



# Chi Ho Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 8423

## Interim Report 2018



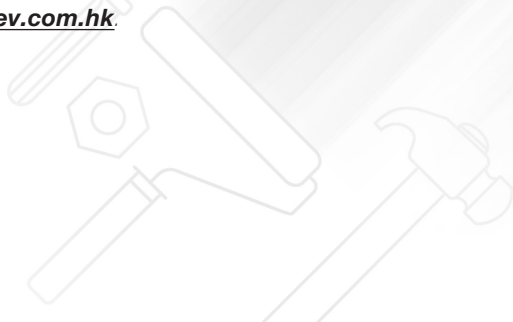
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*This report, for which the directors (the “Directors”) of Chi Ho Development Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of 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

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Cayman Islands

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PLACE OF BUSINESS IN HONG KONG**

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**PRINCIPAL SHARE REGISTRAR AND  
TRANSFER OFFICE**

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

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**PRINCIPAL BANKER**

Bank of China (Hong Kong) Limited

**WEBSITE ADDRESS**

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

**STOCK CODE**

8423



## INTERIM RESULTS

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 2018 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2017, as follows:

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

For the three and six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	69,465	133,150	142,682	243,147
Cost of sales		(60,716)	(121,585)	(126,966)	(223,854)
Gross profit		8,749	11,565	15,716	19,293
Other income		–	50	18	61
Administrative expenses		(3,636)	(3,228)	(6,568)	(6,005)
Finance costs		(507)	(452)	(889)	(1,024)
Profit before taxation	4	4,606	7,935	8,277	12,325
Income tax expense	5	(668)	(1,375)	(1,249)	(2,117)
Profit and total comprehensive income for the period		3,938	6,560	7,028	10,208
Earnings per share					
— Basic (HK cents)	7	0.49	0.82	0.88	1.28

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2018 HK\$'000	As at 31 March 2018 HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		8,851	9,276
<b>Current assets</b>			
Trade and other receivables	8	59,092	104,650
Amounts due from customers for contract works		–	40,618
Contract assets	9	115,544	–
Tax recoverable		–	78
Pledged bank deposits		13,500	13,500
Bank balances and cash		16,002	34,407
		<b>204,138</b>	193,253
<b>Current liabilities</b>			
Trade and other payables	10	79,848	71,092
Tax payables		836	–
Bank borrowings	11	38,131	42,780
Obligations under finance leases		258	253
		<b>119,073</b>	114,125
<b>Net current assets</b>		<b>85,065</b>	79,128
<b>Total assets less current liabilities</b>		<b>93,916</b>	88,404
<b>Non-current liabilities</b>			
Deferred tax liabilities		128	128
Obligations under finance leases		603	733
		<b>731</b>	861
<b>Capital and reserves</b>			
Share capital	12	8,000	8,000
Reserves		85,185	79,543
Total equity		<b>93,185</b>	87,543
		<b>93,916</b>	88,404

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

For the six months ended 30 September 2018

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained profits HK\$'000	Total HK\$'000
At 31 March 2018 (audited)	8,000	41,777	2,200	35,566	87,543
Adjustments (see note 2)	-	-	-	(1,386)	(1,386)
At 1 April 2018 (restated)	8,000	41,777	2,200	34,180	86,157
Profit and total comprehensive income for the period	-	-	-	7,028	7,028
At 30 September 2018 (unaudited)	8,000	41,777	2,200	41,208	93,185
At 1 April 2017 (audited)	8,000	41,777	2,200	12,427	64,404
Profit and total comprehensive income for the period	-	-	-	10,208	10,208
At 30 September 2017 (unaudited)	8,000	41,777	2,200	22,635	74,612

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 2018

	<b>Six months ended 30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash (used in) from operating activities	<b>(12,681)</b>	7,071
Net cash used in investing activities	<b>(61)</b>	(255)
Net cash used in financing activities	<b>(5,663)</b>	(18,625)
<b>Net decrease in cash and cash equivalents</b>	<b>(18,405)</b>	(11,809)
<b>Cash and cash equivalents at beginning of the period</b>	<b>34,407</b>	42,689
<b>Cash and cash equivalents at end of the period</b>	<b>16,002</b>	30,880



