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## **CHI KAN HOLDINGS LIMITED**

**智勤控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9913)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

<b>FINANCIAL HIGHLIGHTS</b>	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
Revenue ( <i>HK\$'000</i> )	<b>414,549</b>	305,698
Gross profit ( <i>HK\$'000</i> )	<b>34,969</b>	32,129
Net profit ( <i>HK\$'000</i> )	<b>21,069</b>	13,070
Basic earnings per share ( <i>HK cents per share</i> )	<b>2.58</b>	1.84

## RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Chi Kan Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively as the “**Group**”) for the six months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2020*

		Six months ended	
		30 September (unaudited)	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	<b>414,549</b>	305,698
Cost of revenue		<b>(379,580)</b>	(273,569)
Gross profit		<b>34,969</b>	32,129
Other income	5	<b>6,011</b>	–
Listing expenses		<b>(9,104)</b>	(9,986)
Administrative expenses		<b>(6,037)</b>	(4,546)
Operating profit		<b>25,839</b>	17,597
Finance income	6	<b>2</b>	10
Finance costs	6	<b>(7)</b>	(9)
Finance (costs)/income, net	6	<b>(5)</b>	1
Profit before income tax	7	<b>25,834</b>	17,598
Income tax expense	8	<b>(4,765)</b>	(4,528)
Profit for the period		<b>21,069</b>	13,070
Profit and total comprehensive income for the period and attributable to owners of the Company		<b>21,069</b>	13,070
Earnings per share ( <i>HK cents per share</i> )			
Basic and diluted	9	<b>2.58</b>	1.84

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2020*

		As at <b>30 September</b> <b>2020</b> <b>(unaudited)</b> <i>HK\$'000</i>	As at 31 March 2020 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	<i>10</i>	<b>1,674</b>	2,021
Deposits	<i>12</i>	<u>77</u>	<u>77</u>
		<u><b>1,751</b></u>	<u>2,098</u>
<b>Current assets</b>			
Trade receivables	<i>11A</i>	<b>57,253</b>	28,416
Contract assets	<i>11B</i>	<b>162,829</b>	184,805
Prepayments, deposits and other receivables	<i>12</i>	<b>356</b>	3,709
Cash and cash equivalents	<i>13</i>	<u><b>184,638</b></u>	<u>33,310</u>
		<u><b>405,076</b></u>	<u>250,240</u>
<b>Total assets</b>		<u><b>406,827</b></u>	<u>252,338</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>17</i>	<b>10,000</b>	—*
Share premium	<i>17</i>	<b>120,421</b>	11,000
Reserves		<u><b>202,737</b></u>	<u>181,668</u>

\* Less than HK\$1,000

		<b>As at 30 September 2020 (unaudited) HK\$'000</b>	As at 31 March 2020 (audited) HK\$'000
<b>Total equity</b>		<u>333,158</u>	<u>192,668</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Accruals and other payables	<i>15</i>	–	217
Lease liabilities	<i>16</i>	<u>483</u>	<u>675</u>
		<u>483</u>	<u>892</u>
<b>Current liabilities</b>			
Trade payables	<i>14</i>	41,802	38,052
Accruals and other payables	<i>15</i>	11,690	16,527
Deferred income		10,728	–
Lease liabilities	<i>16</i>	542	540
Current income tax liabilities		<u>8,424</u>	<u>3,659</u>
		<u>73,186</u>	<u>58,778</u>
<b>Total liabilities</b>		<u>73,669</u>	<u>59,670</u>
<b>Total equity and liabilities</b>		<u>406,827</u>	<u>252,338</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2020*

