Chi Ho Development Holdings Limited
滙滸發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8423)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of Chi Ho Development Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.*

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.chdev.com.hk.

ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to announce that the audited financial results of the Group for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016. The financial information is approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*4*	**335,191**	279,674
Cost of sales		**(290,248)**	(249,441)
Gross profit		**44,943**	30,233
Other income		**41**	2
Administrative expenses		**(11,849)**	(10,279)
Listing expenses		**(12,840)**	–
Finance costs	*5*	**(2,762)**	(1,947)
Profit before taxation		**17,533**	18,009
Income tax expense	*6*	**(5,010)**	(3,012)
Profit and total comprehensive income for the year	*7*	**12,523**	14,997
Earnings per share			
— Basic *(HK cents)*	*9*	**2.05**	2.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**8,850**	8,613
Deposits paid for acquisition of property, plant and equipment		**250**	87
Deposits for surety bonds		**–**	9,898
		9,100	18,598
Current assets			
Trade and other receivables	*10*	**101,408**	51,853
Amounts due from customers for contract work	*11*	**28,901**	22,742
Amounts due from directors		**–**	12,587
Pledged bank deposits		**10,000**	1,686
Bank balances and cash		**42,689**	5,843
		182,998	94,711
Current liabilities			
Trade and other payables	*12*	**92,905**	40,173
Tax payable		**2,313**	2,620
Bank overdrafts		**–**	34
Bank borrowings		**32,476**	39,921
Obligations under finance leases		**–**	53
		127,694	82,801
Net current assets		**55,304**	11,910
Total assets less current liabilities		**64,404**	30,508
Capital and reserves			
Share capital	*13*	**8,000**	2,200
Reserves		**56,404**	23,520
		64,404	25,720
Non-current liability			
Deposits received		**–**	4,788
		64,404	30,508

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2017

	Share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2015	2,200	–	–	9,550	11,750
Profit and total comprehensive for the year	–	–	–	14,997	14,997
Dividend paid *(note 8)*	–	–	–	(1,027)	(1,027)
At 31 March 2016	2,200	–	–	23,520	25,720
Profit and total comprehensive income for the year	–	–	–	12,523	12,523
Dividends paid *(note 8)*	–	–	–	(22,000)	(22,000)
Adjustment arising from the Reorganisation (defined in *note 1*)	(2,200)	–	2,200	–	–
Issue of ordinary shares through initial public offerings *(note 13(v))*	2,000	58,000	–	–	60,000
Capitalisation Issue (defined in *note 13(iv)*)	6,000	(6,000)	–	–	–
Transaction costs directly attributable to issue of ordinary shares	–	(10,223)	–	–	(10,223)
Deemed distribution to shareholders *(note)*	–	–	–	(1,616)	(1,616)
At 31 March 2017	8,000	41,777	2,200	12,427	64,404

Note:

On 13 March 2017, an aggregate of 67,000,000 ordinary shares ("Sale Shares") of HK$0.01 each of the Company were sold by its immediate holding companies, namely Diamondfield Holdings Limited and Sharp Talent Holdings Limited to professional, institutional or private investors at a price of HK$0.30 by way of public offer. The corresponding listing expenses amounting to HK$1,616,000 in connection with the sale of the Sale Shares were borne by the Group on behalf of Diamondfield Holdings Limited and Sharp Talent Holdings Limited and that the listing expenses were treated as deemed distribution to shareholders and debited to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL

Chi Ho Development Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 18 October 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 March 2017 (the "Listing"). The ultimate and immediate holding companies are two companies namely, Sharp Talent Holdings Limited and Diamondfield Holdings Limited, which are owned by Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan who are parties acting in concert, respectively. The address of the registered office and principal place of business of the Company are at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1–1108 Cayman Islands and Unit B1, 8/F, Yip Fung Industrial Building, 28-36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong, respectively.

Pursuant to the corporate reorganisation to rationalise the group structure in the preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 11 November 2016. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Details of the Reorganisation are set out in the Company's prospectus dated 28 February 2017.

Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as if the group structure under the Reorganisation had been in existence throughout the two years ended 31 March 2017 or since their respective dates of incorporation, whichever is the shorter period.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has consistently applied all new and revised HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2016 throughout the current year.

New and amendments to HKFRSs and an interpretation in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
HKFRS 16	Leases[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for accounting periods beginning on or after 1 January 2017.
2 Effective for accounting periods beginning on or after 1 January 2018.
3 Effective for accounting periods beginning on or after 1 January 2019.
4 Effective for accounting periods beginning on or after a date to be determined.
5 Effective for accounting periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is in relation to the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments as at 31 March 2017, the directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact of the Group's financial assets. In particular, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in respective reporting periods.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company anticipate that the application of amendments to HKAS 7 "Disclosure Initiative" in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of amendments to HKAS 7 will have a material impact on the timing and amounts of revenue recognised in respective reporting periods.

Except as described above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material effect on the consolidated financial statements.

3. SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group in respect of the provision of building renovation and construction works to external customers. The Group's operations are solely derived from the building renovation and construction services in Hong Kong during the year. 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.

Geographical information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operations.

Information about major customers

Customers individually contributing over 10% of the Group's revenue during the years ended 31 March 2017 and 2016 are as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**184,743**	N/A[1]
Customer B	**54,988**	28,117
Customer C	**N/A#**	132,395
Customer D	**N/A#**	35,215

Revenues from these customers are individually less than 10% of the total revenue of the Group for the respective year.

4. REVENUE

Revenue represents the fair value of amounts received and receivable by the Group in respect of provision of building renovation and construction works to external customers.

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interests on:		
Factoring of trade receivables	**1,111**	784
Bank borrowings	**1,629**	1,069
Bank overdrafts	**5**	87
Obligations under finance leases	**17**	7
	2,762	1,947

6. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— Current year	**5,010**	3,012

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Income tax expense for the year can be reconciled to profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation	**17,533**	18,009
Tax at Hong Kong Profits Tax rate of 16.5%	**2,893**	2,971
Tax effect of income not taxable for tax purpose	**(4)**	–
Tax effect of expenses not deductible for tax purpose	**2,144**	6
Tax effect of temporary difference not recognised	**(3)**	–
Tax benefits	**(20)**	(20)
Others	**–**	55
Income tax expense for the year	**5,010**	3,012

There is no significant unprovided deferred taxation during both years or at the end of each reporting period.

7. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**3,972**	2,373
Other staff costs:		
Salaries and other allowances	**11,190**	11,435
Retirement benefits scheme contributions	**354**	316
	11,544	11,751
Total staff costs	**15,516**	14,124
Auditor's remuneration	**900**	320
Bank interest income	**(1)**	(2)
Depreciation of property, plant and equipment	**766**	471
Gain on disposal of property, plant and equipment	**(21)**	–
Minimum lease payments paid under operating leases in respect of:		
— office premise	**–**	153
— car parks	**63**	18

8. DIVIDEND

During the year ended 31 March 2017, an interim dividend of HK$22,000,000 (HK$500,000 per share) was recognised as distribution by the Company to its shareholders, Sharp Talent Holdings Limited and Diamondfield Holdings Limited.

During the year ended 31 March 2016, an interim dividend of HK$1,027,000 was recognised as distribution by Fulam Construction Engineering Company Limited, an indirectly wholly-owned subsidiary of the Company, to its then shareholders, Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of these consolidated financial statements.