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2018*

## **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 2018 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 unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

## 2. BASIS OF PREPARATION (CONTINUED)

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from provision of building renovation and construction works to external customers. The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

*Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

*Variable consideration*

For contracts that contain variable consideration (i.e. variation order), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) or represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

#### 2.1.2 Summary of effects arising from initial application of HKFRS 15

The following adjustment was made to the amounts recognised in the unaudited condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 March 2018 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK\$'000
<b>Current assets</b>				
Trade and other receivables	(a)	104,650	(52,124)	<b>52,526</b>
Amounts due from customers for contract work	(a)	40,618	(40,618)	-
Contract assets	(a)	-	92,742	<b>92,742</b>

Note:

- (a) In relation to building renovation and construction contracts previously accounted for under HKAS 11, the Group continues to estimate the performance obligations by reference to the stage of completion of the contract activity at the end of the reporting period up to date of initial application of HKFRS 15. Approximately HK\$40,618,000 and HK\$52,124,000 of amounts due from customers for contract works in relation to the certified value of works performed and retention receivables, respectively, were reclassified to contract assets.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

#### 2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summarises the impacts of applying HKFRS 15 on the Group's unaudited condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	Adjustment	Amounts without application of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000
<b>Current assets</b>			
Trade and other receivables	59,118	53,646	112,765
Amounts due from customers for contract work	–	63,257	63,257
Contract assets	116,903	(116,903)	–

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these unaudited condensed consolidated financial statements.

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

#### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

##### *Classification and measurement of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in measurement on the Group's financial assets and the impact thereof are detailed in Note 2.2.2.

##### *Impairment under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, pledged bank deposits and bank balances and cash and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

#### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

##### *Impairment under ECL model (Continued)*

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.



## **2. BASIS OF PREPARATION (CONTINUED)**

### **2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)**

#### **2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)**

##### *Impairment under ECL model (Continued)*

Significant increase in credit risk (Continued)

The Group considers that a default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

#### 2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	<b>Financial assets at amortised cost (previously classified as loans and receivables</b>	<b>Contract assets</b>	<b>Retained earnings</b>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Closing balance at 31 March 2018</b>			
– HKAS 39	152,168	–	35,566
<b>Effect arising from initial application of HKFRS 15</b>			
	(52,124)	92,742	–
<b>Effect arising from initial application of HKFRS 9 Remeasurement</b>			
Impairment under ECL model	(a) (27)	(1,359)	(1,386)
Opening balance at 1 April 2018	100,017	91,383	34,180

*Note:*

- (a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. To measure the ECL, contract assets and trade receivables have been assessed individually for debtors with significant balances or grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

#### 2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

Note: (Continued)

(a) Impairment under ECL model (Continued)

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, bank balances and cash and pledged bank deposits are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the additional credit loss allowance of approximately HK\$1,386,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective assets.

All loss allowances for financial assets including trade receivables and contract assets as at 31 March 2018 reconcile to the opening loss allowance as at 1 April 2018 is as follows:

	<b>Trade receivables</b>	<b>Contract assets</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2018 – HKAS 39	–	–	–
Amount remeasured through opening retained earnings	27	1,359	1,386
Opening balance at 1 April 2018	27	1,359	1,386

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	<b>31 March 2018 (Audited)</b>	<b>HKFRS 15</b>	<b>HKFRS 9</b>	<b>1 April 2018 (Restated)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>				
Trade and other receivables	104,650	(52,124)	(27)	52,499
Amounts due from customers for contract works	40,618	(40,618)	–	–
Contract assets	–	92,742	(1,359)	91,383
<b>Capital and reserves</b>				
Reserves	79,543	–	(1,386)	78,157

