

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Chi Ho Development Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

*This report will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.chdev.com.hk](http://www.chdev.com.hk).*



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Leung Ka Ho, Raymond  
(Chairman)  
Mr. Ho Chi Kwan

### Independent non-executive Directors

Mr. Leung Hung Kwong, Derrick  
Mr. Moy Yee Wo, Matthew  
Mr. Yau Sze Yeung

## COMPANY SECRETARY

Mr. Chung Kiu Pan

## COMPLIANCE OFFICER

Mr. Leung Ka Ho, Raymond

## COMPLIANCE ADVISER

Alliance Capital Partners Limited

## AUTHORISED REPRESENTATIVES

Mr. Leung Ka Ho, Raymond  
Mr. Chung Kiu Pan

## AUDIT COMMITTEE

Mr. Yau Sze Yeung (Chairman)  
Mr. Moy Yee Wo, Matthew  
Mr. Leung Hung Kwong, Derrick

## REMUNERATION COMMITTEE

Mr. Leung Hung Kwong, Derrick  
(Chairman)  
Mr. Moy Yee Wo, Matthew  
Mr. Yau Sze Yeung

## NOMINATION COMMITTEE

Mr. Moy Yee Wo, Matthew  
(Chairman)  
Mr. Leung Hung Kwong, Derrick  
Mr. Yau Sze Yeung

## SAFETY COMPLIANCE COMMITTEE

Mr. Leung Hung Kwong, Derrick  
(Chairman)  
Mr. Leung Ka Ho, Raymond  
Mr. Ho Chi Kwan

## AUDITORS

Deloitte Touche Tohmatsu

## REGISTERED OFFICE

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman, KY1-1108  
Cayman Islands



**HEAD OFFICE AND PRINCIPAL  
PLACE OF BUSINESS IN HONG KONG**

Unit B1, 8/F, Yip Fung Industrial Building  
28–36 Kwai Fung Crescent  
Kwai Chung  
New Territories  
Hong Kong

**PRINCIPAL SHARE REGISTRAR AND  
TRANSFER OFFICE**

Estera Trust (Cayman) Limited  
P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman, KY1-1108  
Cayman Islands

**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**PRINCIPAL BANKER**

Bank of China (Hong Kong) Limited

**WEBSITE ADDRESS**

[www.chdev.com.hk](http://www.chdev.com.hk)

**STOCK CODE**

8423



## INTERIM RESULT

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2017 (“Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2016, as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	133,150	73,785	243,147	112,989
Cost of sales		(121,585)	(64,514)	(223,854)	(98,912)
Gross profit		11,565	9,271	19,293	14,077
Other income		50	–	61	–
Administrative expenses		(3,228)	(2,941)	(6,005)	(5,154)
Listing expenses		–	(2,165)	–	(2,165)
Finance costs		(452)	(212)	(1,024)	(833)
Profit before taxation	4	7,935	3,953	12,325	5,925
Income tax expense	5	(1,375)	(1,010)	(2,117)	(1,335)
Profit and total comprehensive income for the period		6,560	2,943	10,208	4,590
Earnings per share					
– Basic (HK cents)	7	0.82	0.49	1.28	0.77

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		<b>As at 30 September 2017 HK\$'000</b>	As at 31 March 2017 HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>9,775</b>	8,850
Deposits paid for acquisition of property, plant and equipment		–	250
		<b>9,775</b>	9,100
<b>Current assets</b>			
Trade and other receivables	8	<b>107,211</b>	101,408
Amounts due from customers for contract works		<b>55,919</b>	28,901
Pledged bank deposits		<b>10,000</b>	10,000
Bank balances and cash		<b>30,880</b>	42,689
		<b>204,010</b>	182,998
<b>Current liabilities</b>			
Trade and other payables	9	<b>118,759</b>	92,905
Tax payables		<b>4,430</b>	2,313
Bank borrowings	10	<b>14,875</b>	32,476
Obligations under finance leases		<b>231</b>	–
		<b>138,295</b>	127,694
<b>Net current assets</b>			
		<b>65,715</b>	55,304
<b>Total assets less current liabilities</b>			
		<b>75,490</b>	64,404
<b>Capital and reserves</b>			
Share capital	11	<b>8,000</b>	8,000
Reserves		<b>66,612</b>	56,404
		<b>74,612</b>	64,404
<b>Non-current liability</b>			
Obligations under finance leases		<b>878</b>	–
		<b>75,490</b>	64,404