	Attributable to owners of the Company					
		Share capital	Share premium	Capital reserve	Retained earnings	Total equity
	<i>Notes</i>	<i>HK\$'000</i> <i>(Note 17)</i>	<i>HK\$'000</i> <i>(Note 17)</i>	<i>HK\$'000</i> <i>(Note a)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2019 (audited)		–*	–	300	185,228	185,528
Profit and total comprehensive income for the period		–	–	–	13,070	13,070
Distribution to Controlling Shareholder		–	–	(300)	–	(300)
Issuance of ordinary shares of the Company		–	11,000	–	–	11,000
Dividend	<i>17(a)</i>	–	–	–	(43,161)	(43,161)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 September 2019 (unaudited)		–*	11,000	–	155,137	166,137
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2020 (audited)		–*	11,000	–	181,668	192,668
Profit and total comprehensive income for the period		–	–	–	21,069	21,069
Issuance of ordinary shares upon listing	<i>17(b)(iii)</i>	2,500	127,500	–	–	130,000
Capitalisation Issue	<i>17(b)(iv)</i>	7,500	(7,500)	–	–	–
Listing expenses charged to share premium		–	(10,579)	–	–	(10,579)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 September 2020 (unaudited)		10,000	120,421	–	202,737	333,158
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

\* Less than HK\$1,000

*Note a:* Capital reserve as at 31 March 2019 represent combined share capital of the companies comprising the Group before the completion of the Reorganisation.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

		<b>Six months ended</b>	
		<b>30 September (unaudited)</b>	
		<b>2020</b>	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Cash generated from operations		<b>30,723</b>	52,903
Income tax paid		–	(5,386)
		<u>30,723</u>	<u>47,517</u>
Net cash generated from operating activities			
Cash flows from investing activities			
Payments for property and equipment		–	(703)
Interest received	6	<u>2</u>	<u>10</u>
Net cash generated from/(used in) investing activities		<u>2</u>	<u>(693)</u>
Cash flows from financing activities			
Listing expenses paid	17b(iii)	<b>(9,072)</b>	(1,507)
Advances from a director		–	2,844
Repayment/payment to a director		–	(43,161)
Repayment to related companies		–	(10,301)
Payments of lease liabilities – principal element		<b>(318)</b>	(372)
Proceeds from issuance of ordinary shares upon listing	17b(iii)	<b>130,000</b>	–
Proceeds from share subscription of ordinary shares of the Company	6	–	10,000
Issuance of ordinary shares of the Company		–	–*
Interest expenses paid		<b>(7)</b>	(9)
		<u>120,603</u>	<u>(42,506)</u>
Net cash generated from/(used in) financing activities			
Increase in cash and cash equivalents		<b>151,328</b>	4,318
Cash and cash equivalents at beginning of the period		<b>33,310</b>	25,762
		<u>184,638</u>	<u>30,080</u>
Cash and cash equivalents at end of the period			

\* Less than HK\$1,000

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2020*

## 1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

### 1.1 General information

The Company was incorporated in the Cayman Islands on 16 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the "**Group**") are principally engaged in the provision of formwork services and other construction services in Hong Kong (the "**Listing Business**").

The Company's shares were listed on the Main Board of The Stock Exchange Hong Kong Limited (the "**Stock Exchange**") on 14 August 2020.

The condensed consolidated interim financial statements are presented in Hong Kong dollars ("**HK\$**") and all values are rounded to the nearest thousands (HK\$'000), unless otherwise stated.

The condensed consolidated interim financial statements have not been audited.

### 1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**"), the Listing Business was carried out by (i) Chi Kan Woodworks Company Limited (the "**Operating Company**"); and (ii) the formwork services business division of Chi Kan Engineering Company Limited (the "**Portion of the Listing Business Held by CK Engineering**"). Mr. Lo Hon Kwong ("**Mr. Lo**" or the "**Controlling Shareholder**") is the controlling party of the Operating Company and Chi Kan Engineering Company Limited ("**CK Engineering**"). Details of the Reorganisation are set out in the prospectus of the Company dated 30 July 2020 (the "**Prospectus**").

Immediately prior to and after the Reorganisation, the Listing Business has been held by and conducted through the Operating Company and CK Engineering, which are ultimately controlled by the Controlling Shareholder. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business and for the purpose of this report, the condensed consolidated interim financial statements of the Group is presented using the carrying values of the Listing Business for all periods/years presented.

