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Skymission Group Holdings Limited

天任集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1429)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

HIGHLIGHTS FOR THE YEAR ENDED 31 MARCH 2021

- Revenue was approximately HK\$534.3 million for the year ended 31 March 2021, representing an increase of approximately 22.9% as compared with the same for the year ended 31 March 2020;
- Gross profit was approximately HK\$71.9 million for the year ended 31 March 2021, representing a decrease of approximately 9.2% as compared with the same for the year ended 31 March 2020;
- Gross profit margin decreased from approximately 18.2% for the year ended 31 March 2020 to approximately 13.5% for the year ended 31 March 2021;
- Profit and total comprehensive income for the year attributable to owners of the Company was approximately HK\$60.6 million for the year ended 31 March 2021, representing an increase of approximately 59.5% as compared with the same for the year ended 31 March 2020;
- Basic earnings per share was approximately HK4.32 cents for the year ended 31 March 2021, and approximately HK3.17 cents for the year ended 31 March 2020; and
- The Board does not recommend the payment of any final dividend for the year ended 31 March 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Skymission Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2021, together with the comparative figures for the year ended 31 March 2020 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	534,280	434,624
Cost of services		<u>(462,381)</u>	<u>(355,377)</u>
Gross profit		71,899	79,247
Other income	5	21,458	261
Administrative and other operating expenses		(17,303)	(12,334)
Finance costs		(468)	(176)
Listing expenses		<u>(5,679)</u>	<u>(18,136)</u>
Profit before tax	6	69,907	48,862
Income tax expenses	7	<u>(9,299)</u>	<u>(10,856)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>60,608</u>	<u>38,006</u>
Earnings per share		HK cents	HK cents
Basic and diluted	8	<u>4.32</u>	<u>3.17</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	10	45,470	7,191
Deferred tax assets		357	357
		45,827	7,548
Current assets			
Trade and other receivables	11	230,063	142,906
Contract assets	12	92,359	142,822
Contract costs		4,053	2,439
Bank balances and cash		56,676	43,856
		383,151	332,023
Current liabilities			
Trade and other payables	13	47,848	132,584
Interest-bearing borrowings	14	42,135	15,100
Amount due to the Ultimate Controlling Party		–	174
Income tax payable		5,834	26,218
Lease liabilities		1,122	601
		96,939	174,677
Net current assets		286,212	157,346
Total assets less current liabilities		332,039	164,894
Non-current liabilities			
Deferred tax liabilities		159	159
Lease liabilities		476	1,004
		635	1,163
NET ASSETS		331,404	163,731
Capital and reserves			
Share capital	15	16,000	–*
Reserves		315,404	163,731
TOTAL EQUITY		331,404	163,731

* Represent amounts less than HK\$1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Skymission Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 31 May 2019, and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of placing and public offer on 29 September 2020 (the “**Listing**”). The Company’s registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business is situated at Room 1101, Yuen Long Centre, 55 Sau Fu Street, Yuen Long, New Territories, Hong Kong.

The Company is an investment holding company and together with its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in provision of formwork works services in Hong Kong.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Sky Mission Group Limited (“**Sky Mission**”), a limited liability company incorporated in the British Virgin Islands (the “**BVI**”). The ultimate controlling party is Mr. Leung Yam Cheung (the “**Ultimate Controlling Party**”).

In preparing for the Listing of the shares of the Company on the Stock Exchange, the Group underwent a group reorganisation (the “**Reorganisation**”) to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the companies now comprising the Group on 26 November 2019. Details of the Reorganisation are more fully explained in the paragraph headed “Reorganisation” of the section headed “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 15 September 2020 (the “**Prospectus**”).

Immediately prior to and after the Reorganisation, the Company and its subsidiaries now comprising the Group are ultimately controlled by the Ultimate Controlling Party. The Group’s business is mainly conducted through Temmex Engineering Limited, Temmex Brothers Engineering Limited and Kennex Scaffolding System Co., Limited while the Company and other entities within the Group have not been involved in any other significant activities prior to and after the Reorganisation. Because the Reorganisation did not result in any change in the management and the ultimate control of the Group’s business, the Group is regarded as a continuity entity and, therefore, the consolidated financial statements for the year ended 31 March 2021 (and the comparative information for the year ended 31 March 2020) have been prepared using the principles of merger accounting in accordance with Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and all amounts have been rounded to the nearest thousand (“**HK\$’000**”), unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year as set out below.

