



Chi Ho Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8423

2022

Interim Report



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*This report, for which the directors (collectively the “**Directors**” and each, the “**Director**”) 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 Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its publication and on the Company’s website at www.chdev.com.hk.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Leung Ka Ho, Raymond (*Chairman*)
Mr. Ho Chi Kwan

Independent non-executive Directors

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

COMPANY SECRETARY

Mr. Chung Kiu Pan

COMPLIANCE OFFICER

Mr. Leung Ka Ho, Raymond

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

SAFETY COMPLIANCE COMMITTEE

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

LEGAL ADVISER TO THE COMPANY

As to Hong Kong law:

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

AUDITOR

McMillan Woods (Hong Kong)
CPA Limited
Certified Public Accountants
24/F., Siu On Centre
188 Lockhart Road, Wan Chai
Hong Kong

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

Units 901, 902 and 908, 9/F
Magnet Place Tower 1
77–81 Container Port Road
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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE ADDRESS

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 2022 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2022

	Notes	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	84,572	61,034	168,851	128,673
Cost of sales		(72,501)	(51,990)	(146,870)	(110,127)
Gross profit		12,071	9,044	21,981	18,546
Other income		478	3	552	8
Impairment losses under expected credit loss model, net of reversal		(577)	-	(577)	-
Other expenses		-	(195)	-	(591)
Administrative expenses		(4,915)	(3,370)	(9,482)	(7,077)
Finance costs		(1,549)	(593)	(2,330)	(1,066)
Profit before taxation	5	5,508	4,889	10,144	9,820
Income tax expense	6	(1,040)	(838)	(1,776)	(1,531)
Profit and total comprehensive income for the period		4,468	4,051	8,368	8,289
Earnings per share					
— Basic (HK cents)	8	0.56	0.51	1.05	1.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current assets			
Interest in an associate		—*	—
Property, plant and equipment		5,928	6,574
Right-of-use asset		4,018	4,688
Investment property	9	8,100	8,100
Amount due from a related party	16	3,130	—
Deposit paid for a life insurance policy	10	9,465	—
Deferred tax assets		510	510
		31,151	19,872
Current assets			
Trade and other receivables	11	108,391	81,003
Contract assets	12	155,027	134,536
Pledged bank deposits		—	10,000
Bank balances and cash		23,476	51,279
		286,894	276,818
Current liabilities			
Trade and other payables	13	92,558	65,622
Tax payable		4,195	1,362
Bank borrowings	14	72,721	88,840
Lease liabilities — current portion		1,276	1,242
		170,750	157,066
		116,144	119,752
Net current assets			
		147,295	139,624
Non-current liabilities			
Lease liabilities — non-current portion		2,873	3,570
Deferred tax liability		175	175
		3,048	3,745
Capital and reserves			
Share capital	15	8,000	8,000
Reserves		136,247	127,879
Total equity		144,247	135,879
		147,295	139,624

* The amount is below HK\$1,000.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Share capital	Share premium	Property revaluation reserve	Other reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000
At 1 April 2022 (audited)	8,000	33,777	2,355	2,200	89,547	135,879
Profit and total comprehensive income for the period	-	-	-	-	8,368	8,368
At 30 September 2022 (unaudited)	8,000	33,777	2,355	2,200	97,915	144,247
At 31 March 2021 (audited)	8,000	35,777	-	2,200	81,525	127,502
Profit and total comprehensive income for the period	-	-	-	-	8,289	8,289
Dividend recognised as distribution (note 7)	-	(2,000)	-	-	-	(2,000)
At 30 September 2021 (unaudited)	8,000	33,777	-	2,200	89,814	133,791

Note: Other reserve represents the aggregate of the share capital of Fulam Engineering Hong Kong Limited and Fulam Construction Engineering Company Limited ("**Fulam Construction**"), 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 2022

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(6,165)	(24,025)
Net cash used in investing activities	(3,088)	(460)
Net cash (used in) generated from financing activities	(18,550)	9,693
Net decrease in cash and cash equivalents	(27,803)	(14,792)
Cash and cash equivalents at beginning of the period	51,279	33,318
Cash and cash equivalents at end of the period	23,476	18,526

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 Units 901, 902 and 908, 9/F, Magnet Place Tower 1, 77-81 Container Port Road, Kwai Chung, New Territories, Hong Kong, respectively.