Inter-company transactions and balances between group companies including the Portion of the Listing Business Held by CK Engineering were eliminated on combination.

## 2. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with Hong Kong Accounting Standard (“**HKASs**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2020 (“**Financial Statements 2020**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”, together with HKASs and Interpretations, collectively referred to as “**HKFRS**”) issued by the HKICPA.

The condensed consolidated interim financial statements have not been audited or reviewed by Company’s external auditors, but have been reviewed by the audit committee of the Company.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

#### (A) *Adoption of new or revised HKFRS effective on 1 April 2020*

During the reporting period, the Group has adopted all the following new and amended HKFRS which are first effective for the reporting period and potentially relevant to the Group.

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	Hedge accounting (Amendment)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The application of the new Amendments had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

The Interim Financial Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the HKFRSs.

(B) *New standards and amendments not yet adopted by the Group*

The following new accounting standards and amendments which have been published and are mandatory for the Group's accounting periods beginning after 1 April 2020 or later periods but have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions	1 June 2020
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 April 2022
HKAS 16 (Amendments)	Proceeds before intended use	1 April 2022
HKAS 37 (Amendments)	Onerous contracts – costs of fulfilling a contract	1 April 2022
HKFRS 3 (Amendments)	Update reference to the conceptual framework	1 April 2022
HKFRS 17	Insurance contracts	1 April 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

The Group is in the process of assessing potential impact of the above new standards and amendments that are relevant to the Group upon initial application. According to the preliminary assessment made by the directors of the Company, management does not anticipate any significant impact on the Group's consolidated financial position and consolidated results of operations upon adopting the above new standards and amendments. Management plans to adopt these new standards and amendments to existing standards when they become mandatory.

#### **4. SEGMENT INFORMATION**

The chief operating decision-maker (“**CODM**”) has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of providing formwork services and other construction services in Hong Kong. Information reported to CODM for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

## 5. REVENUE AND OTHER INCOME

(a) Revenue and other income recognised during the reporting period and prior period are as follows:

	Six months ended 30 September (unaudited)	
	2020	2019
	HK\$'000	HK\$'000
<b>Contract revenue</b>		
Formwork services	384,957	303,065
Other construction services	29,592	2,633
	<u>414,549</u>	<u>305,698</u>
<b>Other income</b>		
Government subsidies*	6,011	–
	<u>6,011</u>	<u>–</u>

All contract revenue is recognised over time.

\* Government subsidies relates to cash subsidies in respect of the anti-epidemic fund which are granted by the Government of Hong Kong Special Administrative Region with conditions having been satisfied.

## 6. FINANCE (COSTS)/INCOME, NET

	Six months ended 30 September (unaudited)	
	2020	2019
	HK\$'000	HK\$'000
<b>Finance income</b>		
Bank interest income	2	10
<b>Finance costs</b>		
Lease liabilities	(7)	(9)
	<u>(7)</u>	<u>(9)</u>
Finance (costs)/income, net	<u>(5)</u>	<u>1</u>

## 7. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging the following items:

	<b>Six months ended</b>	
	<b>30 September (unaudited)</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Staff costs (including directors' remuneration)</b>		
Salaries, wages and other benefits	<b>73,464</b>	72,823
Contribution to defined contribution retirement plans	<b>2,968</b>	2,998
	<b>76,432</b>	75,821
Less: Amount included in cost of revenue	<b>(74,118)</b>	(73,767)
	<b>2,314</b>	2,054
<b>Other items</b>		
Cost of revenue	<b>379,580</b>	273,569
Depreciation		
– Self-owned assets	<b>194</b>	102
– Assets under leases	<b>152</b>	419
Written-off of leasehold improvement	<b>–</b>	101
Listing expenses	<b>9,104</b>	9,986

## 8. INCOME TAX EXPENSE

Income tax in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	<b>Six months ended</b>	
	<b>30 September (unaudited)</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax – Hong Kong Profits Tax		
Provision for the period	<u>4,765</u>	<u>4,528</u>
	<u><b>4,765</b></u>	<u><b>4,528</b></u>

The provision for Hong Kong profits tax is calculated by applying the estimated annual effective tax rate of 16.5% (corresponding period in 2019: 16.5%) to the six months ended 30 September 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The provision for Corporate Income Tax in the PRC is calculated at 25%. No provision for current taxation has been made because the entities of the Group in the PRC has no assessable profits for taxation purpose.

