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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 2021

FINANCIAL HIGHLIGHTS

	Six months ended	
	30 September (unaudited)	
	2021	2020
Revenue (<i>HK\$'000</i>)	755,449	414,549
Gross profit (<i>HK\$'000</i>)	73,214	34,969
Profit attributable to owners of the Company (<i>HK\$'000</i>)	31,369	21,069
Basic earnings per share attributable to owners of the Company (<i>HK cents per share</i>)	3.14	2.58

INTERIM 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 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended	
		30 September (unaudited)	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	755,449	414,549
Cost of revenue	7	(682,235)	(379,580)
		<hr/>	<hr/>
Gross profit		73,214	34,969
Other income	5	19	6,011
Listing expenses	7	–	(9,104)
Administrative expenses		(14,006)	(6,037)
Share of results of an associate		(110)	–
		<hr/>	<hr/>
Operating profit		59,117	25,839
		<hr/>	<hr/>
Finance income	6	742	2
Finance costs	6	(130)	(7)
		<hr/>	<hr/>
Finance income/(costs), net	6	612	(5)
		<hr/>	<hr/>
Profit before income tax	7	59,729	25,834
Income tax expense	8	(14,373)	(4,765)
		<hr/>	<hr/>
Profit for the period		45,356	21,069
		<hr/>	<hr/>
Attributable to:			
Owners of the Company		31,369	21,069
Non-controlling interest		13,987	–
		<hr/>	<hr/>
		45,356	21,069
		<hr/>	<hr/>
Earnings per share attributable to owners of the Company for the period (HK cents per share)			
Basic and diluted	9	3.14	2.58
		<hr/>	<hr/>

Six months ended
30 September (unaudited)

2021 2020
HK\$'000 *HK\$'000*

Profit for the period	45,356	21,069
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Other comprehensive income

*Item that may be reclassified subsequently to
profit or loss*

Exchange difference on translation of foreign
operations

	821	–
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**Total comprehensive income
for the period**

	46,177	21,069
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Total comprehensive income attributable to:

Owners of the Company

	32,072	21,069
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Non-controlling interest

	14,105	–
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	46,177	21,069
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at 30 September 2021 (unaudited) <i>HK\$'000</i>	As at 31 March 2021 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property and equipment	<i>10</i>	1,975	1,183
Deposits	<i>13</i>	–	77
Interest in an associate		2,584	–
		4,559	1,260
Current assets			
Inventories	<i>11</i>	404	–
Trade receivables	<i>12(A)</i>	48,594	37,634
Contract assets	<i>12(B)</i>	285,036	212,049
Prepayments, deposits and other receivables	<i>13</i>	2,369	2,477
Tax recoverable		–	3,522
Restricted cash	<i>14(B)</i>	17,500	17,500
Cash and cash equivalents	<i>14(A)</i>	181,196	196,797
		535,099	469,979
Total assets		539,658	471,239

		As at 30 September 2021 (unaudited) <i>HK\$'000</i>	As at 31 March 2021 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
CAPITAL AND RESERVES			
Share capital	<i>18</i>	10,000	10,000
Share premium	<i>18</i>	120,421	120,421
Reserves		257,627	225,555
Capital and reserves attributable to owners of the Company		388,048	355,976
Non-controlling interest		17,139	3,034
Total equity		405,187	359,010
LIABILITIES			
Non-current liability			
Lease liabilities	<i>17</i>	1,141	131
		1,141	131
Current liabilities			
Trade payables	<i>15</i>	86,857	71,162
Accruals and other payables	<i>16</i>	25,349	30,371
Bank borrowings		10,000	10,000
Lease liabilities	<i>17</i>	745	545
Current income tax liabilities		10,379	20
		133,330	112,098
Total liabilities		134,471	112,229
Total equity and liabilities		539,658	471,239

