



# Chi Ho Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8423



# 2020 Interim Report

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

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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

## AUTHORISED REPRESENTATIVES

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## SAFETY COMPLIANCE COMMITTEE

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

## AUDITORS

Deloitte Touche Tohmatsu

## REGISTERED OFFICE

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

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

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

**PRINCIPAL SHARE REGISTRAR AND  
TRANSFER OFFICE**

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

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

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**PRINCIPAL BANKER**

Bank of China (Hong Kong) Limited

**WEBSITE ADDRESS**

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

**STOCK CODE**

8423

## INTERIM 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 2020 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

For the three and six months ended 30 September 2020

	Notes	Three months ended 30 September		Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	72,120	106,971	123,277	199,374
Cost of sales		(64,161)	(94,296)	(109,959)	(178,021)
Gross profit		7,959	12,675	13,318	21,353
Other incomes		1,110	33	2,227	65
Other expenses		(1,744)	(994)	(1,744)	(1,442)
Administrative expenses		(2,793)	(4,047)	(6,006)	(7,719)
Finance costs		(489)	(605)	(956)	(1,150)
Profit before taxation	5	4,043	7,062	6,839	11,107
Income tax expense	6	(950)	(1,159)	(1,224)	(1,889)
Profit and total comprehensive income for the period		3,093	5,903	5,615	9,218
Earnings per share					
— Basic (HK cents)	8	0.39	0.74	0.70	1.15

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		6,706	7,058
Right-of-use asset		361	494
Deferred tax assets		433	433
		<b>7,500</b>	7,985
<b>Current assets</b>			
Trade and other receivables	9	80,927	45,525
Contract assets	10	130,459	138,094
Pledged bank deposits		10,000	10,000
Bank balances and cash		18,530	41,788
		<b>239,916</b>	235,407
<b>Current liabilities</b>			
Trade and other payables	11	87,803	80,276
Dividend payables		2,000	–
Tax payables		5,564	1,402
Bank borrowings	12	40,045	53,187
Lease liability — current portion		282	277
		<b>135,694</b>	135,142
<b>Net current assets</b>		<b>104,222</b>	100,265
<b>Total assets less current liabilities</b>		<b>111,722</b>	108,250
<b>Non-current liabilities</b>			
Lease liability — non-current portion		48	191
		<b>48</b>	191
<b>Capital and reserves</b>			
Share capital	13	8,000	8,000
Reserves		103,674	100,059
Total equity		<b>111,674</b>	108,059
		<b>111,722</b>	108,250

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	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 2020 (audited)	<b>8,000</b>	<b>37,777</b>	<b>2,200</b>	<b>60,082</b>	<b>108,059</b>
Profit and total comprehensive income for the period	-	-	-	<b>5,615</b>	<b>5,615</b>
Dividends recognised as distribution ( <i>note 7</i> )	-	<b>(2,000)</b>	-	-	<b>(2,000)</b>
At 30 September 2020 (unaudited)	<b>8,000</b>	<b>35,777</b>	<b>2,200</b>	<b>65,697</b>	<b>111,674</b>
At 1 April 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

*Note:* Other reserve represents the aggregate of the share capital of Fulam Engineering Hong Kong Limited and Fulam Construction Engineering Company Limited, which were acquired by Idea Lion Limited and Diamond Step Ventures Limited, respectively, by issuing their respective new shares to the then controlling shareholders pursuant to the corporate reorganisation in 2016.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash used in operating activities	<b>(9,071)</b>	(12,113)
Net cash from investing activities	<b>49</b>	3,496
Net cash (used in) from financing activities	<b>(14,236)</b>	20,756
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(23,258)</b>	12,139
<b>Cash and cash equivalents at beginning of the period</b>	<b>41,788</b>	29,411
<b>Cash and cash equivalents at end of the period</b>	<b>18,530</b>	41,550



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2020*

## 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 2020 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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020.

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 2020 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging:				
Directors' emoluments	678	1,107	1,620	2,544
Other staff costs:				
Salaries and other allowances	3,136	4,342	6,270	8,129
Retirement benefit scheme contributions	172	125	350	250
	<b>3,308</b>	4,467	<b>6,620</b>	8,379
Total staff costs	<b>3,986</b>	5,574	<b>8,240</b>	10,923
Bank interest income	42	32	92	64
Depreciation of property, plant and equipment	198	191	396	379
Depreciation of right-of-use asset	66	66	132	132

## 6. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong Profits Tax — Current period	950	1,159	1,224	1,889

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, Hong Kong Profits Tax of a subsidiary, namely Fulam Construction Engineering Company Limited, for both periods 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. For other entities of the Group, they are taxed at a flat rate of 16.5% for both periods.

## 7. DIVIDEND

During the six months ended 30 September 2020, a final dividend of HK0.25 cent per share in respect of the year ended 31 March 2020 (2019: nil in respect of the year ended 31 March 2019) was declared to be paid to the shareholders of the Company. The aggregate amount of the 2020 final dividend declared during the six months ended 30 September 2020 was amounted to HK\$2.0 million (2019: nil). The 2020 final dividend was paid on 3 October 2020.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: HK\$4,000,000).

