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CHING LEE HOLDINGS LIMITED

正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8318)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.

*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 HIGHLIGHT

- The Group recorded a revenue amounted to approximately HK\$272.3 million for the six months ended 30 September 2016, representing an increase of approximately 75.8% or HK\$117.4 million as compared with the six months ended 30 September 2015.
- The profit and total comprehensive income of the Company is approximately HK\$12.0 million for the six months ended 30 September 2016, representing an increase of approximately HK\$4.1 million or 52.7% as compared with the six months ended 30 September 2015.
- The basic and diluted earnings per share for the six months ended 30 September 2016 is HK\$1.20 cents, as compared with the corresponding period in 2015 of HK\$0.98 cents.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016.

INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2016 together with the audited comparative figures for the corresponding period in 2015, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Three months ended 30 September		Six months ended 30 September	
		2016	2015	2016	2015
	NOTE	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenue	4	136,124	92,433	272,313	154,909
Cost of revenue		(119,304)	(78,518)	(239,023)	(132,307)
Gross profits		16,820	13,915	33,290	22,602
Other income and gains		79	2	91	495
Administrative and other operating expenses		(10,098)	(6,908)	(18,705)	(12,574)
Finance costs		(123)	(441)	(229)	(925)
Profit before income tax		6,678	6,568	14,447	9,598
Income tax	5	(1,121)	(1,190)	(2,445)	(1,737)
Profit and total comprehensive income for the period		5,557	5,378	12,002	7,861
Earnings per share	7				
— Basic (HK Cents)		0.56	0.67	1.20	0.98
— Diluted (HK Cents)		0.56	0.67	1.20	0.98

UNAUDITED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		As at 30 September 2016	31 March 2016
	NOTE	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		36,221	36,879
Total non-current assets		36,221	36,879
Current assets			
Trade and other receivables	8	75,862	64,756
Pledged deposits		8,661	13,790
Amounts due from customers of contract work		57,646	43,724
Bank balances and cash		50,754	71,147
Total current assets		192,923	193,417
Current liabilities			
Trade and other payables	9	119,169	127,824
Amount due to customers of contract work		27,659	29,248
Bank borrowings, secured		10,498	14,611
Provision of taxation		3,673	2,203
Total current liabilities		160,999	173,886
Net current assets		31,924	19,531
Total assets less current liabilities		68,145	56,410
Non-current liabilities			
Deferred tax liabilities		548	815
Total non-current liabilities		548	815
Net assets		67,597	55,595
Capital and reserves			
Share capital		10,000	10,000
Reserves		57,597	45,595
Total equity		67,597	55,595

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share Capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016 (audited)	10,000	73,495	(28,965)	1,065	55,595
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,002</u>	<u>12,002</u>
At 30 September 2016 (unaudited)	<u>10,000</u>	<u>73,495</u>	<u>(28,965)</u>	<u>13,067</u>	<u>67,597</u>
At 1 April 2015 (audited)	3,711	–	–	16,394	20,105
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,861</u>	<u>7,861</u>
At 30 September 2015 (audited)	<u>3,711</u>	<u>–</u>	<u>–</u>	<u>24,255</u>	<u>27,966</u>

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Audited)
Net cash (used in)/generated from operating activities	(14,322)	20,649
Net cash used in investing activities	(1,729)	(3,386)
Net cash used in financing activities	<u>(4,342)</u>	<u>(9,557)</u>
Net (decrease)/increase in cash and cash equivalents	(20,393)	7,706
Cash and cash equivalents at beginning of the period	<u>71,147</u>	<u>5,874</u>
Cash and cash equivalents at ending of the period	<u><u>50,754</u></u>	<u><u>13,580</u></u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. GENERAL INFORMATION

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 headquarter and principal place of business of the Company in Hong Kong is located at Room 203–204, 2nd Floor, Hang Bong Commercial Centre, Shanghai Street, Jordon, Kowloon, Hong Kong.

The Company’s issued ordinary shares of HK\$0.01 each have been listed and traded on GEM since 29 March 2016 (the “**Listing Date**”).

The principal activity of the Company is investment holding. The Group’s principal activities are the provision of construction and consulting works and project management services in Hong Kong.

2. BASIS OF PREPARATION

Pursuant to the reorganisation of the Group (the “**Reorganisation**”) in connection with the listing, the Company became the holding company of the companies comprising the Group on 16 November 2015. Details of the Reorganisation are set out in the prospectus of the Company dated 21 March 2016 (the “**Prospectus**”).

