not yet effective and not been early adopted***

A number of new and amended standards have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group.

HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all these new and amendments will have no material impact on the consolidated financial statements of the Group.

3. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

Revenue and other income and gains recognised during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Provision of concrete demolition services	**100,937**	147,413
Other income and gains		
Sundry income	**47**	36
Interest income	**419**	206
Government grants	**80**	–
Gain on disposal of property, plant and equipment	**–**	390
	546	632

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews consolidated financial statements accordingly. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

Geographical information

The Group primarily operates in Hong Kong and Macau, and its revenue is derived from the following regions:

	2019	2018
	HK$'000	*HK$'000*
Revenue (by location of customers)		
– Hong Kong	**71,013**	134,861
– Macau	**29,924**	12,552
	100,937	147,413

All of the Group's non-current assets are located in Hong Kong for both years.

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**15,027**	N/A[1]
Customer B	**N/A[1]**	28,400

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. (LOSS)/PROFIT BEFORE INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Included in cost of sales		
Depreciation of property, plant and equipment	**6,884**	4,984
Depreciation of right-of-use assets	**28**	–
Staff costs	**33,120**	27,006
Included in administrative and other operating expenses		
Auditors' remuneration	**650**	720
Depreciation of property, plant and equipment	**1,740**	1,407
Depreciation of right-of-use assets	**2,523**	–
Operating lease payments in respect of rented premises previously classified as operating leases under HKAS 17	**–**	4,122
Expense relating to short-term leases not included in the measurement of lease liabilities	**2,241**	–
Staff costs, including directors' emoluments	**15,893**	12,757
Impairment of non-financial assets		
Property, plant and equipment	**4,750**	–
Right-of-use assets	**1,227**	–

5. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Hong Kong		
– Current year	**–**	3,297
– Over-provision in prior year	**–**	(30)
Macau		
– Current year	**733**	503
	733	3,770
Deferred tax	**(1,298)**	(212)
Income tax (credit)/expense	**(565)**	3,558

6. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

(Loss)/earnings

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic (loss)/earnings per share	**(24,657)**	20,183

Number of ordinary shares

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**672,000**	672,000

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there is no dilutive potential ordinary share in issue during the years ended 31 December 2019 and 2018.

7. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**41,610**	61,396
Less: allowance for credit losses	**(3,838)**	(659)
	37,772	60,737
Other receivables, deposits and prepayments	**3,505**	5,075
Less: allowance for credit losses	**–**	(115)
	3,505	4,960
	41,277	65,697

Notes:

(a) The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The Group generally allows a credit period of within 60 days. No interest is charged on overdue receivables.

(b) The ageing analysis of trade receivables, net of allowance for credit losses based on date of payment certificates issued by customers or invoice date, whichever is applicable, are as follows:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**17,142**	24,575
31 – 60 days	**2,241**	20,798
61 – 90 days	**1,180**	4,131
91 – 365 days	**11,144**	7,411
Over 365 days	**6,065**	3,822
	37,772	60,737

8. SHARE CAPITAL

	Number of ordinary shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 December 2018 and 2019	1,000,000,000	10,000
Issued and fully paid:		
As at 31 December 2018 and 2019	672,000,000	6,720

9. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**9,361**	10,629
Accruals and other payables	**7,501**	6,724
	16,862	17,353

The ageing analysis of trade payables based on the invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**5,083**	4,599
31 – 60 days	**777**	934
61 – 90 days	**681**	1,025
Over 90 days	**2,820**	4,071
	9,361	10,629

Trade payables are non-interest bearing.

10. COMMITMENTS

Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for in the consolidated financial statements were as follow:

	2019	2018
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Property, plant and equipment	**3,780**	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group's principal activity is the provision of concrete demolition service in Hong Kong and Macau mainly as a subcontractor. Our services are mainly required in the removal of pieces or sections of concrete from concrete structures and the demolition of the entire concrete structures or buildings by applying a variety of methods, such as core drilling, sawing and crushing. Our services are required in many different situations including, among others, addition and alteration works and redevelopment projects in buildings, roads, tunnels and underground facilities.