The directors of the Company do not recommend the payment of a final dividend and propose that the profit for the year be retained.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 March 2017 is based on the profit for the year of HK$12,523,000 (2016: HK$14,997,000) and the weighted average number of ordinary shares in issue during the year ended 31 March 2017 of 610,410,959 (2016: 600,000,000) on the assumption that the Reorganisation as defined in note 1 and the Capitalisation Issue as defined in note 13 had been completed on 1 April 2015. No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

10. TRADE AND OTHER RECEIVABLES

	2017 ***HK$'000***	2016 *HK$'000*
Trade receivables	**17,558**	9,906
Trade receivables factored with recourse	**22,900**	5,674
	40,458	15,580
Unbilled retention receivables *(note i)*	**43,863**	33,090
Other receivables	**4,023**	1,000
Deposits for surety bonds *(note ii)*	**12,539**	11,587
Project deposits placed with customers	**88**	88
Rental, utility and other deposits	**437**	406
Total trade and other receivables	**101,408**	61,751
Presented as non-current assets	**–**	9,898
Presented as current assets	**101,408**	51,853
	101,408	61,751

Notes:

(i) Unbilled retention receivables will be billed to customers at the end of the defect liability period of individual contracts, that is one year from the date of the practical completion of the respective project, subject to extension due to actual circumstance of the project.

The unbilled retention receivables are expected to be settled, based on the expiry date of the defect liability period, at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
Due within one year	**20,296**	25,170
Due after one year	**23,567**	7,920
	43,863	33,090

(ii) The amount represents the deposits as collateral security for surety bonds in respect of construction contracts issued by insurance companies in favour of the Group's customers. The deposits will be refunded to the Group upon the practical completion or at the end of the defect liability period of the relevant construction contracts.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group allows a credit period of 7 to 45 days to its customers for its trade receivables.

The following is an aged analysis of trade receivables presented based on invoice dates at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**40,016**	15,357
31 – 60 days	**–**	20
61 – 90 days	**–**	203
Over 90 days	**442**	–
	40,458	15,580

Included in the Group's trade receivables balances as at 31 March 2017 are debtors with aggregate carrying amounts of HK$605,000 (2016: HK$2,648,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss because the management of the Group is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**163**	2,425
31 – 60 days	**–**	20
61 – 90 days	**–**	203
Over 90 days	**442**	–
	605	2,648

In determining the recoverability of trade and unbilled retention receivables, the Group considers any change in the credit quality of the trade and unbilled retention receivables from the date that credit was initially granted up to the end of each reporting period.

11. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2017	2016
	HK$'000	*HK$'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	**413,011**	274,149
Add: recognised profits less recognised losses	**83,318**	62,656
	496,329	336,805
Less: progress billings	**(467,428)**	(314,063)
	28,901	22,742
Analysed as:		
Amounts due from customers for contract work	**28,901**	22,742
Amounts due to customers for contract work	**–**	–
	28,901	22,742

As at 31 March 2017 and 2016, retention monies held by customers for contract work are set out in note 10 and advances received from customers are set out in note 12.

12. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables		
— third parties	**16,173**	6,674
— a related party *(note i)*	**96**	80
	16,269	6,754
Accrued costs of materials and subcontracting charges	**37,867**	20,101
Deposits received *(note ii)*	**5,094**	5,094
Listing expenses payables	**7,359**	–
Other accruals	**2,740**	3,403
Receipts in advance from customers	**14**	14
Retention payables to subcontractors *(note iii)*	**23,562**	9,595
Total trade and other payables	**92,905**	44,961
Presented as non-current liabilities	**–**	4,788
Presented as current liabilities	**92,905**	40,173
	92,905	44,961

Notes:

(i) The amount represents the amount due to Hong Kong Building Material Limited ("HKBML") in which the spouse of Mr. Ho Chi Kwan has beneficial interests and joint control.

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

(iii) 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 retention payables are expected to be settled, based on the expiry date of the defect liability period, at the end of the reporting period as follows:

	2017	2016
	HK$'000	*HK$'000*
Due within one year	**8,020**	9,577
Due after one year	**15,542**	18
	23,562	9,595

The credit period on trade payables ranges from 0 to 30 days.

