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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 March 2022 (“**FY 2022**”) increased by approximately 90.6% to approximately HK\$1,574.3 million compared with approximately HK\$826.2 million for the year ended 31 March 2021 (“**FY 2021**”).
- Gross profit margin increase by approximately 13.2% from approximately 7.3% for FY 2021 to approximately 20.5% for FY 2022 due to combined effect of increase in gross profit for E-Commerce business by approximately 64.5% and decrease in gross profit for construction business by approximately 4.0%.
- Profit for the year attributable to owners of the Company was approximately HK\$38.8 million for FY 2022, representing an decrease of approximately 9.4% compared to approximately HK\$42.8 million for FY 2021. Excluding the non-recurring listing related expenses and government subsidies, the adjusted profit for the year attributable to owners of the Company amounted to approximately HK\$38.8 million for FY 2022, compared with approximately HK\$36.6 million for FY 2021, representing an increase of approximately 6.0%.
- The Board does not recommend the payment of final dividend for FY 2022.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Chi Kan Holdings Limited (the “**Company**”) is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively as the “**Group**”) for the year ended 31 March 2022, together with the comparative figures for the corresponding period in 2021, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	1,574,341	826,198
Cost of sales and services	6	(1,251,901)	(765,502)
Gross profit		322,440	60,696
Other income	5	1,869	15,713
Listing expenses		–	(9,104)
Selling and administrative expenses	6	(245,467)	(17,784)
Fair value loss on financial asset at fair value through profit or loss		(338)	–
Operating profit		78,504	49,521
Finance income, net	7	900	418
Profit before income tax		79,404	49,939
Income tax expense	8	(19,952)	(7,201)
Profit for the year		59,452	42,738
Profit for the year attributable to:			
Owners of the Company		38,751	42,773
Non-controlling interest		20,701	(35)
		59,452	42,738
Earnings per share attributable to owners of the Company for the year (expressed in HK cents per share)			
Basic and diluted	9	3.88	4.71

	Year ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>59,452</u>	<u>42,738</u>
Other comprehensive income for the year, net of tax		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translation of foreign operations	<u>1,403</u>	<u>1,117</u>
Total comprehensive income for the year	<u>60,855</u>	<u>43,855</u>
Total comprehensive income attributable to:		
Owners of the Company	40,063	43,887
Non-controlling interest	<u>20,792</u>	<u>(32)</u>
	<u>60,855</u>	<u>43,855</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2022	2021
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property and equipment		2,227	1,183
Financial asset at fair value through profit or loss		2,417	–
Deposits	12	–	77
		4,644	1,260
Current assets			
Inventories		8,950	–
Trade receivables	11	96,952	37,634
Contract assets	11	223,788	212,049
Prepayments, deposits and other receivables	12	3,382	2,477
Tax recoverable		2,335	3,522
Restricted cash		17,500	17,500
Cash at bank		217,901	196,797
		570,808	469,979
Current liabilities			
Trade payables	13	110,204	71,162
Accruals and other payables	14	42,938	30,371
Bank borrowings		15,000	10,000
Lease liabilities		566	545
Tax payable		1,974	20
		170,682	112,098
Net current assets		400,126	357,881
Total assets less current liabilities		404,770	359,141

		As at 31 March	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities			
Lease liabilities		<u>1,218</u>	<u>131</u>
Net assets		<u>403,552</u>	<u>359,010</u>
Capital and reserves			
Share capital	<i>15</i>	10,000	10,000
Share premium	<i>15</i>	120,421	120,421
Reserves		<u>265,618</u>	<u>225,555</u>
Capital and reserves attributable to owners of the Company		396,039	355,976
Non-controlling interest		<u>7,513</u>	<u>3,034</u>
		<u>403,552</u>	<u>359,010</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Chi Kan Holdings Limited (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 principal place of business is located at Room 1008 and 1009, 10/F., China Shipbuilding Tower, 650 Cheung Sha Wan Road, Kowloon, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange Hong Kong Limited (the “**Stock Exchange**”) on 14 August 2020.

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 and e-commerce business in the People’s Republic of China (the “**PRC**”).