No overseas profits tax has been calculated for entities of the Group that are incorporated in the British Virgin Islands or the Cayman Island as they are exempted from tax in these jurisdictions.

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2020 and 2019. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed and the capitalisation issue which took place on 14 August 2020.

	<b>Six months ended</b>	
	<b>30 September (unaudited)</b>	
	<b>2020</b>	<b>2019</b>
Profit attributable to owners of the Company ( <i>in HK\$'000</i> )	<b>21,069</b>	13,070
Weighted average number of ordinary shares in issue ( <i>in Thousand</i> )	<u><b>815,574</b></u>	<u>712,131</u>
Earnings per share ( <i>HK cents per share</i> )	<u><b>2.58</b></u>	<u>1.84</u>

The Company did not have any potential ordinary shares outstanding during the six months ended 30 September 2020 and 2019, diluted earnings per share is equal to basic earnings per share.

## 10. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2020, the Group have no purchase of property and equipment (corresponding period in 2019: HK\$2.3 million) and no written-off of leasehold improvement (corresponding period in 2019: HK\$0.1 million). In addition, the Group have no disposal of property, plant and equipment during the six months ended 30 September 2020 and 2019.

As at 30 September 2020, lease liabilities of HK\$1.0 million (31 March 2020: HK\$1.2 million) are recognised with related right-of-use assets of HK\$0.8 million (31 March 2020: HK\$0.9 million). The lease agreements do not impose any covenants other than those set out above and the security interests in the leased assets that are held by the lessor.

A motor vehicle with net book value of HK\$0.2 million (31 March 2020: HK\$0.3 million) at 30 September 2020 was held under a finance lease.

## 11(A). TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of allowance for doubtful debts, is as follows:

	<b>At 30 September 2020 (unaudited) HK\$'000</b>	At 31 March 2020 (audited) HK\$'000
Trade receivables	<u>57,253</u>	<u>28,416</u>

The Group's credit terms granted to third-party customers range from 14 days to 60 days.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the date of certification, is as follow:

	<b>At 30 September 2020 (unaudited) HK\$'000</b>	At 31 March 2020 (audited) HK\$'000
Up to 30 days	34,099	27,795
31 to 90 days	22,380	–
91 to 180 days	774	–
Over 365 days	<u>–</u>	<u>621</u>
	<u>57,253</u>	<u>28,416</u>

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

## 11(B). CONTRACT ASSETS

	At 30 September 2020 (unaudited) <i>HK\$'000</i>	At 31 March 2020 (audited) <i>HK\$'000</i>
Contract assets relating to		
– Uncertified work in progress	48,756	79,469
– Retention receivables	<u>114,073</u>	<u>105,336</u>
	<u>162,829</u>	<u>184,805</u>

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2020 (unaudited) <i>HK\$'000</i>	At 31 March 2020 (audited) <i>HK\$'000</i>
Prepayments for listing expenses	–	3,650
Deposits and other receivables	<u>433</u>	<u>136</u>
Prepayments, deposits and other receivables	433	3,786
Less: non-current portion		
Deposits	<u>(77)</u>	<u>(77)</u>
	<u>356</u>	<u>3,709</u>

The carrying amounts of deposits and other receivables approximate their fair values.

## 13. CASH AND CASH EQUIVALENTS

	At 30 September 2020 (unaudited) <i>HK\$'000</i>	At 31 March 2020 (audited) <i>HK\$'000</i>
Cash and cash equivalents	<u>184,638</u>	<u>33,310</u>

The carrying amounts of cash and cash equivalents are denominated in HK\$ and approximate their fair values.