Changes in accounting policies of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Future changes in HKFRSs

At the date of approving the consolidated financial statements, the HKICPA has issued the following new/ revised HKFRSs that are not yet effective for the year ended 31 March 2021, which the Group has not early adopted:

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021 ²
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Annual Improvements to HKFRSs	2018–2020 Cycle ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to HKAS 1	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single Transaction ⁴
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

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

² Effective for annual periods beginning on or after 1 April 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's financial statements.

3. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the reporting periods, as the Group manages its business as a whole as the provision of formwork works services in Hong Kong and the executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. All of the Group's revenue from external customers during the years ended 31 March 2021 and 2020 is derived from Hong Kong and all of the Group's assets and liabilities are located in Hong Kong.

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of aggregate revenue of the Group during the years ended 31 March 2021 and 2020 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	145,667	68,643
Customer B	75,495	179,252
Customer C	N/A ^{Note}	71,063
Customer D	72,201	N/A ^{Note}
Customer E	61,838	N/A ^{Note}
Customer F	N/A ^{Note}	65,039

Note: The customers contributed less than 10% of the total revenue of the Group for the reporting period.

4. REVENUE

During the years ended 31 March 2021 and 2020, all of the Group's revenue was arising from provision of formwork works services. All of the Group's revenue from provision of formwork works services was recognised over time.

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gross rental from lease of metal scaffold equipment and related parts	–	163
Gain on de-recognition of lease liabilities and right-of-use assets, net	–	21
Subsidy income (<i>Note</i>)	21,329	–
Others	129	77
	<u>21,458</u>	<u>261</u>

Note: During the year ended 31 March 2021, the Group recognised government grants of approximately HK\$21,329,000 (2020: Nil) in respect of anti-epidemic fund (the "Employment Support Scheme" and "Employment Support Scheme for the Construction Sector (Casual Employees)") provided by the Government of the Hong Kong Special Administrative Region. In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
a) Finance costs		
Interest on lease liabilities	81	65
Interest on interest-bearing borrowings	<u>387</u>	<u>111</u>
	<u>468</u>	<u>176</u>
b) Staff costs, including directors' remuneration		
Salaries, allowances, discretionary bonus and other benefits in kind	319,455	229,872
Contributions to defined contribution plans	<u>10,096</u>	<u>7,244</u>
<i>Note</i>	<u>329,551</u>	<u>237,116</u>
c) Other items		
Auditor's remuneration	1,500	165
Cost of materials recognised as cost of services	105,411	77,392
Depreciation of property, plant and equipment (included in "cost of services" and "administrative and other operating expenses", as appropriate)	7,558	5,412
Loss on disposal of property, plant and equipment	15	–
(Reversal of) Provision for loss allowance for trade receivables (included in administrative and other operating expenses)	(510)	1,096
(Reversal of) Provision for loss allowance for contract assets (included in administrative and other operating expenses)	(1,092)	1,053
Subcontracting fees recognised as cost of services	<u>12,094</u>	<u>31,723</u>
Short-term lease payments on premises (included in "cost of services" and "administrative and other operating expenses", as appropriate)	<u>–</u>	<u>584</u>

Note: During the year ended 31 March 2021, total staff costs of HK\$321,008,000 (2020: HK\$230,515,000) were included in the cost of services. The remaining staff costs were recognised in administrative and other operating expenses.

7. INCOME TAX EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
– current year	9,335	11,824
– over provision in prior year	(36)	–
Deferred tax		
Origination and reversal of temporary differences	–	(968)
Income tax expenses	<u>9,299</u>	<u>10,856</u>

The Group entities established in the Cayman Islands and the BVI are exempted from income tax.

Under the two-tiered profits tax rates regime with effect from the year of assessment 2018/2019, the first HK\$2,000,000 of assessable profits of qualifying entities will be taxed at 8.25%, and the assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the year ended 31 March 2021 and 2020, Hong Kong profits tax of a subsidiary of the Group is calculated in accordance with the two-tiered profits tax rates regime.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2021	2020
<i>Profit:</i>		
Profit attributable to owners of the Company (HK\$'000)	<u>60,608</u>	<u>38,006</u>
<i>Number of shares:</i>		
Weighted average number of ordinary shares in issue ('000)	<u>1,401,644</u>	<u>1,200,000</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share was on the basis as if the Reorganisation and Capitalisation Issue (Note 15) had been effective on 1 April 2019.