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained profits HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	<b>8,000</b>	<b>41,777</b>	<b>2,200</b>	<b>12,427</b>	<b>64,404</b>
Profit and total comprehensive income for the period	-	-	-	<b>10,208</b>	<b>10,208</b>
At 30 September 2017 (unaudited)	<b>8,000</b>	<b>41,777</b>	<b>2,200</b>	<b>22,635</b>	<b>74,612</b>
At 1 April 2016 (audited)	2,200	-	-	23,520	25,720
Profit and total comprehensive income for the period	-	-	-	4,590	4,590
At 30 September 2016 (unaudited)	2,200	-	-	28,110	30,310

Note: Other reserve represents the difference between the Company's share capital and the combined share capital of the subsidiaries of the Company pursuant to a reorganisation for the listing.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	<b>Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash from operating activities	<b>7,071</b>	10,912
Net cash used in investing activities	<b>(255)</b>	(5,014)
Net cash (used in) from financing activities	<b>(18,625)</b>	12,597
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(11,809)</b>	18,495
<b>Cash and cash equivalents at beginning of the period</b>	<b>42,689</b>	5,809
<b>Cash and cash equivalents at end of the period</b>	<b>30,880</b>	24,304



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2017*

## **1. CORPORATE INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 October 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 March 2017 (the "Listing"). The ultimate and immediate holding companies are two companies namely, Sharp Talent Holdings Limited ("Sharp Talent") and Diamondfield Holdings Limited ("Diamondfield"), which are owned by Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan who are parties acting in concert, respectively. The address of the registered office and principal place of business of the Company are at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Unit B1, 8/F, Yip Fung Industrial Building, 28-36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong, respectively.

The Company acts as an investment holding company. The Company's subsidiaries are principally engaged in provision of building renovation and construction services.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollar ("HK\$") which is the same as the functional currency of the Company.

## **2. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 March 2017.

In current period, HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Company. There have been no significant changes to the accounting policies applied in these financial statements for the period presented as a result of these developments.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.



## 2. BASIS OF PREPARATION (CONTINUED)

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited condensed consolidated financial statements have not been reviewed by the Company's auditor, but have been reviewed by the Company's audit committee.

## 3. REVENUE

Revenue represents the fair value of amounts received and receivable by the Group in respect of the provision of building renovation and construction services to external customers. The Group's operations are solely derived from the building renovation and construction services in Hong Kong during the period. For the purposes of resources allocation and performance assessment, the chief operating decision maker (the "CODM"), being the executive directors of the Company, reviews the overall results and financial position of the Group as a whole prepared based on the same set of accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

## 4. PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit for the year has been arrived at after charging:				
Directors' emoluments	1,017	699	2,034	1,398
Other staff costs:				
Salaries and other allowances	3,517	2,296	6,637	4,412
Retirement benefit scheme contributions	129	93	222	186
	<b>3,646</b>	2,389	<b>6,859</b>	4,598
Total staff costs	<b>4,663</b>	3,088	<b>8,893</b>	5,996
Bank interest income	50	–	61	–
Depreciation of property, plant and equipment	265	215	500	385
Minimum lease payments paid under operating leases in respect of:				
— office premise	24	–	40	–
— car parks	80	47	159	88

## 5. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Hong Kong Profits Tax — Current year	1,375	1,010	2,117	1,335

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

## 6. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017.

## 7. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to the owners of the Company for the three months and six months ended 30 September 2017 are based on the followings:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Earnings:</b>				
Earnings for the purpose of basic earnings per share (profit for the period)	6,560	2,943	10,208	4,590
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000	600,000	800,000	600,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and capitalisation issue had been effective on 1 April 2016.

No diluted earnings per share for both periods were presented as there were no potential ordinary shares outstanding.