## 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging:				
Directors' emoluments	1,107	1,017	2,214	2,034
Other staff costs:				
Salaries and other allowances	4,122	3,517	7,971	6,637
Retirement benefit scheme contributions	147	129	283	222
	<b>4,269</b>	3,646	<b>8,254</b>	6,859
Total staff costs	<b>5,376</b>	4,663	<b>10,468</b>	8,893
Bank interest income	–	50	18	61
Depreciation of property, plant and equipment	254	265	504	500
Minimum lease payments paid under operating leases in respect of:				
— office premise	24	24	48	40
— car parks	36	80	72	159

## 5. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Hong Kong Profits Tax — Current period	668	1,375	1,249	2,117

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the period ended 30 September 2018, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime.

For the period ended 30 September 2017, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

## 6. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2018.

## 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 2018 are based on the followings:

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Earnings:</b>				
Earnings for the purpose of basic earnings per share (profit for the period)	<b>3,938</b>	6,560	<b>7,028</b>	10,208
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>800,000</b>	800,000	<b>800,000</b>	800,000

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

## 8. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Trade receivables	<b>33,287</b>	33,616
Less: allowance for doubtful debt	<b>(27)</b>	–
	<b>33,260</b>	33,616
Unbilled retention receivables (note i)	–	52,124
Other receivables	<b>5,707</b>	4,884
Deposits for surety bonds (note ii)	<b>18,116</b>	13,064
Rental, utility and other deposits	<b>2,009</b>	962
Total trade and other receivables	<b>59,092</b>	104,650

## 8. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 net of allowance for doubtful debts presented based on invoice dates at the end of the reporting period:

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
0 – 30 days	<b>22,237</b>	32,474
31 – 60 days	<b>8,341</b>	198
61 – 90 days	<b>946</b>	87
Over 90 days	<b>1,736</b>	857
	<b>33,260</b>	33,616

Included in the Group's trade receivables balances as at 30 September 2018 are debtors with aggregate carrying amounts of HK\$5,239,000 (31 March 2018: HK\$1,244,000), 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 (CONTINUED)

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

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
0 – 30 days	<b>224</b>	387
31 – 60 days	<b>2,333</b>	–
61 – 90 days	<b>946</b>	–
Over 90 days	<b>1,736</b>	857
	<b>5,239</b>	1,244

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.

Since the adoption of the HKFRS 9 on 1 April 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, the cumulative impairment allowance on trade receivables amounted to approximately HK\$27,000 as at 30 September 2018.

## 9. CONTRACT ASSETS

	<b>30 September 2018 HK\$'000 (Unaudited)</b>
Contract assets	<b>115,544</b>

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on the building renovation and construction services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables within twelve months from the end of the reporting period.

Included in contract assets are retention receivables amounted to approximately HK\$52,529,000 as at 30 September 2018, which 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.

Since the adoption of HKFRS 9 on 1 April 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, the cumulative impairment allowance on contract assets amounted to approximately HK\$1,359,000 as at 30 September 2018.

## 10. TRADE AND OTHER PAYABLES

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Trade payables	<b>25,112</b>	8,243
Accrued costs of materials and subcontracting charges	<b>5,934</b>	5,663
Deposits received (note i)	<b>4,788</b>	11,408
Other accruals	<b>3,449</b>	3,777
Retention payables to subcontractors (note ii)	<b>40,565</b>	42,001
Total trade and other payables	<b>79,848</b>	71,092

Notes:

- (i) The amounts represent deposits received from subcontractors for the purpose of securing their performance in respect of construction contracts in favour of the Group.
- (ii) 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.

