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 2017

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board 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 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 2017 together with the comparative audited figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**579,849**	475,474
Cost of revenue		**(504,285)**	(414,382)
Gross profit		**75,564**	61,092
Other income and gains	*5*	**183**	12,644
Administrative and other operating expenses		**(43,891)**	(45,861)
Finance costs	*7*	**(712)**	(1,605)
Profit before income tax	*6*	**31,144**	26,270
Income tax	*8*	**(5,693)**	(5,154)
Profit and total comprehensive income for the year		**25,451**	21,116
Earnings per share:			
— Basic (HK cents)	*10*	**2.55**	2.63
— Diluted (HK cents)		**2.55**	2.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**47,862**	36,879
Current assets			
Trade and other receivables	*11*	**95,440**	64,756
Pledged deposits		**4,246**	13,790
Amounts due from customers of contract work		**78,855**	43,724
Pledged bank deposit		**25,001**	–
Bank balances and cash		**32,538**	71,147
Total current assets		**236,080**	193,417
Current liabilities			
Trade and other payables	*12*	**161,510**	127,824
Amounts due to customers of contract work		**2,612**	29,248
Obligation under finance lease		**151**	–
Bank borrowings, secured		**35,867**	14,611
Provision of taxation		**690**	2,203
Total current liabilities		**200,830**	173,886
Net current assets		**35,250**	19,531
Total assets less current liabilities		**83,112**	56,410

	Note	**2017**	2016
		HK$'000	*HK$'000*
Non-current liabilities			
Obligation under finance lease		**575**	–
Deferred tax liabilities		**1,491**	815
Total non-current liabilities		**2,066**	815
Net assets		**81,046**	55,595
Capital and reserves			
Share capital	*13*	**10,000**	10,000
Reserves		**71,046**	45,595
Total equity		**81,046**	55,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017

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 prior 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 as 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 became 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 year ended 31 March 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 prior years. The consolidated statement of financial position of the Group as at 31 March 2016 was 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 2016

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

Amendments to HKAS 16 and HKAS 41 — Agriculture: Bearer Plants

The amendments define bearer plants and require biological assets that meet the definition to be accounted for as property, plant and equipment in accordance with HKAS 16. The agricultural produce of bearer plants remains within the scope of HKAS 41. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group has no bearer plants.

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 — Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

Amendments to HKFRS 11 — Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation.

(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. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

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 strategic 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 consolidated assets of the Group 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:

	2017	2016
	HK$'000	*HK$'000*
Customer I*	**174,558**	–
Customer II*	**76,719**	–
Customer III#	**–**	91,367
Customer IV#	**–**	85,786
Customer V#	**–**	63,716
Customer VI#	**–**	59,316
Customer VII#	**–**	52,453
Customer VIII#	**–**	52,190

* The revenue from this customer in the year ended 31 March 2016 accounted for less than 10% of the Group's revenue for the year.

\# The revenue from this customer in the year ended 31 March 2017 accounted for less than 10% of the Group's revenue for the year.

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

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**14**	6
Sale of scrap materials	**38**	29
Gain on disposal of property, plant and equipment, net	**40**	12,122
Gain on disposal of non-current asset held for sale	**–**	400
Others	**91**	87
	183	12,644

6. PROFIT BEFORE INCOME TAX

This is arrived at after charging the followings:

	2017 HK$'000	2016 HK$'000
Auditor's remuneration	**1,550**	1,702
Depreciation in respect of:		
— Owned assets	**6,280**	1,865
— Leased assets	**33**	2,388
	6,313	4,253
Employee benefit expenses (including directors' emoluments)		
— Salaries, allowances and other benefits	**47,439**	32,123
— Contribution to defined contribution retirement plan	**1,501**	997
	48,940	33,120
Operating lease payments in respect of land and buildings and car parks	**865**	345

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowings *(Note)*	**698**	1,384
Interest element of finance lease payments	**14**	221
	712	1,605

Note: This analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with scheduled repayment dates set out in the loan agreements. For the years ended 31 March 2016 and 2017, all agreements of bank borrowings contain a repayment on demand clause.

8. INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Current tax		
— Hong Kong Profits Tax	**5,164**	4,832
— (Over)/under-provision for prior years	**(147)**	306
Deferred tax	**676**	16
	5,693	5,154

9. DIVIDEND

	2017	2016
	HK$'000	*HK$'000*
Special dividend	**–**	36,445

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 prior year.

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:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**25,451**	21,116

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**1,000,000,000**	801,639,344

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 the earliest date presented.

