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Chi Ho Development Holdings Limited

潛濤發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8423)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

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

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This announcement, 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 announcement 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 announcement misleading.

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THIRD QUARTERLY RESULTS (UNAUDITED)

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 nine months ended 31 December 2017, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	<i>Notes</i>	Three months ended 31 December		Nine months ended 31 December	
		2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Revenue	3	112,257	112,129	355,404	225,118
Cost of sales		<u>(99,863)</u>	<u>(100,044)</u>	<u>(323,717)</u>	<u>(198,956)</u>
Gross profit		<u>12,394</u>	<u>12,085</u>	<u>31,687</u>	<u>26,162</u>
Other income		9	18	70	18
Administrative expenses		(3,551)	(3,638)	(9,556)	(8,792)
Listing expenses		–	(6,672)	–	(8,837)
Finance costs		<u>(273)</u>	<u>(390)</u>	<u>(1,297)</u>	<u>(1,223)</u>
Profit before taxation		8,579	1,403	20,904	7,328
Income tax expense	4	<u>(1,500)</u>	<u>(1,333)</u>	<u>(3,617)</u>	<u>(2,668)</u>
Profit and total comprehensive income for the period		<u>7,079</u>	<u>70</u>	<u>17,287</u>	<u>4,660</u>
Earnings per share					
— Basic (HK cents)	6	<u>0.88</u>	<u>0.01</u>	<u>2.16</u>	<u>0.78</u>

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

For the nine months ended 31 December 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017 (audited)	8,000	41,777	2,200	12,427	64,404
Profit and total comprehensive income for the period	—	—	—	17,287	17,287
At 31 December 2017 (unaudited)	<u>8,000</u>	<u>41,777</u>	<u>2,200</u>	<u>29,714</u>	<u>81,691</u>
At 1 April 2016 (audited)	2,200	—	—	23,520	25,720
Profit and total comprehensive income for the period	—	—	—	4,660	4,660
At 31 December 2016 (unaudited)	<u>2,200</u>	<u>—</u>	<u>—</u>	<u>28,180</u>	<u>30,380</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 nine months ended 31 December 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 Hong Kong Institute of Certified Public Accountants (the “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.

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 audited 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. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Hong Kong Profits Tax – Current year	<u>1,500</u>	<u>1,333</u>	<u>3,617</u>	<u>2,668</u>

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

5. DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 31 December 2017.

6. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to the owners of the Company for the three months and nine months ended 31 December 2017 are based on the followings:

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Earnings: Earnings for the purpose of basic earnings per share (profit for the period)	<u>7,079</u>	<u>70</u>	<u>17,287</u>	<u>4,660</u>
	'000	'000	'000	'000
Number of shares: Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>800,000</u>	<u>600,000</u>	<u>800,000</u>	<u>600,000</u>

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 dilutive potential ordinary shares outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The revenue increased from approximately HK\$225.1 million for the nine months ended 31 December 2016 to approximately HK\$355.4 million for the nine months ended 31 December 2017, representing a growth of approximately 57.9%. 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\$199.0 million for the nine months ended 31 December 2016 to approximately HK\$323.7 million for the nine months ended 31 December 2017, representing an increase of approximately 62.7%. 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\$5.5 million from approximately HK\$26.2 million for the nine months ended 31 December 2016 to approximately HK\$31.7 million for the nine months ended 31 December 2017. The increase was mainly driven by the increase in revenue for the nine months ended 31 December 2017 as discussed above. The overall gross profit margin decreased from approximately 11.6% for the nine months ended 31 December 2016 to approximately 8.9% for the nine months ended 31 December 2017 as the projects undertaken by the Group during the nine months ended 31 December 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 nine months ended 31 December 2017.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$0.8 million or 8.7% from approximately HK\$8.8 million for the nine months ended 31 December 2016 to approximately HK\$9.6 million for the nine months ended 31 December 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 nine months ended 31 December 2016, the Group recognised non-recurring Listing expenses of approximately HK\$8.8 million, as expenses in connection with its Listing exercise. No such expenses was incurred for the nine months ended 31 December 2017.

Finance Costs

Finance costs for the Group increased by approximately HK\$0.1 million or 6.1% from approximately HK\$1.2 million for the nine months ended 31 December 2016 to approximately HK\$1.3 million for the nine months ended 31 December 2017. It was mainly due to the increase in usage of loan settlement for trade payables and factoring loan during the nine months ended 31 December 2017.

Income Tax Expense

Income tax expense for the Group increased by approximately HK\$0.9 million or 33.6% from approximately HK\$2.7 million for the nine months ended 31 December 2016 to approximately HK\$3.6 million for the nine months ended 31 December 2017. The increase was mainly attributable to the increase in profit before taxation (excluding the Listing expenses) from approximately HK\$16.2 million for the nine months ended 31 December 2016 to approximately HK\$20.9 million for the nine months ended 31 December 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\$12.6 million or 268.1% from approximately HK\$4.7 million for the nine months ended 31 December 2016 to approximately HK\$17.3 million for the nine months ended 31 December 2017.

Such increase was primarily attributable to the net effect of (i) the increase in revenue and gross profit for the nine months ended 31 December 2017; (ii) the Listing expenses incurred by the Group for its Listing exercise during the nine months ended 31 December 2016; and (iii) the increase in the administrative expenses incurred by the Group for the nine months ended 31 December 2017.

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.

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 strengthen the market position in the industry and expand the market share by utilising the net proceeds from the Listing.

DISCLOSURE OF INTERESTS

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

As at 31 December 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

Name of Directors	Name of associated corporations	Capacity	Number and class of securities	Approximate percentage of shareholding
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 31 December 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 31 December 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 31 December 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 31 December 2017.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Alliance Capital Partners Limited, as at 31 December 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 31 December 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 31 December 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 31 December 2017.

DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 31 December 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 period and there were no share options outstanding as at 31 December 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 nine months ended 31 December 2017.

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

Hong Kong, 6 February 2018

As at the date of this announcement, 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.

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