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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 2021

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 March 2021 (“**FY 2021**”) increased by approximately 20.5% to approximately HK\$826.2 million compared with approximately HK\$685.9 million for the year ended 31 March 2020 (“**FY 2020**”).
- Gross profit margin decreased from approximately 10.7% for FY 2020 to approximately 7.3% for FY 2021.
- Profit for the year attributable to owners of the Company was approximately HK\$42.8 million for FY 2021, representing an increase of approximately 8.0% compared to approximately HK\$39.6 million for the previous year.
- The Board does not recommend the payment of final dividend for FY 2021.

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 2021, together with the comparative figures for the corresponding period in 2020, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 March | |
|--|--------------|---------------------|-----------------|
| | | 2021 | 2020 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 4 | 826,198 | 685,853 |
| Cost of revenue | 5 | (765,502) | (612,764) |
| Gross profit | | 60,696 | 73,089 |
| Other income | 4 | 15,713 | 50 |
| Listing expenses | | (9,104) | (13,278) |
| Selling and administrative expenses | 5 | (17,784) | (9,506) |
| Operating profit | | 49,521 | 50,355 |
| Finance income | 6 | 431 | 15 |
| Finance costs | 6 | (13) | (39) |
| Finance income/(costs), net | 6 | 418 | (24) |
| Profit before income tax | | 49,939 | 50,331 |
| Income tax expense | 7 | (7,201) | (10,730) |
| Profit for the year | | 42,738 | 39,601 |
| Attributable to: | | | |
| Owners of the Company | | 42,773 | 39,601 |
| Non-controlling interest | | (35) | – |
| | | 42,738 | 39,601 |
| Earnings per share attributable to owners of the Company for the year (expressed in HK\$ cents per share) | | | |
| Basic and diluted | 8 | 4.71 | 5.42 |

| | Year ended 31 March | |
|---|----------------------------|-----------------|
| | 2021 | 2020 |
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the year | <u>42,738</u> | <u>39,601</u> |
| Other comprehensive income | | |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | |
| Exchange difference on translation of foreign operations | <u>1,117</u> | <u>–</u> |
| Total comprehensive income for the year | <u>43,855</u> | <u>39,601</u> |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 43,887 | 39,601 |
| Non-controlling interest | <u>(32)</u> | <u>–</u> |
| | <u>43,855</u> | <u>39,601</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 31 March | |
|--|----|-----------------------|-----------------------|
| | | 2021 | 2020 |
| | | <i>Notes</i> | |
| | | HK\$'000 | HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | | 1,183 | 2,021 |
| Deposits | | 77 | 77 |
| | | <u>1,260</u> | <u>2,098</u> |
| Current assets | | | |
| Trade receivables | 9 | 37,634 | 28,416 |
| Contract assets | 10 | 212,049 | 184,805 |
| Prepayments, deposits and other receivables | 11 | 2,477 | 3,709 |
| Tax recoverable | | 3,522 | – |
| Restricted cash | | 17,500 | – |
| Cash and cash equivalents | | 196,797 | 33,310 |
| | | <u>469,979</u> | <u>250,240</u> |
| Total assets | | <u>471,239</u> | <u>252,338</u> |
| EQUITY | | | |
| Share capital | | 10,000 | –* |
| Share premium | | 120,421 | 11,000 |
| Reserves | | 225,555 | 181,668 |
| | | <u>355,976</u> | <u>192,668</u> |
| Capital and reserves attributable to owners of the Company | | <u>355,976</u> | 192,668 |
| Non-controlling interest | | 3,034 | – |
| | | <u>359,010</u> | <u>192,668</u> |
| Total equity | | <u>359,010</u> | <u>192,668</u> |

