



CHING LEE HOLDINGS LIMITED

正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8318)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

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

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

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

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This announcement, for which the directors (the “Directors”) of Ching Lee 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 (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.

FINANCIAL RESULTS

The board of Directors (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2016 together with the comparative audited figures for the year ended 31 March 2015, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	4	475,474	377,356
Cost of revenue		(414,382)	(328,560)
Gross profit		61,092	48,796
Other income and gains	5	12,644	830
Administrative and other operating expenses		(45,861)	(25,113)
Finance costs	7	(1,605)	(1,700)
Profit before income tax	6	26,270	22,813
Income tax	8	(5,154)	(4,335)
Profit and total comprehensive income for the year		21,116	18,478
Earnings per share:	10		
— Basic (HK cents)		2.63	2.31
— Diluted (HK cents)		2.63	2.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<u>36,879</u>	<u>27,195</u>
Current assets			
Trade and other receivables	<i>11</i>	64,756	70,906
Pledged deposits		13,790	14,259
Amounts due from customers of contract work		43,724	11,547
Amounts due from related companies		–	15,831
Amount due from a director		–	32,727
Pledged bank deposit		–	1,007
Bank balances and cash		71,147	<u>5,874</u>
		<u>193,417</u>	<u>152,151</u>
Non-current asset held for sale		<u>–</u>	<u>4,600</u>
Total current assets		<u>193,417</u>	<u>156,751</u>
Current liabilities			
Trade and other payables	<i>12</i>	127,824	61,807
Amounts due to customers of contract work		29,248	34,112
Amount due to a director		–	2,858
Obligations under finance leases		–	3,172
Bank borrowings, secured		14,611	56,354
Provision of taxation		2,203	<u>1,949</u>
Total current liabilities		<u>173,886</u>	<u>160,252</u>
Net current assets/(liabilities)		<u>19,531</u>	<u>(3,501)</u>
Total assets less current liabilities		<u>56,410</u>	<u>23,694</u>

	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Non-current liabilities			
Obligations under finance leases		–	2,790
Deferred tax liabilities		815	799
		<hr/>	<hr/>
Total non-current liabilities		815	3,589
		<hr/>	<hr/>
Net assets		55,595	20,105
		<hr/>	<hr/>
Capital and reserves			
Share capital	<i>13</i>	10,000	3,711
Reserves		45,595	16,394
		<hr/>	<hr/>
Total equity		55,595	20,105
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

Ching Lee Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 16 November 2015. During the current year, its shares are listed on the GEM on the Stock Exchange (the “Listing”). The address of its registered office and principal place of business are disclosed in the corporate information section in the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to the “Group”) are provision of construction and consultancy works and project management services in Hong Kong.

The directors of the Company consider the Company’s ultimate parent is JT Glory Limited, a company incorporated in the British Virgin Islands (“BVI”).

In connection with the Listing, the Company underwent a reorganisation (the “Reorganisation”) and has become the holding company of its subsidiaries now comprising the Group since 15 December 2015. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Group Structure” to the prospectus of the Company dated 21 March 2016.

The Reorganisation involved the formation of the Group and is considered as business combinations under common control. Immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling party that existed prior to the Reorganisation. Accordingly, the Reorganisation has been accounted for in accordance with Hong Kong Accounting Guideline 5 *Merger Accounting for Common Control Combinations* and the financial statements have been prepared using the merger basis of accounting as if the current group structure had always been in existence.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 March 2015 and 2016 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence through those years. The consolidated statement of financial position of the Group as at 31 March 2015 and 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs — effective 1 April 2015

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no material impact on the Group’s financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKFRS 9 (2014)	Financial Instruments ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ On 6 January 2015, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued “Effective Date of Amendments to HKFRS 10 and HKAS 28”, following the International Accounting Standard Board’s equivalent amendments. This update defers/removes the effective date of the amendments in Sale or Contribution of Assets between an Investor and its Associate or Joint Venture that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

3. SEGMENT REPORTING

The executive directors of the Company, who are the chief operating decision-makers of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decisions.