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

Notes	Attributable to the owners of the Company						Non-	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	controlling interest HK\$'000		
	(Note 18)	(Note 18)						
As at 31 March 2020 (Audited)	–*	11,000	–	181,668	192,668	–	192,668	
Profit and total comprehensive income for the period	–	–	–	21,069	21,069	–	21,069	
Issuance of ordinary shares upon listing	<i>18(b)(ii)</i> 2,500	127,500	–	–	130,000	–	130,000	
Capitalisation Issue	<i>18(b)(iii)</i> 7,500	(7,500)	–	–	–	–	–	
Listing expenses charged to share premium	–	(10,579)	–	–	(10,579)	–	(10,579)	
As at 30 September 2020 (Unaudited)	<u>10,000</u>	<u>120,421</u>	<u>–</u>	<u>202,737</u>	<u>333,158</u>	<u>–</u>	<u>333,158</u>	
As at 31 March 2021 (Audited)	10,000	120,421	1,114	224,441	355,976	3,034	359,010	
Profit for the period	–	–	–	31,369	31,369	13,987	45,356	
Other comprehensive income for the period	–	–	703	–	703	118	821	
Total comprehensive income for the period	–	–	703	31,369	32,072	14,105	46,177	
As at 30 September 2021 (Unaudited)	<u>10,000</u>	<u>120,421</u>	<u>1,817</u>	<u>255,810</u>	<u>388,048</u>	<u>17,139</u>	<u>405,187</u>	

* *Less than HK\$1,000.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

		Six months ended	
		30 September (unaudited)	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Cash generated from operations		(13,594)	30,723
Income tax paid		—	—
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(13,594)	30,723
		<hr/>	<hr/>
Cash flows from investing activities			
Payments for property and equipment		(127)	—
Payment for investment in an associate		(2,693)	—
Interest received	6	742	2
		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		(2,078)	2
		<hr/>	<hr/>
Cash flows from financing activities			
Listing expenses paid		—	(9,072)
Payments of lease liabilities – principal element		(692)	(318)
Proceeds from issuance of ordinary shares upon listing	<i>18(b)(ii)</i>	—	130,000
Interest expenses paid	6	(130)	(7)
		<hr/>	<hr/>
Net cash (used in)/generated from financing activities		(822)	120,603
		<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents		(16,494)	151,328
Cash and cash equivalents at beginning of the period		196,797	33,310
Effects of exchange rate changes on cash and cash equivalents		893	—
		<hr/>	<hr/>
Cash and cash equivalents at end of the period		181,196	184,638
		<hr/>	<hr/>

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 construction business which included provision of formwork services and other construction services in Hong Kong (the "**Listing Business**") and E-Commerce business in the People's Republic of China ("**PRC**").

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**").

2. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2021 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 2021 ("**Financial Statements 2021**"), 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 2021

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.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021 (early adopted)
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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 2021 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 2021 or later periods but have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised)	1 April 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 April 2022
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 April 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 April 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020	1 April 2022
HKFRS 17	Insurance Contracts and the related Amendments	1 April 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 April 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 April 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 April 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 April 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 two operating segments.

The Group is principally engaged in construction business which included provision of formwork services and other construction services in Hong Kong, and E-Commerce business in PRC.

(a) Revenue

Revenue represents revenue from construction business which included provision of formwork services and other construction services, and E-Commerce business.

	Six months ended	
	30 September (unaudited)	
	2021	2020
	HK\$'000	HK\$'000
Types of goods and services		
Contract revenue from construction business		
– Formwork services	532,110	384,957
– Other construction services	–	29,592
	<u>532,110</u>	<u>414,549</u>
E-Commerce business revenue	<u>223,339</u>	<u>–</u>
	<u>755,449</u>	<u>414,549</u>

(b) Segment Information

The Group manages its businesses by business lines in a manner consistent with the way in which information is reported internally to the Group’s CODM being the executive directors of the Company, for the purposes of resource allocation and performance assessment. The Group’s reportable and operating segments are as follows:

- Contract revenue from construction business: provision of formwork services and other construction services to customers in Hong Kong
- E-Commerce business revenue: online trading of products in PRC

Segment results, segment assets and liabilities

Segment results represent the profit before tax from each segment except for the unallocated corporate expenses, being central administrative costs.

