



# Chi Ho Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 8423**

# 2021

## Interim Report



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

**GEM has been positioned as a market designed to accommodate small and mid-sized 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 that the companies listed on GEM are generally small and mid-sized companies, 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**”, and together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) 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 Listed Company Information” 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 on 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

## LEGAL ADVISERS

*(as to Hong Kong laws)*

ONC Lawyers  
19th Floor, Three Exchange Square  
8 Connaught Place, Central  
Hong Kong

## AUDITORS

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*

## **REGISTERED OFFICE**

Windward 3, Regatta Office Park  
P.O. Box 1350  
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**

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
P.O. Box 1350  
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

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2021 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

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

For the three and six months ended 30 September 2021

	Notes	Three months ended 30 September		Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	61,034	72,120	128,673	123,277
Cost of sales		(51,990)	(64,161)	(110,127)	(109,959)
Gross profit		9,044	7,959	18,546	13,318
Other incomes		3	1,110	8	2,227
Other expenses		(195)	(1,744)	(591)	(1,744)
Administrative expenses		(3,370)	(2,793)	(7,077)	(6,006)
Finance costs		(593)	(489)	(1,066)	(956)
Profit before taxation	5	4,889	4,043	9,820	6,839
Income tax expense	6	(838)	(950)	(1,531)	(1,224)
Profit and total comprehensive income for the period		4,051	3,093	8,289	5,615
Earnings per share					
— Basic (HK cents)	8	0.51	0.39	1.04	0.70

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		6,500	6,347
Right-of-use asset		94	227
Deferred tax assets		532	532
		<b>7,126</b>	7,106
<b>Current assets</b>			
Trade and other receivables	9	82,526	80,095
Contract assets	10	145,196	130,347
Pledged bank deposits		10,000	10,000
Bank balances and cash		18,526	33,318
		<b>256,248</b>	253,760
<b>Current liabilities</b>			
Trade and other payables	11	74,497	91,556
Dividend payables		2,000	–
Tax payables		1,476	957
Bank borrowings	12	51,562	40,660
Lease liability — current portion		48	191
		<b>129,583</b>	133,364
<b>Net current assets</b>		<b>126,665</b>	120,396
<b>Net assets</b>		<b>133,791</b>	127,502
<b>Capital and reserves</b>			
Share capital	13	8,000	8,000
Reserves		125,791	119,502
<b>Total equity</b>		<b>133,791</b>	127,502

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	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 1 April 2021 (audited)	<b>8,000</b>	<b>35,777</b>	<b>2,200</b>	<b>81,525</b>	<b>127,502</b>
Profit and total comprehensive income for the period	-	-	-	<b>8,289</b>	<b>8,289</b>
Dividend recognised as distribution ( <i>note 7</i> )	-	<b>(2,000)</b>	-	-	<b>(2,000)</b>
At 30 September 2021 (unaudited)	<b>8,000</b>	<b>33,777</b>	<b>2,200</b>	<b>89,814</b>	<b>133,791</b>
At 31 March 2020 (audited)	8,000	37,777	2,200	60,082	108,059
Profit and total comprehensive income for the period	-	-	-	5,615	5,615
Dividends recognised as distribution ( <i>note 7</i> )	-	(2,000)	-	-	(2,000)
At 30 September 2020 (unaudited)	8,000	35,777	2,200	65,697	111,674

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 2021

	<b>Six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash used in operating activities	<b>(24,025)</b>	(9,071)
Net cash (used in) from investing activities	<b>(460)</b>	49
Net cash from (used in) financing activities	<b>9,693</b>	(14,236)
<b>Net decrease in cash and cash equivalents</b>	<b>(14,792)</b>	(23,258)
<b>Cash and cash equivalents at beginning of the period</b>	<b>33,318</b>	41,788
<b>Cash and cash equivalents at end of the period</b>	<b>18,526</b>	18,530



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 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 (as revised) of the Cayman Islands and its shares have been listed on GEM of 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 Windward 3, Regatta Office Park, P.O. Box 1350, 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 for the six months ended 30 September 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" 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 should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2021 which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**").

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 2021 are consistent with those applied in the audited consolidated financial statements for the year ended 31 March 2021.