The Company acts as an investment holding company. The Company's subsidiaries are principally engaged in (i) provision of renovation works, maintenance works, alteration and addition works ("**RMAA**") and fitting-out works, site formation and geotechnical works and new capital works in Hong Kong; and (ii) property investment in Hong Kong to earn rental income.

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 2022 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 2022 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 2022 are consistent with those applied in the audited consolidated financial statements for the year ended 31 March 2022.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for investment property which was measured at fair value.

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 2022 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 provision of the construction services (which included RMAA and fitting-out works, site formation and geotechnical works, and new capital works) to external customers and rental income from property investment in Hong Kong.

For the purposes of resources allocation and performance assessment, the chief operating decision maker, 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. The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

1. Construction — RMAA and fitting-out works, site formation and geotechnical works and new capital works in Hong Kong
2. Property — property investment in Hong Kong

An analysis of the Group's reportable segment revenue by reportable and operating segment is as follows:

For the six months ended 30 September 2022

	Construction <i>HK\$'000</i> (Unaudited)	Property <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue			
Renovation and maintenance works	89,833	–	89,833
Alteration and addition works, and fitting-out works	30,030	–	30,030
Mixed projects (<i>note</i>)	48,291	–	48,291
Site formation and geotechnical works	–	–	–
New capital works	500	–	500
	168,654	–	168,654
Revenue from contracts with customers	–	197	197
Revenue from property leasing			
Total segment revenue	168,654	197	168,851

For the six months ended 30 September 2021

	<i>Construction</i> <i>HK\$'000</i> <i>(Unaudited)</i>	<i>Property</i> <i>HK\$'000</i> <i>(Unaudited)</i>	<i>Total</i> <i>HK\$'000</i> <i>(Unaudited)</i>
Revenue			
Renovation and maintenance works	41,410	–	41,410
Alteration and addition works, and fitting-out works	28,407	–	28,407
Mixed projects (<i>note</i>)	57,949	–	57,949
Site formation and geotechnical works	907	–	907
	128,673	–	128,673
Revenue from contracts with customers	–	–	–
Revenue from property leasing			
Total segment revenue	128,673	–	128,673

Note: Mixed projects represent the mixture of both RMAA and fitting-out works provided in a project.

5. PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging:				
Directors' remuneration	1,407	1,107	2,814	2,214
Other staff costs:				
Salaries and other allowances	4,490	3,502	8,486	6,963
Retirement benefit scheme contributions	171	132	337	286
	4,661	3,634	8,823	7,249
Total staff costs	6,068	4,741	11,637	9,463
Bank interest income	13	3	87	8
Depreciation of property, plant and equipment	363	136	728	315
Depreciation of right-of-use asset	335	66	670	133

6. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong Profits Tax				
— Current period	1,040	838	1,776	1,531

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, 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

For the six months ended 30 September 2022, the directors of the Company have resolved that an interim dividend of HK0.25 cents per share amounting to HK\$2,000,000 in aggregate (six months ended 30 September 2021: nil) will be paid to the shareholders of the Company whose names appear in the register of members of the Company on 30 November 2022.

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 2022 are based on the followings:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Earnings:				
Earnings for the purpose of basic earnings per share (profit for the period)	4,468	4,051	8,368	8,289
Number of shares:				
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. INVESTMENT PROPERTY

The Group leased out office under operating lease with monthly rentals. The lease runs for a period of 2 years. The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	Investment property HK\$'000
FAIR VALUE	
At 1 April 2022 (audited) and 30 September 2022 (unaudited)	8,100
Gain on property revaluation included in profit or loss	—

As at 30 September 2022, the carrying amount of investment property pledged as security for the Group's bank borrowing amounted to HK\$8,100,000 (31 March 2022: HK\$8,100,000).

10. DEPOSIT PAID FOR A LIFE INSURANCE POLICY

During the six months ended 30 September 2022, Fulam Construction has entered into a life insurance contract with an insurance company to insure the chief financial officer of the Company. Under the life insurance policy, the beneficiary and policy holder is Fulam Construction, and Fulam Construction was required to pay an upfront payment for the life insurance policy. Fulam Construction may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus policy expense and insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteen policy year, as appropriate, a pre-determined specified surrender charge would be imposed. The policy premium expense and insurance charges are recognised in profit or loss over the expected life of the life insurance policy and the deposit placed is carried at amortised cost using the effective interest method. The deposit placed for the life insurance policy carries guaranteed interests at interest rates ranging from 2% to 4.25% plus a premium determined by the insurance company during the tenures of the policy.