The ultimate holding company of the Company is Magnificent Faith Limited, a company incorporated in the British Virgin Islands (the “**BVI**”), and the controlling shareholder is Mr. Lo Hon Kwong (“**Mr. Lo**”), who is also the chairman and executive director of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which includes all individual applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated, which is the same as the functional currency of the Company. All values are rounded to the nearest thousands (HK\$’000) except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 March 2022 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2021, except for the application of the amendments to HKFRSs as explained in below.

Amendments to HKFRSs that are mandatorily effective for the current year

In the preparation of the consolidated financial statements for the year ended 31 March 2022, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021

The application of the amendments to HKFRSs in the current year has 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.

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied the following new or amendments to HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 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
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Definition of Accounting Policies	1 January 2023
Amendments to HKAS 8	Disclosure of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020	1 January 2022

* The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2020. The effective date has now been deferred. Early adoption of the amendments continues to be permitted.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial adoption. So far the directors of the Company have concluded that the application of them is unlikely to have a significant impact on the consolidated financial statements.

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the “CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions. The CODM assesses the performance based on a measure of profit after income tax.

The Group is principally engaged in the business of providing formwork services and other construction services in Hong Kong. During the year ended 31 March 2022, the Group commenced its e-commerce business in the PRC. Certain comparative figures of segment information were therefore reclassified to conform with current year’s presentation. 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 the PRC

Segment results, segment assets and liabilities

Segment results represent the profit before income tax from each segment except for the unallocated corporate expenses and income, being central administrative costs and certain other income. 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 year is set out below:

	Construction business	E-commerce business	Unallocated	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Year ended 31 March 2022				
Reportable segment revenue	1,133,180	441,161	–	1,574,341
Reportable segment profit/(loss) before income tax	29,417	57,346	(7,359)	79,404
Amounts included in the measure of segment profit or loss:				
Interest expenses	(548)	–	–	(548)
Interest income	1	993	454	1,448
Depreciation	(812)	(359)	(5)	(1,176)

	Construction business <i>HK\$'000</i>	E-commerce business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2021				
Reportable segment revenue	826,198	–	–	826,198
Reportable segment profit/(loss) before income tax	59,532	264	(9,857)	49,939
Amounts included in the measure of segment profit or loss:				
Interest expenses	(13)	–	–	(13)
Interest income	–*	–*	431	431
Depreciation	(850)	–	(2)	(852)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Less than HK\$1,000

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets		
Construction business	469,093	405,878
E-commerce business	73,197	14,506
Other corporate assets	33,162	50,855
	<u> </u>	<u> </u>
	575,452	471,239
	<u> </u>	<u> </u>
Segment liabilities		
Construction business	126,794	98,895
E-commerce business	43,908	11,338
Other corporate liabilities	1,198	1,996
	<u> </u>	<u> </u>
	171,900	112,229
	<u> </u>	<u> </u>

Geographic information

Information about the Group's non-current assets (other than financial asset at fair value through profit or loss) is presented based on the geographical location of the assets.

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	398	1,171
The PRC	1,829	12
	<u>2,227</u>	<u>1,183</u>

The Group's revenue are all derived from external customers in Hong Kong and PRC for the year. During the year ended 31 March 2022, revenue from 1 (2021: 3) customer individually contributed over 10% of the Group's total revenue. The revenue from each of these customers came from construction segment, are summarised below:

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Customer A	656,539	405,780
Customer B	N/A ^(a)	120,823
Customer C	N/A ^(a)	96,973
	<u>656,539</u>	<u>623,576</u>

Note:

- (a) The corresponding customers did not contribute over 10% of the total revenue of the Group for the respective year.

5. REVENUE AND OTHER INCOME

Revenue and other income recognised are as follows:

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Over time		
Contract revenue from construction business:		
Formwork services	1,093,563	807,798
Other construction services	39,617	18,400
	<u>1,133,180</u>	<u>826,198</u>
Point in time		
E-commerce business revenue	441,161	–
	<u>1,574,341</u>	<u>826,198</u>
Other income:		
Government grant (<i>Note (a)</i>)	–	15,240
Commission income (<i>Note (b)</i>)	1,850	–
Sundry income	19	473
	<u>1,869</u>	<u>15,713</u>

Notes:

- (a) Government grant for the year ended 31 March 2021 represents the subsidies received from the Employment Support Scheme launched by the government of the Hong Kong Special Administration Region.
- (b) Commission income for the year ended 31 March 2022 represents the sourcing service income which is calculated by certain percentage or amount based of the total sales amount.