#### 14. TRADE PAYABLES

As of the end of the reporting period, the ageing analysis of trade payable, based on the invoice date, is as follows:

	<b>At 30 September 2020 (unaudited) HK\$'000</b>	At 31 March 2020 (audited) HK\$'000
Up to 30 days	39,812	25,961
31 to 90 days	1,541	7,496
91 to 180 days	22	3,347
Over 180 days	427	1,248
	<u>41,802</u>	<u>38,052</u>

#### 15. ACCRUALS AND OTHER PAYABLES

	<b>At 30 September 2020 (unaudited) HK\$'000</b>	At 31 March 2020 (audited) HK\$'000
Accruals for listing expenses	–	3,451
Accruals for staff salaries and other benefits	11,183	12,963
Other accruals and other payables	507	330
	<u>11,690</u>	<u>16,744</u>
Accruals and other payables	11,690	16,744
Less: Non-current portion	–	(217)
	<u>11,690</u>	<u>16,527</u>

The carrying amounts of accruals and other payables approximate their fair values.

## 16. LEASE LIABILITIES

	At 30 September 2020 (unaudited) HK\$'000	At 31 March 2020 (audited) HK\$'000
Current	542	540
Non-current	<u>483</u>	<u>675</u>

The Group leases various properties for the use of office and motor vehicles. The Group has the option to purchase the motor vehicles under hire purchase arrangement. These lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

## 17. DIVIDEND, SHARE CAPITAL AND SHARE PREMIUM

### (a) Dividends

The Directors did not recommend the payment of a dividend by the Company for the six months ended 30 September 2020 (corresponding period in 2019: HK\$43.2 million).

### (b) Share capital

	At 30 September 2020 (unaudited)			At 31 March 2020 (audited)			
	Par value HK\$	No. of shares	Share Capital HK\$'000	Share Premium HK\$'000	No. of shares	Share Capital HK\$'000	Share Premium HK\$'000
Authorised ordinary shares:							
At the beginning of the reporting period	0.01	38,000,000	380	-	38,000,000	380	-
Increase in authorised ordinary shares (note (i))	0.01	<u>9,962,000,000</u>	<u>99,620</u>	-	-	-	-
At the end of the reporting period	0.01	<u>10,000,000,000</u>	<u>100,000</u>	-	<u>38,000,000</u>	<u>380</u>	-
Issued and fully paid ordinary shares:							
At the beginning of the reporting period	0.01	10,000	-*	11,000	720	-*	-
Issuance of ordinary shares in relation to the Reorganisation (note (ii))	0.01	-	-	-	8,730	-*	-
Issuance of ordinary shares pursuant to the Pre-IPO Agreement (note (ii))	0.01	-	-	-	550	-*	11,000
Issuance of ordinary shares upon listing (note (iii))	0.01	250,000,000	2,500	127,500	-	-	-
Capitalisation Issue (note (iv))	0.01	749,990,000	7,500	(7,500)	-	-	-
Listing expenses charged to share premium		-	-	(10,579)	-	-	-
At the end of the reporting period	0.01	<u>1,000,000,000</u>	<u>10,000</u>	<u>120,421</u>	<u>10,000</u>	<u>-*</u>	<u>11,000</u>

\* Less than HK\$1,000.

*Notes:*

- (i) Pursuant to a shareholders' resolution passed on 17 July 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each by the creation of a further 9,962,000,000 shares ranking pari passu with the existing shares in all respects.
- (ii) On 17 June 2019 and 13 September 2019, additional 280 and 8,450 shares were issued and allotted as fully paid to the then equity holders of the Company at par as part of the Reorganisation. On 16 September 2019, pursuant to the Pre-IPO Agreement, additional 550 shares were issued and allotted as fully paid to CT Vision.
- (iii) On 14 August 2020, the Company issued a total of 250,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.52 per share as a result of the completion of the share offer. Of the total gross proceeds amounting to HK\$130,000,000, HK\$2,500,000 represented the par value credit to the Company's share capital and HK\$127,500,000, before the share issue expenses, was credited to the share premium account. The Company's total number of issued shares was increased to 1,000,000,000 shares upon completion of the share offer.
- (iv) Pursuant to a shareholders' resolution passed on 17 July 2020, subject to the share premium account of the Company being credited as a result of the share offer, the directors are authorized to allot and issue a total of 749,990,000 shares by way of capitalisation of the sum of HK\$7,499,900 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**"). The Capitalisation Issue was completed on 14 August 2020.