The following is ageing analysis of trade payables presented based on the invoice dates at the end of reporting period:

	2017	2016
	HK$	*HK$*
0 – 30 days	**10,064**	2,154
31 – 60 days	**554**	1,727
61 – 90 days	**3,751**	247
Over 90 days	**1,900**	2,626
	16,269	6,754

13. SHARE CAPITAL

	Notes	**Number of ordinary shares**	**Amount** *HK$'000*
Authorised			
At 18 October 2016 (date of incorporation)	*(i)*	38,000,000	380
Increase in authorised capital	*(ii)*	1,962,000,000	19,620
At 31 March 2017		2,000,000,000	20,000
Issued and fully paid			
Allotted and issued on 18 October 2016 (date of incorporation)	*(i)*	22	–
Shares issued upon the Reorganisation	*(iii)*	22	–
Capitalisation issue of shares	*(iv)*	599,999,956	6,000
Issue of shares pursuant to the listing of the Company's shares	*(v)*	200,000,000	2,000
At 31 March 2017		800,000,000	8,000

Notes:

(i) The Company was incorporated on 18 October 2016 in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one ordinary share was allotted, issued and fully paid to an initial subscriber, which was then transferred to Diamondfield Holdings Limited on the same day. On the same day, an additional six shares were allotted and issued at par to Diamondfield Holdings Limited and an additional 15 shares were allotted and issued at par to Sharp Talent Holdings Limited.

(ii) On 22 February 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of the additional 1,962,000,000 new shares of HK$0.01 each. These new shares ranked pari passu in all respects with the existing shares.

(iii) On 11 November 2016, the Company, Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan entered into reorganisation agreement that Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan agreed to exchange their shares in Idea Lion Limited and Diamond Step Ventures Limited with 22 shares of the Company allotted to Sharp Talent Holdings Limited and Diamondfield Holdings Limited.

(iv) Pursuant to the written resolutions passed by all shareholders of the Company dated 22 February 2017, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the Listing, the directors of the Company had authorised to allot and issue 599,999,956 ordinary shares of HK$0.01 each of the Company, by way of capitalisation of the sum of HK$6,000,000 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders of the Company appearing on the register of members of the Company (the "Capitalisation Issue").

(v) On 13 March 2017, 200,000,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$0.30 by way of public offer and the Company's shares were listed on the Stock Exchange on the same date. The proceeds of HK$2,000,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$58,000,000, before issuing expenses, were credited to the share premium account.

14. OPERATING LEASE COMMITMENTS

The Group as lessee had made minimum lease payments of HK$63,000 (2016: HK$171,000) under operating leases during the year in respect of office premise and car parks.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**6**	3

15. CAPITAL COMMITMENTS

	2017	2016
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of a motor vehicle contracted for but not provided in the consolidated financial statements	**1,060**	778

16. SURETY BONDS AND CONTINGENT LIABILITIES

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

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

	2017	2016
	HK$'000	*HK$'000*
Issued by insurance companies	**74,117**	31,523

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is an established main contractor for the provision of renovation and maintenance works, alteration and addition works ("**RMAA**") and fitting-out works in Hong Kong. The Group is responsible for the overall management, implementation and supervision of projects. The Group focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors.

In respect of renovation and maintenance works, the Group encompasses the general upkeep, restoration and improvement of existing facilities and components of the buildings and their surroundings. As for alteration and addition works and fitting-out works, the Group revolves around the alteration and addition of building layout and structural works and decoration works to the interior spaces to the existing premises.

For the year ended 31 March 2017, there were 28 projects (2016: 29 projects) with revenue contribution undertaken by the Group. The demands for the Group's RMAA and fitting-out works services remained at a high level and thus, the revenue of the Group recorded a significant growth in current year. During the year ended 31 March 2017 and up to the date of this announcement, the Group was awarded 17 new projects, with total original contract sum of approximately $162.9 million.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and fitting-out industry. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) strengthen the market position in the industry and expand the market share by securing more RMAA and fitting-out works contracts by utilising the net proceeds from the Listing of the Shares on GEM of the Stock Exchange on 13 March 2017 (the "**Listing Date**"), to provide surety bonds in favour of the customers; (ii) expanding the customer base and becoming a Group M1 (Maintenance) building contractor; and (iii) strengthening the scope of services and becoming a Registered Specialist Contractor (Sub-register of Site Formation Category).