| | | As at 31 March | |
|-------------------------------------|--------------|-----------------------|-----------------|
| | | 2021 | 2020 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Accruals and other payables | <i>13</i> | – | 217 |
| Lease liabilities | | 131 | 675 |
| | | <u>131</u> | <u>675</u> |
| | | 131 | 892 |
| Current liabilities | | | |
| Trade payables | <i>12</i> | 71,162 | 38,052 |
| Accruals and other payables | <i>13</i> | 30,371 | 16,527 |
| Bank borrowings | | 10,000 | – |
| Lease liabilities | | 545 | 540 |
| Current income tax liabilities | | 20 | 3,659 |
| | | <u>112,098</u> | <u>58,778</u> |
| | | 112,098 | 58,778 |
| Total liabilities | | 112,229 | 59,670 |
| | | <u>112,229</u> | <u>59,670</u> |
| Total equity and liabilities | | 471,239 | 252,338 |
| | | <u>471,239</u> | <u>252,338</u> |

* Less than HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND REORGANISATION

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 "**Business**").

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

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**"), the 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 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 PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of Hong Kong Companies Ordinance Cap.622. The consolidated financial statements has been prepared under the historical cost convention.

2.1 Accounting policies

a) Adoption of new and amended standards

The Group has adopted the following amendments to standards for the current accounting:

| | |
|---|--|
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material |
| HKFRS 3 (Amendments) | Definition of a Business |
| HKFRS 9 and HKAS 39 and HKFRS 7 (Amendments) | Interest Rate Benchmark Reform – Phase 1 |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting |

The adoption of the above new and amended standards did not result in substantial changes to the accounting policies and financial statements of the Group.

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:

| | | Effective for annual periods beginning on or after |
|--|--|---|
| HKFRS 16 (Amendment) | COVID – 19 – Related Rent Concessions | 1 June 2020 |
| HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments) | Interest Rate Benchmark Reform – Phase 2 | 1 April 2021 |
| Annual Improvements Projects | Annual Improvements 2018–2020 Cycle | 1 April 2022 |
| HKFRS 3, HKAS 16 and HKAS 37 | Narrow-scope amendments | 1 April 2021 |
| Accounting Guideline 5 (Amendments) | Merger Accounting for Common Control Combinations | 1 April 2022 |
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | 1 April 2023 |
| HKFRS 17 | Insurance Contracts | 1 April 2023 |
| HKAS 1 and HKFRS Practice Statement 2 (Amendments) | Disclosure of Accounting Policies | 1 April 2023 |
| HK Interpretation 5 (2020) | Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 April 2023 |
| HKAS 8 (Amendments) | Definition of Accounting Estimates | 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 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.

3 SEGMENT INFORMATION

The chief operating decision-maker (the “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.

The Company is domiciled in the Cayman Islands. Information about the Group’s non-current assets other than financial instruments by geographical location of the assets are detailed below:

| | As at 31 March | |
|--|-----------------------|--------------|
| | 2021 | 2020 |
| | HK\$’000 | HK\$’000 |
| Hong Kong | 1,171 | 2,021 |
| The People’s Republic of China (“PRC”) | 12 | – |
| | <u>1,183</u> | <u>2,021</u> |

The Group's revenue are all derived from external customers in Hong Kong for the year. During the years ended 31 March 2021, revenue from 3 (2020: 2) customers, respectively, individually contributed over 10% of the Group's revenue. The revenue from each of these customers are summarised below:

| | Year ended 31 March | |
|------------|----------------------------|--------------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Customer A | 405,780 | 410,458 |
| Customer B | 120,823 | 134,668 |
| Customer C | 96,973 | N/A(a) |
| | <u> </u> | <u> </u> |

Note:

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

4 REVENUE AND OTHER INCOME

Revenue and other income recognised are as follows:

| | Year ended 31 March | |
|----------------------------------|----------------------------|--------------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Contract revenue: | | |
| Formwork services | 807,798 | 683,151 |
| Other construction services | 18,400 | 2,702 |
| | <u> </u> | <u> </u> |
| | <u>826,198</u> | <u>685,853</u> |
| Other income: | | |
| Government grant (<i>Note</i>) | 15,240 | – |
| Sundry income | 473 | 50 |
| | <u> </u> | <u> </u> |
| | <u>15,713</u> | <u>50</u> |

All contract revenue is recognised over time.