Diluted earnings per share are same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year ended 31 March 2021 and 2020.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 March 2021 (2020: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2021, the Group expended approximately HK\$44,423,000 (2020: Nil) on the acquisition of metal scaffold equipment and related parts for the expansion of the Group's operations.

11. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables of construction works		219,852	143,985
Less: Allowance for ECL		<u>(4,984)</u>	<u>(5,494)</u>
	11(a)	<u>214,868</u>	<u>138,491</u>
Other receivables			
Deposits and other receivables		570	497
Prepayment for listing expenses		–	710
Prepayment to suppliers		14,273	2,600
Other prepaid expenses		<u>352</u>	<u>608</u>
		<u>15,195</u>	<u>4,415</u>
		<u>230,063</u>	<u>142,906</u>

Note:

11(a) The Group would normally require the customers to certify the construction works completed and make payment within 35 to 45 days from the date of issuance of the Group's payment applications.

The ageing analysis of trade receivables (net of allowance for ECL) based on the date of issuance of the Group's payment applications at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	–	–
31 to 60 days	43,061	59,976
61 to 90 days	45,413	31,391
Over 90 days but less than 1 year	112,351	46,715
Over 1 year	<u>14,043</u>	<u>409</u>
	<u>214,868</u>	<u>138,491</u>

The Group does not hold collateral over the trade receivables.

12. CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysed as current:		
Unbilled revenue of construction works	44,389	101,288
Retention money receivables of construction works	48,016	42,672
	<u>92,405</u>	<u>143,960</u>
Less: Allowance for ECL	(46)	(1,138)
	<u>92,359</u>	<u>142,822</u>

13. TRADE AND OTHER PAYABLES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	13(a)	10,471	76,025
Other payables			
Salaries and other employee benefits payables		34,390	52,374
Accruals and other payables	13(b)	2,987	4,185
		<u>37,377</u>	<u>56,559</u>
		<u>47,848</u>	<u>132,584</u>

Notes:

13(a) The trade payables are non-interest bearing and the Group is normally granted with credit term up to 90 days.

At the end of the year, the ageing analysis of the trade payables based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 60 days	5,544	75,985
61 to 90 days	3,337	–
Over 90 days	1,590	40
	<u>10,471</u>	<u>76,025</u>

13(b) At 31 March 2020, the amount included accrued listing expenses of approximately HK\$2,873,000.

14. INTEREST-BEARING BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Current		
Bank borrowings with a repayment on demand clause	<u>42,135</u>	<u>15,100</u>

15. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Note	Number of shares	Amount HK\$'000
Authorised:			
At 1 April 2019		–	–
At incorporation	15(a)	<u>38,000,000</u>	<u>380</u>
At 31 March 2020		38,000,000	380
Increase in authorised share capital	15(c)	<u>3,962,000,000</u>	<u>39,620</u>
At 31 March 2021		<u><u>4,000,000,000</u></u>	<u><u>40,000</u></u>
Issued and fully paid:			
At 1 April 2019		–	–
At incorporation	15(a)	1	–*
Issue of shares pursuant to the Reorganisation	15(b)	<u>1,099</u>	<u>–*</u>
At 31 March 2020		1,100	–*
Issue of shares pursuant to the Share Offer	15(e)	400,000,000	4,000
Issue of shares pursuant to the Capitalisation Issue	15(d)	<u>1,199,998,900</u>	<u>12,000</u>
At 31 March 2021		<u><u>1,600,000,000</u></u>	<u><u>16,000</u></u>

* Represent amounts less than HK\$1,000.

Notes:

15(a) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 31 May 2019. Upon its incorporation, the authorised share capital of HK\$380,000 was divided into 38,000,000 ordinary shares at HK\$0.01 each and 1 ordinary share with a par value of HK\$0.01 was ultimately issued to and paid up by Sky Mission Group Limited.

15(b) Pursuant to the Reorganisation completed on 26 November 2019 (subject to the increase in authorised share capital of the Company as set out below), the Company became the holding company of the entities now comprising the Group. Further details of the changes in authorised and issued share capital of the Company since its incorporation are set out in the section headed “History, Reorganisation and Corporate Structure” of the Prospectus.

15(c) Pursuant to the resolution in writing of the Company’s shareholders passed on 7 September 2020, inter-alia, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of par value of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 shares of par value of HK\$0.01 each by the creation of an additional 3,962,000,000 shares and the Capitalisation Issue (as defined below) was conditionally approved.