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 2021 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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 revenue 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging:				
Directors' remuneration	1,107	678	2,214	1,620
Other staff costs:				
Salaries and other allowances	3,502	3,136	6,963	6,270
Retirement benefit scheme contributions	132	172	286	350
	<b>3,634</b>	3,308	<b>7,249</b>	6,620
Total staff costs	<b>4,741</b>	3,986	<b>9,463</b>	8,240
Bank interest income	3	42	8	92
Depreciation of property, plant and equipment	136	198	315	396
Depreciation of right-of-use asset	66	66	133	132

## 6. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong Profits Tax				
— Current period	838	950	1,531	1,224

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 2021, a final dividend of HK0.25 cents per share in respect of the year ended 31 March 2021 (2020: a final dividend of HK0.25 cents per share in respect of the year ended 31 March 2020) was declared to be paid to the shareholders of the Company. The aggregate amount of the 2021 final dividend declared during the six months ended 30 September 2021 was amounted to HK\$2.0 million (2020: HK\$2.0 million). The 2021 final dividend was paid on 8 October 2021.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: nil).

## 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 2021 are based on the followings:

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Earnings:</b>				
Earnings for the purpose of basic earnings per share (profit for the period)	4,051	3,093	8,289	5,615
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	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

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Trade receivables	<b>32,920</b>	42,704
Less: allowance for credit loss	<b>(315)</b>	(371)
	<b>32,605</b>	42,333
Other receivables	<b>14,483</b>	15,188
Deposits for surety bonds (note i)	<b>17,672</b>	15,533
Prepaid subcontractor fee	<b>16,080</b>	6,455
Rental, utility and other deposits	<b>2,247</b>	1,147
	<b>50,482</b>	38,323
Less: allowance for credit loss	<b>(561)</b>	(561)
	<b>49,921</b>	37,762
Total trade and other receivables	<b>82,526</b>	80,095

Note:

- (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 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
0–30 days	<b>18,366</b>	32,043
31–60 days	<b>3,455</b>	4,399
61–90 days	<b>2,439</b>	366
91–120 days	<b>145</b>	204
Over 120 days	<b>8,200</b>	5,321
	<b>32,605</b>	42,333

## 10. CONTRACT ASSETS

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Contract assets	<b>147,503</b>	132,598
Less: allowance for credit loss	<b>(2,307)</b>	(2,251)
	<b>145,196</b>	130,347
Analysed as current:		
Unbilled revenue of building renovation and construction services	<b>93,822</b>	68,291
Unbilled retention receivables of building renovation and construction services	<b>51,374</b>	62,056
	<b>145,196</b>	130,347

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 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 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Trade payables	<b>21,596</b>	21,762
Accrued costs of materials and subcontracting charges	<b>17,775</b>	26,448
Other accruals	<b>2,610</b>	3,003
Retention payables to subcontractors ( <i>note 1</i> )	<b>32,516</b>	40,343
Total trade and other payables	<b>74,497</b>	91,556

*Note:*

- (i) 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 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
0–30 days	<b>10,883</b>	7,141
31–60 days	<b>4,644</b>	9,658
61–90 days	<b>1,910</b>	2,525
Over 90 days	<b>4,159</b>	2,438
	<b>21,596</b>	21,762

## 12. BANK BORROWINGS

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Secured bank borrowings:		
Bank loans	<b>37,247</b>	24,142
Factoring loans	<b>14,315</b>	16,518
	<b>51,562</b>	40,660
Carrying amounts repayable ( <i>note</i> ):		
Within one year	<b>49,627</b>	33,943
More than one year, but not exceeding two years	<b>160</b>	1,365
More than two years, but not exceeding five years	<b>500</b>	4,161
More than five years	<b>1,275</b>	1,191
Amount shown under current liabilities	<b>51,562</b>	40,660

*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 ("HKPR") of the relevant bank plus 0.5% per annum, at HKPR of the relevant bank minus 2.5% per annum or at one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 2% per annum. Factoring loans carry interest at Hong Kong Dollar Best Lending Rate ("HKD BLR") plus 0.5% per annum.