Note:

Government grant represent the subsidies received from the Employment Support Scheme launched by the government of the Hong Kong Special Administration Region.

5 EXPENSES BY NATURE

Expenses included in cost of revenue and selling and administrative expenses are analysed as follows:

| | Year ended 31 March | |
|---|----------------------------|-----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Subcontracting charges | 488,589 | 304,810 |
| Material costs | 129,546 | 150,980 |
| Employee benefits expenses, including directors' emoluments (Note b) | 147,184 | 159,194 |
| Depreciation | 852 | 930 |
| Consultancy fee (Note a) | 3,000 | – |
| Legal and professional fees | 4,143 | 1,109 |
| Auditors' remuneration | | |
| – Audit services | 1,480 | 97 |
| – Non-audit services | 20 | – |
| Short-term lease expense | – | 342 |
| Write-off of leasehold improvement | – | 101 |
| Others | 8,472 | 4,707 |
| | <u>783,286</u> | <u>622,270</u> |
| Total cost of revenue and selling and administrative expenses | <u>783,286</u> | <u>622,270</u> |

Notes:

- (a) Consultancy fee is paid to an independent third party for the feasibility study of prefabricated formwork services in the PRC.
- (b) Employee benefits expenses, including directors' emoluments

| | Year ended 31 March | |
|--|----------------------------|-----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Wages, salaries, bonuses and other benefits | 141,530 | 152,873 |
| Pension costs – defined contribution plans | 5,654 | 6,321 |
| | <u>147,184</u> | <u>159,194</u> |
| Amount included in cost of revenue | 141,435 | 154,723 |
| Amount included in administrative expenses | 5,749 | 4,471 |
| | <u>147,184</u> | <u>159,194</u> |

6 FINANCE INCOME/(COSTS), NET

| | Year ended 31 March | |
|-----------------------------|---------------------|-------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Finance income | | |
| Bank interest income | 431 | 15 |
| Finance costs on: | | |
| – lease liabilities | (13) | (18) |
| – bank overdrafts | – | (21) |
| | <u>(13)</u> | <u>(39)</u> |
| Finance income/(costs), net | <u>418</u> | <u>(24)</u> |

7 INCOME TAX EXPENSE

Pursuant to the enactment of two-tiered profit 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 (“**BVI**”) or the Cayman Island as they are exempted from tax in these jurisdictions.

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

| | Year ended 31 March | |
|----------------------------|---------------------|---------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| – Hong Kong profits tax | 7,181 | 10,730 |
| – PRC Corporate Income Tax | 20 | – |
| | <u>7,201</u> | <u>–</u> |
| Income tax expense | <u>7,201</u> | <u>10,730</u> |

8 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 as follows:

| | Year ended 31 March | |
|--|---------------------|----------------|
| | 2021 | 2020 |
| Profit attributable to owners of the Company (in HK\$'000) | 42,773 | 39,601 |
| Weighted average number of ordinary shares in issue (in Thousand) | <u>907,534</u> | <u>731,065</u> |
| Earnings per share (HK\$ cents per share) | <u>4.71</u> | <u>5.42</u> |

The weighted average number of ordinary shares for the purpose of earnings per share for the year ended 31 March 2020 has been retrospectively adjusted for the effects of the issuance of shares in connection with the Reorganisation and the capitalisation issue which took place on 14 August 2020.

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2020: same).

9 TRADE RECEIVABLES

| | As at 31 March | |
|-------------------|----------------|---------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Trade receivables | <u>37,634</u> | <u>28,416</u> |

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

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

| | As at 31 March | |
|---------------|----------------|---------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Up to 30 days | 30,818 | 27,795 |
| 31–90 days | 6,816 | – |
| Over 365 days | <u>–</u> | <u>621</u> |
| | <u>37,634</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.