6. PROFIT BEFORE INCOME TAX

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

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Subcontracting charges	681,386	488,589
Material costs	185,713	129,546
Cost of inventories sold	154,166	–
Commission expense to e-commerce platform (<i>Note (b)</i>)	216,200	–
Employee benefits expenses, including directors' emoluments		
Salaries, wages and other benefits	212,304	141,530
Contribution to defined contribution retirement plans	8,870	5,654
	<u>221,174</u>	<u>147,184</u>
Depreciation (<i>Notes (d)</i>)		
Self-owned assets	251	222
Assets under leases	925	630
	<u>1,176</u>	<u>852</u>
Consultancy fee (<i>Note (a)</i>)	1,125	3,000
Legal and professional fees	2,333	3,963
Auditor's remuneration		
– Audit services	1,142	1,480
– Non-audit services	150	200
	<u>1,292</u>	<u>5,643</u>

Notes:

- (a) Consultancy fee for the year end 31 March 2022 was paid to an independent third party for the business development and acquisition, industry research and feasibility study of target businesses including the e-commerce business in the PRC.

Consultancy fee for the year end 31 March 2021 was paid to an independent third party for the feasibility study of prefabricated formwork services in the PRC.

- (b) Included in the amount is the commission expense of approximately HK\$11,022,000 (2021: Nil) paid to Baiyin Yunchuang Space Information Technology Co., Ltd. which is classified as the financial assets at fair value through profit or loss of the Group, for the service of providing online sales platform for the Group's e-commerce business.

7. FINANCE INCOME, NET

	Year ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Bank interest income	1,448	431
Finance costs on:		
– lease liabilities	(9)	(13)
– bank overdrafts	(539)	–
	<u>(548)</u>	<u>(13)</u>
Finance income, net	<u>900</u>	<u>418</u>

8. INCOME TAX EXPENSE

	Year ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong Profits Tax	4,854	7,181
– PRC Corporate Income Tax	15,098	20
	<u>19,952</u>	<u>7,201</u>
Income tax expense	<u>19,952</u>	<u>7,201</u>

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

All PRC subsidiaries are subject to income tax at 25% (2021: 25%) for the year under the Corporate Income Tax law (“**CIT Law**”).

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department of Hong Kong (“**IRD**”), the qualifying group entity will be taxed at 8.25% on the first HK\$2 million of estimated assessable profits and at 16.5% on the remaining estimated assessable profits for the year (2021: Same). The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime was applicable to the Group for the year.

Pursuant to the CIT law, 10% withholding tax is levied on the foreign investor, (foreign investors which are registered in Hong Kong and meet certain requirements specified in the relevant tax regulations in the PRC may be entitled to a preferential 5% rate), in respect of dividend distributions arising from profit earned by a foreign investment enterprise in the PRC after 1 January 2008.

9. EARNINGS PER SHARE

The 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 year as follows:

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Profit attributable to owners of the Company (in HK\$'000)	38,751	42,773
Weighted average number of ordinary shares in issue (in Thousand)	<u>1,000,000</u>	<u>907,534</u>
Earnings per share (HK cents per share)	<u>3.88</u>	<u>4.71</u>

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2021: same).

10. DIVIDENDS

Neither dividend was paid, declared or proposed during the year, nor has any dividend been proposed since the end of reporting period (2021: Nil).

11. TRADE RECEIVABLES AND CONTRACT ASSETS

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Trade receivables (<i>Note (a)</i>)	<u>96,952</u>	<u>37,634</u>
Contract assets		
– Uncertified work in progress	115,220	128,658
– Retention receivables (<i>Note (b)</i>)	<u>108,568</u>	<u>83,391</u>
	<u>223,788</u>	<u>212,049</u>

(a) The balances represented the trade receivables from construction business, the Group's credit terms granted to third-party customers range from 14 days to 60 days (2021: Same).

