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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 2023**

### **FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 March 2023 (“**FY 2023**”) increased by approximately 3.1% to approximately HK\$1,623.6 million compared with approximately HK\$1,574.3 million for the year ended 31 March 2022 (“**FY 2022**”).
- Gross profit margin decrease by approximately 6.9% from approximately 20.5% for FY 2022 to approximately 13.6% for FY 2023 due to decrease in gross profit for E-Commerce business from approximately HK\$284.8 million for FY2022 to approximately HK\$170.8 million in FY2023.
- Profit for the year attributable to owners of the Company was approximately HK\$53.5 million for FY 2023, representing an increase of approximately 37.9% compared to approximately HK\$38.8 million for FY 2022. Excluding the non-recurring government subsidies, the adjusted profit for the year attributable to owners of the Company amounted to approximately HK\$31.8 million for FY 2023, compared with approximately HK\$38.8 million for FY 2022, representing an decrease of approximately 18.0%.
- The Board does not recommend the payment of final dividend for FY 2023.

## 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 2023, together with the comparative figures for the corresponding period in 2022, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2023*

		Year ended 31 March	
		2023	2022
	Notes	HK\$'000	HK\$'000
<b>Revenue</b>	5	<b>1,623,573</b>	1,574,341
Cost of sales and services	6	<u>(1,402,403)</u>	<u>(1,251,901)</u>
<b>Gross profit</b>		<b>221,170</b>	322,440
Other income	5	<b>22,139</b>	1,869
Recognition of impairment loss on trade receivables and contract assets		<b>(1,594)</b>	–
Selling and administrative expenses	6	<b>(167,180)</b>	(245,467)
Fair value loss on financial asset at fair value through profit or loss (“ <b>FVPL</b> ”)		<u><b>(545)</b></u>	<u>(338)</u>
<b>Operating profit</b>		<b>73,990</b>	78,504
Finance income, net	7	<u><b>442</b></u>	<u>900</u>
<b>Profit before income tax</b>		<b>74,432</b>	79,404
Income tax expense	8	<u><b>(12,567)</b></u>	<u>(19,952)</u>
<b>Profit for the year</b>		<u><b>61,865</b></u>	<u>59,452</u>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>53,501</b>	38,751
Non-controlling interest		<u><b>8,364</b></u>	<u>20,701</u>
		<u><b>61,865</b></u>	<u>59,452</u>
<b>Earnings per share attributable to owners of the Company for the year</b>			
Basic and diluted	9	<u><b>HK cents 5.35</b></u>	<u>HK cents 3.88</u>

	<b>Year ended 31 March</b>	
	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>61,865</u>	<u>59,452</u>
<b>Other comprehensive (loss)/income for the year, net of tax</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translation of foreign operations	<u>(4,500)</u>	<u>1,403</u>
<b>Total comprehensive income for the year</b>	<u>57,365</u>	<u>60,855</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	49,512	40,063
Non-controlling interest	<u>7,853</u>	<u>20,792</u>
	<u>57,365</u>	<u>60,855</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2023

		As at 31 March	
		2023	2022
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property and equipment		2,957	2,227
Financial asset at FVPL		1,686	2,417
Deposits	12	136	–
		<u>4,779</u>	<u>4,644</u>
<b>Current assets</b>			
Inventories		8,242	8,950
Trade receivables	11	174,562	96,952
Contract assets	11	176,664	223,788
Prepayments, deposits and other receivables	12	968	3,382
Tax recoverable		–	2,335
Restricted cash		27,500	17,500
Cash at bank		318,830	217,901
		<u>706,766</u>	<u>570,808</u>
<b>Current liabilities</b>			
Trade payables	13	181,406	110,204
Accruals and other payables	14	39,132	42,938
Bank borrowings		27,000	15,000
Lease liabilities		1,135	566
Tax payable		6,293	1,974
		<u>254,966</u>	<u>170,682</u>
<b>Net current assets</b>		<u>451,800</u>	<u>400,126</u>
<b>Total assets less current liabilities</b>		<u>456,579</u>	<u>404,770</u>

		<b>As at 31 March</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liability</b>			
Lease liabilities		<u>1,339</u>	<u>1,218</u>
<b>Net assets</b>		<u><b>455,240</b></u>	<u>403,552</u>
<b>Capital and reserves</b>			
Share capital	15	<b>10,000</b>	10,000
Share premium	15	<b>120,421</b>	120,421
Reserves		<u><b>315,130</b></u>	<u>265,618</u>
Capital and reserves attributable to owners of the Company		<b>445,551</b>	396,039
<b>Non-controlling interest</b>		<u><b>9,689</b></u>	<u>7,513</u>
		<u><b>455,240</b></u>	<u>403,552</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, Windward 3, Regatta Office Park, 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.

