



CHI HO

DEVELOPMENT HOLDINGS LIMITED

Chi Ho Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8423



INTERIM REPORT 2019

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 for at least seven days from the date of its publication and the Company’s website at 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

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
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75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

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

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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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

WEBSITE ADDRESS

www.chdev.com.hk

STOCK CODE

8423



INTERIM 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 six months ended 30 September 2019 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	106,971	69,465	199,374	142,682
Cost of sales		(94,296)	(60,716)	(178,021)	(126,966)
Gross profit		12,675	8,749	21,353	15,716
Other income		33	–	65	18
Other expenses		(994)	–	(1,442)	–
Administrative expenses		(4,047)	(3,636)	(7,719)	(6,568)
Finance costs		(605)	(507)	(1,150)	(889)
Profit before taxation	5	7,062	4,606	11,107	8,277
Income tax expense	6	(1,159)	(668)	(1,889)	(1,249)
Profit and total comprehensive income for the period		5,903	3,938	9,218	7,028
Earnings per share					
– Basic (HK cents)	8	0.74	0.49	1.15	0.88

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		7,952	8,395
Deferred tax assets		2,600	2,600
		10,552	10,995
Current assets			
Trade and other receivables	9	102,563	40,757
Contract assets	10	132,751	107,416
Tax recoverable		–	431
Pledged bank deposits		10,000	13,500
Bank balances and cash		41,550	29,411
		286,864	191,515
Current liabilities			
Trade and other payables	11	127,038	64,577
Tax payables		1,321	–
Bank borrowings	12	66,638	44,600
Obligations under finance leases		270	265
		195,267	109,442
Net current assets		91,597	82,073
Total assets less current liabilities		102,149	93,068
Non-current liabilities			
Deferred tax liabilities		331	468
Obligations under finance leases		55	55
		386	523
Capital and reserves			
Share capital	13	8,000	8,000
Reserves		93,763	84,545
Total equity		101,763	92,545
		102,149	93,068

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2019 (audited)	8,000	41,777	2,200	40,568	92,545
Profit and total comprehensive income for the period	-	-	-	9,218	9,218
At 30 September 2019 (unaudited)	8,000	41,777	2,200	49,786	101,763
At 1 April 2018 (audited)	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

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(12,113)	(12,681)
Net cash from (used in) investing activities	3,496	(61)
Net cash from (used in) financing activities	20,756	(5,663)
Net increase (decrease) in cash and cash equivalents	12,139	(18,405)
Cash and cash equivalents at beginning of the period	29,411	34,407
Cash and cash equivalents at end of the period	41,550	16,002



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 2019 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.

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

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 reviewed by the Company's auditor, but have been reviewed by the Company's audit committee.

3. 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 April 2019 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The Group has adopted these new standards, amendments of standards and annual improvements and the adoption of these new standards, amendments of standards and annual improvements do not have significant impacts on the Group's unaudited condensed consolidated financial statements.

4. 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.



5. PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging:				
Directors' emoluments	1,107	1,107	2,544	2,214
Other staff costs:				
Salaries and other allowances	4,342	4,122	8,129	7,971
Retirement benefit scheme contributions	125	147	250	283
	4,467	4,269	8,379	8,254
Total staff costs	5,574	5,376	10,923	10,468
Bank interest income	32	–	64	18
Depreciation of property, plant and equipment	257	254	511	504
Minimum lease payments paid under operating leases in respect of:				
— office premise	24	24	48	48
— car parks	45	36	87	72

6. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong Profits Tax				
— Current period	1,159	668	1,889	1,249

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 the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, for the period ended 30 September 2019 and 2018, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

7. DIVIDEND

During the six months ended 30 September 2019, the directors of the Company have determined that an interim dividend of HK0.5 cents per share amounting to HK\$4,000,000 in aggregate (2018: nil) will be paid to the owners of the Company whose names appear in the register of members on 28 November 2019.