10 CONTRACT ASSETS

| | As at 31 March | |
|--------------------------------|----------------|----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Contract assets relating to | | |
| – Uncertified work in progress | 128,658 | 79,469 |
| – Retention receivables | 83,391 | 105,336 |
| | <u>212,049</u> | <u>184,805</u> |

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

| | As at 31 March | |
|-----------------------|----------------|----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Within 1 year | 29,610 | 36,627 |
| Between 1 and 2 years | 33,930 | 11,911 |
| Over 2 years | 19,851 | 56,798 |
| | <u>83,391</u> | <u>105,336</u> |

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | As at 31 March | |
|---|----------------|--------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Prepayments for listing expenses | – | 3,650 |
| Prepayments | 116 | – |
| Deposits and other receivables | 2,438 | 136 |
| | <u>2,554</u> | <u>3,786</u> |
| Prepayments, deposits and other receivables | 2,554 | 3,786 |
| Less: non-current portion | | |
| Deposits | (77) | (77) |
| | <u>2,477</u> | <u>3,709</u> |

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

12 TRADE PAYABLES

Trade payables at the end of each reporting period comprise amounts outstanding to contract creditors and suppliers. The average credit period for trade purchases generally ranged from 15 days to 60 days.

| | As at 31 March | |
|----------------|------------------------|------------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables | <u>71,162</u> | <u>38,052</u> |

As at 31 March 2020 and 2021, the ageing analysis of the trade payables, based on invoice date, are as follows:

| | As at 31 March | |
|---------------|------------------------|------------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Up to 30 days | 67,175 | 25,961 |
| 31–90 days | 3,705 | 7,496 |
| 91–180 days | 282 | 3,347 |
| Over 180 days | <u>–</u> | <u>1,248</u> |
| | <u>71,162</u> | <u>38,052</u> |

The carrying amounts of trade payables approximate their fair values.

13 ACCRUALS AND OTHER PAYABLES

| | As at 31 March | |
|--|----------------|----------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Accruals for listing expenses | – | 3,451 |
| Accruals for staff salaries and other benefits | 14,676 | 12,963 |
| Other accruals and other payables | 15,695 | 330 |
| | <hr/> | <hr/> |
| Accruals and other payables | 30,371 | 16,744 |
| Less: Non-current portion | – | (217) |
| | <hr/> | <hr/> |
| Current portion | 30,371 | 16,527 |
| | <hr/> | <hr/> |

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

14 DIVIDENDS

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

Pursuant to a director's resolution dated 12 September 2019, a dividend of approximately HK\$43,161,000 was declared by the Company to the then sole equity holder of the Company. The dividend was fully settled through current account with the then equity holder of the Company.

15 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 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 (2020: same).

BUSINESS REVIEW

The Group is 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 aluminum 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.

During the FY 2021, 16 new projects with an aggregate contract value of approximately HK\$1,008.5 million were awarded to the Group. Two existing projects were completed during the year. As at 31 March 2021, 28 projects with the outstanding contract sum of approximately HK\$1,381.6 million were all in progress.

The Group has engaged in E-Commerce business ("**Other Business**") since March 2021 via Baiyin Chi Kan Technology Development Company Limited ("**CK Baiyin**"), which is incorporated in PRC on 24 February 2021. The Group indirectly hold 51% equity interest in CK Baiyin whereas an independent third party holds 49% equity interest in CK Baiyin. Up to 31 March 2021, the Group recorded other income of approximately HK\$0.5 million from Other Business. It is expected that E-Commerce business would grow progressively in the coming future.

FINANCIAL REVIEW

During the FY 2021, revenue of approximately HK\$826.2 million (FY 2020: approximately HK\$685.9 million) were contributed by 28 projects (FY 2020: 26 projects). The turnover increased by 20.5% mainly due to 16 projects were kick-off during FY 2021 which contributed approximately HK\$146.8 million.