At the end of reporting period, the ageing analysis of the third-party trade receivables, based on the date of certification, is as follows:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	47,726	30,818
31-90 days	43,002	6,816
91-181 days	5,881	–
181-365 days	343	–
	<u>96,952</u>	<u>37,634</u>

- (b) In the consolidated statement of financial position, contract assets relating to retention receivables were classified as current assets based on operating cycle. The ageing analysis of the retention receivables, based on the date of certification, is as follows:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	106,753	72,727
Between 1 and 2 years	1,815	986
Over 2 years	–	9,678
	<u>108,568</u>	<u>83,391</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	2,168	116
Deposits and other receivables	1,214	2,438
	<u>3,382</u>	<u>2,554</u>
Prepayments, deposits and other receivables	3,382	2,554
Less: non-current portion deposits	–	(77)
	<u>3,382</u>	<u>2,477</u>

13. TRADE PAYABLES

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Construction business	95,899	71,162
E-commerce business	14,305	–
	<u>110,204</u>	<u>71,162</u>

The average credit period for trade purchases generally ranged from 15 days to 60 days (2021: 15 days to 60 days).

At the end of reporting period, the ageing analysis of the trade payables, based on invoice date, are as follows:

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Up to 30 days	98,968	58,170
31 - 90 days	10,222	12,702
91 - 180 days	869	30
Over 180 days	145	260
	<u>110,204</u>	<u>71,162</u>

14. ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Accruals for staff salaries and other benefits	15,768	14,676
Contract liabilities	10,206	10,827
Other accruals and other payables	16,964	4,868
	<u>42,938</u>	<u>30,371</u>

15. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital HK\$'000
Authorised:		
As at 1 April 2020	38,000,000	380
Increase during the year (<i>Note (i)</i>)	9,962,000,000	99,620
	<u>10,000,000,000</u>	<u>100,000</u>
As at 31 March 2021, 1 April 2021 and 31 March 2022	<u>10,000,000,000</u>	<u>100,000</u>

A summary of movement in the Company's share capital and share premium is as follows:

	Number of ordinary shares	Share capital HK\$'000	Share premium HK\$'000
Issued and fully paid:			
As at 1 April 2020	10,000	—*	11,000
Capitalisation Issue (<i>Note (ii)</i>)	749,990,000	7,500	(7,500)
Issuance of ordinary shares upon listing (<i>Note (iii)</i>)	250,000,000	2,500	127,500
Listing expenses charged to share premium	<u>—</u>	<u>—</u>	<u>(10,579)</u>
As at 31 March 2021, 1 April 2021 and 31 March 2022	<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) Pursuant to a shareholder's 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.
- (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 issuance 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 and Capitalisation Issue as detailed in note (ii) above.

16. CONTINGENT LIABILITIES

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 possible to calculate the amount. As at 31 March 2022, 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 (2021: Same).

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 aluminum 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 FY 2022, 16 new projects with an aggregate contract value of approximately HK\$1,112.0 million were awarded to the Group. 12 existing projects were completed during the year. As at 31 March 2022, 32 projects with the outstanding contract sum of approximately HK\$1,376.1 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 is incorporated in People's Republic of China ("**PRC**") on 24 February 2021. The Group hold 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 retailer 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 providing high quality and diversified products in our best effort. Under our E-Commerce business, we offer over 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 FY 2022, the Group's audited consolidated revenue amounted to approximately HK\$1,574.3 million (FY 2021: approximately HK\$826.2 million). The increase was mainly due to (i) 32 projects on hand as at 31 March 2022 (FY 2021: 28) which contributed approximately HK\$1,133.2 million from construction business (FY 2021: approximately HK\$826.2 million); and (ii) revenue of approximately HK\$441.2 million from E-Commerce business.

During the FY 2022, the gross profit amounted to approximately HK\$322.4 million (FY 2021: approximately HK\$60.7 million), while the gross profit margin was approximately 20.5% (FY 2021: approximately 7.3%). Gross profit margin increased by approximately 13.2% from approximately 7.3% for FY 2021 to approximately 20.5% for FY 2022 due to combined effect of increase in gross profit for E-Commerce business by approximately 64.5% and decrease in gross profit for construction business by approximately 4.0%.

Other incomes primarily comprise government grant and other income last year. Other incomes for the year decreased by HK\$13.8 million from approximately HK\$15.7 million for FY 2021 to approximately HK\$1.9 million for FY 2022, which mainly due to the combined effect of decrease in government grant by approximately HK\$15.2 million and increase in commission income by approximately HK\$1.9 million.