We have been operating in the concrete demolition industry in Hong Kong since 1985. We have also been providing concrete demolition services in Macau since 2006. We are a registered subcontractor for general demolition and others (concrete coring and saw cutting) works under the Subcontractor Registration Scheme of the Construction Industry Council and a Registered Minor Works Contractor at the Buildings Department.

In general, our customers are main contractors in various types of construction and civil engineering projects in Hong Kong and construction projects in Macau. We undertake jobs in both public and private sectors. Public sector jobs refer to jobs which the main contractors are employed by the Hong Kong Government, the Macau Government or their respective related organisations or corporations, while private sector jobs refer to jobs that are not public sector jobs.

Looking forward, the Directors anticipate 2020 will be a challenging year. The recent outbreak of coronavirus disease (COVID-19) may cause uncertainty to the construction industry in Hong Kong and Macau. However, according to the 2020-2021 Budget of the Hong Kong Government, the annual capital works expenditure is expected to reach HK$100 billion on average in the next few years. The Directors remain cautiously optimistic about the construction industry in Hong Kong and Macau and believe that the availability of private and public sector construction projects is expected to grow in the coming years, and with our experienced management team and reputation in the market, we can further strengthen our position as an established concrete demolition service provider.

FINANCIAL REVIEW

During the Financial Year 2019, all of our Group's revenue was derived from concrete demolition business in Hong Kong and Macau. The Group's revenue for the Financial Year 2019 was approximately HK$100.9 million, representing a decrease of approximately 31.5% from approximately HK$147.4 million for the Financial Year 2018. Such decrease was mainly due to substantial completion of sizable projects in late 2018.

Our Group's gross profit decreased from approximately HK$51.7 million for the Financial Year 2018 to approximately HK$17.9 million for the Financial Year 2019, and the gross profit margin for our Group decreased from approximately 35.1% for the Financial Year 2018 to approximately 17.7% for the Financial Year 2019. Such decrease was mainly due to the increase in cost due to the prolonged need for maintaining the required site workforce and other machinery and equipment as a result of delay in progress of certain projects and the generally lower profit margins of certain newly awarded projects during the Financial Year 2019 as a result of an increase in competition in the construction market.

Administrative and other operating expenses increased by approximately HK$2.5 million (representing an increase of approximately 8.8%) to approximately HK$30.9 million for the Financial Year 2019, compared with approximately HK$28.4 million for the Financial Year 2018, which mainly due to the increase in staff costs.

The Group had recognised approximately HK$6.4 million net impairment losses on financial assets and contract assets for the Financial Year 2019 (the Financial Year 2018: approximately HK$0.2 million). Besides, since the Group had reported a loss for the Financial Year 2019, management considered this as an impairment indicator on the non-financial assets and has performed an impairment assessment on these assets as at 31 December 2019 to determine the recoverable amount using value-in-use calculation.

Based on the results of the assessment, it is concluded that impairment losses of non-financial assets amounting to approximately HK$6.0 million was recognised in profit or loss for the Financial Year 2019. Such impairment loss will constitute a non-recurring non-cash gain and loss item and hence without any impact on the Groups operating cash flows.

The Group recorded a net loss of approximately HK$24.7 million in the Financial Year 2019 compared to the net profit of HK$20.2 million in the Financial Year 2018 as a result of the simultaneous occurrence of the factors in the Financial Year 2019 as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group's current ratio was approximately 4.8 (31 December 2018: approximately 7.4). The Group had total assets of approximately HK$137.3 million, which is financed by total liabilities and shareholders' equity of approximately HK$34.2 million and HK$103.1 million, respectively. As at 31 December 2019, the Group had cash and bank balances of approximately HK$17.9 million (31 December 2018: approximately HK$26.5 million). As at 31 December 2019, the Group had interest-bearing debts of approximately HK$15.0 million, which included bank and other borrowings and lease liabilities (31 December 2018: Nil).

Gearing ratio

The gearing ratio is calculated based on the total loans and borrowings and lease liabilities divided by total equity as at the respective reporting date. As at 31 December 2019, the Group recorded gearing ratio of approximately 14.6% (31 December 2018: Nil).