The unaudited consolidated financial results of the Group for the six months ended 30 September 2016 have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”). The unaudited consolidated financial statements of the Group for the six months ended 30 September 2016 have been prepared under the historical cost basis.

The unaudited consolidated financial results of the Group for the six months ended 30 September 2016 are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and its major subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Group has adopted new and revised HKFRSs, amendments to HKASs and Interpretations (“**Ints**”) (hereinafter collectively referred to as “**new and revised HKFRSs**”) issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2016. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

The Group is in the process of assessing their impacts on the Group’s results and financial position.

The significant accounting policies that have been used in the preparation of the unaudited consolidated financial results of the Group are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016, except for the adoption of the new and revised HKFRSs.

The preparation of the unaudited consolidated financial results of the Group for the six months ended 30 September 2016 is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies. The unaudited consolidated financial results of the Group should be read in conjunction with the Group's audited consolidated financial statements and notes thereto for the year ended 31 March 2016.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for services rendered by the Group to outside customers, less discount.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Substructure building work services — demolition and hoarding, site formation and foundation works
- (ii) Superstructure building work services — development and redevelopment of educational, residential, and commercial buildings
- (iii) RMAA work services — improvement, fitting-outworks, renovation works, restoration works and external works

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Substructure building work services	17,060	22,150	44,625	36,913
Superstructure building work services	80,749	68,493	155,254	115,687
RMAA work services	38,315	1,790	72,434	2,309
	<u>136,124</u>	<u>92,433</u>	<u>272,313</u>	<u>154,909</u>

5. INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Audited)
Current tax				
Hong Kong profit tax	1,252	1,283	2,711	1,873
Deferred tax	(131)	(93)	(266)	(136)
	<u>1,121</u>	<u>1,190</u>	<u>2,445</u>	<u>1,737</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the current and prior period.

6. DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (Six months ended 30 September 2015: Nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per Share attribute to the owners of the company is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Audited)
Earnings				
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<u>5,557</u>	<u>5,378</u>	<u>12,002</u>	<u>7,861</u>
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	<u>1,000,000,000</u>	<u>800,000,000</u>	<u>1,000,000,000</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 2015.

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 six months ended 30 September 2015 and 2016.

8. TRADE AND OTHER RECEIVABLES

	As at	
	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
Trade receivables	23,594	12,807
Retention receivables	40,386	42,541
Deposits, prepayment and other receivables	11,882	9,408
	<u>75,862</u>	<u>64,756</u>

The ageing analysis of trade receivables, based on invoice date, as at the end of each of the Relevant Periods, is as follows:

	As at	
	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
Within 30 days	23,474	12,807
31–60 days	95	–
61–90 days	25	–
	<u>23,594</u>	<u>12,807</u>

The ageing analysis of trade receivables, based on the due date, as at the end of each of the Relevant Periods, is as follows:

	As at	
	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
Neither past due nor impaired	23,474	12,807
Past due but not impaired		
Past due for less than 30 days	95	–
Past due for 31–60 days	25	–
	<u>23,594</u>	<u>12,807</u>

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Credit terms granted to our customers vary from contract to contract, which are generally within 30 days from the date of issuance of the interim certificate.

9. TRADE AND OTHER PAYABLES

	As at	
	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
Trade payables	80,984	98,545
Bills payable	<u>11,969</u>	<u>7,128</u>
Trade and bills payable (<i>Note</i>)	<u>92,953</u>	<u>105,673</u>
Retention payables	10,941	9,508
Other payables, accruals and deposits received	<u>15,275</u>	<u>12,643</u>
	<u><u>119,169</u></u>	<u><u>127,824</u></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:

	As at	
	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
Within 30 days	68,205	79,328
31–60 days	7,580	9,831
61–90 days	3,952	7,228
Over 90 days	<u>1,247</u>	<u>2,158</u>
	<u><u>80,984</u></u>	<u><u>98,545</u></u>

As at 30 September 2016, retention payables of HK\$2,312,000 (31 March 2016: HK\$8,791,000) were expected to be settled beyond twelve months after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group is a main contractor in Hong Kong principally engaged in providing (i) substructure building work services; (ii) superstructure building work services; and (iii) RMAA work services.

