

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2024

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 March 2024 (“**FY 2024**”) decreased by approximately 5.2% to approximately HK\$1,538.8 million compared with approximately HK\$1,623.5 million for the year ended 31 March 2023 (“**FY 2023**”).
- Gross profit margin increase by approximately 2.3% from approximately 13.6% for FY 2023 to approximately 15.9% for FY 2024 due to increase in gross profit for E-Commerce business from approximately HK\$170.8 million for FY2023 to approximately HK\$214.1 million in FY2024.
- Profit for the year attributable to owners of the Company was approximately HK\$28.1 million for FY 2024, representing an decrease of approximately 47.4% compared to approximately HK\$53.5 million for FY 2023. Excluding the non-recurring government subsidies, the adjusted profit for the year attributable to owners of the Company amounted to approximately HK\$28.1 million for FY 2024, compared with approximately HK\$31.8 million for FY 2023, representing an decrease of approximately 11.7%.
- The Board does not recommend the payment of final dividend for FY 2024.

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 2024, together with the comparative figures for the corresponding period in 2023, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

		Year ended 31 March	
		2024	2023
	Notes	HK\$'000	HK\$'000
Revenue	5	1,538,853	1,623,573
Cost of sales and services	7	<u>(1,292,756)</u>	<u>(1,402,403)</u>
Gross profit		246,097	221,170
Other income	6	394	22,139
Impairment loss on contract assets		(2,313)	(1,594)
Selling and administrative expenses	7	(189,258)	(167,180)
Fair value gain/(loss) on financial asset at fair value through profit or loss (“ FVPL ”)		<u>278</u>	<u>(545)</u>
Operating profit		55,198	73,990
Finance income, net	8	<u>3,007</u>	<u>442</u>
Profit before tax		58,205	74,432
Income tax expense	9	<u>(14,230)</u>	<u>(12,567)</u>
Profit for the year	7	<u>43,975</u>	<u>61,865</u>
Profit for the year attributable to:			
Owners of the Company		28,107	53,501
Non-controlling interest		<u>15,868</u>	<u>8,364</u>
		<u>43,975</u>	<u>61,865</u>
Earnings per share attributable to owners of the Company			
Basic and diluted	10	<u>HK cents 2.81</u>	<u>HK cents 5.35</u>

	Year ended 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>43,975</u>	<u>61,865</u>
Other comprehensive (loss)/income for the year, net of tax		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translation of foreign operations	<u>(3,734)</u>	<u>(4,500)</u>
Total comprehensive income for the year	<u>40,241</u>	<u>57,365</u>
Total comprehensive income attributable to:		
Owners of the Company	24,743	49,512
Non-controlling interest	<u>15,498</u>	<u>7,853</u>
	<u>40,241</u>	<u>57,365</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2024

		As at 31 March	
		2024	2023
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		2,900	2,957
Financial asset at FVPL		1,873	1,686
Deposits	13	55	136
		<u>4,828</u>	<u>4,779</u>
Current assets			
Inventories		7,946	8,242
Trade receivables	12	56,733	174,562
Contract assets	12	252,964	176,664
Prepayments, deposits and other receivables	13	29,462	968
Financial asset at FVPL		15,176	–
Restricted cash		27,500	27,500
Bank and cash balances		227,632	318,830
		<u>617,413</u>	<u>706,766</u>
Current liabilities			
Trade payables	14	65,772	181,406
Other payables and accruals	15	39,002	39,132
Bank borrowings		30,000	27,000
Lease liabilities		1,402	1,135
Tax payable		5,690	6,293
		<u>141,866</u>	<u>254,966</u>
Net current assets		<u>475,547</u>	<u>451,800</u>
Total assets less current liabilities		<u>480,375</u>	<u>456,579</u>

		As at 31 March	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liability			
Lease liabilities		<u>871</u>	<u>1,339</u>
Net assets		<u>479,504</u>	<u>455,240</u>
Capital and reserves			
Share capital	16	10,000	10,000
Share premium		120,421	120,421
Reserves		<u>339,873</u>	<u>315,130</u>
Capital and reserves attributable to owners of the Company			
		470,294	445,551
Non-controlling interest		<u>9,210</u>	<u>9,689</u>
TOTAL EQUITY		<u>479,504</u>	<u>455,240</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

These 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.