8. 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 2019 are based on the followings:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings: Earnings for the purpose of basic earnings per share (profit for the period)	5,903	3,938	9,218	7,028
Number of shares: Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000	800,000	800,000	800,000

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



9. TRADE AND OTHER RECEIVABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables	64,300	17,590
Less: allowance for credit loss	(96)	(96)
	64,204	17,494
Other receivables	24,876	8,198
Deposits for surety bonds (<i>note i</i>)	12,285	12,813
Rental, utility and other deposits	1,198	2,252
Total trade and other receivables	102,563	40,757

Notes:

- (i) 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:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0–30 days	52,820	9,940
31–60 days	3,378	43
61–90 days	348	6,484
Over 90 days	7,658	1,027
	64,204	17,494

10. CONTRACT ASSETS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Analysed as current:		
Unbilled revenue of building renovation and construction services	80,493	60,594
Unbilled retention receivables of building renovation and construction services	52,258	46,822
	132,751	107,416

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. The contract assets are transferred to trade receivables when the rights become unconditional where the Group is entitled to issue invoices to the customers.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction services period once certain specified milestones are reached.

The Group also typically agrees to a retention period for 5% to 10% of the contract value. This amount is included in contract assets until the end of the defect liability period as the Group's entitlement to this final payment is conditional on customer acceptance usually being 1 to 2 years from the date of completion of construction projects.



11. TRADE AND OTHER PAYABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables	38,050	12,841
Accrued costs of materials and subcontracting charges	42,170	11,135
Deposits received (note i)	2,649	980
Other accruals	3,171	3,439
Provision for compensation	729	729
Retention payables to subcontractors (note ii)	40,269	35,453
Total trade and other payables	127,038	64,577

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:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0–30 days	24,617	3,213
31–60 days	6,244	1,481
61–90 days	1,013	4,187
Over 90 days	6,176	3,960
	38,050	12,841

12. BANK BORROWINGS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Secured bank borrowings:		
Bank loans	35,633	32,694
Factoring loans	31,005	11,906
	66,638	44,600
Carrying amounts repayable (<i>note</i>):		
On demand or within one year	64,455	42,358
More than one year, but not exceeding two years	143	138
More than two years, but not exceeding five years	459	446
More than five years	1,581	1,658
Amount shown under current liabilities	66,638	44,600

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% per annum or at one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 1.95% 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 2019 (which are also equal to contracted interest rates) is 2.0% to 5.6% per annum.

These bank borrowings are drawn under banking facilities.

As at 30 September 2019, 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.



13. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised At 1 April 2019 and 30 September 2019	2,000,000,000	20,000
Issued and fully paid At 1 April 2019 and 30 September 2019	800,000,000	8,000

14. 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:

	30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Within one year	50	71

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	
		2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Mr. Leung Ka Ho, Raymond	Rental expense	15	—	30	—

15. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Compensation of key management personnel

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Director's fees	108	108	216	216
Salaries and other allowances	990	990	2,310	1,980
Retirement benefits scheme contributions	9	9	18	18
	1,107	1,107	2,544	2,214

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 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Issued by insurance companies	43,935	52,010

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 2019, there were 31 projects (2018: 27 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 2019 the Group was awarded 14 new projects, with total original contract sum of approximately \$233.0 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\$142.7 million for the six months ended 30 September 2018 to approximately HK\$199.4 million for the six months ended 30 September 2019, representing an increase of approximately 39.7% between the two periods mainly due to the commencement of more projects with larger contract sum during the period ended 30 September 2019 and the completion of one of our largest projects with the original contract sum of approximately HK\$468.8 million during the period ended 30 September 2018.

Cost of Sales

The cost of sales increased from approximately HK\$127.0 million for the six months ended 30 September 2018 to approximately HK\$178.0 million for the six months ended 30 September 2019, representing an increase of approximately 40.2% between the two periods mainly attributable to the increase in revenue as discussed above.

Gross Profit

Gross profit of the Group increased by approximately HK\$5.7 million from approximately HK\$15.7 million for the six months ended 30 September 2018 to approximately HK\$21.4 million for the six months ended 30 September 2019. The increase was mainly driven by the increase revenue for the six months ended 30 September 2019 as discussed above. The overall gross profit margin decreased slightly from approximately 11.0% for the six months ended 30 September 2018 to approximately 10.7% for the six months ended 30 September 2019 as the projects undertaken by the Group during the six months ended 30 September 2019 are generally in lower gross profit margin, resulting in the extent of increase in subcontracting charges and construction material costs more than that of the increase in revenue for the six months ended 30 September 2019.