Particulars of the policy are as follows:

Insured sum	Upfront payment	Guaranteed interest rates	
		First year	Second year and onwards
US\$6,100,000 (equivalent to approximately HK\$47,580,000)	US\$1,276,467 (equivalent to approximately HK\$10,027,000)	4.25% per annum	2% per annum

The carrying amounts of deposit placed for a life insurance policy at the end of the reporting period are set out as below:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Deposit paid for a life insurance policy	9,465	–

The carrying amounts of the deposit paid for a life insurance policy as at 30 September 2022 approximate the Cash Value of the insurance policy and the expected life of the policy remained unchanged from the initial recognition. The entire balance of the life insurance policy is denominated in United States dollar.

11. TRADE AND OTHER RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivables	57,367	33,489
Less: allowance for credit loss	(409)	(237)
	56,958	33,252
Other receivables	13,557	14,612
Deposits for surety bonds (note i)	15,719	16,977
Project deposits placed with customers	–	129
Prepaid subcontractor fee	17,431	13,232
Rental, utility, other deposits and prepaid expenses	5,316	3,391
	52,023	48,341
Less: allowance for credit loss	(590)	(590)
	51,433	47,751
Total trade and other receivables	108,391	81,003

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 60 days to its customers for its trade receivables.

The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on invoice dates at the end of the reporting period:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0–30 days	38,406	27,587
31–60 days	1,739	1,665
61–90 days	4,873	1,440
Over 90 days	11,940	2,560
	56,958	33,252

12. CONTRACT ASSETS

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Contract assets	157,961	137,065
Less: allowance for credit loss	(2,934)	(2,529)
	155,027	134,536
Analysed as current:		
Unbilled revenue of construction services	98,439	81,642
Unbilled retention receivables of construction services	56,588	52,894
	155,027	134,536

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 issued the 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.

13. TRADE AND OTHER PAYABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade payables	33,950	14,833
Accrued subcontracting charges	22,627	16,278
Deposits received	66	785
Other accruals	507	2,407
Retention payables to subcontractors (<i>note i</i>)	35,408	31,319
Total trade and other payables	92,558	65,622

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:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0–30 days	32,246	7,089
31–60 days	288	5,579
61–90 days	2	1,010
Over 90 days	1,414	1,155
	33,950	14,833

14. BANK BORROWINGS

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Secured bank borrowings:		
Bank loans	52,721	74,291
Factoring loans	20,000	14,549
	72,721	88,840
Carrying amounts repayable (<i>note</i>):		
Within one year	66,088	79,791
More than one year, but not exceeding two years	1,133	1,281
More than two years, but not exceeding five years	3,548	4,188
More than five years	1,952	3,580
Amount shown under current liabilities	72,721	88,840

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 per annum, at HKPR of the relevant bank minus 2.25% per annum or at one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.9% per annum. Factoring loans carry interest at Hong Kong Dollar Best Lending Rate ("HKD BLR") per annum.

The range of effective interest rates on bank borrowings as at 30 September 2022 (which are also equal to contracted interest rates) is 2.875% to 5.125% per annum.

As at 30 September 2022, except for a banking facility covering a bank loan of HK\$6,000,000 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, a subsidiary of the Group, certain trade receivables and contract assets, and deposit paid for a life insurance policy.

15. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2022 and 30 September 2022	2,000,000,000	20,000
Issued and fully paid:		
At 31 March 2022 and 30 September 2022	800,000,000	8,000

16. RELATED PARTY DISCLOSURES

(i) Balance

As at 30 September 2022, the advance to a related party being a wholly-owned subsidiary of an associate of the Company amounting to approximately HK\$3,130,000 (31 March 2022: nil) is unsecured, interest bearing at one-month HIBOR plus 2.85% per annum and repayable after one year.

(ii) Transactions

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

Related party	Nature of transactions	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Mr. Leung Ka Ho, Raymond	Short-term lease expense of a car parking space	15	15	30	30

(iii) Compensation of key management personnel

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Directors' fees	108	108	216	216
Salaries and other allowances	1,290	990	2,580	1,980
Retirement benefits scheme contributions	9	9	18	18
	1,407	1,107	2,814	2,214

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

17. 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 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Issued by insurance companies	56,560	41,540

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established main contractor for the provision of RMAA and fitting-out works, site formation and geotechnical works, and new capital 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. The Group also engages in property investment in Hong Kong and earns rental income.