These 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. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2023. HKFRSs comprise HKFRSs; HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in material changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

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 and e-commerce business in the PRC during the year. The Group’s reportable and operating segments are as follows:

- Construction business: provision of formwork services and other construction services to customers in Hong Kong
- E-commerce business: online trading of products in the PRC

Segment results, segment assets and liabilities

Segment results represent the profit before income tax from each segment except for the unallocated corporate expenses and income, being central administrative costs and certain other income. Segment assets include all current and non-current assets with the exception of other corporate assets and other unallocated corporate assets. Segment liabilities include all current and non-current liabilities with the exception of other corporate liabilities and other unallocated corporate liabilities.

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

	Construction business	E-commerce business	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2024				
Reportable segment revenue	1,212,063	326,790	–	1,538,853
Reportable segment profit/(loss) before income tax	22,390	43,450	(7,635)	58,205
Amounts included in the measure of segment profit or loss:				
Interest expenses	(2,074)	(83)	–	(2,157)
Interest income	4,469	155	540	5,164
Depreciation	(655)	(454)	(229)	(1,338)
Impairment loss on contract assets	(2,313)	–	–	(2,313)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Year ended 31 March 2023				
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)
Impairment loss on contract assets	(1,594)	–	–	(1,594)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Segment assets		
Construction business	506,444	601,724
E-commerce business	39,923	33,066
Other corporate assets	75,874	76,755
	<u>622,241</u>	<u>711,545</u>
Segment liabilities		
Construction business	110,174	221,538
E-commerce business	30,007	32,204
Other corporate liabilities	2,556	2,563
	<u>142,737</u>	<u>256,305</u>

Geographic information

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

	As at 31 March	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	1,843	1,159
The PRC	1,057	1,798
	<u>2,900</u>	<u>2,957</u>

The Group's revenue are all derived from external customers in Hong Kong and PRC for the year end 31 March 2024 (2023: Same). During the year ended 31 March 2024, revenue from 2 (2023: 3) 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	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	266,489	175,947
Customer B	224,825	413,632
Customer C	N/A*	368,556

* Customers did not contribute over 10% of the total revenue of the Group for the year.

5. REVENUE

The Group's revenue represents provision of formwork services and other construction services to customers in Hong Kong and online trading of products in the PRC during the year.

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Over time		
Contract revenue from construction business:		
Formwork services	1,199,351	1,284,825
Other construction services	12,712	88,923
	<u>1,212,063</u>	<u>1,373,748</u>
Point in time		
E-commerce business revenue	326,790	249,825
	<u>1,538,853</u>	<u>1,623,573</u>

6. OTHER INCOME

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Other income:		
Government grant (<i>Note (a)</i>)	25	21,670
Commission income	–	13
Gain on modification of lease	–	21
Sundry income	369	435
	<u>394</u>	<u>22,139</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. These incentives are granted in the form of cash payout and there were no unfulfilled conditions or contingencies relating to these grants. No such item received for the year ended 31 March 2024.

7. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Subcontracting charges	688,851	797,613
Material costs	221,202	259,848
Cost of inventories sold	108,601	77,822
Commission expense to e-commerce platforms (<i>Note (e)</i>)	158,828	136,394
Gain on modification of lease	–	(21)
Impairment loss on contract assets	2,313	1,594
Employee benefits expenses, including directors' emoluments (<i>Notes (b), (c)</i>)		
Salaries, wages and other benefits	263,790	213,758
Contribution to defined contribution retirement plans	10,124	8,881
	<hr/>	<hr/>
	273,914	222,639
Depreciation of property and equipment (<i>Notes (d)</i>)		
Self-owned assets	266	457
Assets under leases	1,072	1,004
	<hr/>	<hr/>
	1,338	1,461
Consultancy fee (<i>Note (a)</i>)	375	1,500
Legal and professional fees	2,904	2,836
Auditor's remuneration	1,200	1,315
	<hr/>	<hr/>

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 in 2023. No such item was paid for the year ended 31 March 2024.