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 2023 are consistent with those applied in the consolidated financial statements for the year ended 31 March 2022, 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 2023, 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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 the consolidated financial statements.

#### *New or 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 the consolidated financial statements.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance Contracts	1 January 2023
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	No effective date yet to be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition 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 1	Non-current liability with covenants	1 January 2024

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 application. 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 commence its e-commerce business in the PRC. 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:

	<b>Construction business</b>	<b>E-commerce business</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
<b>Year ended 31 March 2023</b>				
Reportable segment revenue	1,373,748	249,825	–	1,623,573
Reportable segment profit/(loss) before income tax	60,753	22,938	(9,259)	74,432
Amounts included in the measure of segment profit or loss:				
Interest expenses	(1,390)	–	–	(1,390)
Interest income	946	719	167	1,832
Depreciation	(863)	(456)	(142)	(1,461)
Recognition of impairment loss on trade receivables and contract assets	<u>(1,594)</u>	<u>–</u>	<u>–</u>	<u>(1,594)</u>



	<b>Construction business</b> <i>HK\$'000</i>	<b>E-commerce business</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Year ended 31 March 2022</b>				
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)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
			<b>As at 31 March</b>	
			<b>2023</b>	<b>2022</b>
			<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment assets</b>				
Construction business			<b>601,724</b>	469,093
E-commerce business			<b>33,066</b>	73,197
Other corporate assets			<b>76,755</b>	33,162
			<u>          </u>	<u>          </u>
			<b>711,545</b>	575,452
			<u>          </u>	<u>          </u>
<b>Segment liabilities</b>				
Construction business			<b>221,538</b>	126,794
E-commerce business			<b>32,204</b>	43,908
Other corporate liabilities			<b>2,563</b>	1,198
			<u>          </u>	<u>          </u>
			<b>256,305</b>	171,900
			<u>          </u>	<u>          </u>

## Geographic information

Information about the Group's non-current assets (other than financial asset at FVPL) is presented based on the geographical location of the assets.

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong	1,237	398
The PRC	1,856	1,829
	<u>3,093</u>	<u>2,227</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 2023, revenue from 3 (2022: 1) customers 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	
	2023	2022
	HK\$'000	HK\$'000
Customer A	413,632	N/A <sup>(a)</sup>
Customer B	368,556	N/A <sup>(a)</sup>
Customer C	175,947	N/A <sup>(a)</sup>
Customer D	N/A <sup>(a)</sup>	656,539

*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	
	2023	2022
	HK\$'000	HK\$'000
Over time		
Contract revenue from construction business:		
Formwork services	1,284,825	1,093,563
Other construction services	<u>88,923</u>	<u>39,617</u>
	1,373,748	1,133,180
Point in time		
E-commerce business revenue	<u>249,825</u>	<u>441,161</u>
	<u>1,623,573</u>	<u>1,574,341</u>
Other income:		
Government grant ( <i>Note (a)</i> )	21,670	–
Commission income ( <i>Note (b)</i> )	13	1,850
Gain on modification of lease	21	–
Sundry income	<u>435</u>	<u>19</u>
	<u>22,139</u>	<u>1,869</u>

*Notes:*

- (a) Government grant for the year ended 31 March 2023 represent the subsidies received from the Employment Support Scheme launched by the government of the Hong Kong Special Administration Region (2022: Nil).
- (b) Commission income for the year ended 31 March 2022 represent 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/(crediting) the following items:

	Year ended 31 March	
	2023 HK\$'000	2022 HK\$'000
Subcontracting charges	797,613	681,386
Material costs	259,848	185,713
Cost of inventories sold	77,822	154,166
Commission expense to e-commerce platforms ( <i>Note (b)</i> )	136,394	216,200
Gain on modification of lease	(21)	–
Employee benefits expenses, including directors' emoluments		
Salaries, wages and other benefits	213,758	212,304
Contribution to defined contribution retirement plans	8,881	8,870
	<u>222,639</u>	<u>221,174</u>
Depreciation		
Self-owned assets	457	251
Assets under leases	1,004	925
	<u>1,461</u>	<u>1,176</u>
Consultancy fee ( <i>Note (a)</i> )	1,500	1,125
Legal and professional fees	2,836	2,333
Auditor's remuneration		
– Audit services	1,315	1,142
– Non-audit services	–	150
	<u>–</u>	<u>150</u>

*Notes:*

- (a) Consultancy fee 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 (2022: Same).
- (b) Included in the commission expense is an amount approximately HK\$3,393,000 (2022: HK\$11,022,000) paid to Baiyin Yunchuang Space Information Technology Co., Ltd., which is classified as the financial assets at FVPL 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	
	2023	2022
	HK\$'000	HK\$'000
<b>Finance income</b>		
Bank interest income	1,832	1,448
<b>Finance costs on:</b>		
– lease liabilities	(4)	(9)
– bank borrowings	(1,386)	(539)
Total interest expense on financial liabilities not at fair value	(1,390)	(548)
Finance income, net	442	900

## 8. INCOME TAX EXPENSE

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong Profits Tax	6,699	4,854
– PRC Corporate Income Tax	5,868	15,098
Income tax expense	12,567	19,952

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% (2022: 25%) for the year under the PRC 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 (2022: 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. As at 31 March 2023, no deferred tax liability has been recorded in respect of temporary differences relating to the undistributed profits amounting to approximately HK\$23,851,000 (2022: HK\$21,884,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probably that these earnings will not be distributed in the foreseeable future.