- 15(d) Pursuant to the resolution in writing of the Company's shareholders passed on 7 September 2020, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 1,199,998,900 shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$11,999,989 standing to be credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 29 September 2020.
- 15(e) On 29 September 2020, the shares of the Company were listed on the Main Board of the Stock Exchange and 400,000,000 new ordinary shares of HK\$0.01 each were issued at HK\$0.35 per share by way of share offer ("**Share Offer**"). The gross proceeds from the Share Offer amounted to HK\$140,000,000. The expenses attributable to issues of shares pursuant to the Share Offer of approximately HK\$32,935,000 were recognised in the share premium account of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND FUTURE PROSPECT

The Group is an established formwork works subcontractor in Hong Kong with an operating history of over 20 years. During the year ended 31 March 2021 and up to the date of this announcement, the Group has been providing traditional formwork works services to its customers by using timber and plywood and system formwork works services using aluminum formwork.

During the year ended 31 March 2021, the Group secured 14 new contracts with total original contract value of approximately HK\$681.9 million, representing an increase of approximately 18.2% compared to the year ended 31 March 2020 of approximately HK\$577.0 million. 12 of these projects started contributing revenue to the Group during the year ended 31 March 2021, out of which one project was completed. As at 31 March 2021, the Group has a total of 19 projects on hand with an estimated total outstanding contract value of approximately HK\$526.0 million, representing an increase of approximately 39.0% as compared to the estimated total outstanding contract value of approximately HK\$378.4 million as at 31 March 2020. With 19 projects on hand, it is expected that the our business performance will remain steady for the coming years.

Looking ahead, as an established formwork works subcontractor in Hong Kong, the Group will continue to explore new business opportunities, further diversify and broaden revenue sources of the Group from various customers, maximise profits and returns for the Group and enhance shareholder value for the shareholders of the Company (the “**Shareholders**”). The Group will strengthen its market position by enhancing its financial position for securing more large-scale formworks projects and expanding its capability to offer system formwork works services and strengthening its manpower to cope with its business development. The Group is confident that its business will continue to operate in a stable way.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2021, the Group recorded revenue of approximately HK\$534.3 million, representing an increase of 22.9% comparing with that of approximately HK\$434.6 million for the year ended 31 March 2020. The increase is mainly attributable to the net effect on decrease in revenue of approximately HK\$123.4 million recognised from Project TMB-84 which was completed during the year ended 31 March 2020 and the increase in revenue recognised from new Projects TMB-94, TMB-100, TMB-101, TMB-102 and TMB-105, which altogether contributed approximately HK\$216.3 million to the total revenue for the year ended 31 March 2021. Set out below is the revenue breakdown of the Group derived from public sector projects and private sector projects for the years ended 31 March 2021 and 2020:

	Year ended 31 March					
	2021			2020		
	No. of projects	Revenue HK\$'000	Percentage of revenue (%)	No. of projects	Revenue HK\$'000	Percentage of revenue (%)
Public sector projects	19	334,828	62.7	14	202,798	46.7
Private sector projects	18	199,452	37.3	23	231,826	53.3
Total	37	534,280	100.0	37	434,624	100.0

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$7.3 million or 9.2% from approximately HK\$79.2 million for the year ended 31 March 2020 to approximately HK\$71.9 million for the year ended 31 March 2021.

The Group's gross profit margin decreased from approximately 18.2% for the year ended 31 March 2020 to approximately 13.5% for the year ended 31 March 2021.

The decrease in gross profit and gross profit margin were mainly resulted from the increase in price competition for new formwork works contract in the industry and more new construction materials were purchased to meet different project needs.

Other income

The Group's other income mainly comprised of subsidy income and other miscellaneous income. Other income increased by approximately HK\$21.2 million or 70.7 times from approximately HK\$0.3 million for the year ended 31 March 2020 to approximately HK\$21.5 million for the year ended 31 March 2021. The increase was mainly attributable to the receipt of anti-epidemic fund for approximately HK\$21.3 million (the "Employment Support Scheme" and "Employment Support Scheme for the Construction Sector (Casual Employees)") provided by the Government of the Hong Kong Special Administrative Region.

Administration and other operating expenses

The Group's administrative expenses and other operating expenses increased from approximately HK\$12.3 million for the year ended 31 March 2020 to approximately HK\$17.3 million for the year ended 31 March 2021, representing an increase of approximately 40.7%. The increase was mainly attributable to an increase in audit fee, legal and professional fee, consultancy fee and staff costs during the year ended 31 March 2021.