## 8. TRADE AND OTHER RECEIVABLES

	<b>30 September 2017 HK\$'000</b>	31 March 2017 HK\$'000
Trade receivables	<b>34,836</b>	40,458
Unbilled retention receivables (note i)	<b>54,837</b>	43,863
Other receivables	<b>4,146</b>	4,023
Deposits for surety bonds (note ii)	<b>12,769</b>	12,539
Rental, utility and other deposits	<b>623</b>	525
Total trade and other receivables	<b>107,211</b>	101,408

Notes:

- (i) Unbilled retention receivables will be billed to customers at the end of the defect liability period of individual contracts, that is one year from the date of the practical completion of the respective project, subject to extension due to actual circumstance of the project.
- (ii) The amount represents the deposits as collateral security for surety bonds in respect of construction contracts issued by insurance companies in favour of the Group's customers. The deposits will be refunded to the Group upon the practical completion or at the end of the defect liability period of the relevant construction contracts.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group allows a credit period of 7 to 45 days to its customers for its trade receivables.

The following is an ageing analysis of trade receivables presented based on invoice dates at the end of the reporting period:

	<b>30 September 2017 HK\$'000</b>	31 March 2017 HK\$'000
0 – 30 days	<b>31,736</b>	40,016
31 – 60 days	<b>2,142</b>	–
61 – 90 days	<b>202</b>	–
Over 90 days	<b>756</b>	442
	<b>34,836</b>	40,458

Included in the Group's trade receivables balances as at 30 September 2017 are debtors with aggregate carrying amounts of HK\$2,759,000 (31 March 2017: HK\$605,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss because the management of the Group is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these balances.

## 8. TRADE AND OTHER RECEIVABLES (CONTINUE)

### Ageing of trade receivables which are past due but not impaired

	<b>30 September 2017 HK\$'000</b>	31 March 2017 HK\$'000
0 – 30 days	<b>1,801</b>	163
31 – 60 days	–	–
61 – 90 days	<b>202</b>	–
Over 90 days	<b>756</b>	442
	<b>2,759</b>	605

In determining the recoverability of trade and unbilled retention receivables, the Group considers any change in the credit quality of the trade and unbilled retention receivables from the date that credit was initially granted up to the end of each reporting period.

## 9. TRADE AND OTHER PAYABLES

	<b>30 September 2017 HK\$'000</b>	31 March 2017 HK\$'000
Trade payables		
– third parties	<b>38,192</b>	16,173
– a related party ( <i>note i</i> )	<b>2</b>	96
	<b>38,194</b>	16,269
Accrued costs of materials and subcontracting charges	<b>36,285</b>	37,867
Deposits received ( <i>note ii</i> )	<b>4,788</b>	5,094
Listing expenses payables	–	7,359
Other accruals	<b>2,474</b>	2,740
Receipts in advance from customers	<b>14</b>	14
Retention payables to subcontractors ( <i>note iii</i> )	<b>37,004</b>	23,562
Total trade and other payables	<b>118,759</b>	92,905

### Notes:

- (i) The amount represents the amount due to Hong Kong Building Material Limited (“HKBML”) in which the spouse of Mr. Ho Chi Kwan has beneficial interests and joint control.
- (ii) The amounts represent deposits received from subcontractors for the purpose of securing their performance in respect of construction contracts in favour of the Group.
- (iii) Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts, normally one year from the completion date of the respective project.

## 9. TRADE AND OTHER PAYABLES (CONTINUE)

The credit period on trade payables ranges from 0 to 30 days.

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	<b>30 September 2017 HK\$'000</b>	31 March 2017 HK\$'000
0 – 30 days	<b>31,481</b>	10,064
31 – 60 days	<b>5,057</b>	554
61 – 90 days	<b>–</b>	3,751
Over 90 days	<b>1,656</b>	1,900
	<b>38,194</b>	16,269

## 10. BANK BORROWINGS

	<b>30 September 2017 HK\$'000</b>	31 March 2017 HK\$'000
Secured bank borrowings:		
Bank loans	<b>14,834</b>	20,306
Factoring loans	<b>41</b>	12,170
	<b>14,875</b>	32,476
Carrying amounts repayable ( <i>note</i> ):		
On demand or within one year	<b>12,492</b>	29,993
More than one year, but not exceeding two years	<b>200</b>	200
More than two years, but not exceeding five years	<b>2,183</b>	2,283
Amount shown under current liabilities	<b>14,875</b>	32,476

*Note:* All bank borrowings contain a repayment on demand clause and are shown under current liabilities. The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

Bank loans carry interest at Hong Kong Prime Rate of the relevant bank plus 0.5% to 1.5% per annum or at Hong Kong dollar Best Lending Rate ("HKD BLR") plus 0.5% or minus 2.75% per annum or at one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 2% per annum. Factoring loans carry interest at HKD BLR plus 1% per annum.

