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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 2020

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 2020 (the “**Financial Year 2020**”), together with the audited comparative figures for the year ended 31 December 2019 (the “**Financial Year 2019**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	108,852	100,937
Cost of sales		(140,240)	(83,082)
Gross (loss)/profit		(31,388)	17,855
Other income and gains	3	7,003	546
Net impairment losses on financial assets and contract assets		(5,623)	(6,435)
Impairment of non-financial assets		(1,152)	(5,977)
Administrative and other operating expenses		(34,143)	(30,879)
Operating loss		(65,303)	(24,890)
Finance costs	4	(830)	(332)
Loss before income tax	5	(66,133)	(25,222)
Income tax credit	6	63	565
Loss and total comprehensive expense for the year attributable to owners of the Company		(66,070)	(24,657)
Basic and diluted loss per share (<i>HK cents</i>)	7	(9.83)	(3.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		16,838	18,729
Right-of-use assets		7,759	4,333
		<u>24,597</u>	<u>23,062</u>
Current assets			
Contract assets		25,311	43,153
Trade and other receivables	8	25,441	41,277
Tax recoverable		113	1,667
Pledged bank deposits		14,541	10,284
Cash and bank balances		10,865	17,895
		<u>76,271</u>	<u>114,276</u>
Total assets		<u>100,868</u>	<u>137,338</u>
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves			
Share capital	9	6,720	6,720
Reserves		30,317	96,387
Total equity		<u>37,037</u>	<u>103,107</u>
LIABILITIES			
Non-current liabilities			
Borrowings		1,166	1,780
Other non-current liabilities		794	856
Lease liabilities		3,920	1,829
Government grants		240	400
		<u>6,120</u>	<u>4,865</u>

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current liabilities			
Bank overdrafts		2,955	–
Borrowings		11,155	7,727
Trade and other payables	10	34,201	16,862
Lease liabilities		3,453	3,681
Government grants		160	160
Amounts due to directors		5,544	22
Tax payable		243	914
		<u>57,711</u>	<u>29,366</u>
Total liabilities		<u>63,831</u>	<u>34,231</u>
Total equity and liabilities		<u>100,868</u>	<u>137,338</u>
Net current assets		<u>18,560</u>	<u>84,910</u>
Total assets less current liabilities		<u>43,157</u>	<u>107,972</u>

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 Windward 3, Regatta Office Park, 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 29 March 2021.

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 Main Board of 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 adopted by the Group*

The Group has applied the following standards, amendments and interpretations for the first time for their annual reporting period commencing 1 January 2020:

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 these consolidated financial statements.

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

A number of new standards, amendments and interpretations to standards have been published that are not mandatory for the year ended 31 December 2020 and have not been early adopted by the Group.

HKFRS 17	Insurance Contracts and the related amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all these new standards, amendments and interpretations to standards 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Provision of concrete demolition services	<u>108,852</u>	<u>100,937</u>
Other income and gains		
Sundry income	18	47
Interest income	247	419
Government grants	6,018	80
Gain on disposal of property, plant and equipment	<u>720</u>	<u>–</u>
	<u><u>7,003</u></u>	<u><u>546</u></u>

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. The Group's non-current assets are principally located in Hong Kong. The Group's revenue from external customers is derived from the following regions:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue (by location of customers)		
– Hong Kong	74,008	71,013
– Macau	<u>34,844</u>	<u>29,924</u>
	<u><u>108,852</u></u>	<u><u>100,937</u></u>

Information about major customers

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	13,891	15,027
Customer B	<u>33,405</u>	<u>N/A¹</u>

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

4. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank overdrafts	145	5
Interest on lease liabilities	341	120
Interest on borrowings	344	207
	<u>830</u>	<u>332</u>

5. LOSS BEFORE INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Included in cost of sales		
Depreciation of property, plant and equipment	6,673	6,884
Depreciation of right-of-use assets	1,741	28
Staff costs	60,919	33,120
Included in administrative and other operating expenses		
Auditors' remuneration	600	650
Depreciation of property, plant and equipment	2,763	1,740
Depreciation of right-of-use assets	2,699	2,523
Expense relating to short-term leases not included in the measurement of lease liabilities	1,352	2,241
Staff cost, including directors' emoluments	18,444	15,893
Impairment of non-financial assets		
Property, plant and equipment	892	4,750
Right-of-use assets	260	1,227
	<u>892</u>	<u>4,750</u>
	<u>260</u>	<u>1,227</u>