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 2016 and 2017.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**38,452**	12,807
Retention receivables	**47,500**	42,541
Deposits, prepayments and other receivables	**9,488**	9,408
	95,440	64,756

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**37,025**	12,807
31–60 days	**1,135**	–
Over 60 days	**292**	–
	38,452	12,807

12. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**115,212**	98,545
Bills payable	**12,540**	7,128
Trade and bills payables *(Note)*	**127,752**	105,673
Retention payables	**21,013**	9,508
Other payables, accruals and deposits received	**12,745**	12,643
	161,510	127,824

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:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**87,759**	79,328
31–60 days	**11,181**	9,831
61–90 days	**9,110**	7,228
Over 90 days	**7,162**	2,158
	115,212	98,545

13. SHARE CAPITAL

The share capital as at 31 March 2016 and 2017 represented the issued share capital of the Company as detailed below:

	2017		2016	
	Number	***HK$'000***	*Number*	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised				
At beginning of year	**10,000,000,000**	**100,000**	–	–
On date of incorporation on 16 November 2015 *(Note (a))*	**–**	**–**	38,000,000	380
Increase in authorised share capital on 10 March 2016 *(Note (a))*	**–**	**–**	9,962,000,000	99,620
At end of year	**10,000,000,000**	**100,000**	10,000,000,000	100,000

	2017		2016	
	Number	***HK$'000***	*Number*	*HK$'000*
Ordinary shares of HK$0.01 each				
Issued and fully paid				
At beginning of year	**1,000,000,000**	**10,000**	–	–
Upon incorporation *(Note (a))*	**–**	**–**	1	–
Allotment of shares *(Note (b))*	**–**	**–**	99	–
Capitalisation issue *(Note (c))*	**–**	**–**	799,999,900	8,000
Issue of shares under placing *(Note (c))*	**–**	**–**	200,000,000	2,000
At end of year	**1,000,000,000**	**10,000**	1,000,000,000	10,000

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 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) On 10 March 2016, the Company adopted a share option scheme (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 the Listing (i.e. 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 and 2017, 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) repair, maintenance, alternation and addition for an existing structure ("RMAA") work 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, and the scope of our RMAA works consisted of improvement, fitting-out works, renovation works, restoration works and external works.

The Group's revenue for the year ended 31 March 2017 was recorded at approximately HK$579.8 million which represented an increase of approximately HK$104.4 million or 22.0% from approximately HK$475.5 million for the year ended 31 March 2016.

	Year ended 31 March		Increase/
	2016	**2017**	(Decrease)
	HK$'000	***HK$'000***	%
Substructure building work services	88,106	**55,094**	(37.5)
Superstructure building work services	365,067	**384,297**	5.3
RMAA work services	22,301	**140,458**	529.8
	475,474	**579,849**	22.0

(i) Substructure building works services

For the year ended 31 March 2017, revenue recorded in this segment amounted to approximately HK$55.1 million (2016: approximately HK$88.1 million). The decrease by approximately HK$33.0 million was mainly due to approximately HK$44.5 million from the completion/substantial completion of substructure building works completed during the year ended 31 March 2016. The decrease was partly offset by an increase of approximately HK$8.8 million from a substructure project for which substantial portion of works had been performed for the year ended 31 March 2017.

(ii) Superstructure building works services

For the year ended 31 March 2017, revenue recorded in this segment amounted to approximately HK$384.3 million (2016: approximately HK$365.1 million). The increase by approximately HK$19.2 million was mainly due to the commencement of four superstructure projects amounted to approximately HK$144.7 million and a substantial portion of works of two superstructure projects performed amounted to approximately HK$67.3 million for the year ended 31 March 2017. In addition, revenue from variation works of a superstructure project amounted to approximately HK$7.2 million was confirmed and received from the customer. The increase was partially offset by a decrease of approximately HK$199.4 million from the completion/substantial completion of six superstructure projects during the year ended 31 March 2016.

(iii) RMAA works services

For the year ended 31 March 2017, revenue recorded in this segment amounted to approximately HK$140.5 million (2016: approximately HK$22.3 million). The increase by approximately HK$118.2 million was mainly due to an increase of approximately HK$28.7 million from the completion/substantial completion of two major RMAA projects and the commencement of three new RMAA projects during the year ended 31 March 2017, which contributed revenue of approximately HK$89.2 million.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2017 recorded at approximately HK$579.8 million which represented an increase of approximately HK$104.4 million or 22.0% from approximately HK$475.5 million for the year ended 31 March 2016. The increase in total revenue was mainly due to an increase from superstructure building works services and RMAA works services amount to approximately HK$19.2 million and HK$118.2 million respectively. The increase was offset by decrease in substructure building works services of approximately HK$33.0 million.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK$14.5 million or 23.7%, from approximately HK$61.1 million for the year ended 31 March 2016 to approximately HK$75.6 million for the year ended 31 March 2017. During the year ended 31 March 2017, the gross profit margin was approximately 13.0%, which is close to the gross profit margin of prior year of approximately 12.8%.

Other Income and Gains

Other Income and Gains decreased by HK$12.5 million or 98.6% from approximately HK$12.6 million for the year ended 31 March 2016 to approximately HK$0.2 million for the year ended 31 March 2017. The significant decrease was mainly due to one-off 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 decreased by approximately HK$2.0 million or 4.3% from approximately HK$45.9 million for the year ended 31 March 2016 to approximately HK$43.9 million for the year ended 31 March 2017.