## 10. BANK BORROWINGS (CONTINUE)

The range of effective interest rates on bank borrowings as at 30 September 2017 (which are also equal to contracted interest rates) is 1.4% to 5.5% per annum.

These bank borrowings are drawn under banking facilities.

As at 30 September 2017, the banking facilities are secured by a legal charge over the property held by Fulam Construction Engineering Company Limited, a subsidiary of the Group and pledged bank deposits.

## 11. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Amount</b> <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.01 each</b>		
<b>Authorised</b>		
At 1 April 2017 and 30 September 2017	2,000,000,000	20,000
<b>Issued and fully paid</b>		
At 1 April 2017 and 30 September 2017	800,000,000	8,000

## 12. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 September 2017</b> <i>HK\$'000</i>	31 March 2017 <i>HK\$'000</i>
Within one year	<b>129</b>	6
In the second to fifth years inclusive	<b>60</b>	–
	<b>189</b>	6

### 13. CAPITAL COMMITMENTS

	<b>30 September 2017 HK\$'000</b>	31 March 2017 HK\$'000
Capital expenditure in respect of the acquisition of a motor vehicle contracted for but not provided in the unaudited condensed consolidated financial statements	–	1,060

### 14. RELATED PARTY DISCLOSURES

#### (i) Transactions

During the period, the Group entered into the following transactions with its related parties:

Related parties	Nature of transactions	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
HKBML	Purchase of materials	2	56	42	94

During the six months ended 30 September 2016, Mr. Ho Chi Kwan's wife pledged one property and Mr. Leung Ka Ho, Raymond and his wife pledged two properties and both Mr. Ho Chi Kwan and Mr. Leung Ka Ho, Raymond provided personal guarantees for unlimited amounts to banks to secure bank loans, bank overdrafts and general banking facilities granted to the Group. All these securities were released upon Listing.

During the six months ended 30 September 2016, both directors also provided personal guarantees for unlimited amounts to insurance companies to secure the surety bonds granted to the Group. Such personal guarantees would be released upon the practical completion of construction contracts and had been early released upon Listing.



## 14. RELATED PARTY DISCLOSURES (CONTINUE)

### (ii) Compensation of key management personnel

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Director's fees	108	–	216	–
Salaries and other allowances	900	690	1,800	1,380
Retirement benefits scheme contributions	9	9	18	18
	<b>1,017</b>	699	<b>2,034</b>	1,398

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

## 15. SURETY BONDS AND CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds and secured by deposits. The surety bonds will be released when the construction contracts are practically completed.

At the end of the reporting period, the Group had outstanding surety bonds as follows:

	<b>30 September 2017 HK\$'000</b>	31 March 2017 HK\$'000
Issued by insurance companies	<b>75,220</b>	74,117



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is an established main contractor for the provision of renovation and maintenance works, alteration and addition works (“RMAA”) and fitting-out works in Hong Kong. The Group is responsible for the overall management, implementation and supervision of projects. The Group focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors.

In respect of renovation and maintenance works, the Group encompasses the general upkeep, restoration and improvement of existing facilities and components of the buildings and their surroundings. As for alteration and addition works and fitting-out works, the Group revolves around the alteration and addition of building layout and structural works and decoration works to the interior spaces to the existing premises.