Selling and administrative expenses (the "S&A Expenses") primarily comprise selling commission, staff costs, business development expenses, depreciation, consultancy fee and legal and professional charges. The S&A Expenses for the year increased by HK\$218.9 million to approximately HK\$245.8 million, compared with approximately HK\$26.9 million of last year, which mainly due to increase in selling and operating expenses for E-Commerce business.

As a result, profit attributable to the owners of the Company for the year decreased to approximately HK\$38.8 million, representing a decrease of 9.4% over approximately HK\$42.8 million in last year. Excluding the non-recurring listing related expenses and government subsidies, the adjusted profit for the year attributable to owners of the Company amounted to approximately HK\$38.8 million, compared with approximately HK\$36.6 million of last year, representing an increase of approximately 6.0%.

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 31 March 2022	As at 31 March 2021
Current ratio ¹	3.3 times	4.2 times
Gearing ratio (%) ²	4.2%	3.0%
Debt to equity ratio (%) ³	N/A	N/A

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.
2. Gearing ratio is calculated based on the payables incurred not in the ordinary course of business (being bank borrowings and lease liabilities) divided by total equity as at the respective year end and multiplied by 100%.
3. Debt to equity ratio is calculated based on the net debt (being bank borrowings and lease liabilities net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.

Current ratio decreased from 4.2 as at 31 March 2021 to 3.3 as at 31 March 2022, mainly due to increase in trade payables. Gearing ratio increased from 3.0% as at 31 March 2021 to 4.2% as at 31 March 2022, mainly due to increase in bank borrowings. Debt to equity ratio is not applicable as at 31 March 2022 due to the cash and cash equivalents larger than the total of bank borrowings and lease liabilities at that date.

As at 31 March 2022, the Group had cash and cash equivalents of approximately HK\$217.9 million (31 March 2021: approximately HK\$196.8 million) and restricted cash of approximately HK\$17.5 million (31 March 2021: HK\$17.5 million). Such restricted bank balances were held for the requirement of our general banking facilities. 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\$403.6 million and debts (lease liabilities and bank borrowings) of approximately HK\$16.8 million as at 31 March 2022.

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 31 March 2022. 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\$55.0 million.

USE OF NET PROCEEDS FROM LISTING

The 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 net proceeds from the Listing and up to 31 March 2022:

	Intended use of net proceeds <i>HK\$'million</i>	Utilised amount (as at 31 March 2022) <i>HK\$'million</i>	Unutilised amount (as at 31 March 2022) <i>HK\$'million</i>	Expected timeline for utilizing the unutilized net proceeds
Financing the upfront funding needs for our projects	82.4	82.4	–	Fully utilized
Expanding our workforce	4.9	4.9	–	Fully utilized
General working capital	9.7	9.7	–	Fully utilized
	<u>97.0</u>	<u>97.0</u>	<u>–</u>	

EMPLOYEES

The Group had 1,026 employees as at 31 March 2022 (2021: 830). 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.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 March 2022.

CHARGES ON GROUP ASSETS

As at 31 March 2022, the Group's motor vehicle under hire purchase arrangement is secured by the lessors' charge over the leased asset with net book values of approximately HK\$Nil (31 March 2021: HK\$0.1 million). In addition, as at 31 March 2022, 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).

CONTINGENT LIABILITIES

Save as disclosed in note 15 to this announcement, the Group had no other contingent liabilities as at 31 March 2022 (2021: Same).

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 FY 2022.

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 year, 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 annual results announcement. To mitigate and diversify the above-mentioned risks arising from COVID-19, the Group participated in the E-Commence 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 year, 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 the 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 strives 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.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2022 and up to the date of this annual results announcement.

COMPLIANCE WITH THE 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. Upon specific enquires of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the year.

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 31 March 2022, 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.

AUDIT COMMITTEE REVIEW

The Audit Committee consists of three independent non-executive Directors and has reviewed the Group’s consolidated financial statements for the year ended 31 March 2022.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.chikanck.com and the Stock Exchange's website at www.hkexnews.hk. The 2022 Annual 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 year.

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

Hong Kong, 24 June 2022

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 Mr. Chen Zhongzhou; and three independent non-executive Directors, namely Sr. Dr. Leung Tony Ka Tung, Ms. Chan Sze Man and Mr. Jiang Jungan.