Management regularly reviews the operating results from a project-based perspective. The reportable operating segment derives revenue primarily from provision of construction and consultancy works. Business segment information is not considered necessary.

As the executive directors consider the Group’s revenue and results are all derived from provision of construction and consultancy works and project management services in Hong Kong and no Group’s consolidated assets are located outside Hong Kong, geographical segment information is not considered necessary.

Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer I	91,367	53,413
Customer II	85,786	76,843
Customer III	63,716	39,408
Customer IV	59,316	–
Customer V	52,453	–
Customer VI	52,190	48,052
Customer VII	–	66,910
	<u> </u>	<u> </u>

4. REVENUE

Revenue, which is also the Group's turnover, represents construction work income during the current and prior years.

5. OTHER INCOME AND GAINS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank interest income	6	17
Sale of scrap materials	29	342
Rental income	–	213
Gain on disposal of property, plant and equipment, net	12,122	–
Gain on disposal of non-current asset held for sale	400	–
Others	87	258
	<u> </u>	<u> </u>
	<u>12,644</u>	<u>830</u>

6. PROFIT BEFORE INCOME TAX

This is arrived at after charging the followings:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditor's remuneration	1,702	116
Depreciation in respect of:		
— Owned assets	1,865	1,461
— Leased assets	2,388	2,443
	<u>4,253</u>	<u>3,904</u>
Employee benefit expenses (including directors' emoluments)		
— Salaries, allowances and other benefits	32,123	24,690
— Contribution to defined contribution retirement plan	997	662
	<u>33,120</u>	<u>25,352</u>
Operating lease payments in respect of land and buildings	<u>345</u>	<u>355</u>

7. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank borrowings	1,384	1,357
Interest element of finance lease payments	221	343
	<u>1,605</u>	<u>1,700</u>

8. INCOME TAX AND DEFERRED TAX

The amounts of income tax in the consolidated statement of comprehensive income represent:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	4,832	3,888
— Under-provision for prior years	306	—
Deferred tax	16	447
	<u>5,154</u>	<u>4,335</u>

9. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Special dividend	36,445	–
Interim dividend	–	5,550
	<u>36,445</u>	<u>5,550</u>

A special dividend amounted to HK\$36,445,000 (HK\$364,450 per share for 100 shares) was declared by the Company to its then shareholder before the Listing during the year. For the purpose of these financial statements, the interim dividend for the year ended 31 March 2015 represented interim dividends declared by a group entity to its then shareholder.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	<u>21,116</u>	<u>18,478</u>
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	<u>801,639,344</u>	<u>800,000,000</u>

Note: The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 April 2014.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 31 March 2015 and 2016.

11. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	12,807	38,420
Retention receivables	42,541	30,079
Deposits, prepayments and other receivables	9,408	2,407
	<u>64,756</u>	<u>70,906</u>

The ageing analysis of trade receivables, based on invoice date, as at the end of reporting period is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	12,807	36,364
31–60 days	–	837
61–90 days	–	1,219
	<u>12,807</u>	<u>38,420</u>

12. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	98,545	42,873
Bills payable	7,128	8,230
	<u>105,673</u>	<u>51,103</u>
Trade and bills payables (<i>Note</i>)		51,103
Retention payables	9,508	2,687
Other payables, accruals and deposits received	12,643	8,017
	<u>127,824</u>	<u>61,807</u>

Note: The Group's bills payables are repayable within 120 days. For other trade payables, the credit period granted by suppliers and contractors is normally 30 to 60 days.

The ageing analysis of trade payables, based on invoice date, as of the end of reporting period, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	79,328	36,208
31–60 days	9,831	1,183
61–90 days	7,228	99
Over 90 days	2,158	5,383
	<u>98,545</u>	<u>42,873</u>

13. SHARE CAPITAL

The share capital as at 31 March 2016 represented the issued share capital of the Company as detailed below:

	Number	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
On date of incorporation on 16 November 2015 (<i>Note (a)</i>)	38,000,000	380
Increase in authorised share capital on 10 March 2016 (<i>Note (a)</i>)	9,962,000,000	99,620
At end of year	<u>10,000,000,000</u>	<u>100,000</u>

For the purpose of the consolidated financial statements, the share capital as at 31 March 2015 represented the aggregate amount of issued share capital of certain subsidiaries, namely Ching Lee Engineering Limited, Ching Lee Construction Limited, Ching Lee Foundation Limited and Right Lucky Limited, as at that date.