For the six months ended 30 September 2017, there were 16 projects (2016: 20 projects) with revenue contribution undertaken by the Group. The demands for the Group’s RMAA and fitting-out works services remained at a high level and thus, the revenue of the Group recorded a significant growth in current period. During the six months ended 30 September 2017 and up to the date of this report, the Group was awarded 10 new projects, with total original contract sum of approximately \$101.3 million.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and fitting-out industry. With the Group’s experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) strengthen the market position in the industry and expand the market share by securing more RMAA and fitting-out works contracts by utilising the net proceeds from the Listing of the Shares on GEM of the Stock Exchange on 13 March 2017 (the “Listing Date”), to provide surety bonds in favour of the customers; (ii) expanding the customer base and becoming a Group M1 (Maintenance) building contractor; and (iii) strengthening the scope of services and becoming a Registered Specialist Contractor (Sub-register of Site Formation Category).

## **FINANCIAL REVIEW**

### **Revenue**

The revenue increased from approximately HK\$113.0 million for the six months ended 30 September 2016 to approximately HK\$243.1 million for the six months ended 30 September 2017, representing a growth of approximately 115.1%. Such increase was mainly due to the increase in RMAA and fitting-out works projects undertaken by the Group as a result of the overall development in the construction industry in Hong Kong.

### **Cost of Sales**

The cost of sales increased from approximately HK\$98.9 million for the six months ended 30 September 2016 to approximately HK\$223.9 million for the six months ended 30 September 2017, representing an increase of approximately 126.4%. Such increase was mainly attributable to the increase in the subcontracting charges with the increase in the number of RMAA and fitting-out projects undertaken by the Group during the period.

### **Gross Profit**

Gross profit of the Group increased by approximately HK\$5.1 million from approximately HK\$14.1 million for the six months ended 30 September 2016 to approximately HK\$19.2 million for the six months ended 30 September 2017. The increase was mainly driven by the increase in revenue for the six months ended 30 September 2017 as discussed above. The overall gross profit margin decreased from approximately 12.5% for the six months ended 30 September 2016 to approximately 7.9% for the six months ended 30 September 2017 as the projects undertaken by the Group during the six months ended 30 September 2017 are generally in lower gross profit margin, resulting in the extent of increase in subcontracting charges and construction material costs is more than that of the increase in revenue for the six months ended 30 September 2017.

## **Administrative Expenses**

Administrative expenses of the Group increased by approximately HK\$0.8 million or 15.4% from approximately HK\$5.2 million for the six months ended 30 September 2016 to approximately HK\$6.0 million for the six months ended 30 September 2017.

Administrative expenses primarily consist of staff costs, audit fee and other professional costs in relation to the compliance with the GEM Listing Rules. The increase was mainly attributable to the increase in staff costs paid to directors and staff due to business expansion and the abovementioned audit fee and other professional costs in relation to the compliance with the GEM Listing Rules during the period.

## **Listing Expenses**

During the six months ended 30 September 2016, the Group recognised non-recurring Listing expenses of approximately HK\$2.2 million, as expenses in connection with its Listing exercise. No such expenses was incurred for the six months ended 30 September 2017.

## **Finance Costs**

Finance costs for the Group increased by approximately HK\$0.2 million or 25.0% from approximately HK\$0.8 million for the six months ended 30 September 2016 to approximately HK\$1.0 million for the six months ended 30 September 2017. It was mainly due to the increase in usage of loan settlement for trade payables and factoring loan during the six months ended 30 September 2017.

## **Income Tax Expense**

Income tax expense for the Group increased by approximately HK\$0.8 million or 61.5% from approximately HK\$1.3 million for the six months ended 30 September 2016 to approximately HK\$2.1 million for the six months ended 30 September 2017. The increase was mainly attributable to the increase in profit before taxation (excluding the Listing expenses) from approximately HK\$8.1 million for the six months ended 30 September 2016 to approximately HK\$12.4 million for the six months ended 30 September 2017.

## **Profit and Total Comprehensive Income for the period attributable to the owners of the Company**

Profit and total comprehensive income for the period attributable to the owners of the Company increased by approximately HK\$5.6 million or 121.7% from approximately HK\$4.6 million for the six months ended 30 September 2016 to approximately HK\$10.2 million for the six months ended 30 September 2017.

Such increase was primarily attributable to the net effect of (i) the increase in revenue and gross profit for the six months ended 30 September 2017; (ii) the Listing expenses incurred by the Group for its Listing exercise during the six months ended 30 September 2016; and (iii) the increase in the administrative expenses incurred by the Group for the six months ended 30 September 2017.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The current ratio improved steadily from approximately 1.4 time as at 1 April 2017 to 1.5 time as at 30 September 2017.

