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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 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\$410.7 million for the nine months ended 31 December 2016, representing an increase of approximately 40.4% or HK\$118.3 million as compared with the nine months ended 31 December 2015.
- The profit and total comprehensive income of the Company is approximately HK\$16.1 million for the nine months ended 31 December 2016, representing an increase of approximately HK\$5.4 million or 51.1% as compared with the nine months ended 31 December 2015.
- The basic and diluted earnings per share for the nine months ended 31 December 2016 is HK1.61 cents, as compared with the nine months ended 31 December 2015 of HK1.33 cents.
- The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016.

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 nine months ended 31 December 2016 together with the unaudited comparative figures for the corresponding period in 2015, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2016

	<i>Notes</i>	Three months ended 31 December		Nine months ended 31 December	
		2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Revenue	4	138,412	137,552	410,725	292,461
Cost of revenue		(125,209)	(120,497)	(364,232)	(252,804)
Gross profits		13,203	17,055	46,493	39,657
Other income and gains		13	4	104	499
Administrative and other operating expenses		(8,109)	(13,290)	(26,814)	(25,864)
Finance costs		(176)	(375)	(405)	(1,300)
Profit before income tax		4,931	3,394	19,378	12,992
Income tax	5	(866)	(625)	(3,311)	(2,362)
Profit and total comprehensive income for the period		4,065	2,769	16,067	10,630
Earnings per share	7				
— Basic and diluted (HK cent)		0.41	0.35	1.61	1.33

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	—	—	—	16,067	16,067
At 31 December 2016 (unaudited)	<u>10,000</u>	<u>73,495</u>	<u>(28,965)</u>	<u>17,132</u>	<u>71,662</u>
At 1 April 2015 (audited)	3,711	—	—	16,394	20,105
Profit and total comprehensive income for the period	—	—	—	10,630	10,630
At 31 December 2015 (unaudited)	<u>3,711</u>	<u>—</u>	<u>—</u>	<u>27,024</u>	<u>30,735</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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, 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 nine months ended 31 December 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 nine months ended 31 December 2016 have been prepared under the historical cost basis.

The unaudited consolidated financial results of the Group for the nine months ended 31 December 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 nine months ended 31 December 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-out works, renovation works, restoration works and external works

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Substructure building work services	5,028	20,044	49,653	56,957
Superstructure building work services	83,035	111,717	238,289	227,404
RMAA work services	50,349	5,791	122,783	8,100
	<u>138,412</u>	<u>137,552</u>	<u>410,725</u>	<u>292,461</u>

5. INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax				
Hong Kong profit tax	990	694	3,701	2,567
Deferred tax	(124)	(69)	(390)	(205)
	<u>866</u>	<u>625</u>	<u>3,311</u>	<u>2,362</u>

6. DIVIDEND

The board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016. (Nine months ended 31 December 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 31 December		Nine months ended 31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<u>4,065</u>	<u>2,769</u>	<u>16,067</u>	<u>10,630</u>
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	<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 nine months ended 31 December 2015 and 2016.

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 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 nine months ended 31 December 2016 recorded at approximately HK\$410.7 million which represented an increase of approximately HK\$118.3 million or 40.4% as compared with nine months ended 31 December 2015. The increase in total revenue was mainly due to an increase of approximately HK\$114.7 million from RMAA work services and approximately HK\$10.9 million from superstructure building work services. The increase was offset by decrease in substructure building work services HK\$7.3 million.

Gross Profits and Gross Profit Margin

Our gross profit increased by approximately HK\$6.8 million or 17.2% from approximately HK\$39.7 million for the nine months ended 31 December 2015 to approximately HK\$46.5 million for the nine months ended 31 December 2016. During the nine months ended 31 December 2016, the gross profit margin decreased to approximately 11.3%, compared with the profit margin in the corresponding period in 2015 of approximately 13.6%. The decrease was mainly due to the extent of increase in subcontracting charges and direct labour costs being greater than the increase in revenue.

Other Income and Gains

Other Income and Gains decreased by HK\$0.4 million or 79.2% from approximately HK\$0.5 million for the nine months ended 31 December 2015 to approximately HK\$0.1 million for the nine months ended 31 December 2016.

Administrative and Other Operating Expenses

Administrative and other Operating Expenses increase by approximately HK\$1.0 million or 3.7% as compared with the nine months ended 31 December 2015 to approximately HK\$26.8 million for the nine months ended 31 December 2016.

Administrative expenses mainly consist of staff costs, depreciation, entertainments, consultancy fees and others. The increase was attributable by (i) increase in staff costs paid to directors and staff of approximately HK\$3.4 million due to increase in number of staff and salary level during the nine months; (ii) increase in consultancy fees of approximately HK\$2.3 million due to professional and advisory services rendered; (iii) increase in entertainments of approximately HK\$1.1 million; and (iv) increase in others of approximately HK\$0.3 million, net off with one-off listing expenses of approximately HK\$6.1 million for the nine months ended 31 December 2015.

Finance Costs

Finance Cost decreased by approximately HK\$0.9 million or 68.8% from approximately HK\$1.3 million for the nine months ended 31 December 2015 to approximately HK\$0.4 million for the nine months ended 31 December 2016. The decrease was mainly due to some major repayments of bank borrowings in March 2016.

Income Tax Expenses

Income Tax Expenses increased by approximately HK\$0.9 million or 40.2% from approximately HK\$2.4 million for the nine months ended 31 December 2015 to approximately HK\$3.3 million for the nine months ended 31 December 2016.

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

Profit and total comprehensive income for the nine months attributable to the owners of the Company increased by approximately HK\$5.4 million or 51.1% as compared with nine months ended 31 December 2015 to approximately HK\$16.1 million for the nine months ended 31 December 2016.

Such increase was primarily attributable to the net effect of the increase in revenue and gross profit for the nine months ended 31 December 2016, net off with the increase in administrative and other operating expenses incurred by the Group during the nine months ended 31 December 2016.

DISCLOSURE OF INTEREST

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

As at 31 December 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 (“Mr. Ng”)	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 31 December 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 31 December 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 (<i>Note 1</i>)	70%
Ms. Cheung Yuk Sheung	Interest of spouse	700,000,000 (<i>Note 2</i>)	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 31 December 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 nine months ended 31 December 2016.

INTEREST OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited (“**Kingsway**”), as at 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2016.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 nine months ended 31 December 2016.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 10 March 2016 (the "Scheme").

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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, 7 February 2017

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.