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.

During the six months ended 30 September 2022, there were 40 projects (six months ended 30 September 2021: 30 projects) with revenue contribution undertaken by the Group. During the six months ended 30 September 2022, the Group was awarded 17 (six months ended 30 September 2021: 9) new projects, with total original contract sum of approximately HK\$182.4 million (six months ended 30 September 2021: HK\$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) has been confirmed positive for COVID-19;
- (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 progress of recovery of Hong Kong from the Pandemic, which in turn affects the development of the construction industry in Hong Kong as well as 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 sector. 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 8 August 2022, the Group has completed an acquisition of 25% of the issued share capital of Acasa Property Limited which indirectly and wholly owned a piece of land located in Kimberley Street. The Board believes that this transaction gives an opportunity for the Group to undertake more sizeable construction projects and to broaden the Group's customer base. 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\$128.7 million for the six months ended 30 September 2021 to approximately HK\$168.9 million for the six months ended 30 September 2022, representing an increase of approximately HK\$40.2 million or 31.2%. Such increase was mainly due to the commencement of more projects with larger contract sum during the six months ended 30 September 2022.

Cost of sales

The Group's cost of sales increased from approximately HK\$110.1 million for the six months ended 30 September 2021 to approximately HK\$146.9 million for the six months ended 30 September 2022, representing an increase of approximately HK\$36.8 million or 33.4%. The increase in cost of sales was generally in line with the increase in revenue.

Gross profit

The Group's gross profit increased by approximately HK\$3.5 million or 18.9% from approximately HK\$18.5 million for the six months ended 30 September 2021 to approximately HK\$22.0 million for the six months ended 30 September 2022. Such increase was mainly driven by the increase in revenue for the six months ended 30 September 2022 as discussed above. The Group's overall gross profit margin decreased slightly from approximately 14.4% for the six months ended 30 September 2021 to approximately 13.0% for the six months ended 30 September 2022 as the extent of increase in subcontracting charges and construction material costs was greater than that of the increase in revenue for the six months ended 30 September 2022.

Other income

The Group's other income increased from approximately HK\$8,000 for the six months ended 30 September 2021 to approximately HK\$0.6 million for the six months ended 30 September 2022. Other income for the six months ended 30 September 2022 primarily comprised the subsidy income received from the Government of the HKSAR under the Employment Support Scheme.

Impairment losses under expected credit loss model, net of reversal

An amount of appropriately HK\$0.6 million was recognised as impairment losses under expected credit loss model for the six months ended 30 September 2022. The amount recognised was in respect of trade receivables and contract assets.

Other expenses

The Group's other expenses represented the professional fees incurred for transfer of listing (the "**Transfer of Listing**") during the six months ended 30 September 2021.

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\$2.4 million or 33.8% from approximately HK\$7.1 million for the six months ended 30 September 2021 to approximately HK\$9.5 million for the six months ended 30 September 2022. The increase was mainly attributable to the increase in (i) depreciation of right-of-use asset arising from a lease of property for operation; and (ii) staff costs.

Finance costs

The Group's finance costs increased by approximately HK\$1.2 million from approximately HK\$1.1 million for the six months ended 30 September 2021 to approximately HK\$2.3 million for the six months ended 30 September 2022. Such increase was mainly due to (i) the increase in usage of loan settlement for trade payables and factoring loan; and (ii) the finance costs charged for the subscription of a life insurance policy during the six months ended 30 September 2022.

Income tax expense

The Group's income tax expense increased by approximately HK\$0.3 million or 20.0% from approximately HK\$1.5 million for the six months ended 30 September 2021 to approximately HK\$1.8 million for the six months ended 30 September 2022. Such increase was mainly attributable to the increase in profit before taxation from approximately HK\$9.8 million for the six months ended 30 September 2021 to approximately HK\$10.1 million for the six months ended 30 September 2022.

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\$0.1 million or 1.2% from approximately HK\$8.3 million for the six months ended 30 September 2021 to approximately HK\$8.4 million for the six months ended 30 September 2022.

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 2022; (ii) the decrease in profession fees incurred for the Transfer of Listing; offset by (iii) the increase in the administrative expenses; and (iv) the increase in the finance costs for the six months ended 30 September 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's current ratio remained relatively stable at approximately 1.8 times as at 31 March 2022 and approximately 1.7 times as at 30 September 2022.