The Group has no other material deferred tax not provided in the consolidated financial statements, as there were no other material temporary differences at the end of the reporting period.

## 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:

	<b>Year ended 31 March</b>	
	<b>2023</b>	2022
Profit attributable to owners of the Company (in HK\$'000)	<b>53,501</b>	38,751
Weighted average number of ordinary shares in issue (in Thousand)	<b>1,000,000</b>	1,000,000
Earnings per share (HK cents per share)	<b>5.35</b>	3.88

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2022: same).

## 10. DIVIDENDS

Neither dividend was paid, declared or proposed during the year, nor has any dividend has been proposed since the end of reporting period (2022: Nil).

## 11. TRADE RECEIVABLES AND CONTRACT ASSETS

	<b>At 31 March</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Trade receivables ( <i>Note (a)</i> )	<b>174,562</b>	96,952
Contract assets		
– Uncertified work in progress	<b>30,549</b>	115,220
– Retention sum for contract works ( <i>Note (b)</i> )	<b>147,709</b>	108,568
	<b>178,258</b>	223,788
Less: impairment loss of contract asset	<b>(1,594)</b>	-
	<b>176,664</b>	223,788

- (a) The balances mainly represented the trade receivables from construction business, the Group's credit terms granted to third-party customers range from 14 days to 60 days (2022: Same). In respect of e-commerce business, the Group's trading terms with its third-party customers are mainly on electronic payment and/or credit card settlement, the credit period is generally 2 to 3 days.

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

	<b>At 31 March</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Up to 30 days	<b>74,838</b>	47,726
31-90 days	<b>96,816</b>	43,002
91-181 days	<b>2,908</b>	5,881
181-365 days	<b>–</b>	343
	<b>174,562</b>	96,952

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

	<b>At 31 March</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Within 1 year	<b>141,503</b>	106,753
Between 1 and 2 years	<b>4,980</b>	1,815
Over 2 years	<b>1,226</b>	–
	<b>147,709</b>	108,568

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>At 31 March</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Prepayments	<b>480</b>	2,168
Deposits and other receivables	<b>624</b>	1,214
Prepayments, deposits and other receivables	<b>1,104</b>	3,382
Less: non-current portion deposits	<b>(136)</b>	–
	<b>968</b>	3,382

### 13. TRADE PAYABLES

	At 31 March	
	2023	2022
	HK\$'000	HK\$'000
Construction business	170,768	95,899
E-commerce business	10,638	14,305
	<u>181,406</u>	<u>110,204</u>

The average credit period for trade purchases generally ranged from 15 days to 60 days (2022: 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:

	At 31 March	
	2023	2022
	HK\$'000	HK\$'000
Up to 30 days	116,006	98,968
31 – 90 days	40,388	10,222
91 – 180 days	24,622	869
Over 180 days	390	145
	<u>181,406</u>	<u>110,204</u>

### 14. ACCRUALS AND OTHER PAYABLES

	At 31 March	
	2023	2022
	HK\$'000	HK\$'000
Accruals for staff salaries and other benefits	18,784	15,768
Contract liabilities	11,422	10,206
Other accruals and other payables	8,926	16,964
	<u>39,132</u>	<u>42,938</u>



## 15. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital <i>HK\$'000</i>
<b>Authorised:</b>		
As at 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<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 <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
<b>Issued and fully paid:</b>			
As at 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>1,000,000,000</u>	<u>10,000</u>	<u>120,421</u>

On 24 February 2023, the ultimate holding company of the Company, Magnificent Faith Limited has entered into a conditional sale and purchase agreement with an independent third party (the “**Purchaser**”) to dispose of 100,000,000 shares (the “**Disposal**”), representing 10% of the issued share capital of the Company. As at the date of this result announcement, the Disposal was not completed. Details are set out in the announcement of the Company dated 24 February 2023.

## 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 2023, the Group did not have any significant contingent liabilities. The directors of the Company 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 (2022: 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 FY2023, 8 new projects with an aggregate contract value of approximately HK\$611.3 million were awarded to the Group. 16 existing projects were completed during the year. As at 31 March 2023, 24 projects with the outstanding contract sum of approximately HK\$812.3 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 retailers in private E-Commerce platforms. We have cooperated with three private E-Commerce platforms to provide brand commodities that match with the need of our customers. Specifically, the income of the Group is generated from retailing in the private E-Commerce platforms.