Segment assets include all current and non-current assets with the exception of other corporate assets, and other unallocated corporate assets. Segment liabilities include all current and non-current liabilities with the exception of other corporate liabilities, and other unallocated corporate liabilities.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Six months ended 30 September 2021 (unaudited)			
	Construction business HK\$'000	E-Commerce business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Reportable segment revenue	532,110	223,339	–	755,449
Reportable segment profit/(loss) before tax	24,114	35,940	(325)	59,729
Amounts included in the measure of segment profit or loss:				
Interest expenses	(130)	–	–	(130)
Depreciation for the period	(426)	(140)	(3)	(569)
Interest income	–	293	449	742
	Six months ended 30 September 2020 (unaudited)			
	Construction business HK\$'000	E-Commerce business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Reportable segment revenue	414,549	–	–	414,549
Reportable segment profit before tax	25,834	–	–	25,834
Amounts included in the measure of segment profit or loss:				
Interest expenses	(7)	–	–	(7)
Depreciation for the period	(346)	–	–	(346)
Interest income	2	–	–	2

Segment assets and liabilities

	At 30 September 2021 (unaudited) <i>HK\$'000</i>	At 31 March 2021 (audited) <i>HK\$'000</i>
Segment assets		
Construction business	443,581	405,878
E-Commerce business	53,158	–
Other corporate assets	42,919	65,361
	<hr/>	<hr/>
Consolidated assets	539,658	471,239
	<hr/>	<hr/>
Segment liabilities		
Construction business	114,725	98,895
E-Commerce business	18,179	–
Other corporate liabilities	1,567	13,334
	<hr/>	<hr/>
Consolidated liabilities	134,471	112,229
	<hr/>	<hr/>

Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

Revenue from external customers:

	Six months ended 30 September (unaudited)	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong (Place of domicile)	532,110	414,549
The PRC	223,339	–
	<hr/>	<hr/>
	755,449	414,549
	<hr/>	<hr/>

5. REVENUE AND OTHER INCOME

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

	Six months ended	
	30 September (unaudited)	
	2021	2020
	HK\$'000	HK\$'000
Contract revenue from construction business		
Formwork services	532,110	384,957
Other construction services	—	29,592
	<u>532,110</u>	<u>414,549</u>
E-Commerce business revenue	<u>223,339</u>	—
Total revenue	<u>755,449</u>	<u>414,549</u>
Other income		
Government subsidies*	—	6,011
Sundry income#	<u>19</u>	—
Total other income	<u>19</u>	<u>6,011</u>

Contract revenue from construction business and E-Commerce business revenue are recognised over time and at a point in time, respectively.

* 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.

This represents compensation received from an insurance company.

6. FINANCE INCOME/(COSTS), NET

	Six months ended	
	30 September (unaudited)	
	2021	2020
	HK\$'000	HK\$'000
Finance income		
Bank interest income	742	2
Finance costs		
Interest expenses on lease liabilities	<u>(130)</u>	<u>(7)</u>
Finance income/(costs), net	<u>612</u>	<u>(5)</u>

7. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September (unaudited)	
	2021	2020
	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	99,945	73,464
Contribution to defined contribution retirement plans	4,179	2,968
	<u>104,124</u>	<u>76,432</u>
Less: Amount included in cost of revenue	<u>(100,152)</u>	<u>(74,118)</u>
	<u>3,972</u>	<u>2,314</u>
Other items		
Cost of revenue	682,235	379,580
Depreciation		
– Self-owned assets	199	194
– Assets under leases	370	152
Listing expenses	–	9,104
	<u>–</u>	<u>9,104</u>

8. INCOME TAX EXPENSE

Income tax in the condensed consolidated statement of comprehensive income represents:

	Six months ended 30 September (unaudited)	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong Profits Tax	3,979	4,765
– PRC Corporate Income Tax	10,394	–
	<u>14,373</u>	<u>4,765</u>

Pursuant to the enactment of two-tiered profits tax rates by the Inland Revenue Department of Hong Kong (“IRD”), the Group’s first HK\$2 million of assessable profits under Hong Kong profits tax is subject to tax rate of 8.25%. The Group’s remaining assessable profits above HK\$2 million will continue to be subject to a tax rate of 16.5%.

The provision for Corporate Income Tax in the PRC is calculated at 25%.

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 2021 and 2020. The weighted average number of ordinary shares for the purpose of earnings per share for the six months ended 30 September 2020 has been retrospectively adjusted for the effects of the issuance of shares in connection with the Reorganisation completed and the capitalisation issue which took place on 14 August 2020.

	Six months ended	
	30 September (unaudited)	
	2021	2020
Profit attributable to owners of the Company (<i>in HK\$'000</i>)	31,369	21,069
Weighted average number of ordinary shares in issue (<i>in Thousand</i>)	1,000,000	815,574
Earnings per share (<i>HK cents per share</i>)	3.14	2.58

The Company did not have any potential ordinary shares outstanding during the six months ended 30 September 2021 and 2020, diluted earnings per share is equal to basic earnings per share.

10. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2021, the Group have purchased property and equipment of approximately HK\$0.1 million (corresponding period in 2020: Nil). In addition, the Group have no disposal of property and equipment during the six months ended 30 September 2021 and 2020.

As at 30 September 2021, lease liabilities of approximately HK\$1.9 million (31 March 2021: approximately HK\$0.7 million) are recognised with related right-of-use assets of approximately HK\$2.0 million (31 March 2021: approximately HK\$0.5 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 approximately HK\$0.04 million (31 March 2021: approximately HK\$0.1 million) at 30 September 2021 was held under a finance lease.

11. INVENTORIES

	At 30 September	At 31 March
	2021	2021
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Finished goods	404	–

12(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:

	At 30 September 2021 (unaudited) HK\$'000	At 31 March 2021 (audited) HK\$'000
Trade receivables	<u>48,594</u>	<u>37,634</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:

	At 30 September 2021 (unaudited) HK\$'000	At 31 March 2021 (audited) HK\$'000
Up to 30 days	36,438	30,818
31-90 days	<u>12,156</u>	<u>6,816</u>
	<u>48,594</u>	<u>37,634</u>

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

12(B).CONTRACT ASSETS

	At 30 September 2021 (unaudited) HK\$'000	At 31 March 2021 (audited) HK\$'000
Contract assets relating to		
– Uncertified work in progress	181,832	128,658
– Retention receivables	<u>103,204</u>	<u>83,391</u>
	<u>285,036</u>	<u>212,049</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2021 (unaudited) <i>HK\$'000</i>	At 31 March 2021 (audited) <i>HK\$'000</i>
Prepayments	645	116
Deposits and other receivables	<u>1,724</u>	<u>2,438</u>
Prepayments, deposits and other receivables	2,369	2,554
Less: Non-current portion Deposits	<u>–</u>	<u>(77)</u>
	<u>2,369</u>	<u>2,477</u>

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

14(A). CASH AND CASH EQUIVALENTS

	At 30 September 2021 (unaudited) <i>HK\$'000</i>	At 31 March 2021 (audited) <i>HK\$'000</i>
Cash and cash equivalents	<u>181,196</u>	<u>196,797</u>

The carrying amounts of cash and cash equivalents are denominated in following currency:

	At 30 September 2021 (unaudited) <i>HK\$'000</i>	At 31 March 2021 (audited) <i>HK\$'000</i>
HK\$	108,950	156,792
RMB	<u>72,246</u>	<u>40,005</u>
	<u>181,196</u>	<u>196,797</u>

14(B). RESTRICTED CASH

As at 30 September 2021 and 31 March 2021, restricted cash of approximately HK\$17.5 million were held by two banks in Hong Kong to secure bank facilities granted to the Group.

15. TRADE PAYABLES

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

	At 30 September 2021 (unaudited) HK\$'000	At 31 March 2021 (audited) HK\$'000
Up to 30 days	68,788	67,175
31-90 days	14,222	3,705
91-180 days	3,205	282
Over 180 days	642	–
	<u>86,857</u>	<u>71,162</u>

16. ACCRUALS AND OTHER PAYABLES

	At 30 September 2021 (unaudited) HK\$'000	At 31 March 2021 (audited) HK\$'000
Accruals for staff salaries and other benefits	5,942	14,676
Other accruals and other payables	19,407	15,695
	<u>25,349</u>	<u>30,371</u>

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

17. LEASE LIABILITIES

	At 30 September 2021 (unaudited) HK\$'000	At 31 March 2021 (audited) HK\$'000
Current	745	545
Non-current	1,141	131
	<u>1,886</u>	<u>676</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.

18. 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 2021 (corresponding period in 2020: Nil).

(b) Share capital

The Company	At 30 September 2021 (unaudited)			At 31 March 2021 (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	10,000,000,000	100,000	-	38,000,000	380	-
Increase in authorised ordinary shares (note (i))	0.01	-	-	-	9,962,000,000	99,620	-
At the end of the reporting period	0.01	<u>10,000,000,000</u>	<u>100,000</u>	<u>-</u>	<u>10,000,000,000</u>	<u>100,000</u>	<u>-</u>
Issued and fully paid ordinary shares:							
At the beginning of the reporting period	0.01	1,000,000,000	10,000	120,421	10,000	-*	11,000
Issuance of ordinary shares upon listing (note (ii))	0.01	-	-	-	250,000,000	2,500	127,500
Capitalisation Issue (note (iii))	0.01	-	-	-	749,990,000	7,500	(7,500)
Listing expenses charged to share premium	0.01	-	-	-	-	-	(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>1,000,000,000</u>	<u>10,000</u>	<u>120,421</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 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.