## **18. CONTINGENT LIABILITIES AND CLAIMS**

A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not probable that outflow of economic resources will be required, or the amount of obligation cannot be measured reliably. As at 30 September 2020, the Group did not have any significant contingent liabilities. The directors believe that any potential compensation arising from the ongoing litigations will be covered by relevant insurance coverage and these litigations will not have a material adverse effect on the consolidated financial statements of the Group.

## 19. MATERIAL RELATED PARTIES TRANSACTIONS

### (a) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the period:

	<b>Six months ended</b>	
	<b>30 September (unaudited)</b>	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Lease payments to a related company	—	70
(ii) The banking facility is secured by certain bank deposits of Mr. Lo, with a general banking facility amount of HK\$60,000,000. As at 31 March 2020 and 30 September 2020, no banking facilities was utilised.		

### (b) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	<b>Six months ended</b>	
	<b>30 September (unaudited)</b>	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,344	581
Retirement benefit costs		
– defined contribution plans	34	22

## 20. REVIEW OF INTERIM FINANCIAL REPORT

The unaudited interim financial report for the six months ended 30 September 2020 has been reviewed by the Audit Committee with no disagreement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

On 14 August 2020 (the “**Listing Date**”), the ordinary shares (the “**Shares**”) of the Company were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Group are a Hong Kong-based formwork contractor, mainly engaged in the provision of formwork services, comprising of: (i) conventional formwork which is built on-site by mainly using timber and plywood; and (ii) prefabricated formwork which is built out of prefabricated modules by mainly using aluminium and steel.

Formwork is the temporary supporting structures and moulds used in construction where concrete is poured in and to be moulded into the required structural shape and size. When we undertake a formwork project, we are generally responsible for project planning and implementation, procurement of materials, quality control and overall management of our direct labour and workers of our engaged subcontractors in carrying out the implementation of formwork services in accordance with the main contractors’ requirements and specifications.

During the course of providing our formwork services, we may also be requested by our customers, in the form of variation orders, to provide other construction services, including plastering, installing curtain wall and other miscellaneous works on an ancillary basis.

As at 30 September 2020, the Group had a total of 33 contracts (31 March 2020: 26 contracts) on hand (including contracts in progress and contracts yet to be commenced). The outstanding revenue to be recognised as at 30 September 2020 amounted to approximately HK\$1,323.0 million (31 March 2020: HK\$1,064.9 million).

### **FINANCIAL REVIEW**

During the six months ended 30 September 2020, we completed 2 projects involving formwork services and other construction services.

For the six months ended 30 September 2020, the Group’s unaudited consolidated revenue amounted to approximately HK\$414.5 million (corresponding period in 2019: HK\$305.7 million). The increase was mainly attributable to the number of projects on hand increased to 33 as at 30 September 2020 (31 March 2020: 26).

For the six months ended 30 September 2020, the gross profit amounted to approximately HK\$35.0 million (corresponding period in 2019: approximately HK\$32.1 million), while the gross profit margin was approximately 8.4% (2019: approximately 10.5%). The Directors consider that the gross profit margin has been maintained at a healthy position through the period.

General and administrative expenses (the “**G&A Expenses**”) primarily comprise staff costs, business development expenses, depreciation, bank charges, office expenses and professional charges that includes the non-recurring listing related expenses. The G&A Expenses for the period increased by HK\$0.6 million to approximately HK\$15.1 million, compared with approximately HK\$14.5 million of the corresponding period in last period, which was relatively stable over the corresponding period.