- (b) Employee benefits expenses, including directors' emoluments

	Year ended 31 March	
	2024	2023
	HK\$'000	<i>HK\$'000</i>
Amount included in cost of sales and services	261,953	209,534
Amount included in administrative expenses	11,961	13,105
	<u>273,914</u>	<u>222,639</u>

As at 31 March 2024, the Group had forfeited contribution available to reduce the contributions payable in future years (2023: same).

- (c) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group included 2 (2023: 2) directors for the year. The aggregate remunerations paid to the remaining 3 (2023: 3) highest paid individuals, whose remuneration falls within the salary band of Nil to HK\$1,000,000, for the year are as follows:

	Year ended 31 March	
	2024	2023
	HK\$'000	<i>HK\$'000</i>
Wages, salaries, bonuses and other benefits	2,246	2,155
Contribution to defined contribution retirement plans	36	18
	<u>2,282</u>	<u>2,173</u>

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the directors or the five highest paid individuals during the year ended 31 March 2024 (2023: Nil).

- (d) Depreciation expense of approximately HK\$1,338,000 for the year (2023: HK\$1,461,000) has been recorded in administrative expenses.
- (e) Included in the commission expense is an amount approximately HK\$Nil (2023: HK\$3,393,000) paid to Baiyin Yunchuang 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.

8. FINANCE INCOME, NET

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Finance income		
Bank interest income	5,164	1,832
Finance costs on:		
– lease liabilities	(103)	(4)
– bank borrowings	(2,054)	(1,386)
Total interest expense on financial liabilities not at fair value	(2,157)	(1,390)
Finance income, net	3,007	442

9. INCOME TAX EXPENSE

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong Profits Tax	3,164	6,699
– PRC Corporate Income Tax	11,066	5,868
Income tax expense	14,230	12,567

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% (2023: 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 (2023: 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 (2023: Same).

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 2024, no deferred tax liability has been recorded in respect of temporary differences relating to the undistributed profits amounting to approximately HK\$22,284,000 (2023: HK\$23,851,000) 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.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the group entities as follows:

	Year ended 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>58,205</u>	<u>74,432</u>
Tax calculated at domestic tax rates applicable to different subsidiaries of the Group	12,992	14,748
Tax effect under two-tiered profits tax rates regime	(165)	(165)
Expenses not deductible for tax purposes	2,151	1,569
Income not subject to tax	(742)	(3,575)
Tax concession	(6)	(10)
Income tax expense	<u>14,230</u>	<u>12,567</u>

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year of approximately HK\$28,107,000 (2023: HK\$53,501,000) attributable to owners of the Company and the weighted average number of 1,000,000,000 (2023:1,000,000,000) ordinary shares in issue during the year.

Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 March 2024 and 2023.

11. DIVIDENDS

Neither dividend was paid, declared or proposed during the year, nor has any dividend has been proposed since the end of reporting period (2023: Nil).

12. TRADE RECEIVABLES AND CONTRACT ASSETS

	At 31 March	
	2024	2023
	HK\$'000	HK\$'000
Trade receivables (<i>Note (a)</i>)	56,733	174,562
Contract assets		
– Uncertified work in progress	78,354	30,549
– Retention sum for contract works (<i>Note (b)</i>)	178,517	147,709
	256,871	178,258
Less: impairment loss of contract assets (<i>Note (c)</i>)	(3,907)	(1,594)
	252,964	176,664

- (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 (2023: Same). In respect of e-commerce business, the sales are settled by electronic payment or credit cards, which will generally settle the amount with the Group within 2 to 3 days after the sales made.

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:

	At 31 March	
	2024	2023
	HK\$'000	HK\$'000
Up to 30 days	46,461	74,838
31-90 days	10,272	96,816
91-181 days	–	2,908
181-365 days	–	–
	56,733	174,562

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:

	At 31 March	
	2024	2023
	HK\$'000	HK\$'000
Current and not yet past due	56,733	141,172
Past due:		
Within 30 days	–	27,640
31-90 days	–	3,715
91-365 days	–	2,035
	56,733	174,562

Trade receivables that are neither past due nor impaired have good credit quality and low default rate under the internal credit assessment adopted by the Group. The Group does not hold any collateral over these balances. As at 31 March 2024, included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$Nil (2023: HK\$2,035,000) has been past due 90 days or more and is not considered as in default due to the long-term/on-going relationship, good repayment record and continuous repayment from these customers.