As at 30 September 2022, the Group had bank borrowings of approximately HK\$72.7 million (31 March 2022: approximately HK\$88.8 million). The gearing ratio, calculated based on the total borrowings and lease liabilities divided by total equity at the end of the year/period and multiplied by 100%, decreased from approximately 68.9% as at 31 March 2021 to approximately 53.3% as at 30 September 2022, mainly due to decrease in bank borrowings. The Group's financial position remains sound and solid. 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 14 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 2022, 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 2022 (31 March 2022: nil).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed in note 4 to the unaudited condensed financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2022, 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 2022, saved for the acquisition of 25% of the issued share capital of Acasa Property Limited as disclosed in the Company's announcement dated 8 August 2022, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS HELD

Saved for the investment property, the investment in associate (the details of which is set out in the Company's announcement dated 8 August 2022) and the deposit paid for a life insurance policy (the details of which is set out in the Company's announcement dated 20 May 2022), the Group did not hold any significant investments as at 30 September 2022.

CONTINGENT LIABILITIES

Saved as disclosed on note 17 to the unaudited condensed consolidated financial statements in respect of surety bonds, as at 30 September 2022, 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\$. Our deposit paid for a life insurance policy is denominated in United States dollar ("US\$"). Since HK\$ is pegged to US\$, the Group does not expect any significant movement in the US\$/HK\$ exchange rate. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE OF GROUP'S ASSETS

As at 30 September 2022, the Group's pledged its deposit paid for a life insurance policy to a bank of approximately HK\$9.5 million (31 March 2022: a bank deposit of 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 2022, the Group employed a total of 52 employees (31 March 2022: 49 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$11.4 million for the six months ended 30 September 2022 (six months ended 30 September 2021: approximately HK\$9.5 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

DISCLOSURE OF INTERESTS

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

As at 30 September 2022, 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	534,670,000 ordinary shares	66.8%
Mr. Ho Chi Kwan (Notes 1 & 3)	Interest in a controlled corporation; beneficial owner; interest held jointly with another person	534,670,000 ordinary shares	66.8%

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

2. 534,670,000 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) 201,260,000 Shares in which Mr. Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Ho.
3. 534,670,000 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; (ii) 1,670,000 Shares held as beneficial owner; and (iii) 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*

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

Save as disclosed above, as at 30 September 2022, 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 2022, 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 66.8% of the issued share capital of the Company.

Save as disclosed above, as at 30 September 2022 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 2022.

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 2022.

CORPORATE GOVERNANCE CODE

Pursuant to the code provision C.2.1 of Part 2 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 Ka Ho, Raymond currently assumes the role of both chairman of the Company and chief executive of the Company. Considering that Mr. Leung Ka Ho, Raymond has been operating and managing the Group since 2002, the Board believes that it is in the best interest of the Group to have Mr. Leung Ka Ho, Raymond taking up both roles for effective management and business development. It provides a strong and consistent leadership to the Group and that the current management has been effective in the development of the Group and the implementation of business strategies under the leadership of Mr. Leung Ka Ho, Raymond. In allowing the two roles to be vested in the same person, the Group believes both positions require in-depth knowledge and considerable experience of the Group's business and Mr. Leung Ka Ho, Raymond is the most suitable person to occupy both positions for effective management of the Group. Therefore, the Board considers that the deviation from code provision C.2.1 of Part 2 of the CG Code is appropriate in such circumstance.

As at 30 September 2022, 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 2022.

DIVIDEND

The Board has resolved to declare an interim dividend of HK0.25 cents per share amounting to HK\$2,000,000 in aggregate (six months ended 30 September 2021: nil) for the six months ended 30 September 2022 to the shareholders whose names appear on the register of members of the Company on Wednesday, 30 November 2022. The interim dividend will be payable in cash on Monday, 9 January 2023. Shares of the Company will be traded ex-dividend as from Friday, 25 November 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 November 2022 to Wednesday, 30 November 2022, both days inclusive, during which no transfer of shares will be registered. In order to establish entitlements to the interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 November 2022.

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 2022.

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 2022.

By order of the Board

Chi Ho Development Holdings Limited
Leung Ka Ho, Raymond

Chairman and Executive Director

Hong Kong, 11 November 2022

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.