Finance costs

The Group's finance costs increased from approximately HK\$0.2 million for the year ended 31 March 2020 to approximately HK\$0.5 million for the year ended 31 March 2021 which was mainly attributable to an increase in interest expense on interest-bearing borrowings to finance the Group's working capital during the year ended 31 March 2021.

Income tax expense

The Group's income tax expenses decreased from approximately HK\$10.9 million for the year ended 31 March 2020 to approximately HK\$9.3 million for the year ended 31 March 2021, representing a decrease of approximately HK\$1.6 million or 14.7%. The decrease was mainly attributable to a decrease in assessable profits of the Group during the year ended 31 March 2021.

Profit and total comprehensive income for the year attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of the Company increased by approximately HK\$22.6 million or 59.5% from approximately HK\$38.0 million for the year ended 31 March 2020 compared to approximately HK\$60.6 million for the year ended 31 March 2021.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations from its business operations, interest-bearing borrowings and equity contribution from its Shareholders. As at 31 March 2021, the Group had net current assets of approximately HK\$286.2 million (2020: HK\$157.3 million) and cash and bank balances of approximately HK\$56.7 million (2020: HK\$43.9 million).

As at 31 March 2021, the Group's total equity attributable to owners of the Company amounted to approximately HK\$331.4 million (2020: HK\$163.7 million), and the Group's total interest-bearing borrowings and lease liabilities amounted to approximately HK\$43.7 million which are denominated in Hong Kong dollars (2020: HK\$16.7 million).

The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due for at least the next twelve months from the end of 31 March 2021 and accordingly, our consolidated financial statements have been prepared on a going concern basis.

CAPITAL STRUCTURE

On 29 September 2020 (the “**Listing Date**”), the Group's shares were successfully listed on the Main Board of the Stock Exchange. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprised of ordinary shares.

GEARING RATIO

As at 31 March 2021, the gearing ratio (calculated on the basis of total interest-bearing borrowings divided by total equity of the Group) was approximately 12.7% (2020: 9.2%).

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2021 (2020: Nil).

CHARGE ON GROUP ASSETS

The Group had no charges on assets as at 31 March 2021 (2020: Nil).

FOREIGN CURRENCY RISK

The Company does not have significant exposure on foreign currency risk as most of the monetary assets and liabilities are denominated in Hong Kong dollars. The management will consider suitable hedging instruments against significant currency exposure should the need arises.

TREASURY POLICY

The Group continues to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of any future growth opportunities. To manage liquidity risk, the Directors 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 requirements from time to time.

SEGMENT INFORMATION

The Group principally operates in one business segment, which is providing formwork works services in Hong Kong.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the years ended 31 March 2021 and 2020, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the years ended 31 March 2021 and 2020, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and the announcement dated 28 September 2020, the Group does not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group employed 1,161 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

EVENT AFTER THE REPORTING PERIOD

The Board is not aware of any significant events requiring disclosure that have taken place subsequent to 31 March 2021 and up to the date of this announcement.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting the underwriting fees and other related expenses paid by the Company in connection with the Share Offer) which amounted to approximately HK\$81.1 million was used/will be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus and the announcement of the Company dated 28 September 2020. The Group adjusted the allocation of the use of net proceeds for the below purposes on a pro rata basis in the same manner as shown in the Prospectus.

The below table sets out the use of net proceeds, the unutilised net proceeds and the expected timeline for utilising the unutilised net proceeds from the Listing up to 31 March 2021:

	Planned use of net proceeds up in total		Actual use of net proceeds up to 31 March 2021	Unutilised balance as at 31 March 2021	Expected timeline for utilising for unutilised net proceeds
	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Enhancing the Group’s financial position for the purpose of securing additional and large-scale formwork works projects and expanding its capability to offer system formwork work services	49.3	60.8	38.7	10.6	By 31 March 2022
Increasing the Group’s stock of metal scaffold equipment and related parts	17.5	21.6	17.5	–	N/A
Further strengthening the Group’s manpower to cope with its business development	7.3	9.0	1.6	5.7	By 31 March 2022
General working capital of the Group	7.0	8.6	7.0	–	N/A
Total	<u>81.1</u>	<u>100.0</u>	<u>64.8</u>	<u>16.3</u>	

The unutilised proceeds has been deposited in the bank accounts with licensed banks in Hong Kong.