Contract assets represent the Group's rights to considerations from customers for the provision of formwork services and other construction services, which arise when: (i) the Group completed the relevant services under such contracts but the works are yet to be certified by surveyors or other representatives appointed by the customers; or (ii) the customers with hold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts.

Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is certified by surveyors or other representatives appointed by the customers and becomes unconditional other than passage of time.

Retention sum for contract works is settled in accordance with the terms of the respective contracts. In the consolidated statement of financial position, retention sum for contract works was classified as current assets based on operating cycle. Prior to expiration of defect liability period, are classified as contract assets, which ranges from one to five years from the date of the practical completion of the construction. The relevant amount of contract asset is unsecured and interest-free and reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion or the expiry of the defect liability period. The Group does not hold any collateral as security.

- (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:

	At 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	148,966	141,503
Between 1 and 2 years	20,521	4,980
Over 2 years	9,030	1,226
	<u>178,517</u>	<u>147,709</u>

As at 31 March 2024, the contract assets that are expected to be recovered after more than 12 months are approximately HK\$141,457,000 (2023: HK\$125,565,000), which represented the retention sum for contract works. The remaining contract assets are expected to be recovered within 12 months.

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction contracts.

	At 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate amount of the transaction price allocated to long-term construction contracts that are unsatisfied	<u>761,562</u>	<u>819,307</u>

As at 31 March 2024, management expects that approximately HK\$722,823,000 (2023: HK\$761,359,000), will be recognised as revenue during the next reporting period and the remaining will be recognised within two years from each reporting date.

- (c) The Group applies the simplified approach to provide for excepted credit loss prescribed by HKFRS 9. As at 31 March 2024, a provision of HK\$3,907,000 (2023: HK\$1,594,000) was made against the gross amounts of contract assets HK\$256,871,000 (2023: HK\$178,258,000).

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 March	
	2024	2023
	HK\$'000	HK\$'000
Prepayments (<i>Note</i>)	28,471	480
Deposits and other receivables	<u>1,046</u>	<u>624</u>
Prepayments, deposits and other receivables	29,517	1,104
Less: non-current portion deposits	<u>(55)</u>	<u>(136)</u>
	<u>29,462</u>	<u>968</u>

Note: The prepayment consists mainly of suppliers from construction business.

14. TRADE PAYABLES

	At 31 March	
	2024	2023
	HK\$'000	HK\$'000
Construction business	52,167	170,768
E-commerce business	<u>13,605</u>	<u>10,638</u>
	<u>65,772</u>	<u>181,406</u>

The average credit period for trade purchases generally ranged from 15 days to 60 days (2023: 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:

	2024	2023
	HK\$'000	HK\$'000
Up to 30 days	55,475	116,006
31 – 90 days	9,568	40,388
91 – 180 days	102	24,622
Over 180 days	<u>627</u>	<u>390</u>
	<u>65,772</u>	<u>181,406</u>

15. OTHER PAYABLES AND ACCRUALS

	At 31 March	
	2024	2023
	HK\$'000	HK\$'000
Accruals for staff salaries and other benefits	24,413	18,784
Contract liabilities	9,452	11,422
Other accruals and other payables	5,137	8,926
	<u>39,002</u>	<u>39,132</u>

Contract liabilities, representing receipt in advance from customers, are separately presented. The movement of contract liabilities during the year is as follows:

	2024	2023
	HK\$'000	HK\$'000
As at the beginning of the year	11,422	10,206
Revenue recognised in relation to construction business that was included in the contract liabilities at beginning of the year	(11,422)	(10,206)
Increase due to receipts in advance from customers during the year	9,452	11,422
As at the end of the year	<u>9,452</u>	<u>11,422</u>

16. SHARE CAPITAL

	2024	2023
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>

17. 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 2024, 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 (2023: Nil).