For the year ended 31 March 2021, the gross profit was approximately HK\$60.7 million (FY 2020: approximately HK\$73.1 million), while the gross profit margin was 7.3% (FY 2020: 10.7%). The drop in our gross profit margin was mainly attributable to the result of uneven gross profit margin in a project lifespan. As mentioned in above, 16 projects were kick-off during FY 2021, the Group generally have to incur substantial upfront costs in the early stage. The Directors consider that the gross profit margin has been maintained at a healthy position through the year.

Other incomes primarily comprise government grant and other income. Other incomes for the year increased by HK\$15.6 million from approximately HK\$0.1 million for FY 2020 to approximately HK\$15.7 million for FY 2021, which mainly due to the government grant and other income of approximately HK\$15.2 million and HK\$0.5 million respectively. Other income was generated from Other Business mentioned in the section headed “Business Review”.

Selling and administrative expenses (the “**S&A Expenses**”) primarily comprise staff costs, depreciation, consultancy fee and legal and professional fee. The S&A Expenses for the year increased by approximately HK\$8.3 million to approximately HK\$17.8 million for FY 2021, compared with approximately HK\$9.5 million of the last year, which was mainly due to the professional fee and consultancy fee of approximately HK\$4.1 million and HK\$3.0 million respectively incurred in current period.

As a result, profit for the year increased to approximately HK\$42.7 million, representing an increase of 7.8% over the corresponding year of approximately HK\$39.6 million in last year. Excluding the non-recurring listing related expenses, the adjusted profit for FY 2021 amounted to approximately HK\$51.8 million (FY 2020: approximately HK\$52.9 million).

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 2021 HK\$'000 | As at 31 March 2020 HK\$'000 |
|---------------------------------------|---|------------------------------------|
| Current ratio ¹ | 4.2 times | 4.3 times |
| Gearing ratio (%) ² | 3.0% | 0.6% |
| 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 4.3 as at 31 March 2020 to 4.2 as at 31 March 2021, mainly due to increase in trade payables. Gearing ratio increased from 0.6% as at 31 March 2020 to 3.0% as at 31 March 2021, mainly due to increase in bank borrowings. Debt to equity ratio is not applicable as at 31 March 2021 due to the cash and cash equivalents larger than the total of bank borrowings and lease liabilities at that date.

As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$196.8 million (31 March 2020: approximately HK\$33.3 million) and restricted cash of approximately HK\$17.5 million (31 March 2020: N/A). 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\$359.0 million and debts (lease liabilities and bank borrowings) of approximately HK\$10.7 million as at 31 March 2021.

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 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 HK\$60.0 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 proceeds from the Listing and up to 31 March 2021:

| | Intended use of net proceeds <i>HK\$'million</i> | Utilised amount (as at 31 March 2021) <i>HK\$'million</i> | Unutilised amount (as at 31 March 2021) <i>HK\$'million</i> | Expected timeline for utilizing the unutilized net proceeds |
|---|--|---|---|--|
| Financing the upfront funding needs for our projects | 82.4 | 69.1 | 13.3 | to be fully utilized before 31 March 2022 |
| Expanding our workforce | 4.9 | 0.8 | 4.1 | to be fully utilized before 31 March 2022 |
| General working capital | 9.7 | 9.7 | – | Fully utilized |
| | <u>97.0</u> | <u>79.6</u> | <u>17.4</u> | |

EMPLOYEES

The Group had 830 employees as at 31 March 2021 (2020: 704). 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 2021.

CHARGES ON GROUP ASSETS

As at 31 March 2021, the Group's motor vehicles under hire purchase arrangement are secured by the lessors' charge over the leased assets with net book values of approximately HK\$0.1 million as at 31 March 2021 (31 March 2020: HK\$0.3 million). In addition, as at 31 March 2021, bank deposits of HK\$17.5 million were pledged to secure the banking facilities granted to the Group (31 March 2020: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2021 (2020: Nil).

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 2021.

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 year ended 31 March 2021, 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.

Even though 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 qualitative services to its customers.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2021.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2021 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 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.

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 2021.

SCOPE OF WORK OF AUDITORS

The financial 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 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This 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 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, 25 June 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.