Administrative expenses mainly consist of listing expenses, staff costs, depreciation, donation, consultancy fees and others. The decrease was attributable by (i) decrease in listing expenses of approximately HK$9.1 million for services rendered by professional parties for the year ended 31 March 2016; (ii) increase in staff costs paid to directors and staff of approximately HK$6.9 million due to increase in number of staff and salary level during the year; (iii) decrease in consultancy fees of approximately HK$2.4 million; (iv) decrease in donation of approximately HK$1.5 million; (v) increase in depreciation of approximately HK$1.4 million and (vi) increase in others of approximately HK$2.7 million.

Finance Costs

Finance Costs decreased by approximately HK$0.9 million or 55.6% from approximately HK$1.6 million for the year ended 31 March 2016 to approximately HK$0.7 million for the year ended 31 March 2017. Although bank loans increased significantly from approximately HK$14.6 million as at 31 March 2016 to approximately HK$35.9 million as at 31 March 2017, finance cost did not rise accordingly as repayments of bank loans were mainly made in March 2016 and new bank borrowings were made in January and February 2017.

Income Tax

Income Tax increased by approximately HK$0.5 million or 10.5% from approximately HK$5.2 million for the year ended 31 March 2016 to approximately HK$5.7 million for the year ended 31 March 2017.

Profit and Total Comprehensive Income for the Year Attributable to the Owners of the Company

Profit and total comprehensive income for the year attributable to the owners of the Company increased by approximately HK$4.3 million or 20.5% from approximately HK$21.1 million for the year ended 31 March 2016 to approximately HK$25.5 million for the year ended 31 March 2017.

Such increase was primarily attributable to (i) the increase in revenue and gross profit for the year ended 31 March 2017; and (ii) the one-off listing expenses incurred by the Group for its listing during the year ended 31 March 2016, net off with one-off gain on disposal of a property for the year ended 31 March 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group had total assets of approximately HK$283.9 million, which is financed by total liabilities and shareholders' equity of approximately HK$202.9 million and HK$81.0 million, respectively. The Group's current ratio at 31 March 2017 was approximately 1.2 compared to approximately 1.1 at 31 March 2016.

Gearing Ratio

The gearing ratio of the Group as at 31 March 2017 was approximately 45.2% (31 March 2016: approximately 26.3%), which is calculated based on the total obligations under finance lease and total bank borrowings divided by total equity as at the respective reporting date.

Capital Expenditure

Total capital expenditure for the year ended 31 March 2017 was approximately HK$17.3 million, which was mainly used in the purchase of machineries and buildings.

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.

Charges on Group Assets

Assets with a carrying value of approximately HK$57.1 million were pledged as securities for the Group's banking facilities and surety bonds. Details of the charges on assets of the Group are set out in notes 18 and 22 to the financial statements.

Segment Information

Segmental information is presented for the Group as disclosed on note 6 of the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 March 2017.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. 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.

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 31 March 2017, 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.

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 announcement, the Group did not have other plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed a total of 86 employees (31 March 2016: 80 employees). The staff costs of our Group (including salaries, allowances, other benefits and contribution to defined contribution retirement plan) for the year ended 31 March 2017 were approximately HK$48.9 million (For the year ended 2016: approximately HK$33.1 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 year ended 31 March 2017.

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 (i.e. 29 March 2016) to 31 March 2017 is set out below:

Objectives	Implementation Plans	Actual business progress for the six months ended 31 March 2017
To reserve more capital to satisfy our potential customers' requirement for surety bond	To purchase surety bond as required for any new project	Four new projects were awarded by the way of tender from October 2016 to March 2017. However, the Group is not required to pay the cash collateral of surety bonds for these projects by the employers.
To arrange and sponsor our engineering staff to attend external technical seminars and occupational healthand safety courses	To arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses	The Group recruited 25 staff to further develop the business including three project managers, two assistant project managers, three quantity surveyors, four site foreman, five assistant foreman, six levellers etc
	To evaluate the performance of our staff and the size of our departments	The Group arranged and sponsored staff to attend the part-time business management degree course and diploma by third parties during the period. The Group evaluated the performance of our staff and workload of each department before expanding our size of teams.
To acquire machinery	To purchase one crawler drill	The Group purchased 2 sets of Double Blade Stone Cutters, one set of Excavator, 2 sets of Crane and other tools for our substructure building work services.
To reduce our gearing ratio	N/A	N/A

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.

An analysis of the utilisation of the net proceeds from the Listing Date up to 31 March 2017 is set out below:

	Adjusted use of proceeds in the same manner as stated in prospectus *HK$ million*	**Planned use of net proceeds as stated in the Prospectus up to 31 March 2017** *HK$ million*	**Actual use of net proceeds up to 31 March 2017** *HK$ million*
To reserve more capital to satisfy our potential customers' requirement for surety bond *(Note)*	17	8.4	0.0
To expand our workforce, and arrange and sponsor our engineering staff to attend external	10.5	5.2	5.7
To acquire machinery	3.3	3.3	11.5
To reduce our gearing ratio	7.4	7.4	7.4
Working capital and other general corporate	4.3	2.1	1.0
	42.5	26.4	25.6

Note: There will be no changes in the planned use of proceeds for surety bond even though nil was used up to 31 March 2017.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2017.

DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 March 2017 (2016: HK$Nil).

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 2017 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 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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 March 2017.

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 2017 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, 10 May 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.