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 FY2024, 12 new projects with an aggregate contract value of approximately HK\$646.4 million were awarded to the Group. 11 existing projects were completed during the year. As at 31 March 2024, 25 projects with the outstanding contract sum of approximately HK\$761.4 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 FY2024, the Group's audited consolidated revenue amounted to approximately HK\$1,538.8 million (FY2023: approximately HK\$1,623.5 million). The decrease were mainly due to (i) 25 projects on hand as at 31 March 2024 (FY2023: 24) which contributed approximately HK\$1,212.0 million from construction business (FY2023: approximately HK\$1,373.7 million); and (ii) revenue of approximately HK\$326.7 million from E-Commerce business (FY2023: approximately HK\$249.8 million).

During the FY2024, the gross profit amounted to approximately HK\$246.0 million (FY2023: approximately HK\$221.1 million), while the gross profit margin was approximately 15.9% (FY2023: approximately 13.6%). Gross profit margin increased by approximately 2.3% from approximately 13.6% for FY2023 to approximately 15.9% for FY2024 due to increase in gross profit from E-Commerce business from approximately HK\$170.8 million for FY2023 to approximately HK\$214.1 million for FY2024.

Other incomes primarily comprise government grant and other income last year. Other incomes for the year decreased by HK\$21.7 million from approximately HK\$22.1 million for FY2023 to approximately HK\$0.4 million for FY2024, which mainly due to the decrease in government grant by approximately HK\$21.6 million.

Selling and administrative expenses (the “**S&A Expenses**”) primarily comprise selling commission, staff costs, business development expenses, depreciation, consultancy fee and legal and professional charges. The S&A Expenses for the year increased by HK\$22.0 million to approximately HK\$189.2 million, compared with approximately HK\$167.1 million of last year, which mainly due to increase in operating expenses for E-Commerce business.

As a result, profit attributable to the owners of the Company for the year decreased to approximately HK\$28.1 million, representing a decrease of 47.4% over approximately HK\$53.5 million in last year. Excluding the government subsidies, the adjusted profit for the year attributable to owners of the Company amounted to approximately HK\$28.1 million, compared with approximately HK\$31.8 million of last year, representing an decrease of approximately 11.7%.

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 2024	As at 31 March 2023
Current ratio ¹	4.4 times	2.8 times
Gearing ratio (%) ²	6.7%	6.5%
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 increased from 2.8 as at 31 March 2023 to 4.4 as at 31 March 2024, mainly due to decrease in trade payables. Gearing ratio increased from 6.5% as at 31 March 2023 to 6.7% as at 31 March 2024, mainly due to increase in bank borrowings. Debt to equity ratio is not applicable as at 31 March 2024 due to the cash and cash equivalents larger than the total of bank borrowings and lease liabilities at that date.

As at 31 March 2024, the Group had cash and cash equivalents of approximately HK\$227.6 million (31 March 2023: approximately HK\$318.8 million) and restricted cash of approximately HK\$27.5 million (31 March 2023: HK\$27.5 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\$479.5 million and debts (lease liabilities and bank borrowings) of approximately HK\$32.2 million as at 31 March 2024.

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 2024. 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\$70.0 million.

EMPLOYEES

The Group had 1,118 employees as at 31 March 2024 (2023: 605). 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 2024 (2023: Nil).

CHARGES ON GROUP ASSETS

As at 31 March 2024, bank deposits of HK\$27.5 million were pledged to secure the banking facilities granted to the Group (31 March 2023: HK\$27.5 million).

CONTINGENT LIABILITIES

Save as disclosed in note 17 to this result announcement, the Group had no other contingent liabilities as at 31 March 2024 (2023: 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 2024.

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 2024.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2024 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 2024, 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 2024.

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 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA 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 ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.chikanck.com and the Stock Exchange's website at www.hkexnews.hk. The 2024 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, 28 June 2024

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 Mr. Lai Yick Fung, Ms. Chan Sze Man and Mr. Shum Ngok Wa.