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 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
0 – 30 days	<b>19,212</b>	2,512
31 – 60 days	<b>3,371</b>	3,892
61 – 90 days	<b>181</b>	81
Over 90 days	<b>2,348</b>	1,758
	<b>25,112</b>	8,243

## 11. BANK BORROWINGS

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Secured bank borrowings:		
Bank loans	<b>26,043</b>	15,624
Factoring loans	<b>12,088</b>	27,156
	<b>38,131</b>	42,780
Carrying amounts repayable ( <i>note</i> ):		
On demand or within one year	<b>35,824</b>	40,418
More than one year, but not exceeding two years	<b>138</b>	142
More than two years, but not exceeding five years	<b>444</b>	451
More than five years	<b>1,725</b>	1,769
Amount shown under current liabilities	<b>38,131</b>	42,780

*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% 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 0.5% per annum.

The range of effective interest rates on bank borrowings as at 30 September 2018 (which are also equal to contracted interest rates) is 2.0% to 5.5% per annum.

These bank borrowings are drawn under banking facilities.

As at 30 September 2018, 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.

## 12. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.01 each</b>		
<b>Authorised</b>		
At 1 April 2018 and 30 September 2018	2,000,000,000	20,000
<b>Issued and fully paid</b>		
At 1 April 2018 and 30 September 2018	800,000,000	8,000

## 13. 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 2018 <i>HK\$'000</i> (Unaudited)</b>	31 March 2018 <i>HK\$'000</i> (Audited)
Within one year	60	100
In the second to fifth years inclusive	–	12
	<b>60</b>	112

## 14. CAPITAL COMMITMENTS

	<b>30 September 2018 <i>HK\$'000</i> (Unaudited)</b>	31 March 2018 <i>HK\$'000</i> (Audited)
Capital expenditure in respect of the acquisition of a motor vehicle contracted for but not provided in the unaudited condensed consolidated financial statements	–	986

## 15. 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	
		2018	2017	2018	2017
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Hong Kong Building Material Limited	Purchase of materials	-	2	-	42

### (ii) Compensation of key management personnel

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	2018	2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Director's fees	108	108	216	216
Salaries and other allowances	990	900	1,980	1,800
Retirement benefits scheme contributions	9	9	18	18
	<b>1,107</b>	1,017	<b>2,214</b>	2,034

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

## 16. 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:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Issued by insurance companies	43,414	75,094

# 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 2018, there were 27 projects (2017: 16 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. During the six months ended 30 September 2018 and up to the date of this report, the Group was awarded 9 new projects, with total original contract sum of approximately \$117.1 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 decreased from approximately HK\$243.1 million for the six months ended 30 September 2017 to approximately HK\$142.7 million for the six months ended 30 September 2018, representing a decrease of approximately 41.3% between the two periods mainly due to the completion of one of our largest projects with the original contract sum of approximately HK\$468.8 million during the period.

### **Cost of Sales**

The cost of sales decreased from approximately HK\$223.9 million for the six months ended 30 September 2017 to approximately HK\$127.0 million for the six months ended 30 September 2018, representing a decrease of approximately 43.3% between the two periods mainly attributable to the completion of the above-mentioned project during the period.

### **Gross Profit**

Gross profit of the Group decreased by approximately HK\$3.6 million from approximately HK\$19.3 million for the six months ended 30 September 2017 to approximately HK\$15.7 million for the six months ended 30 September 2018. The decrease was mainly driven by the decrease in revenue for the six months ended 30 September 2018 as discussed above. The overall gross profit margin increased from approximately 7.9% for the six months ended 30 September 2017 to approximately 11.0% for the six months ended 30 September 2018 as the projects undertaken by the Group during the six months ended 30 September 2018 are generally in higher gross profit margin, resulting in the extent of increase in subcontracting charges and construction material costs lesser than that of the increase in revenue for the six months ended 30 September 2018.

## **Administrative Expenses**

Administrative expenses of the Group increased by approximately HK\$0.6 million or 10.0% from approximately HK\$6.0 million for the six months ended 30 September 2017 to approximately HK\$6.6 million for the six months ended 30 September 2018.

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.

## **Finance Costs**

Finance costs for the Group decreased by approximately HK\$0.1 million or 10.0% from approximately HK\$1.0 million for the six months ended 30 September 2017 to approximately HK\$0.9 million for the six months ended 30 September 2018. It was mainly due to the decrease in usage of loan settlement for trade payables and factoring loan during the six months ended 30 September 2018.