As a result, profit for the period increased to approximately HK\$21.1 million, representing an increase of 61.1% over the corresponding period of approximately HK\$13.1 million in last period. Excluding the non-recurring listing related expenses and government subsidies, the adjusted profit for the six months ended 30 September 2020 amounted to approximately HK\$24.2 million (corresponding period in 2019: approximately HK\$23.1 million).

## **PROSPECTS**

The outbreak of Coronavirus Disease 2019 (the “**COVID-19 Outbreak**”) since January 2020 may affect the business environment in Hong Kong. The Group considered that the COVID-19 Outbreak did not significantly impact the Group’s financial performance for the six months ended 30 September 2020, but if such situation continues in the long term, the Group’s business operations and financial results may be affected, the extent of which could not be estimated at the date of this interim report.

The Group facing the challenging business environment and vigorous competition in Hong Kong construction industry, taking into account the Government of the Hong Kong Special Administrative Region’s policy in increasing land supply and commitment to infrastructure investments, the Board is still confident with the Group’s future development in its scale of operations due to its long established reputation, the listing platform and healthy financial position. To maintain its competitive edge, the Group continues to adhere to its business strategy, by expanding our capacity to capture more business opportunities, enlarge our customer base, and offering quality services to its customers.

## USE OF PROCEEDS

The total net proceeds from the Listing involving the issue of 250,000,000 Shares of the Company amounted to approximately HK\$97.0 million. The following table sets out the breakdown of the use of proceeds from the Listing and up to 30 September 2020:

	Intended use of net proceeds <i>HK\$'million</i>	Utilised amount (as at 30 September 2020) <i>HK\$'million</i>	Unutilised amount (as at 30 September 2020) <i>HK\$'million</i>	Expected timeline for utilising the unutilised net proceeds
Financing the upfront funding needs for our projects	82.4	10.6	71.8	to be fully utilised before 31 March 2021
Expanding our workforce	4.9	0.1	4.8	to be fully utilised before 31 March 2022
General working capital	9.7	–	9.7	to be fully utilised before 31 March 2022
	<hr/>	<hr/>	<hr/>	
	<u>97.0</u>	<u>10.7</u>	<u>86.3</u>	

## EMPLOYEES

The Group had 1,198 employees as at 30 September 2020. The Group offers competitive remuneration package that is based on overall market rates and employee performance, as well as performance of the Group. Remuneration package is comprised of salary, performance-based bonus, and other benefits including training and provident funds.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's overall funding and treasury activities are currently managed and controlled by the Directors and senior management. The Directors and senior management will closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding needs.

The Group maintained cash and bank balances of approximately HK\$184.6 million as at 30 September 2020 (31 March 2020: approximately HK\$33.3 million).

	<b>As at 30 September 2020</b>	As at 31 March 2020
Current ratio <sup>1</sup>	<b>5.5 times</b>	4.3 times
Gearing ratio (%) <sup>2</sup>	<b><u>0.3%</u></b>	<b><u>0.6%</u></b>

*Notes:*

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective period end.
2. Gearing ratio is calculated based on the payables incurred not in the ordinary course of business (being amounts due to related companies, amount due from/to a director and lease liabilities) divided by total equity as at the respective period end and multiplied by 100%.

Current ratio increased from 4.3 as at 31 March 2020 to 5.5 as at 30 September 2020, as a result of improvement in cash position due to fund arising upon the Listing on 14 August 2020. Gearing ratio decreased from 0.6% as at 31 March 2020 to 0.3% as at 30 September 2020, mainly due to increase in equity after including net profit for the period and increase in share premium in relation to the Listing.

As at 30 September 2020, the Group had cash and cash equivalents of approximately HK\$184.6 million (31 March 2020: HK\$33.3 million). The Group expected to fund the future cash flow needs through internally generated cash flows from operations and bank facilities.

The capital structure of the Group consisted of equity of approximately HK\$333.2 million and debts (lease liabilities) of approximately HK\$1.0 million as at 30 September 2020.