The range of effective interest rates on bank borrowings as at 30 September 2021 (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 2021, except for a banking facility covering a bank loan of HK\$20,000,000 which is secured by personal guarantees provided by the executive Directors of the Company, the remaining 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

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2021 and 30 September 2021	2,000,000,000	20,000
Issued and fully paid:		
At 31 March 2021 and 30 September 2021	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	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Director's fees	108	108	216	216
Salaries and other allowances	990	561	1,980	1,386
Retirement benefits scheme contributions	9	9	18	18
	<b>1,107</b>	678	<b>2,214</b>	1,620

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

## 15. SURETY BONDS

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 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Issued by insurance companies	33,178	33,680

# 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, and site formation and geotechnical 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 the environmental, safety 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 2021, there were 30 projects (2020: 35 projects) with revenue contribution undertaken by the Group. During the six months ended 30 September 2021, the Group was awarded 9 new projects, with total original contract sum of approximately \$78.9 million.

Since the first confirmed case of COVID-19 in Hong Kong was reported in January 2020, the Directors have been closely monitoring the development of the outbreak of COVID-19 (the "**Pandemic**") and keeping communication with the Group's customers, suppliers and subcontractors proactively and regularly to ascertain whether the Pandemic would lead to (i) any significant impact on the status or progress of ongoing projects; and (ii) any supply shortages on construction materials and labour resources.

In view of the ongoing Pandemic, the Directors have implemented the following policies to minimise the impact of the Pandemic on the Group's business operations:

- (i) to discuss and prepare the contingency plans during the planning stage of projects. The contingency plans would generally include the assignment of alternate personnel to replace any project team members in the event they have any respiratory symptom, and the details of alternate suppliers and subcontractors;

- (ii) to avoid shortage in supply of construction materials due to temporary closure of the suppliers' production facilities, transportation constraints or any disruption of the supply chain of construction materials, the Group would obtain more quotations from different suppliers for back-up purpose; and
- (iii) to ensure sufficient labour resources, the Group would obtain more quotations from different subcontractors for back-up purpose.

In addition, in response to the Pandemic, the Group have implemented the following precautionary measures:

- (i) require staff and workers who are not fully vaccinated to undergo compulsory testing regularly;
- (ii) require staff and visitors to wear a surgical mask when staying at office or work site at all times;
- (iii) monitor the stock level of personal care products (such as surgical masks and hand sanitisers);
- (iv) conduct mandatory daily temperature checks for staff and visitors in office and work sites;
- (v) arrange regular cleaning of office with appropriate disinfectant;
- (vi) require staff not to go to office when having respiratory symptoms, and work from home if feasible;
- (vii) require mandatory reporting by employees who (or their family members residing with them) travelled outside Hong Kong, and requiring 14 days' self-quarantine for those who (or whose family members residing with them) returned to Hong Kong;
- (viii) arrange laptops with remote access for employees who work from home;
- (ix) request subcontractors to withdraw their staff who travelled outside Hong Kong and returned to Hong Kong;
- (x) provide publicity materials on prevention of COVID-19 for all staff members;

- (xi) keep close communication with any staff at work sites who has been confirmed positive for COVID-19; and
- (xii) monitor and keep track of the development of the Pandemic in Hong Kong and update the Group's staff.

During the Relevant Period, none of the projects had been subject to significant delay or suspension of work due to the Pandemic. Notwithstanding that the Pandemic has slowed down the overall economy in Hong Kong, the Group's operations and financial performance had not been materially affected by the Pandemic. The Directors will continue to closely monitor the latest development of the Pandemic and assess and respond to its impact on the Group's results of operations, cash flows and financial condition.

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. In addition, as disclosed in the announcement of the Company dated 11 August 2021, the application (the "**Application**") to the Stock Exchange for the transfer of the listing has lapsed and no resubmission has been made at this stage. The Board believes that the lapse of the Application has no material adverse impact on the financial or business operations of the Group. Going forward, the Group will continue to explore business and investment opportunities to further strengthen the Group's income stream. In this regard, the Group may consider whether any acquisitions, business rationalisation, fund raising and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased from approximately HK\$123.3 million for the six months ended 30 September 2020 to approximately HK\$128.7 million for the six months ended 30 September 2021, representing an increase of approximately 4.4%. Such increase was mainly due to the commencement of more projects with larger contract sum during the six months ended 30 September 2021.

### **Cost of Sales**

The Group's cost of sales remained stable at approximately HK\$110.1 million and HK\$110.0 million for the six months ended 30 September 2021 and 2020, respectively.