	Number	HK\$'000
Ordinary shares of HK\$0.01 each		
Issued and fully paid		
Upon incorporation (<i>Note (a)</i>)	1	–
Allotment of shares (<i>Note (b)</i>)	99	–
Capitalisation issue (<i>Note (c)</i>)	799,999,900	8,000
Issue of shares under placing (<i>Note (c)</i>)	200,000,000	2,000
At end of the year	<u>1,000,000,000</u>	<u>10,000</u>

Notes:

- (a) The Company was incorporated in the Cayman Islands on 16 November 2015 with initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Pursuant to the written resolution of the shareholder of the Company on 10 March 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 shares of HK\$0.01 each. Upon incorporation, 1 nil-paid subscriber share was allotted and issued to the subscriber, which was transferred to Mr. Ng Choi Wah (“Mr. Ng”) on 16 November 2015, as part of the Reorganisation.
- (b) On 15 December 2015, the Company acquired the entire issued share capital in Ching Lee Group Limited from Mr. Ng in consideration of which, the Company credited as fully paid at par the 1 nil-paid subscriber share held by Mr. Ng and allotted and issued 99 fully paid-up new shares to Mr. Ng as part of the Reorganisation.
- (c) Pursuant to the written resolution of the shareholder of the Company on 10 March 2016:
 - (i) 200,000,000 new ordinary shares of HK\$0.01 each were issued, by way of placing, at a price of HK\$0.283 per share for a total cash consideration (before share issue expenses) of approximately HK\$56,600,000; and
 - (ii) after the share premium account of the Company being credited as a result of the placing of the Company, an amount of HK\$7,999,999 standing to the credit of the share premium account of the Company was applied in paying up in full at par 799,999,900 shares to be allotted and issued to JT Glory Limited.
- (d) During the year, the Company adopted a share option scheme on 10 March 2016 (the “Scheme”). The Board of the Company may, at its discretion, invite any eligible persons who have made contributions to the Group to take up share options. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The maximum number of shares in respect of which options may be granted under the Scheme shall not in aggregate exceed 10% of all the shares in issue as at the date of Listing (i.e. 10% of a total of 100,000,000 shares). Moreover, the total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Scheme, shall not exceed 1% of the shares in issue in any 12-month period up to the date of grant. Any further grant of share options in excess of this limit is subject to shareholders’ approval in general meeting.

The Board may, at its discretion, set a minimum period for which an option must be held before it can be exercised. Participant under the Scheme shall exercise the granted share options within a period the Board may determine, which shall not exceed ten years from the date of grant.

As at 31 March 2016, no share option has been granted since the adoption of the Scheme and there was no share option outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are a main contractor in Hong Kong principally engaged in providing (i) substructure building works services; (ii) superstructure building works services; and (iii) RMAA works services.

In general, substructure and superstructure building works refer to building works in relation to the parts of the structure below or above the ground level respectively, while RMAA works are for existing structures. The scope of our substructure building works projects consisted of demolition and hoarding, site formation and foundation works. The scope of our superstructure building works projects consisted of development and redevelopment of educational, residential, and commercial buildings, the scope of our RMAA works consisted of improvement, fitting-out works, renovation works, restoration works and external works.

Looking ahead, the Group is confident about the outlook and the prospects of the construction market in Hong Kong. We believe that we are well positioned to expand our market share and maintain our active status in the construction main contracting industry in Hong Kong. In view of our potential undertaking of more projects in the future, with the Listing of the Company in 2016, it will provide more available resources to the Group to engage in the current business as well as further expanding the scope of services.

The Group's revenue for the year ended 31 March 2016 recorded at approximately HK\$475.5 million which represented an increase of approximately HK\$98.1 million or 26.0% from approximately HK\$377.4 million for the year ended 31 March 2015.