As at 30 September 2017, the Group had bank borrowings of approximately HK\$14.9 million (31 March 2017: approximately HK\$32.5 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year/period and multiplied by 100%, decreased from approximately 50.4% as at 31 March 2017 to approximately 19.9% as at 30 September 2017 due to the use of proceeds for settlement of the bank borrowings. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

The Group's borrowings and bank balances are denominated in HK\$ and there was no significant exposure to foreign exchange rate fluctuations during the Relevant Period.

For further details regarding the borrowings, please refer to note 10 to the unaudited condensed consolidated financial statements.

## **TREASURY POLICY**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors 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.

## **CAPITAL STRUCTURE**

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 13 March 2017. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at 30 September 2017, the Company's issued share capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

## **COMMITMENTS**

The operating lease commitments of the Group were primarily related to the leases of its office premise and carpark spaces. The Group's operating lease commitments amounted to approximately HK\$189,000 as at 30 September 2017 (31 March 2017: approximately HK\$6,000).



## **SEGMENTAL INFORMATION**

Segmental information is presented for the Group as disclosed on note 3 of the notes to the unaudited condensed consolidated financial statements.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 30 September 2017, the Group did not have other plans for material investments and capital assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the six months ended 30 September 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## **CONTINGENT LIABILITIES**

Save as disclosed on note 15 to the unaudited condensed consolidated financial statements, as at 30 September 2017, the Group did not have other material contingent liabilities.

## **EXPOSURE TO EXCHANGE RATE FLUCTUATION**

The Group's revenue generating operations are mainly transacted in HK\$. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

## **CHARGE OF GROUP'S ASSETS**

As at 30 September 2017, the Group's pledged its bank deposit to a bank of approximately HK\$10.0 million (31 March 2017: approximately HK\$10.0 million) to secure the short-term bank loans and other general banking facilities granted to the Group.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed a total of 38 employees (31 March 2017: 27 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$8.9 million for the six months ended 30 September 2017 (2016: approximately HK\$6.0 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2017 is set out below:

### Business objectives

Reserve more capital to satisfy the potential customers' requirement for surety bond

Reduce gearing ratio by repaying bank borrowings, which were used for the general working capital for the daily operation during the Track Record Period

Support the working capital requirement for the Group applying and maintaining M1 (Maintenance) building contractor license

Strengthen the scope of services  
— site formation

### Actual progress

The Group has used HK\$2.5 million to undertake more projects by satisfying potential customers' requirement for surety bond.

The Group has used HK\$8.0 million to repay bank borrowings to reduce gearing ratio.

The Group has planned to apply M1 (Maintenance) building contractor license in October 2017, the amount will be fully utilised as intended before 31 March 2018.

The Company has hired additional project manager and technically competent person to strengthen the scope of service — site formation.

## USE OF PROCEEDS

The net proceeds from the Listing on 13 March 2017, after deducting listing related expenses, were approximately HK\$38.0 million. After the Listing, these proceeds were used for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. The unused amount of the net proceeds from the Listing as at 30 September 2017 was approximately HK\$27.2 million.

An analysis of the planned amount utilised up to 30 September 2017 is set out below:

	<b>Planned amount utilised up to 30 September 2017</b>	<b>Actual utilised amount as at 30 September 2017</b>	<b>Unutilised amount out of the planned amount as at 30 September 2017</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Reserve more capital to satisfy the potential customers' requirement for surety bond	6.9	2.5	4.4
Reduce gearing ratio by repaying bank borrowings, which were used for the general working capital for the daily operation during the Track Record Period	8.0	8.0	–
Support the working capital requirement for the Group applying and maintaining M1 (Maintenance) building contractor license	–	–	–
Strengthen the scope of services — site formation	0.7	0.3	0.4
	<b>15.6</b>	<b>10.8</b>	<b>4.8</b>



## DISCLOSURE OF INTERESTS

### A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2017, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) *Long Position in the Company's Shares*

Name of Directors	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Leung Ka Ho, Raymond (Notes 1 & 2)	Interest in a controlled corporation; interest held jointly with another person	533,000,000 ordinary shares	66.6%
Mr. Ho Chi Kwan (Notes 1 & 3)	Interest in a controlled corporation; interest held jointly with another person	533,000,000 ordinary shares	66.6%

*Notes:*

1. On 11 November 2016, Mr. Leung and Mr. Ho entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of the Group and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the paragraphs headed "History, reorganisation and corporate structure – Parties acting in concert" in the Prospectus.