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

On 29 March 2016, the Company was successfully listed on GEM. The Listing greatly promoted the Group's brand in Hong Kong as well as provided the Group with a readily accessible capital platform for the Group's future business development. The proceeds received have strengthened the Group's cash flow and the Group will implement its future plans and business strategies according to the schedule set out in the Prospectus. The net proceeds will be applied towards reserving more capital to satisfy our potential customers' requirement for surety bond, expanding our workforce, and arranging and sponsoring our engineering staff to attend external technical seminars and occupational health and safety courses, acquiring machinery and reducing our gearing ratio.

Looking ahead to the fourth quarter of 2016 and the year of 2017, the global economic environment is likely to remain challenging but 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 resource to the Group to engage in the current business as well as further expanding the scope of services.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2016 recorded at approximately HK\$272.3 million which represented an increase of approximately HK\$117.4 million or 75.8% from approximately HK\$154.9 million for the six months ended 30 September 2015. The increase in total revenue was mainly due to an increase from superstructure building work services and RMAA work services amount to approximately HK\$39.6 million and HK\$70.1 million respectively.

Gross Profits and Gross Profit Margin

Our gross profit increased by approximately HK\$10.7 million or 47.3% from approximately HK\$22.6 million for the six months ended 30 September 2015 to approximately HK\$33.3 million for the six months ended 30 September 2016. Our overall gross profit margin for the six months ended 30 September 2016 decreased to 12.2% as compared to the six months ended 30 September 2015 primarily. The decrease was mainly due to decrease in gross profit margin of RMAA works services segment during the six months ended 30 September 2016.

Other Income and Gains

Other Income and Gains decreased by HK\$0.4 million or 81.6% from approximately HK\$0.5 million for the six months ended 30 September 2015 to approximately HK\$0.1 million for the six months ended 30 September 2016. The significant decrease was mainly due to one-off gain on disposal of non-current asset held for sale of approximately HK\$0.4 million for the six months ended 30 September 2015.

Administrative and Other Operating Expenses

Administrative and other Operating Expenses increase by approximately HK\$6.1 million or 48.8% from approximately HK\$12.6 million for the six months ended 30 September 2015 to approximately HK\$18.7 million for the six months ended 30 September 2016.

Administrative expenses mainly consist of staff costs, depreciation, donation, legal & professional fee and others. The increase was mainly attributable by (i) increase in staff costs paid to directors and staff of approximately HK\$3.1 million due to increase in number of staff and salary level during the six months; (ii) increase in legal & professional fees of approximately HK\$1.4 million due to professional and advisory services rendered and (iii) increase in others of approximately HK\$1.0 million.

Finance Costs

Finance Costs mainly represent the interest on bank borrowings. Finance Cost decreased by approximately HK\$0.7 million or 75.2% from approximately HK\$0.9 million for the six months ended 30 September 2015 to approximately HK\$0.2 million for the six months ended 30 September 2016. The decrease was mainly due to the decrease in the bank borrowings outstanding during six months ended 30 September 2016 as compared with the corresponding period in 2015.

Income Tax Expenses

Income Tax Expenses increased by approximately HK\$0.7 million or 40.8% from approximately HK\$1.7 million for the six months ended 30 September 2015 to approximately HK\$2.4 million for the six months ended 30 September 2016.

PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Profit and total comprehensive income for the six months attributable to the owners of the Company increased by approximately HK\$4.1 million or 52.7% from approximately HK\$7.9 million for the six months ended 30 September 2015 to approximately HK\$12.0 million for the six months ended 30 September 2016.

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 2016 and (ii) the increase in administrative and other operating expenses incurred by the Group during the six months ended 30 September 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the Group had total assets of approximately HK\$229.1 million, which is financed by total liabilities and shareholders' equity of approximately HK\$161.5 million and HK\$67.6 million, respectively. The Group's current ratio at 30 September 2016 was approximately 1.2 compared to approximately 1.1 at 31 March 2016.

GEARING RATIO

The gearing ratio of the Group as at 30 September 2016 was approximately 15.5% (31 March 2016: approximately 26.3%), which is calculated based on the Group's total interest-bearing debt of approximately HK\$10.5 million (31 March 2016: HK\$14.6 million) and the Group's total equity of approximately HK\$67.6 million (31 March 2016: HK\$55.6 million).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were denominated in Hong Kong dollars, hence, there is no significant exposure to foreign exchange rate fluctuations.