## 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 2020 are based on the followings:

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Earnings:</b> Earnings for the purpose of basic earnings per share (profit for the period)	<b>3,093</b>	5,903	<b>5,615</b>	9,218
<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.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Trade receivables	<b>39,937</b>	20,877
Less: allowance for credit loss	<b>(312)</b>	(312)
	<b>39,625</b>	20,565
Other receivables	<b>17,849</b>	13,249
Deposits for surety bonds (note i)	<b>13,346</b>	9,240
Prepaid subcontractor fee	<b>9,155</b>	1,657
Rental, utility and other deposits	<b>1,653</b>	1,281
Less: allowance for credit loss	<b>(701)</b>	(467)
Total trade and other receivables	<b>80,927</b>	45,525

### 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:

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
0-30 days	<b>28,036</b>	7,131
31-60 days	<b>5,149</b>	3,258
61-90 days	<b>34</b>	2,449
91-120 days	<b>16</b>	2,198
Over 120 days	<b>6,390</b>	5,529
	<b>39,625</b>	20,565

## 10. CONTRACT ASSETS

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Contract assets	<b>132,265</b>	140,134
Less: allowance for credit loss	<b>(1,806)</b>	(2,040)
	<b>130,459</b>	138,094
Analysed as current:		
Unbilled revenue of building renovation and construction services	<b>70,426</b>	80,646
Unbilled retention receivables of building renovation and construction services	<b>60,033</b>	57,448
	<b>130,459</b>	138,094

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 bill 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

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Trade payables	<b>20,326</b>	18,779
Accrued costs of materials and subcontracting charges	<b>20,807</b>	15,836
Deposits received (note i)	<b>978</b>	978
Other accruals	<b>2,821</b>	3,376
Retention payables to subcontractors (note ii)	<b>42,871</b>	41,307
Total trade and other payables	<b>87,803</b>	80,276

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 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
0–30 days	<b>8,449</b>	10,995
31–60 days	<b>7,090</b>	3,320
61–90 days	<b>1,223</b>	2,924
Over 90 days	<b>3,564</b>	1,540
	<b>20,326</b>	18,779

## 12. BANK BORROWINGS

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Secured bank borrowings:		
Bank loans	<b>28,933</b>	35,620
Factoring loans	<b>11,112</b>	17,567
	<b>40,045</b>	53,187
Carrying amounts repayable ( <i>note</i> ):		
On demand or within one year	<b>37,955</b>	51,079
More than one year, but not exceeding two years	<b>148</b>	141
More than two years, but not exceeding five years	<b>475</b>	624
More than five years	<b>1,467</b>	1,343
Amount shown under current liabilities	<b>40,045</b>	53,187

*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% 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 2020 (which are also equal to contracted interest rates) is 4.0% to 5.5% per annum.

These bank borrowings are drawn under banking facilities.

As at 30 September 2020, 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 HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised At 1 April 2020 and 30 September 2020	2,000,000,000	20,000
Issued and fully paid At 1 April 2020 and 30 September 2020	800,000,000	8,000

### 14. RELATED PARTY DISCLOSURES

#### (i) Transactions

During the period, the Group entered into the following transaction with its related party:

Related parties	Nature of transactions	Three months ended 30 September		Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Mr. Leung Ka Ho, Raymond	Short-term lease expense of a car parking space	15	15	30	30

#### (ii) Compensation of key management personnel

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Director's fees	108	108	216	216
Salaries and other allowances	561	990	1,386	2,310
Retirement benefits scheme contributions	9	9	18	18
	<b>678</b>	1,107	<b>1,620</b>	2,544

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

## 15. SURETY BONDS AND CONTINGENT LIABILITIES

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

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

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Issued by insurance companies	<b>52,052</b>	41,432

# 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.

The Pandemic in Hong Kong since January 2020 has adversely impacted the overall domestic economy, and the growth of construction industry and the RMAA works industry, are expected to be negatively affected and slowed down.

The Pandemic and the implementation of the quarantine policy in response to the Pandemic are affecting the operation of the entire supply chain and their impact on supply of construction materials is unavoidable. Even though the domestic epidemic situation in Hong Kong appears to be under control and the social activities are gradually resuming, the Pandemic is still spreading around the globe. The impact of the Pandemic on the supply of construction materials and the overall economy remains to be seen. The Group has put in place certain action plans, e.g. closely communicating with the construction materials suppliers, taking body temperature for all workers before entering sites, and adopting video conference for tendering interview, etc.

For the six months ended 30 September 2020, there were 35 projects (2019: 31 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 2020 the Group was awarded 12 new projects, with total original contract sum of approximately \$159.8 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 strengthen the market position in the industry and expand the market share.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue decreased from approximately HK\$199.4 million for the six months ended 30 September 2019 to approximately HK\$123.3 million for the six months ended 30 September 2020, representing a decrease of approximately 38.2% between the two periods mainly due to the commencement of less projects with larger contract sum during the period ended 30 September 2020.