2. 533,000,000 Shares in which Mr. Leung is interested consist of (i) 363,410,000 Shares held by Sharp Talent, a company wholly owned by Mr. Leung, in which Mr. Leung is deemed to be interested under the SFO; and (ii) 169,590,000 Shares in which Mr. Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Ho.
3. 533,000,000 Shares in which Mr. Ho is interested consist of (i) 169,590,000 Shares held by Diamondfield, a company wholly owned by Mr. Ho, in which Mr. Ho is deemed to be interested under the SFO; and (ii) 363,410,000 Shares in which Mr. Ho is deemed to be interested as a result of being a party acting-in-concert with Mr. Leung.

(ii) *Long position in the ordinary shares of associated corporations*

<b>Name of Directors</b>	<b>Name of associated corporations</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholding</b>
Mr. Leung Ka Ho, Raymond	Sharp Talent	Beneficial owner	1 ordinary share	100%
Mr. Ho Chi Kwan	Diamondfield	Beneficial owner	1 ordinary share	100%

Save as disclosed above, as at 30 September 2017, none of the Directors nor chief executive of the Company has registered an interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.



## B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2017, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding
Sharp Talent ( <i>Note</i> )	Beneficial owner; interest held jointly with another person	533,000,000 ordinary shares	Long	66.6%
Diamondfield ( <i>Note</i> )	Beneficial owner; interest held jointly with another person	533,000,000 ordinary shares	Long	66.6%

*Note:*

On 11 November 2016, Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of the Group and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the paragraphs headed "History, reorganisation and corporate structure — Parties acting in concert" in the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of the Controlling Shareholders, i.e. Sharp Talent (being wholly owned by Mr. Leung), Mr. Leung, Diamondfield (being wholly owned by Mr. Ho) and Mr. Ho is deemed to be interested in 66.6% of the issued share capital of the Company.

Save as disclosed above, as at 30 September 2017 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **COMPETING AND CONFLICTS OF INTERESTS**

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the period ended 30 September 2017.

## **INTERESTS OF COMPLIANCE ADVISER**

As notified by the compliance adviser of the Company, Alliance Capital Partners Limited, as at 30 September 2017, save for the compliance adviser agreement dated on 15 November 2016 entered into between the Company and Alliance Capital Partners Limited, neither Alliance Capital Partners Limited, its directors, employees and associates had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 September 2017.

## **CORPORATE GOVERNANCE CODE**

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Leung Ka Ho, Raymond currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

As at 30 September 2017, save as disclosed above, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company was not aware of any noncompliance with the required standard of dealings regarding securities transactions by the Directors throughout the period ended 30 September 2017.

## **DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017.

## **SHARE OPTION SCHEME**

The Company has conditionally adopted a share option scheme on 22 February 2017 ("the Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share options has been granted during the Relevant Period and there were no share options outstanding as at 30 September 2017.

## **AUDIT COMMITTEE**

The Company established an audit committee ("Audit Committee") with its written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company's annual report and interim financial reports before submission to the Board. The Audit Committee consists of three members, namely Mr. Yau Sze Yeung, Mr. Leung Hung Kwong, Derrick and Mr. Moy Yee Wo, Matthew, all being independent non-executive Directors of the Company. Mr. Yau Sze Yeung currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017.

By order of the Board  
**Chi Ho Development Holdings Limited**  
**Leung Ka Ho, Raymond**  
*Chairman and Executive Director*

Hong Kong, 7 November 2017

*As at the date of this report, the executive Directors are Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan; and the independent non-executive Directors are Mr. Leung Hung Kwong, Derrick, Mr. Moy Yee Wo, Matthew and Mr. Yau Sze Yeung.*