- (iii) 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.

19. 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 2021, 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.

20. MATERIAL RELATED PARTIES TRANSACTIONS

(a) 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:

	Six months ended	
	30 September (unaudited)	
	2021	2020
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,967	1,344
Retirement benefit costs		
– defined contribution plans	34	34
	<u>34</u>	<u>34</u>

21. REVIEW OF INTERIM FINANCIAL REPORT

The unaudited interim financial report for the six months ended 30 September 2021 has been reviewed by the Audit Committee with no disagreement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal activities of the Group are (i) construction business which included provision of formwork services and other construction services; and (ii) E-Commerce business.

Construction Business

The Group is a Hong Kong-based formwork contractor, mainly engaged in the provision of (a) 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; and (b) other construction services.

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.

During the six months ended 30 September 2021, 4 new projects with an aggregate contract value of approximately HK\$327.4 million were awarded to the Group. 4 projects were completed during the Period. As at 30 September 2021, 28 projects with the outstanding contract sum of approximately HK\$1,176.9 million were all in progress.

E-Commerce Business

The Group has engaged in E-Commerce business since March 2021 via Baiyin Chi Kan Technology Development Company Limited (“**CK Baiyin**”), which was incorporated in the People's Republic of China on 24 February 2021. The Group holds 51% equity interest in CK Baiyin whereas an independent third party holds 49% equity interest in CK Baiyin.

The Group is strategically positioned as a brand retailers in private E-Commerce platforms. We have cooperated with three private E-Commerce platforms to provide brand commodities that match with the need of our customers. Specifically, the income of the Group is generated from retailing in the private E-Commerce platforms.

With the continuously rapid development of online retail business, we have cooperated with over 40 suppliers and brand merchants, and committed to provide high quality and diversified products in our best effort. Under our E-Commerce business, we offer 500 types of products, including agricultural products rich in selenium, nutritional supplements, daily necessities, and cosmetic and skin care products. Quality of products would be regarded as our primary consideration in choosing products and products and manufacturers would be strictly selected for the sake of better products and quality, so as to achieve the sustainable development of corporation.

FINANCIAL REVIEW

During the Period, the Group's unaudited consolidated revenue amounted to approximately HK\$755.4 million (corresponding period in 2020: approximately HK\$414.5 million). The increase were mainly due to (i) 28 projects on hand as at 30 September 2021 (31 March 2021: 28) which contributed approximately HK\$532.1 million from construction business (corresponding period in 2020: approximately HK\$414.5 million); and (ii) revenue of approximately HK\$223.3 million from E-Commerce business.

During the Period, the gross profit amounted to approximately HK\$73.2 million (corresponding period in 2020: approximately HK\$35.0 million), while the gross profit margin was approximately 9.7% (2020: approximately 8.4%). 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, consultancy fee and legal and professional charges. The G&A Expenses for the Period increased by HK\$8.0 million to approximately HK\$14.0 million, compared with approximately HK\$6.0 million of the corresponding period in last year, which mainly due to increase in director's emolument and operating expenses for E-Commerce business.

As a result, profit attributable to the owners of the Company for the Period increased to approximately HK\$31.4 million, representing an increase of 48.8% over the corresponding period of approximately HK\$21.1 million in last year. Excluding the non-recurring listing related expenses and government subsidies, the adjusted profit for the six months ended 30 September 2021 amounted to approximately HK\$31.4 million (corresponding period in 2020: approximately HK\$24.2 million).

PROSPECTS

The outbreak of Coronavirus Disease 2019 (the “**COVID-19 Outbreak**”) since January 2020 may affect the business environment. The Group considered that the COVID-19 Outbreak did not significantly impact the Group’s financial performance for the Period, 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 results announcement. To mitigate and diversify the above-mentioned risks arising from COVID-19, the Group participated in the E-Commerce business in March 2021.