Financial Review

Revenue

The revenue increased from approximately HK$279.7 million for the year ended 31 March 2016 to approximately HK$335.2 million for the year ended 31 March 2017, representing a growth of approximately 19.8%. Such increase was mainly due to the increase in RMAA and fitting-out works projects undertaken by the Group as a result of the overall development in the construction industry in Hong Kong.

Cost of Sales

The cost of sales increased from approximately HK$249.4 million for the year ended 31 March 2016 to approximately HK$290.2 million for the year ended 31 March 2017, representing an increase of approximately 16.4%. Such increase was mainly attributable to the increase in the subcontracting charges with the increase in the number of RMAA and fitting-out projects undertaken by the Group during the year.

Gross Profit

Gross profit of the Group increased by approximately HK$14.8 million from approximately HK$30.2 million for the year ended 31 March 2016 to approximately HK$45.0 million for the year ended 31 March 2017. The increase was mainly driven by the increase in revenue for the year ended 31 March 2017 as discussed above. The overall gross profit margin increased from approximately 10.8% for the year ended 31 March 2016 to approximately 13.4% for the year ended 31 March 2017 as the projects undertaken by the Group during the year ended 31 March 2017 are generally in higher gross profit margin, resulting in the extent of increase in subcontracting charges and construction material costs is less than that of the increase in revenue for the year ended 31 March 2017.

Listing Expenses

During the year ended 31 March 2017, the Group recognised non-recurring Listing expenses of approximately HK$12.8 million, as expenses in connection with its Listing exercise. No such expenses was incurred for the year ended 31 March 2016.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK$1.5 million or 14.6% from approximately HK$10.3 million for the year ended 31 March 2016 to approximately HK$11.8 million for the year ended 31 March 2017.

Administrative expenses primarily consist of staff costs, audit fee and other professional costs in relation to the compliance with the GEM Listing Rules. The increase was mainly attributable to the increase in staff costs paid to directors and staff due to business expansion and the abovementioned audit fee and other professional costs in relation to the compliance with the GEM Listing Rules during the year.

Finance Costs

Finance costs for the Group increased by approximately HK$0.9 million or 47.4% from approximately HK$1.9 million for the year ended 31 March 2016 to approximately HK$2.8 million for the year ended 31 March 2017. It was mainly due to the increase in usage of loan settlement for trade payables and factoring loan during the year ended 31 March 2017.

Income Tax Expense

Income tax expense for the Group increased by approximately HK$2.0 million or 66.7% from approximately HK$3.0 million for the year ended 31 March 2016 to approximately HK$5.0 million for the year ended 31 March 2017. The increase was mainly attributable to the increase in profit before tax (excluding the Listing expenses) from approximately HK$18.0 million for the year ended 31 March 2016 to approximately HK$30.4 million for the year ended 31 March 2017.

Profit and Total Comprehensive Income for the year attributable to the owners of the Company

Profit and total comprehensive income for the year attributable to the owners of the Company decreased by approximately HK$2.5 million or 16.7% from approximately HK$15.0 million for the year ended 31 March 2016 to approximately HK$12.5 million for the year ended 31 March 2017.

Such decrease was primarily attributable to the net effect of (i) the Listing expenses incurred by the Group for its Listing exercise during the year ended 31 March 2017; (ii) the increase in the administrative expenses incurred by the Group for the year ended 31 March 2017; and (iii) the increase in revenue and gross profit for the year ended 31 March 2017.

Liquidity and Financial Resources

The current ratio improved steadily from approximately 1.1 time as at 31 March 2016 to 1.4 time as at 31 March 2017.