CHARGES ON GROUP ASSETS

Assets with a carrying value of approximately HK\$29.1 million were pledged as securities for the Group's banking facilities.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the six months ended 30 September 2016.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 29 March 2016. 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 30 September 2016, the Company's issued share capital was HK \$10,000,000 and the number of its issued ordinary shares was 1,000,000,000 of HK\$0.01 each.

COMMITMENTS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 21 March 2016 (the "Prospectus") and in this report, the Group did not have other plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During six months ended 30 September 2016, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any material contingent liabilities (31 March 2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group employed a total of 93 employees (31 March 2016: 80 employees). The staff costs of our Group (including salaries, allowances, other benefits and contribution retirement plan) for the six months ended 30 September 2016 were approximately HK\$20.2 million (For the six months ended 30 September 2015: approximately HK\$12.6 million).

The remuneration package for our employees generally includes salary and bonuses. Our employees also receive welfare benefits, including exam leave, retirement benefits, occupational injury insurance, medical insurance and other miscellaneous items. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees. Our executive Directors will also conduct research on the remuneration packages offered for similar positions in the Hong Kong construction main contracting industry in order to keep our remuneration packages at a competitive level. We have also adopted the Share Option Scheme which is designed to provide incentives and rewards to our employees.

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during the six months ended 30 September 2016.

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 30 September 2016 is set out below:

Objectives	Implementation Plan up to 30 September 2016	Actual business progress up to 30 September 2016
To reserve more capital to satisfy our potential customers' requirement for surety bond	— To purchase surety bond as required for any new project	Two new projects were awarded by the way of tender up to 30 September 2016. However, the Group is not required to pay the cash collateral of surety bonds for these projects.
To expand our workforce, and arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses	— To carry out recruitment including one project manager, one electrical and mechanical professional, one foreman, one assistant foreman, one leveller, one assistant leveller, one quantity surveyor, one registered safety officer, one assistant compliance officer and one account manager — To arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses — To evaluate the performance of our staff and the size of our departments	The Group recruited 12 staff to further develop the business including one project manager, two assistant project managers, one engineer, one site foreman, three assistant foremen, two levelers, one senior accountant and one accountant. The Group arranged and sponsored staff to attend the part-time business management degree course and occupational health and safety courses organized by third parties during the interim period. The Group evaluated the performance of our staff and workload of each department before expanding our size of teams.

Objectives	Implementation Plan up to 30 September 2016	Actual business progress up to 30 September 2016
To acquire machinery	— To carry our preparatory work including research and selection of the suitable crawler drill to be purchased and seek quotation thereof	The Group purchased 3 sets of Double Blade Stone Cutters for our substructure building work services.
To reduce our gearing ratio	— To repay certain bank borrowing in a one-off manner (<i>Note 1</i>)	The Group repaid approximately HK\$3.3 million bank borrowings upon listing and approximately HK\$5.5 million bank borrowings in May 2016.

Note 1: If refers to two outstanding bank facility loans of (i) approximately HK\$5.5 million with interest charged at 2.5% over fixed HIBOR, and will mature 30 days after listing and; (ii) approximately HK\$3.3 million with interest charged at 2.75% per annum, and will mature on or around May 2019.

USE OF PROCEEDS

The net proceeds from the Listing, 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 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.

An analysis of the utilisation of the net proceeds from the Listing up to 30 September 2016 is set out below:

	Adjust use of proceeds in the same manner as stated in prospectus <i>HK\$ million</i>	Planned use of net proceeds as stated in the Prospectus up to 30 September 2016 <i>HK\$ million</i>	Actual use of net proceeds up to 30 September 2016 <i>HK\$ million</i>
To reserve more capital to satisfy our potential customers' requirement for surety bond (<i>Note</i>)	17	4.2	–
To expand our workforce, and arrange and sponsor our engineering staff to attend external	10.5	2.6	1.2
To acquire machinery	3.3	–	1.3
To reduce our gearing ratio	7.4	7.4	7.4
Working capital and other general corporate	4.3	1.0	1.0
	<u>42.5</u>	<u>15.2</u>	<u>10.9</u>

Note: There will be no changes in the planned use of proceeds for surety bond even though nil was used up to 30 September 2016.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

DISCLOSURE OF INTEREST

A. Directors' and Chief executives' interest and short position in shares, underlying shares and debentures

As at 30 September 2016, the interests and short positions of the Directors and 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 Securities and Futures Ordinance (“SFO”) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing rules, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in shares of the Company or any of its associated corporation

Name of Directors	Company/name of associated company	Nature of interest	Number and class of securities	Approximate percentage of issue share capital
Mr. Ng Choi Wah	The Company	Interest in a controlled corporation	700,000,000 Shares (<i>Note</i>)	70%
	JT Glory Limited	Beneficial interest	100 shares of US\$1.00 each	100%
Mr. Lui Yiu Wing	The Company	Beneficial interest	900,000 Shares	0.09%

Note: The Shares are registered in the name of JT Glory Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Ng. Under the SFO, Mr. Ng is deemed to be interested in all Shares held by JT Glory Limited.