The Group adopts a prudent approach in cash management. Apart from certain debts including lease liabilities, the Group did not have any material outstanding debts as at 30 September 2020. In any case, the Group may utilise its banking facilities of HK\$60.0 million, of which HK\$60 million remain unused as at 30 September 2020. As at 30 September 2020, the banking facilities of our Group were secured by Mr. Lo's personal guarantee and personal collateral. The said collateral and personal guarantee will be fully released, discharged or replaced by corporate guarantee or other securities provided by the Group once the Group receives the formal approval from the bank.

## **MARKET RISK**

Market risk is the risk that affects the Group's profitability or its ability to meet business objectives and it arises from the movement in market prices, like interest rates and equity prices.

The management of the Group manages and monitors these risks to ensure appropriate measures are implemented on a timely and effective manner.

## **FOREIGN EXCHANGE EXPOSURE**

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong dollars and Renminbi ("RMB"). In this respect, the only risk it faced arose from exposures mainly to RMB. The risk was mitigated as the Group held Hong Kong dollars RMB bank accounts to finance transactions denominated in these currencies respectively.

As at 30 September 2020, the Group did not have a foreign currency hedging policy in respect of its foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

## **SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2020.

## **CAPITAL COMMITMENTS**

The Group had no capital commitments as at 30 September 2020.

## **CONTINGENT LIABILITIES**

Save as disclosed in note 16 to the Financial Statements, the Group had no other contingent liabilities as at 30 September 2020.

## **CHARGES ON GROUP ASSETS**

As at 30 September 2020, the Group had obligation under a finance lease of approximately HK\$0.2 million (31 March 2020: approximately HK\$0.3 million). The Group's obligation under a finance lease is secured by the lessor's charge over the leased asset with net book values of approximately HK\$0.2 million as at 30 September 2020 (31 March 2020: approximately HK\$0.3 million).

## **DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2020 (corresponding period in 2019: HK\$43.2 million).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the six months ended 30 September 2020.

## **CORPORATE GOVERNANCE PRACTICES**

The Company recognises the importance of maintaining a high standard of corporate governance with an aim to protect the interest of shareholders.

The Company has adopted the Corporate Governance Code contained in Appendix 14 (the "CG Code") of the Listing Rules. Upon the Listing and up to 30 September 2020, the Company complied with all applicable provisions of the CG Code except for the deviation as stated below:

Pursuant to A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not officially have chief executive. The role and function of chief executive have been performed by all the executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations. The Board will continue to review the effectiveness of the Group's structure as business continues to grow and develop in order to assess whether any changes, including the appointment of chief executive officer, is necessary.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers contained in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by Directors (the “**Model Code**”). Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the period.

#### **EVENT AFTER THE REPORTING PERIOD**

There is no other material subsequent event undertaken by the Company or the Group after 30 September 2020 and up to the date of this interim results announcement.

#### **RELATED PARTY TRANSACTIONS**

The material related party transactions entered into by the Group during the six months ended 30 September 2020 are set out in note 19 to the interim financial report.

#### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules from the Listing Date and up to the date of this interim results announcement.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) currently has three members comprising Ms. Chan Sze Man (Chairlady), Sr. Dr. Leung Tony Ka Tung and Mr. Jiang Jungan, all being independent non-executive Directors. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control system of the Group, oversee the audit process and select external auditors and assess their independence and qualifications.

## **AUDIT COMMITTEE REVIEW**

The accounting information given in this interim results announcement has not been audited by the Company’s external auditor but has been reviewed by the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the Company’s website at [www.chikanck.com](http://www.chikanck.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

## **APPRECIATION**

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

By order of the Board  
**Chi Kan Holdings Limited**  
**Lo Hon Kwong**  
*Chairman and Executive Director*

Hong Kong, 27 November 2020

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lo Hon Kwong and Ms. Chan May Kiu; one non-executive Director, namely Dr. Yang Tao; and three independent non-executive Directors, namely Sr. Dr. Leung Tony Ka Tung, Ms. Chan Sze Man and Mr. Jiang Jungan.*