As at 31 March 2017, the Group had bank borrowings of approximately HK$32.5 million (2016: HK$39.9 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year and multiplied by 100%, decreased from approximately 155.6% as at 31 March 2016 to approximately 50.4% as at 31 March 2017 due to the use of proceeds for settlement of the bank borrowings. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

Capital Structure

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 13 March 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2017, the Company's issued share capital was HK$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

Commitments

The operating lease commitments of the Group were primarily related to the leases of its office premises and carpark spaces. The Group's operating lease commitments amounted to approximately HK$6,000 as at 31 March 2017 (2016: approximately HK$3,000).

Segmental Information

Segmental information is presented for the Group as disclosed on note 3 of the notes to this announcement.

Future Plans for Material Investments and Capital Assets

As at 31 March 2017, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent Liabilities

Save as disclosed on note 16 of the notes to this announcement, as at 31 March 2016 and 2017, 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 31 March 2017, the Group's pledged its bank deposit to a bank of approximately HK$10.0 million (2016: approximately HK$1.7 million) to secure the bank overdrafts, short-term bank loans and other general banking facilities granted to the Group.

Employees and Remuneration Policies

As at 31 March 2017, the Group employed a total of 27 employees (2016: 26 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$15.5 million for the year ended 31 March 2017 (2016: approximately HK$14.1 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2017 is set out below:

Business objectives	Actual progress
Reserve more capital to satisfy the potential customers' requirement for surety bond	The Group has used HK$2.0 million to undertake more projects by satisfying potential customers' requirement for surety bond.
Reduce gearing ratio by repaying bank borrowings, which were used for the general working capital for the daily operation during the Track Record Period	The Group has used HK$8.0 million to repay bank borrowings to reduce gearing ratio.
Support the working capital requirement for the Group applying and maintaining M1 (Maintenance) building contractor license	The Group has not applied M1 (Maintenance) building contractor license, thus no amount was yet utilised.
Strengthen the scope of services — site formation	The proceeds remained unused.

Use of Proceeds

The net proceeds from the Listing on 13 March 2017, after deducting listing related expenses, were approximately HK$38.0 million. After the Listing, these proceeds were used for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. The unused amount of the net proceeds from the Listing as at 31 March 2017 was approximately HK$28.0 million.

An analysis of the planned amount utilised up to 31 March 2017 is set out below:

	Planned amount utilised up to 31 March 2017	**Actual utilised amount as at 31 March 2017**	**Unutilised amount out of the planned amount as at 31 March 2017**
	HK$'million	*HK$'million*	*HK$'million*
Reserve more capital to satisfy the potential customers' requirement for surety bond	2.0	2.0	–
Reduce gearing ratio by repaying bank borrowings, which were used for the general working capital for the daily operation during the Track Record Period	8.0	8.0	–
Support the working capital requirement for the Group applying and maintaining M1 (Maintenance) building contractor license	–	–	–
Strengthen the scope of services — site formation	–	–	–
	10.0	10.0	–

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

Since the Listing, the Board recognised that the transparency and accountability is important to a listed company. Therefore, the Company is committed in establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

Under the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Leung Ka Ho, Raymond currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the year ended 31 March 2017.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry 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 during the year ended 31 March 2017.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 March 2017.

Dividend

The Board does not recommend the payment at a final dividend for the year ended 31 March 2017.

Annual General Meeting

The annual general meeting of the Company will be held on Tuesday, 15 August 2017, the notice of which shall be sent to the shareholders of the Company in accordance with the articles of association of the Company, the GEM Listing Rules and other applicable laws and regulations.

Closure of Register of Members

In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 10 August 2017 to Tuesday, 15 August 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 9 August 2017.

Audit Committee

The Company established an audit committee ("Audit Committee") on 22 February 2017 with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. 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 with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited financial statements for the year ended 31 March 2017.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 March 2017 and up to the date of this announcement.

Appreciation

On behalf of the Board, I would like to extend our sincere thanks to our shareholders, business partners and customers for their utmost support to the Group. I would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

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

Hong Kong, 27 June 2017

As at the date of this announcement, 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.

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange's website (www.hkgem.com) for 7 days from the date of this publication. This announcement will also be published on the website of the Company (www.chdev.com.hk).