Capital Expenditure

During the Financial Year 2019, there was capital expenditure of approximately HK$16.7 million which was used in the purchase of property, plant and equipment, compared to HK$6.8 million for the Financial Year 2018.

Treasury Policy

The Group adopts a prudent approach in capital management towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board 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.

Capital Structure

There has been no change in the capital structure of the Group during the Financial Year 2019. The share capital of the Group only comprises of ordinary shares. As at 31 December 2019, the Company's issued share capital was HK$6,720,000 and the number of its issued ordinary shares was 672,000,000 of HK$0.01 each.

Foreign Exchange Exposure

Since the Group generated most of the revenue and incurred most of the costs in Hong Kong dollars for the Financial Year 2019, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk.

PRINCIPAL RISKS AND UNCERTAINTIES

Availability of construction and civil engineering projects in Hong Kong and Macau

Our results of operations are affected by the number and availability of construction and civil engineering projects from the public and private sectors in Hong Kong and construction projects from the private sector in Macau, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong and Macau, changes in government policies relating to the Hong Kong and Macau property markets, the general conditions of the property markets in Hong Kong and Macau, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure.

In the event that the availability of concrete demolition jobs decreases as a result of the decrease in the number of private and/or public sector projects in Hong Kong and/or Macau, our businesses and results of operations may be adversely and materially affected.

Our business is subject to the risk of cost overrun and job extension or delay

In pricing a tender or quotation, we are required to estimate the job costs based on various factors such as (i) the estimated number and types of workers required; (ii) the estimated number and types of machineries required; and (iii) the need for subcontracting and machinery leasing. Any deviation between the estimated cost by the time we submit the tenders or quotations and the actual costs to complete the jobs may adversely affect our financial performance and profitability. For instance, if the actual progress of a project was slower than we anticipated, or if there is any delay or extension in the project schedule of main contractor, we may have to engage subcontractors and/or lease the required machineries for a longer period, and hence the amounts of subcontracting fees or machinery rental cost incurred may exceed our estimation. Further, in the case of job extension or delay, we may experience decrease in revenue derived given that the progress payment to us is based on works done by us on a monthly basis. There is no assurance that we would not experience cost overrun and job extension or delay, which may in turn adversely affect our profit margin and operating results.

Issue of labour shortage

The construction industry, including the concrete demolition industry in Hong Kong and Macau has been facing the issue of labour shortage. The growing demand for construction works exacerbated the shortage issue and has been pushing up the daily wage of worker in concrete demolition industry in Hong Kong and Macau.

If our Group is unable to recruit or retain sufficient workers or fails to effectively manage our staff costs as a result of shortage of local labour supply, our business operations and financial performance may be materially and adversely affected.

RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS AND EMPLOYEES

Customers

We have established long-term relationships with a number of our customers who are primarily main contractors in the construction industry. The Group is of the view that a good relationship with customers, concrete demolition contracting service providers have an advantage in gaining new and repeated business. Therefore, our Directors believe that main contractors generally give priority to subcontractors with whom they are familiar and who have a proven track record in providing quality concrete demolition works in a timely manner. We are of the view that our long-term relationships with a number of our customers are our competitive advantages that cannot be easily replicated by other concrete demolition works subcontractors, and have enabled and will continue to enable us to differentiate ourselves in the industry in Hong Kong and Macau.

Suppliers and Subcontractors

During the Financial Year 2019, our suppliers and subcontractors mainly consisted of lessors of machinery, suppliers of consumables and machinery parts, and transportation, courier service providers and subcontractors of concrete demolition works. We have established long-term relationship with a number of our suppliers. We believe our established relationships with these suppliers and subcontractors have been enabling us to take up jobs of various scale and service type and fulfill our customers' requirements. This could also ensure stable and timely delivery of materials or services from these suppliers, which in turn shall minimise potential disruption to our works.

Employees

Our Directors consider that we have maintained good relationship with our employees in general. We had not experienced any significant problems with our employees or any disruption to our operations due to labour disputes nor had we experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Financial Year 2019.

EMPLOYEES

The Group had over 160 full-time employees as at 31 December 2019 (31 December 2018: 109 full-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$49.0 million for the Financial Year 2019 as compared to HK$39.8 million for the Financial Year 2018.

Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wage rates are usually subjected to an annual review that are based on performance appraisals and other relevant factors. The Group strongly encourages internal promotion and a variety of job opportunities is offered to the existing staff when it is best suited. Remuneration package comprised of salary, performance-based bonus, and other benefits including training and provident funds.

COMMITMENTS

As at 31 December 2019, capital commitment was approximately HK$3.8 million, which was used in the purchase of property, plant and equipment (31 December 2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, there was no significant contingent liabilities for the Group (31 December 2018: Nil).

CHARGE OVER OUR GROUP'S ASSETS

A pledged deposit of approximately HK$10 million has been pledged to banks to secure banking facilities.

As at 31 December 2019, certain of the Group's right-of-use assets with an aggregate carrying amount of approximately HK$0.9 million was used to secure certain of the lease liabilities of approximately HK$1.0 million (31 December 2018: Nil). Certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately HK$2.0 million was used to secure other loan of approximately HK$2.4 million (31 December 2018: Nil).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this announcement, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the Financial Year 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as of 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Financial Year 2019.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") on 22 November 2016 with its written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advices and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Chow Chun To, Mr. Chan Ngai Sang Kenny and Mr. Yam Chiu Fan Joseph, all being independent non-executive Directors.

The Group's consolidated financial statements for the Financial Year 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Financial Year 2019 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the CG Code. In the opinion of the Board, the Company has complied with the CG Code during the Financial Year 2019 except the following deviation:

Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheung Shek On is the Chairman and the chief executive officer of our Company. In view that Mr. Cheung has been operating and managing our Group since our establishment, our Board believes that it is in the best interest of our Group to have Mr. Cheung taking up both roles for effective management and business development. In addition, major decisions are made after consultation with the Board and appropriate Board committees, as well as senior management. The Board is therefore of the view that there are adequate safeguards in place to ensure the balance of power and authority within the Company.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Financial Year 2019.

NON-COMPETITION UNDERTAKING

In relation to the deed of non-competition dated 22 November 2016 (the "**Deed of Non-Competition**") given by Sino Continent Holdings Limited, Supreme Voyage Limited, Mr. Cheung Shek On and Mr. Chan Yuk Sing (each the "**Covenantor**") in favour of the Company and its subsidiaries, each of the Covenantor has made an annual declaration to the Company that during the Financial Year 2019, the Covenantor has complied with the terms of the Deed of Non-Competition given in favour of the Company including but not limited to:

(i) as long as the Deed of Non-Competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group), among other things, not to carry on or be engaged, concerned with or interested in or otherwise be involved in directly or indirectly, in any business in competition with or likely to be in competition with the then existing business activity of any member of the Group within Hong Kong, Macau and such other parts of the world where any member of the Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its close associates); and

(ii) he/it shall provide all information necessary for the annual review as is reasonably required by the Group, as a basis to decide whether to exercise the right of first refusal by the Company from time to time.

The independent non-executive Directors ("**INEDs**") have also reviewed the status of compliance by each of the Covenantors with the undertakings stipulated in the Deed of Non-Competition and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") in respect of the shares of the Company. The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the Financial Year 2019.

CHANGE OF INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of Directors are set out below:

Mr. Chan Ngai Sang Kenny was appointed as an independent non-executive director of Pak Tak International Limited (stock code: 2668) in October 2019.

Mr. Chow Chun To resigned as an independent non-executive director of AV Promotions Holdings Limited (stock code: 8419) in January 2019.

FINAL DIVIDENDS

The Board did not recommend payment of final dividend to shareholders of the Company for the Financial Year 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.kinglandgroup.com.hk. The annual report of the Company for the Financial Year 2019 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Kingland Group Holdings Limited
CHEUNG Shek On
Chairman and Executive Director

Hong Kong, 30 March 2020

As at the date of this announcement, the executive directors are Mr. Cheung Shek On and Mr. Chan Yuk Sing; the non-executive director is Mr. Kuan Hong Kin Daniel and the independent non-executive directors are Mr. Chan Ngai Sang Kenny, Mr. Chow Chun To and Mr. Yam Chiu Fan Joseph.