Short positions in shares of the Company or any of its associated corporation

As at 30 September 2016, there is no short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO).

B. Substantial Shareholders' and Other Persons' interests and short positions in the shares and underlying shares of the Company

So far as the Directors are aware, as at 30 September 2016, other than the director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Position in shares of the Company

Name	Capacity	Number of Shares held	Percentage of shareholding
JT Glory Limited	Beneficial owner	700,000,000 (Note 1)	70%
Ms. Cheung Yuk Sheung	Interest of spouse	700,000,000 (Note 2)	70%

Note 1: JT Glory Limited is wholly-owned by Mr. Ng under the SFO, Mr. Ng is deemed to be interested in all the Shares held by JT Glory Limited.

Note 2: Ms. Cheung Yuk Sheung is the spouse of Mr. Ng under the SFO, Ms. Cheung is deemed to be interested in all the Shares held by Mr. Ng.

Short positions in shares of the Company

As at 30 September 2016, there is no short positions of every person, other than a director and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

COMPETING BUSINESS AND CONFLICT OF INTERESTS

The Director are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective associate (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 six months ended 30 September 2016.

INTEREST OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited (“**Kingsway**”), as at 30 September 2016, save for the compliance agreement dated 13 January 2016 entered between the Company and Kingsway, neither Kingsway, its directors, employees, and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 six months ended 30 September 2016.

CORPORATE GOVERNANCE PRACTICE

Pursuant to the code provision A.2.1 of the Code, the roles of Chairman and CEO 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. Ng Choi Wah currently assumes the role of both chairman and chief executive of the Company. In view that Mr. Ng has been assuming day-to-day responsibilities in operating and managing our Group since 1998 and the rapid development of our Group, the Board believes that with the support of Mr. Ng's extensive experience and knowledge in the business of the Group, vesting the roles of both Chairman and chief executive officer of our Company in Mr. Ng strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision which is in the best interest to our Group. Mr. Ng delegates the role and responsibilities including operations, management, business development and strategy planning of the Group to other Executive Directors. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

In the opinion of the Board, the Company has complied with 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 with the exception for code provision A.2.1 as disclosed above for the six months ended 30 September 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities of the Company. Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance above for the six months ended 30 September 2016.

RESULTS AND DIVIDEND

The Group's results for the six months ended 30 September 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 3 to 6.

The directors do not recommend the payment of interim dividend in respect of the six months ended 30 September 2016.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 29 March 2016 (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules and set out below.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Participants

The Board may, at its discretion, invite any Eligible Persons to take up Options.

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not aggregate exceed 10% of all the Shares in issue as at the Date of Listing (i.e. a total of 100,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this report).

(d) Maximum entitlement of each participant

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 Share Option Scheme or any other share option schemes of the Company, in any 12 months' period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

(e) Term of subscription of Shares upon exercise of the options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

(f) Minimum period for which an option must be held before it can be exercised

The Board may in its absolute discretion set a minimum period for which an option must be held before an option can be exercised.

(g) Time of acceptance and the amount payable on acceptance of the option

An offer for the grant of options must be accepted within twenty-eight days from the date on which the option is granted. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 September 2016.

AUDIT COMMITTEE

Our audit committee currently consists of all three of our independent non-executive Directors, namely Dr. Wai Wing Hong Onyx, Mr. Tong Hin Sum Paul and Mr. Chau Kam Wing Donald. Mr. Chau Kam Wing Donald who has the appropriate accounting and financial related management expertise, is the chairman of the audit committee.

The Group's unaudited consolidated financial statements for the six months ended 30 September 2016 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited consolidated financial statements of the Group for the six months ended 30 September 2016 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Ching Lee Holdings Limited
Mr. NG Choi Wah
Chairman

Hong Kong, 4 November 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.