In recent years, mobile internet was widely used in PRC, with the sustainable growth in gross domestic product and the ongoing impacts from the pandemic, all of these have profoundly altered the consumption habits of citizens and driven their demand to online consumption. It is expected that there will be room to achieve sustainable growth in online retail market.

After participating in E-Commerce business, there was a rapid growth of our financial performance during the Period, and it is expected that there will be a continued stable growth on E-Commerce business. In order to increase the market share of the E-Commerce business in PRC, we plan to further expand technical platforms, increase the types of products and enhance the smart service.

For our construction business in Hong Kong. The Group is facing the challenging business environment and vigorous competition, 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, its listing status and healthy financial position.

The Group strive to maintain our comprehensive advantages in face of vigorous competition and complicated business environment, addressing the unexpected global challenges, realising growth in income and net profit continuously, and creating values for our shareholders incessantly. We will stay true to ourselves, keep our mission in mind, and take up social responsibility. We will lay solid foundation to foster regional economic development; we will make greater contribution to realise common prosperity in our country and society.

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 2021:

	Intended use of net proceeds	Utilised amount (as at 30 September 2021)	Unutilised amount (as at 30 September 2021)	Expected timeline for utilising the unutilised net proceeds
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	
Financing the upfront funding needs for our projects	82.4	82.4	–	fully utilised
Expanding our workforce	4.9	2.8	2.1	to be fully utilised before 31 March 2022
General working capital	9.7	9.7	–	fully utilised
	<u>97.0</u>	<u>94.9</u>	<u>2.1</u>	

EMPLOYEES

The Group had 1,197 employees as at 30 September 2021. 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.

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.

	As at 30 September 2021	As at 31 March 2021
Current ratio ¹	4.0 times	4.2 times
Gearing ratio (%) ²	2.9%	3.0%

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 lease liabilities and bank borrowings) divided by total equity as at the respective period end and multiplied by 100%.

Current ratio decreased from 4.2 as at 31 March 2021 to 4.0 as at 30 September 2021, as a result of increase in trade payables. Gearing ratio slightly decreased from 3.0% as at 31 March 2021 to 2.9% as at 30 September 2021, which was relatively stable during the Period.

As at 30 September 2021, the Group had cash and cash equivalents of approximately HK\$181.2 million (31 March 2021: approximately HK\$196.8 million). The Group expected to fund the future cash flow needs through internally generated cash flows from operations and bank facilities.

As at 30 September 2021, the capital structure of the Group consisted of equity of approximately HK\$405.2 million (31 March 2021: approximately HK\$359.0 million) and debts (lease liabilities and bank borrowings) of approximately HK\$11.9 million (31 March 2021: approximately HK\$10.7 million).

The Group adopts a prudent approach in cash management. Apart from certain debts including lease liabilities and bank borrowings, the Group did not have any material outstanding debts as at 30 September 2021. Payment to settle trade payable represented the significant part of the cash outflow of the Group. Taking into account the light debt leverage, the Group is able to generate cash and meet upcoming cash requirements. In any case, the Group may utilise its banking facilities of HK\$70.0 million, of which the unutilised and unrestricted banking facilities amounted to approximately HK\$60.0 million.

MARKET RISK

Market risk is the risk that affects the Group's profitability or its ability to meet business objectives.

The management of the Group manages and monitors these risks, like changes in government policies, changes in interest rate or inflation, 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 and RMB bank accounts to finance transactions denominated in these currencies respectively.

As at 30 September 2021, 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 2021.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 September 2021.

CONTINGENT LIABILITIES

Save as disclosed in note 19 to this results announcement, the Group had no other contingent liabilities as at 30 September 2021.

CHARGES ON GROUP ASSETS

As at 30 September 2021, the Group's motor vehicle under hire purchase arrangement is secured by the lessor's charge over the leased asset with net book values of approximately HK\$0.04 million. (31 March 2021: approximately HK\$0.1 million). In addition, as at 30 September 2021, bank deposits of HK\$17.5 million were pledged to secure the banking facilities granted to the Group (31 March 2021: HK\$17.5 million).

DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2021 (corresponding period in 2020: NIL).

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 2021.

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 2021, 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 2021 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 2021 are set out in note 20 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

The results announcement is published on the Company's website at www.chikanck.com and the Stock Exchange's website at www.hkexnews.hk. The 2021 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, 26 November 2021

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.