## **Income Tax Expense**

Income tax expense for the Group decreased by approximately HK\$0.9 million or 42.9% from approximately HK\$2.1 million for the six months ended 30 September 2017 to approximately HK\$1.2 million for the six months ended 30 September 2018. The decrease was mainly attributable to (i) the decrease in profit before taxation from approximately HK\$12.4 million for the six months ended 30 September 2017 to approximately HK\$8.3 million for the six months ended 30 September 2018; and (ii) the benefit from the two-tiered profits tax rates regime.

## **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 decreased by approximately HK\$3.2 million or 31.4% from approximately HK\$10.2 million for the six months ended 30 September 2017 to approximately HK\$7.0 million for the six months ended 30 September 2018.



Such decrease was primarily attributable to (i) the decrease in revenue and gross profit for the six months ended 30 September 2018; and (ii) the increase in the administrative expenses incurred by the Group for the six months ended 30 September 2018.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The current ratio maintained at approximately 1.7 time as at 31 March 2018 and 1.7 time as at 30 September 2018.

As at 30 September 2018, the Group had bank borrowings of approximately HK\$38.1 million (31 March 2018: approximately HK\$42.8 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 48.9% as at 31 March 2018 to approximately 40.9% as at 30 September 2018. 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 11 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 2018, 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\$60,000 as at 30 September 2018 (31 March 2018: approximately HK\$112,000).

## **SEGMENTAL INFORMATION**

The Group has only one single operating segment, so no further analysis of this single segment is presented.

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

As at 30 September 2018, 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 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## **CONTINGENT LIABILITIES**

Save as disclosed on note 16 to the unaudited condensed consolidated financial statements, as at 30 September 2018, 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 2018, the Group's pledged its bank deposit to banks of approximately HK\$13.5 million (31 March 2018: approximately HK\$13.5 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 2018, the Group employed a total of 45 employees (31 March 2018: 41 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$10.5 million for the six months ended 30 September 2018 (30 September 2017: approximately HK\$8.9 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 2018 is set out below:

### Business objectives

### Actual progress

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

The Group has used HK\$8.4 million to undertake more projects by satisfying 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

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

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

The Group has used HK\$8.0 million to support the working capital requirement for applying and maintaining M1 (Maintenance) building contractor license. The Group has re-applied for the application for M1 (Maintenance) building contractor license during the six months ended 30 September 2018.

Strengthen the scope of services  
— site formation

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 2018 was approximately HK\$12.3 million.

An analysis of the planned amount utilised up to 30 September 2018 is set out below:

	<b>Planned amount utilised up to 30 September 2018</b> <i>HK\$'million</i>	<b>Actual utilised amount as at 30 September 2018</b> <i>HK\$'million</i>	<b>Unutilised amount out of the planned amount as at 30 September 2018</b> <i>HK\$'million</i>
Reserve more capital to satisfy the potential customers' requirement for surety bond	15.7	8.4	7.3
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	8.0	8.0	–
Strengthen the scope of services — site formation	1.8	1.3	0.5
	<hr/> 33.5	<hr/> 25.7	<hr/> 7.8

## DISCLOSURE OF INTERESTS

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

As at 30 September 2018, 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*

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholding</b>
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 2018, 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 2018, 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 2018 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 2018.

## **INTERESTS OF COMPLIANCE ADVISER**

As notified by the compliance adviser of the Company, Alliance Capital Partners Limited, as at 30 September 2018, save for the (i) compliance adviser agreement dated on 15 November 2016; and (ii) the professional service agreement dated on 26 June 2018 entered into between the Company and Alliance Capital Partners Limited, neither Alliance Capital Partners Limited, nor 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 2018.

## **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 2018, 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 2018.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (30 September 2017: nil).

## **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 2018.

## **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 2018.

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

Hong Kong, 13 November 2018

*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.*