### **Gross Profit**

The Group's gross profit increased by approximately HK\$5.3 million from approximately HK\$13.3 million for the six months ended 30 September 2020 to approximately HK\$18.5 million for the six months ended 30 September 2021. Such increase was mainly driven by the increase in revenue for the six months ended 30 September 2021 as discussed above. The Group's overall gross profit margin increased from approximately 10.8% for the six months ended 30 September 2020 to approximately 14.4% for the six months ended 30 September 2021 as the extent of increase in subcontracting charges and construction material costs was less than that of the increase in revenue for the six months ended 30 September 2021.

### **Other Incomes**

The Group's other incomes decreased by approximately HK\$2.2 million from approximately HK\$2.2 million for the six months ended 30 September 2020 to approximately HK\$8,000 for the six months ended 30 September 2021. Other incomes for the six months ended 30 September 2020 primarily comprised the subsidy income received from the Government of the HKSAR under the Employment Support Scheme.

## Other Expenses

The Group's other expenses represented the professional fees incurred for transfer of listing (the "**Transfer of Listing**") during the Relevant Period.

## Administrative Expenses

The Group's administrative expenses primarily comprised staff costs, audit fee and other professional costs in relation to the compliance with the GEM Listing Rules. The Group's administrative expenses increased by approximately HK\$1.1 million or 18.3% from approximately HK\$6.0 million for the six months ended 30 September 2020 to approximately HK\$7.1 million for the six months ended 30 September 2021.

Such increase was mainly attributable to the increase in staff costs paid to directors as there was temporary 30% salary reduction of the two executive Directors during the six months ended 30 September 2020 which was ended in March 2021.

## Finance Costs

The Group's finance costs increased by approximately HK\$0.1 million or 10.0% from approximately HK\$1.0 million for the six months ended 30 September 2020 to approximately HK\$1.1 million for the six months ended 30 September 2021. Such increase was mainly due to the increase in usage of loan settlement for trade payables and factoring loan during the six months ended 30 September 2021.

## Income Tax Expense

The Group's income tax expense increased by approximately HK\$0.3 million or 25.0% from approximately HK\$1.2 million for the six months ended 30 September 2020 to approximately HK\$1.5 million for the six months ended 30 September 2021. Such increase was mainly attributable to the increase in profit before taxation from approximately HK\$6.8 million for the six months ended 30 September 2020 to approximately HK\$9.8 million for the six months ended 30 September 2021.

## **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\$2.7 million or 48.2% from approximately HK\$5.6 million for the six months ended 30 September 2020 to approximately HK\$8.3 million for the six months ended 30 September 2021.

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 2021; (ii) the decrease in profession fees incurred for the Transfer of Listing; (iii) the decrease in other incomes relating to the subsidy income, offset by the increase in the administrative expenses incurred by the Group for the six months ended 30 September 2021.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's current ratio increased from approximately 1.9 times as at 31 March 2021 to approximately 2.0 times as at 30 September 2021.

As at 30 September 2021, the Group had bank borrowings of approximately HK\$51.6 million (31 March 2021: approximately HK\$40.7 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 31.9% as at 31 March 2021 to approximately 38.5% as at 30 September 2021. 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**

There has been no change in the capital structure of the Group since the Listing. The share capital of the Company only comprises ordinary shares.

As at 30 September 2021, 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 2021 (31 March 2021: 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 2021, 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 2021, 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 in respect of surety bonds, as at 30 September 2021, 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 2021, the Group's pledged its bank deposit to banks of approximately HK\$10.0 million (31 March 2021: 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 2021, the Group employed a total of 56 employees (31 March 2021: 54 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$9.5 million for the six months ended 30 September 2021 (30 September 2020: approximately HK\$8.2 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 2021, 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:

- 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 of the Company dated 28 February 2017 ("**Prospectus**").

2. 533,000,000 Shares in which Mr. Leung is interested consist of (i) 333,410,000 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) 199,590,000 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) 199,590,000 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) 333,410,000 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 2021, 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 2021, 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 2021 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 2021.

## 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 2021.

## CORPORATE GOVERNANCE CODE

Pursuant to the code provision A.2.1 of the Corporate Governance Code (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 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 2021, save as disclosed above, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 15 to 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 non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the period ended 30 September 2021.

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: nil).

## SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 22 February 2017 (the **"Share Option Scheme"**). The terms of the Share Option 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 2021.

## AUDIT COMMITTEE

The Company established an audit committee (the **"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 2021.

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

Hong Kong, 5 November 2021

*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.*