6. INCOME TAX CREDIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Macau:		
– Current year	–	733
– Over-provision in prior year	(63)	–
	<u>(63)</u>	<u>733</u>
Deferred tax	–	(1,298)
	<u>–</u>	<u>(1,298)</u>
Income tax credit	<u>(63)</u>	<u>(565)</u>

7. LOSS PER SHARE

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

Loss

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(66,070)</u>	<u>(24,657)</u>

Number of ordinary shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>672,000</u>	<u>672,000</u>

The diluted loss per share is equal to the basic loss per share as there is no dilutive potential ordinary share in issue during the years ended 31 December 2020 and 2019.

8. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	26,700	41,610
Less: allowance for credit losses	<u>(5,815)</u>	<u>(3,838)</u>
	20,885	37,772
Other receivables, deposits and prepayments	<u>4,556</u>	<u>3,505</u>
	<u>25,441</u>	<u>41,277</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	12,113	17,142
31 – 60 days	494	2,241
61 – 90 days	525	1,180
91 – 365 days	6,439	11,144
Over 365 days	1,314	6,065
	<u>20,885</u>	<u>37,772</u>

9. SHARE CAPITAL

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 December 2020 and 2019	1,000,000,000	10,000
Issued and fully paid:		
As at 31 December 2020 and 2019	672,000,000	6,720

10. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	20,358	9,361
Accruals and other payables	13,843	7,501
	<u>34,201</u>	<u>16,862</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	7,633	5,083
31 – 60 days	3,292	777
61 – 90 days	2,122	681
Over 90 days	7,311	2,820
	<u>20,358</u>	<u>9,361</u>

Trade payables are non-interest bearing.

11. COMMITMENTS

Capital commitments

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracted but not provided for:		
– Property, plant and equipment	<u>92</u>	<u>3,780</u>

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 believe that the availability of COVID-19 vaccine will help economies recover from the COVID-19 pandemic. Our Group will strive our best to seek opportunity to undertake more sizeable projects and to strengthen cost control measure in order to generate more revenue and to reduce cost.

FINANCIAL REVIEW

During the Financial Year 2020, 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 2020 was approximately HK\$108.9 million, representing a stable growth of approximately 7.9% from approximately HK\$100.9 million for the Financial Year 2019.

The Group recorded a gross loss of approximately HK\$31.4 million in the Financial Year 2020 compared to the gross profit of HK\$17.9 million for the Financial Year 2019. The Group recorded a gross loss margin of 28.8% for the Financial Year 2020 compared to the gross profit margin of 17.7% for the Financial Year 2019. Such loss was mainly due to the following factors: (i) delay in the Group's certain projects as a result of the novel coronavirus (COVID-19) pandemic and the subsequent quarantine measures imposed by Hong Kong and Macau government during the Financial Year 2020; (ii) the increase in cost and expenditure due to the Group's engagement of additional labours and employees in late 2019 and during the Financial Year 2020; and (iii) the adoption of a more competitive project pricing strategy by the Group in response to the keen market competition and the adverse effect of the COVID-19 pandemic during the Financial Year 2020.

Administrative and other operating expenses increased by HK\$3.2 million (representing an increase of approximately 10.4%) to HK\$34.1 million for the Financial Year 2020, compared with HK\$30.9 million for the Financial Year 2019, which mainly due to the increase in staff costs and depreciation expenses.

The Group had recognised approximately HK\$5.6 million net impairment losses on financial assets and contract assets for the Financial Year 2020 (the Financial Year 2019: approximately HK\$6.4 million). Besides, since the Group had reported a loss for the Financial Year 2020, 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 2020 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\$1.2 million was recognised in profit or loss for the Financial Year 2020 (the Financial Year 2019: approximately HK\$6.0 million). 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.