	Year ended 31 March		Increase/ (Decrease)
	2015	2016	
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Substructure building work services	131,520	88,106	(33.0)
Superstructure building work services	221,009	365,067	65.2
RMAA work services	24,827	22,301	(10.2)
	<u>377,356</u>	<u>475,474</u>	<u>26.0</u>

(i) Substructure building works services

For the year ended 31 March 2016, revenue recorded in this segment amounted to approximately HK\$88.1 million (2015: HK\$131.5 million). The decrease by approximately HK\$43.4 million was mainly due to a decrease of approximately HK\$61.3 million from the completion/substantial completion of substructure building works completed during the year ended 31 March 2015. The decrease was partly offset by an increase of approximately HK\$3.3 million from the commencement of a new substructure project and approximately HK\$14.6 million from two substructure projects for which substantial portion of works had been performed for the year ended 31 March 2016.

(ii) Superstructure building works services

For the year ended 31 March 2016, revenue recorded in this segment amounted to approximately HK\$365.0 million (2015: HK\$221.0 million). The increase by approximately HK\$144.0 million was mainly due to the commencement of two superstructure projects amounted to approximately HK\$63.0 million and a substantial portion of works of four superstructure projects performed amounted to approximately HK\$197.0 million for the year ended 31 March 2016. The increase was partially offset by a decrease of approximately HK\$116.0 million from the completion/substantial completion of two superstructure projects during the year ended 31 March 2015.

(iii) RMAA works services

For the year ended 31 March 2016, revenue recorded in this segment amounted to approximately HK\$22.3 million (2015: HK\$24.8 million). The decrease by approximately HK\$2.5 million was mainly due to a decrease of approximately HK\$24.2 million from the completion/substantial completion of two major RMAA projects during the year ended 31 March 2015. The decrease was partially offset by the commencement of two new RMAA projects during the year ended 31 March 2016, which contributed revenue of approximately HK\$21.7 million.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2016 recorded at approximately HK\$475.5 million which represented an increase of approximately HK\$98.1 million or 26.0% from approximately HK\$377.4 million for the year ended 31 March 2015. The increase in total revenue was mainly due to an increase of approximately HK\$144.0 million from superstructure building works services. The increase was offset by decrease in substructure building works services and RMAA works services amount to approximately HK\$43.4 million and HK\$2.5 million respectively.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK\$12.3 million or 25.2%, from approximately HK\$48.8 million for the year ended 31 March 2015 to approximately HK\$61.1 million for the year ended 31 March 2016. During the year ended 31 March 2016, the gross profit margin was approximately 12.8%, which is close to the gross profit margin of prior year of approximately 12.9%.

Other Income and Gains

Other Income and Gains increased by HK\$11.8 million or 1,475% from approximately HK\$0.8 million for the year ended 31 March 2015 to approximately HK\$12.6 million for the year ended 31 March 2016. The significant increase was mainly due to gain on disposal of a property of approximately HK\$12.1 million for the year ended 31 March 2016.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses increased by approximately HK\$20.8 million or 82.9% from approximately HK\$25.1 million for the year ended 31 March 2015 to approximately HK\$45.9 million for the year ended 31 March 2016.

Administrative expenses mainly consist of listing expenses, staff costs, depreciation, donation, consultancy fees and others. The increase was attributable by (i) increase in listing expenses of approximately HK\$9.3 million for services rendered by professional parties; (ii) increase in staff costs paid to directors and staff of approximately HK\$4.0 million due to increase in number of staff and salary level during the year; (iii) increase in consultancy fees of approximately HK\$5.1 million due to professional and advisory services rendered; (iv) increase in donation of approximately HK\$1.5 million; and (v) increase in others of approximately HK\$0.9 million.

Finance Costs

Finance Costs slightly decreased by approximately HK\$0.1 million or 5.9% from approximately HK\$1.7 million for the year ended 31 March 2015 to approximately HK\$1.6 million for the year ended 31 March 2016. Although bank loans decreased significantly from approximately HK\$56.4 million as at 31 March 2015 to approximately HK\$14.6 million as at 31 March 2016, finance cost did not drop accordingly as repayments of bank loans were mainly made in March 2016.