Other Expenses

Other expenses solely represented the professional fees incurred for transfer of listing (the "Transfer of Listing") during the period.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$1.1 million or 16.7% from approximately HK\$6.6 million for the six months ended 30 September 2018 to approximately HK\$7.7 million for the six months ended 30 September 2019.

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 increased by approximately HK\$0.3 million or 33.3% from approximately HK\$0.9 million for the six months ended 30 September 2018 to approximately HK\$1.2 million for the six months ended 30 September 2019. 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 2019.

Income Tax Expense

Income tax expense for the Group increased by approximately HK\$0.7 million or 58.3% from approximately HK\$1.2 million for the six months ended 30 September 2018 to approximately HK\$1.9 million for the six months ended 30 September 2019. The increase was mainly attributable to the increase in profit before taxation from approximately HK\$8.3 million for the six months ended 30 September 2018 to approximately HK\$11.1 million for the six months ended 30 September 2019.

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\$2.2 million or 31.4% from approximately HK\$7.0 million for the six months ended 30 September 2018 to approximately HK\$9.2 million for the six months ended 30 September 2019.

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 2019; and (ii) the increase in the administrative expenses incurred by the Group for the six months ended 30 September 2019.



LIQUIDITY AND FINANCIAL RESOURCES

The current ratio dropped from approximately 1.7 time as at 31 March 2019 to approximately 1.5 time as at 30 September 2019.

As at 30 September 2019, the Group had bank borrowings of approximately HK\$66.6 million (31 March 2019: approximately HK\$44.6 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%, increased from approximately 49.2% as at 31 March 2019 to approximately 65.5% as at 30 September 2019. The Group's financial position is still 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 12 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 2019, 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\$50,000 as at 30 September 2019 (31 March 2019: approximately HK\$71,000).

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 2019, 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 2019, 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 2019, 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 2019, the Group's pledged its bank deposit to banks of approximately HK\$10.0 million (31 March 2019: 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 2019, the Group employed a total of 42 employees (31 March 2019: 40 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$10.9 million for the six months ended 30 September 2019 (30 September 2018: approximately HK\$10.5 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 2019 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\$18.0 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 was successfully admitted to the Housing Authority List of Building Contractors (Maintenance Works Category – Group M1) (Probationary) with effect from October 2019.

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 2019 was approximately HK\$1.9 million.

An analysis of the planned amount utilised up to 30 September 2019 is set out below:

	Planned amount utilised up to 30 September 2019	Actual utilised amount as at 30 September 2019	Unutilised amount out of the planned amount as at 30 September 2019
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Reserve more capital to satisfy the potential customers' requirement for surety bond	19.6	18.0	1.6
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	2.4	2.1	0.3
	<hr/> 38.0	<hr/> 36.1	<hr/> 1.9

DISCLOSURE OF INTERESTS

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

As at 30 September 2019, 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 30 September 2019, 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 2019, 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 (Note)	Beneficial owner; interest held jointly with another person	533,000,000 ordinary shares	Long	66.6%
Diamondfield (Note)	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 2019 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 2019.

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 2019.

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 2019, 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 2019.

DIVIDEND

The Board has declared an interim dividend of HK0.5 cents per share (2018: nil) for the six months ended 30 September 2019 to the shareholders whose names appear on the register of members of the Company on Thursday, 28 November 2019. The interim dividend will be payable in cash on Monday, 6 January 2020. Shares of the Company will be traded ex-dividend as from Thursday, 21 November 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 November 2019 to Thursday, 28 November 2019, both days inclusive, during which no transfer of shares will be registered. In order to establish entitlements to the interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 22 November 2019.

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 2019.

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 2019.

By order of the Board

Chi Ho Development Holdings Limited

Leung Ka Ho, Raymond

Chairman and Executive Director

Hong Kong, 8 November 2019

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.