THE RISK ON THE OPERATION AFFECTED BY THE COVID-19 PANDEMIC

If the development of COVID-19 intensifies, the economy in Hong Kong may be adversely affected. In such event, the resultant unfavourable economic conditions of Hong Kong, dampened market sentiment and decreased purchasing power of the general public could be a disincentive for property developers or other ultimate customers to commence new construction projects, thus delaying or reducing the number of new projects to be awarded to us.

Health and safety risks during the outbreak of COVID-19 may also lead to labour shortage, increase in construction costs, and interruption of our business operation. If any personnel working in the project site has been confirmed positive for COVID-19, the relevant main contractor(s), property developer(s) or ultimate customer(s) of our projects may be required to suspend the works in the relevant project site for at least 14 days or longer subject to government requirements. Stringent rules imposed on construction workers, including frequent mandatory testing and limitations on on-site activities, may reduce the supply of skilled labour, increase in wages of the workers, and delay in our work schedules. Some construction workers may not report duty immediately after vaccination due to side effects from vaccination of the COVID-19 vaccines. The wages of workers may therefore be increased and thus the construction costs if we face any labour shortage or if we need urgent replacements. Progress of such projects may be delayed and our business operations would be interrupted.

These adverse impacts, if materialise and persist for a substantial period, may adversely affect our business operation and financial performance.

The Company will continue to monitor the development of COVID-19 pandemic. We are confident that we are able to weather through the pandemic crisis.

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at 31 March 2021, the Group's right-of-use assets of approximately HK\$1.5 million (2020: approximately HK\$1.6 million) were included in the property, plant and equipment, and its lease liabilities were approximately HK\$1.6 million (2020: approximately HK\$1.6 million). The related right-of-use assets and lease liabilities are all located in Hong Kong.

COMPETING BUSINESSES

During the year ended 31 March 2021, none of the Directors or the controlling Shareholders of the Company and their respective close associates had any interests in a business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtain and maintain the trust and safeguarding interest of the Shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices and transparency, and accountability to all stakeholders.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

In the opinion of the Board, the Company has fully complied with the CG Code since the Listing Date up to 31 March 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company’s employees who, because of their offices or employments, are likely to possess inside information in relation to the Company and/or its securities.

Upon specific enquiry, all Directors confirmed that they have fully complied with the Model Code since the Listing Date of our Company and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.skymission.group. The annual report of the Company for the year ended 31 March 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 24 September 2021 (the “**AGM**”). To determine the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 20 September 2021 to Friday, 24 September 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 17 September 2021.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 7 September 2020. The chairman of the Audit Committee is Mr. Chu Hau Lim, an independent non-executive Director, other members are Mr. Ng Lin Fung and Mr. Lam Kwong Siu, each being an independent non-executive Director. The written terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company.

The Company has complied with Rule 3.21 and Rule 3.10(2) of the Listing Rules which mandate that the Audit Committee must comprise non-executive Directors only, comprising a minimum of three members, the majority of the members of the Audit Committee must be independent non-executive Directors and must be chaired by an independent non-executive Director; and at least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review the financial statements of the Group and make judgements in respect of financial reporting; and oversee the effectiveness of the procedures of the risk management and internal control procedures of the Group and monitor any future and/or potential continuing connected transactions.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the accounting principles adopted by the Group and the consolidated financial statements as the final results announcement of the Group for the year ended 31 March 2021 with the management of the Group and recommended them to the Board for approval.

SCOPE OF WORK OF MAZARS CPA LIMITED

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this preliminary results announcement have been agreed by the Company's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2021. The work performed by Mazars 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 Mazars on this preliminary results announcement.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt appreciation to the Group's management team and all employees for their dedication and the value they bring to the Group. I would also like to constantly extend my heartfelt gratitude to all Shareholders and business partners of the Group for their unwavering trust and relentless support.

By order of the Board
SKYMISSION GROUP HOLDINGS LIMITED
Leung Yam Cheung
Chairman

Hong Kong, 28 June 2021

As at the date of this announcement, the Board comprises Mr. Leung Yam Cheung, Mr. Cheung Kit Hung, Mr. Leung Wing Hoi and Mr. Leung Wing Chun as executive Directors; Mr. Yau Sheung Hang as non-executive Director; and Mr. Ng Lin Fung, Mr. Lam Kwong Siu, Mr. Chu Hau Lim and Mr. Leung Ka Ho Raymond as independent non-executive Directors.