Net loss increased by approximately HK\$41.4 million to approximately HK\$66.1 million in the Financial Year 2020 compared to approximately HK\$24.7 million for the Financial Year 2019 (representing an increase of approximately 167.6%). The increase in net loss was due to the combined effect of the decrease in gross profit margin and the increase in administrative and other operating expenses which caused by the reasons mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2020, the Group's current ratio was approximately 1.3 (31 December 2019: approximately 3.9). The Group had total assets of approximately HK\$100.8 million, which is financed by total liabilities and shareholders' equity of approximately HK\$63.8 million and HK\$37.0 million, respectively. As at 31 December 2020, the Group had cash and bank balances of approximately HK\$10.9 million (31 December 2019: approximately HK\$17.9 million). As at 31 December 2020, the Group had interest-bearing debts of approximately HK\$22.6 million, which included bank and other borrowings and lease liabilities (31 December 2019: approximately HK\$15.0 million).

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 2020, the Group recorded gearing ratio of approximately 61.2% (31 December 2019: 14.6%).

Capital Expenditure

During the Financial Year 2020, there was capital expenditure of approximately HK\$8.5 million which was used in the purchase of property, plant and equipment, compared to HK\$16.7 million for the Financial Year 2019.

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 2020. The share capital of the Group only comprises of ordinary shares. As at 31 December 2020, 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

The Group mainly operates in Macau and Hong Kong with most of the Group's monetary assets, liabilities and transactions principally denominated in HK\$ and Macau Pataca ("MOP"). The Group is exposed to currency risk arising from currency exposures primarily with respect to MOP, mainly attributable to the exposure on outstanding receivables and payables denominated in MOP.

Most of the MOP denominated monetary assets and liabilities at the end of the Financial Year 2020 are held under the Group's subsidiary in Macau. As MOP is pegged to HK\$, the foreign currency risk is considered insignificant, and hence the Group does not engage in any hedging activity.

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 2020, 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 2020.

EMPLOYEES

The Group had 224 full-time employees as at 31 December 2020 (31 December 2019: 160 full-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$79.4 million for the Financial Year 2020 as compared to HK\$49.0 million for the Financial Year 2019.

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 is comprised of salary, a performance-based bonus, and other benefits including training and provident funds.

COMMITMENTS

As at 31 December 2020, capital commitment was approximately HK\$0.1 million, which was used in the purchase of property, plant and equipment (31 December 2019: approximately HK\$3.8 million).

CONTINGENT LIABILITIES

As at 31 December 2020, there was no significant contingent liabilities for the Group (31 December 2019: Nil).

CHARGE OVER OUR GROUP'S ASSETS

Pledged deposits of approximately HK\$14.5 million have been pledged to banks to secure banking facilities.

As at 31 December 2020, certain of the Group's right-of-use assets with an aggregate carrying amount of approximately HK\$6.9 million (31 December 2019: approximately HK\$0.9 million) was used to secure certain of the lease liabilities of approximately HK\$6.2 million (31 December 2019: approximately HK\$1.0 million). Certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately HK\$1.4 million (31 December 2019: approximately HK\$2.0 million) was used to secure other borrowings of approximately HK\$1.8 million (31 December 2019: approximately HK\$2.4 million).

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 2020.

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 2020.

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 2020.

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 Kwok Wing Kelvin and Mr. Tam Tak Kei Raymond, all being independent non-executive Directors.

The Group's consolidated financial statements for the Financial Year 2020 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 2020 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 2020 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 (the “**Shareholders**”) 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 2020.

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 2020, 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 for Securities Transactions by Directors of Listed Issuers 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 2020.

CHANGE OF INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of information of Director is set out below:

Mr. Chow Chun To resigned as the company secretary of K Group Holdings Limited (stock code: 8475) in October 2020.

FINAL DIVIDENDS

The Board did not recommend payment of final dividend to the Shareholders for the Financial Year 2020.

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 2020 will be dispatched to the Shareholders 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, 29 March 2021

As at the date of this announcement, the executive directors are Mr. Cheung Shek On, Mr. Chan Yuk Sing and Mr. Chen Yeung Tak; and the independent non-executive directors are Mr. Chow Chun To, Mr. Chan Kwok Wing Kelvin and Mr. Tam Tak Kei Raymond.