### **Cost of Sales**

The cost of sales decreased from approximately HK\$178.0 million for the six months ended 30 September 2019 to approximately HK\$110.0 million for the six months ended 30 September 2020, representing a decrease of approximately 38.2% between the two periods mainly attributable to the decrease in revenue as discussed above.

## **Gross Profit**

Gross profit of the Group decreased by approximately HK\$8.1 million from approximately HK\$21.4 million for the six months ended 30 September 2019 to approximately HK\$13.3 million for the six months ended 30 September 2020. The decrease was mainly driven by the decrease revenue for the six months ended 30 September 2020 as discussed above. The overall gross profit margin increased slightly from approximately 10.7% for the six months ended 30 September 2019 to approximately 10.8% for the six months ended 30 September 2020 as the projects undertaken by the Group during the six months ended 30 September 2020 are generally in higher gross profit margin, resulting in the extent of decrease in subcontracting charges and construction material costs more than that of the decrease in revenue for the six months ended 30 September 2020.

## **Other Incomes**

Other incomes of the Group increased by approximately HK\$2.1 million from approximately HK\$65,000 for the six months ended 30 September 2019 to approximately HK\$2.2 million for the six months ended 30 September 2020. Other incomes for the six months ended 30 September 2020 primarily consist of the subsidy income received from the Government of the HKSAR under the Employment Support Scheme.

## **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 decreased by approximately HK\$1.7 million or 22.1% from approximately HK\$7.7 million for the six months ended 30 September 2019 to approximately HK\$6.0 million for the six months ended 30 September 2020.

Administrative expenses primarily consist of staff costs, audit fee and other professional costs in relation to the compliance with the GEM Listing Rules. The decrease was mainly attributable to the decrease in staff costs paid to directors due to the temporary 30% salary reduction of the two Executive Directors during the period.

## Finance Costs

Finance costs for the Group decreased by approximately HK\$0.2 million or 16.7% from approximately HK\$1.2 million for the six months ended 30 September 2019 to approximately HK\$1.0 million for the six months ended 30 September 2020. 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 2020.

## Income Tax Expense

Income tax expense for the Group decreased by approximately HK\$0.7 million or 36.8% from approximately HK\$1.9 million for the six months ended 30 September 2019 to approximately HK\$1.2 million for the six months ended 30 September 2020. The decrease was mainly attributable to the decrease in profit before taxation from approximately HK\$11.1 million for the six months ended 30 September 2019 to approximately HK\$6.8 million for the six months ended 30 September 2020.

## 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\$3.6 million or 39.1% from approximately HK\$9.2 million for the six months ended 30 September 2019 to approximately HK\$5.6 million for the six months ended 30 September 2020.

Such decrease was primarily attributable to the net effect of (i) the decrease in revenue and gross profit for the six months ended 30 September 2020; (ii) the increase in profession fees incurred for the Transfer of Listing; (iii) the increase in other incomes relating to the subsidy income; and (iv) the decrease in the administrative expenses incurred by the Group for the six months ended 30 September 2020. The profit and total comprehensive income for the period attributable to the owners of the Company would decrease by approximately HK\$3.3 million or 31.0% excluding the effect of the Transfer of Listing of approximately HK\$1.7 million for the six months ended 30 September 2020 (2019: HK\$1.4 million).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The current ratio increased from approximately 1.7 time as at 31 March 2020 to approximately 1.8 time as at 30 September 2020.

As at 30 September 2020, the Group had bank borrowings of approximately HK\$40.0 million (31 March 2020: approximately HK\$53.2 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 49.2% as at 31 March 2020 to approximately 35.9% as at 30 September 2020. 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 2020, 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.

## **CAPITAL COMMITMENTS**

The Group had no capital commitments as at 30 September 2020 (31 March 2020: nil).

## **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 2020, 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 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.



## **CONTINGENT LIABILITIES**

Save as disclosed on note 15 to the unaudited condensed consolidated financial statements, as at 30 September 2020, 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 2020, the Group's pledged its bank deposit to banks of approximately HK\$10.0 million (31 March 2020: approximately HK\$10.0 million) to secure the short-term bank loans and other general banking facilities granted to the Group.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2020, the Group employed a total of 52 employees (31 March 2020: 52 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$8.2 million for the six months ended 30 September 2020 (30 September 2019: approximately HK\$10.9 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.

## DISCLOSURE OF INTERESTS

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

As at 30 September 2020, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

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

#### Notes:

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

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

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

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

Save as disclosed above, as at 30 September 2020, 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 2020, 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 2020 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 2020.

## **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 2020.

## **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 2020, 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 2020.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: HK\$4,000,000).

## **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 2020.

## 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 2020.

By order of the Board

**Chi Ho Development Holdings Limited**  
**Leung Ka Ho, Raymond**

*Chairman and Executive Director*

Hong Kong, 13 November 2020

*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.*