Income Tax Expenses

Income Tax Expenses increased by approximately HK\$0.9 million or 20.9% from approximately HK\$4.3 million for the year ended 31 March 2015 to approximately HK\$5.2 million for the year ended 31 March 2016.

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 increased by approximately HK\$2.6 million or 14.1% from approximately HK\$18.5 million for the year ended 31 March 2015 to approximately HK\$21.1 million for the year ended 31 March 2016.

Such increase was primarily attributable to the net effect of (i) the increase in revenue and gross profit for the year ended 31 March 2016; and (ii) the gain on disposal of a property, net off with the listing expenses incurred by the Group for its listing during the year ended 31 March 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had total assets of approximately HK\$230.3 million, which is financed by total liabilities and shareholders' equity of approximately HK\$174.7 million and HK\$55.6 million, respectively. The Group's current ratio at 31 March 2016 was approximately 1.1 compared to approximately 1.0 at 31 March 2015.

Gearing Ratio

The gearing ratio of the Group as at 31 March 2016 was approximately 26.3% (31 March 2015: approximately 310.0%), which decreased significantly as the Group repaid HK\$41.7 million of bank borrowings during the year in order to improve the capital structure and reduce the finance costs.

The gearing ratio is calculated based on the total bank borrowings divided by total equity as at the respective reporting date.

Capital Expenditure

Total capital expenditure for the year ended 31 March 2016 was approximately HK\$18.1 million, which was mainly used in the purchase of property, plant and equipment.

Contingent Liabilities

At the end of the reporting periods, there were no significant contingent liabilities for the Group.

Commitments

At the end of the reporting periods, there were no significant capital commitments for the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As the Listing date (i.e. 29 March 2016) is close to the financial year end date (i.e. 31 March 2016), the Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the Prospectus. The Group will strive to achieve the milestone events as stated in the Prospectus.

USE OF PROCEEDS

The net proceeds from the Listing in March 2016, after deducting the underwriting fees, the Stock Exchange trading fee and SFC transaction levy for the New Shares and estimated listing expenses in connection with the Placing, were approximately HK\$42.5 million.

The actual net proceeds from the issue of new shares of the Company under the Placing was different from the estimated net proceeds of approximately HK\$39.0 million as set out in the Prospectus.

The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, which is (i) approximately 40.1% of the net proceeds, representing approximately HK\$17.0 million to reserve more capital to satisfy our potential customers' requirement for surety bond, (ii) approximately 24.8% of the net proceeds, representing approximately HK\$10.5 million to expand our workforce, and arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses, (iii) approximately 7.7% of the net proceeds, representing approximately HK\$3.3 million to acquire machinery, (iv) approximately 17.4% of the net proceeds, representing approximately HK\$7.4 million to reduce our gearing ratio, and (v) approximately 10% of the net proceeds, representing approximately HK\$4.3 million for working capital and other general corporate purposes.

As the Listing date (i.e. 29 March 2016) is close to the year end date (i.e. 31 March 2016), the Group has not yet utilised the proceeds from the Listing.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Shares have been listed on the GEM of the Stock Exchange since 29 March 2016. Save as the Listing, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2016.

AUDIT COMMITTEE

The Company has established an audit committee with the written terms of reference in compliance with the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules. The Group’s consolidated financial statements for the year ended 31 March 2016 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2016 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code from 29 March 2016 (the “Listing Date”) up to 31 March 2016.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2016 as set out in the preliminary announcement have been agreed by the Company’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By Order of the Board
Ng Choi Wah
Chairman

Hong Kong, 21 June 2016

As at the date of this announcement, the executive Directors are Mr. Ng Choi Wah, Mr. Lui Yiu Wing and Mr. Lam Ka Fai, and the independent non-executive Directors are Dr. Wai Wing Hong Onyx, Mr. Tong Hin Sum Paul and Mr. Chau Kam Wing Donald.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.chingleeholdings.com.