With the continuously rapid development of online retail business, we have cooperated with various suppliers and brand merchants, and committed to provide 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 FY2023, the Group's audited consolidated revenue amounted to approximately HK\$1,623.6 million (FY2022: approximately HK\$1,574.3 million). The increase were mainly due to (i) 24 projects on hand as at 31 March 2023 (FY2022: 32) which contributed approximately HK\$1,373.7 million from construction business (FY2022: approximately HK\$1,133.2 million); and (ii) revenue of approximately HK\$249.8 million from E-Commerce business.

During the FY2023, the gross profit amounted to approximately HK\$221.2 million (FY2022: approximately HK\$322.4 million), while the gross profit margin was approximately 13.6% (FY2022: approximately 20.5%). Gross profit margin decreased by approximately 6.9% from approximately 20.5% for FY2022 to approximately 13.6% for FY2023 due to decrease in gross profit from E-Commerce business from approximately HK\$284.8 million for FY2022 to approximately HK\$170.8 million for FY2023.

Other incomes primarily comprise government grant and other income last year. Other incomes for the year increased by HK\$20.2 million from approximately HK\$1.9 million for FY2022 to approximately HK\$22.1 million for FY2023, which mainly due to the combined effect of increase in government grant by approximately HK\$21.7 million and decrease 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 decreased by HK\$77.8 million to approximately HK\$167.7 million, compared with approximately HK\$245.5 million of last year, which mainly due to decrease in operating expenses for E-Commerce business.

As a result, profit attributable to the owners of the Company for the year increased to approximately HK\$53.5 million, representing a increase of 37.9% over approximately HK\$38.8 million in last year. Excluding the government subsidies, the adjusted profit for the year attributable to owners of the Company amounted to approximately HK\$31.8 million, compared with approximately HK\$38.8 million of last year, representing an decrease of approximately 18.0%.

## 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 2023	As at 31 March 2022
Current ratio <sup>1</sup>	<b>2.8 times</b>	3.3 times
Gearing ratio (%) <sup>2</sup>	<b>6.5%</b>	4.2%
Debt to equity ratio (%) <sup>3</sup>	<b>N/A</b>	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 3.3 as at 31 March 2022 to 2.8 as at 31 March 2023, mainly due to increase in trade payables. Gearing ratio increased from 4.2% as at 31 March 2022 to 6.5% as at 31 March 2023, mainly due to increase in bank borrowings. Debt to equity ratio is not applicable as at 31 March 2023 due to the cash and cash equivalents larger than the total of bank borrowings and lease liabilities at that date.

As at 31 March 2023, the Group had cash and cash equivalents of approximately HK\$318.8 million (31 March 2022: approximately HK\$217.9 million) and restricted cash of approximately HK\$27.5 million (31 March 2022: 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\$455.2 million and debts (lease liabilities and bank borrowings) of approximately HK\$29.5 million as at 31 March 2023.

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 2023. 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\$100.0 million, of which the unutilised and unrestricted banking facilities amounted to approximately HK\$73.0 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 2023:

	Intended use of net proceeds <i>HK\$'million</i>	Utilised amount (as at 31 March 2023) <i>HK\$'million</i>	Unutilised amount (as at 31 March 2023) <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 605 employees as at 31 March 2023 (2022: 1,026). 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 2023 (2022: Nil).

## **CHARGES ON GROUP ASSETS**

As at 31 March 2023, bank deposits of HK\$27.5 million were pledged to secure the banking facilities granted to the Group (31 March 2022: HK\$17.5 million).

## **CONTINGENT LIABILITIES**

Save as disclosed in note 16 to this result announcement, the Group had no other contingent liabilities as at 31 March 2023 (2022: 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 2023.

## **PROSPECTS**

Owing to outbreak of Coronavirus Disease 2019 (the “**COVID-19**”) in the past year, our E-Commerce business was significantly affected. With the end of the COVID-19, the Group expected our E- Commerce Business would pick up its growth in the coming years.

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.

For our construction business in Hong Kong. The Group is facing the challenging business environment and vigorous competition, taking into account the Government of the Hong Kong Special Administrative Region's policy in increasing land supply and commitment to infrastructure investments, the Board is still confident with the Group's future development in its scale of operations due to its long established reputation, its listing status and healthy financial position.

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

## **DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023.

## **EVENT AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2023 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 2023, the Company complied with all applicable provisions of the CG Code except for the deviation as stated below:

Pursuant to C.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 2023.



## **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 2023 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](http://www.chikanck.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2023 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, 26 June 2023

*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.*