CHING LEE HOLDINGS LIMITED
正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3728)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

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 2018 together with the comparative audited figures for the year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*4*	**870,888**	579,849
Cost of revenue		**(775,406)**	(504,285)
Gross profit		**95,482**	75,564
Other income and gains	*5*	**936**	183
Administrative and other operating expenses		**(68,993)**	(43,891)
Finance costs	*7*	**(2,483)**	(712)
Profit before income tax	*6*	**24,942**	31,144
Income tax	*8*	**(5,240)**	(5,693)
Profit and total comprehensive income for the year		**19,702**	25,451
Earnings per share:			
— Basic (HK cents)	*10*	**1.97**	2.55
— Diluted (HK cents)		**1.97**	2.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**42,883**	47,862
Deposit for acquisition of interest in an associate		**2,500**	–
Available-for-sale financial asset		**2,884**	–
Total non-current assets		**48,267**	47,862
Current assets			
Trade and other receivables	*11*	**141,750**	95,440
Pledged deposits		**674**	4,246
Amounts due from customers of contract work		**112,717**	78,855
Pledged bank deposits		**25,002**	25,001
Bank balances and cash		**52,365**	32,538
Total current assets		**332,508**	236,080
Current liabilities			
Trade and other payables	*12*	**185,029**	161,510
Amounts due to customers of contract work		**199**	2,612
Obligations under finance leases		**688**	151
Bank borrowings, secured		**95,248**	35,867
Provision of taxation		**246**	690
Total current liabilities		**281,410**	200,830
Net current assets		**51,098**	35,250
Total assets less current liabilities		**99,365**	83,112

	Note	**2018**	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Obligations under finance leases		**2,124**	575
Deferred tax liabilities		**993**	1,491
Total non-current liabilities		**3,117**	2,066
Net assets		**96,248**	81,046
Capital and reserves			
Share capital	*13*	**10,000**	10,000
Reserves		**86,248**	71,046
Total equity		**96,248**	81,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

1. GENERAL INFORMATION

Ching Lee Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 16 November 2015. Its shares have been listed on the GEM of the Stock Exchange (the "Listing") during the year ended 31 March 2016 and the Listing was successfully transferred from the GEM to Main Board of the Stock Exchange on 18 September 2017. 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").

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the cash flow statement.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

(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.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

3. SEGMENT REPORTING

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

	2018	2017
	HK$'000	*HK$'000*
Customer I	**276,279**	174,558
Customer II	**156,093**	–
Customer III	**137,369**	N/A[1]
Customer IV	**N/A[1]**	76,719

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

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

	2018 *HK$'000*	2017 *HK$'000*
Bank interest income	**30**	14
Sale of scrap materials	**9**	38
Gain on disposal of property, plant and equipment, net	**707**	40
Others	**190**	91
	936	183

6. PROFIT BEFORE INCOME TAX

This is arrived at after charging the following:

	2018 *HK$'000*	2017 *HK$'000*
Auditor's remuneration	**1,200**	1,550
Depreciation in respect of:		
— Owned assets	**7,353**	6,280
— Leased assets	**492**	33
	7,845	6,313
Employee benefit expenses (including directors' emoluments)		
— Salaries, allowances and other benefits	**69,787**	47,439
— Share-based payment expenses	**1,500**	–
— Contribution to defined contribution retirement plan	**2,014**	1,501
	73,301	48,940
Operating lease payments in respect of land and buildings and car parks	**866**	865

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**2,405**	698
Interest element of finance lease payments	**78**	14
	2,483	712

8. INCOME TAX

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

	2018	2017
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax	**5,620**	5,164
— Under/(over) provision for prior years	**118**	(147)
Deferred tax	**(498)**	676
	5,240	5,693

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

9. DIVIDEND

	2018	2017
	HK$'000	*HK$'000*
Dividend declared and paid	**6,000**	–

The board of directors declared an interim dividend of HK$0.006 per share, which was paid during the year. The board of directors does not recommend the payment of a final dividend in respect of the years ended 31 March 2017 and 2018.

10. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**19,702**	25,451

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,000,000,000**	1,000,000,000
Effect of dilutive potential ordinary shares:		
— Share options	**401,560**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,000,401,560**	1,000,000,000

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**57,011**	38,452
Retention receivables	**64,965**	47,500
Deposits, prepayments and other receivables	**19,774**	9,488
	141,750	95,440

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

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**57,011**	37,025
31–60 days	**–**	1,135
Over 60 days	**–**	292
	57,011	38,452

12. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**135,456**	115,212
Bills payable	**6,134**	12,540
Trade and bills payables *(Note)*	**141,590**	127,752
Retention payables	**34,677**	21,013
Other payables, accruals and deposits received	**8,762**	12,745
	185,029	161,510

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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**105,935**	87,759
31–60 days	**22,334**	11,181
61–90 days	**3,975**	9,110
Over 90 days	**3,212**	7,162
	135,456	115,212

13. SHARE CAPITAL

The share capital as at 31 March 2017 and 2018 represented the issued share capital of the Company as detailed below:

	2018		2017	
	Number	***HK$'000***	*Number*	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised				
At beginning and end of year	**10,000,000,000**	**100,000**	10,000,000,000	100,000

	2018		2017	
	Number	***HK$'000***	*Number*	*HK$'000*
Ordinary shares of HK$0.01 each				
Issued and fully paid				
At beginning and end of year	**1,000,000,000**	**10,000**	1,000,000,000	10,000

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, alteration 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 2018 was recorded at approximately HK$870.9 million which represented an increase of approximately HK$291.1 million or 50.2% from approximately HK$579.8 million for the year ended 31 March 2017.

	Year ended 31 March		Increase/
	2018	2017	(Decrease)
	HK$'000	*HK$'000*	%
Substructure building work services	**1,696**	55,094	(96.9)
Superstructure building work services	**534,785**	384,297	39.2
RMAA work services	**334,407**	140,458	138.1
	870,888	579,849	50.2

(i) Substructure building works services

For the year ended 31 March 2018, revenue recorded in this segment amounted to approximately HK$1.7 million (2017: approximately HK$55.1 million). The decrease by approximately HK$53.4 million was mainly due to the completion/substantial completion of four substructure building works projects during the year ended 31 March 2017.

(ii) Superstructure building works services

For the year ended 31 March 2018, revenue recorded in this segment amounted to approximately HK$534.8 million (2017: approximately HK$384.3 million). The increase by approximately HK$150.5 million was mainly due to the commencement of three superstructure projects amounted to approximately HK$257.3 million and a substantial portion of works of three superstructure projects performed amounted to approximately HK$192.5 million for the year ended 31 March 2018. The increase was partially offset by a decrease of approximately HK$298.8 million from the completion/substantial completion of nine superstructure projects during the year ended 31 March 2017.

(iii) **RMAA works services**

For the year ended 31 March 2018, revenue recorded in this segment amounted to approximately HK$334.4 million (2017: approximately HK$140.5 million). The increase by approximately HK$193.9 million was mainly due to the commencement of four new RMAA projects during the year ended 31 March 2018, which contributed revenue of approximately HK$319.6 million, net off with a decrease of approximately HK$127.4 million from the completion/substantial completion of three major RMAA projects during the year ended 31 March 2017.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2018 recorded at approximately HK$870.9 million which represented an increase of approximately HK$291.1 million or 50.2% from approximately HK$579.8 million for the year ended 31 March 2017. The increase in total revenue was mainly due to an increase from superstructure building works services and RMAA works services amount to approximately HK$150.5 million and HK$193.9 million respectively. The increase was offset by decrease in substructure building works services of approximately HK$53.4 million.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK$19.9 million or 26.3%, from approximately HK$75.6 million for the year ended 31 March 2017 to approximately HK$95.5 million for the year ended 31 March 2018. During the year ended 31 March 2018, the gross profit margin was approximately 11.0%, which is slightly lower than the gross profit margin of prior year of approximately 13.0%.

Other Income and Gains

Other Income and Gains increased by HK$0.7 million or 350% from approximately HK$0.2 million for the year ended 31 March 2017 to approximately HK$0.9 million for the year ended 31 March 2018. The increase was mainly due to gain on disposal of equipment and motor vehicles of approximately HK$0.7 million for the year ended 31 March 2018.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses increased by approximately HK$25.1 million or 57.2% from approximately HK$43.9 million for the year ended 31 March 2017 to approximately HK$69.0 million for the year ended 31 March 2018.

Administrative and other operating expenses mainly consist of staff cost (including salaries, allowances, other benefits and contribution to defined contribution retirement plan), legal & professional fee, business development costs, donations, depreciation, share-based payment expenses and others. The increase was mainly attributable by (i) increase in staff costs paid to directors and staff of approximately HK$4.1 million due to an increase in number of staff and salary level during the year; (ii) increase in legal & professional fee of HK$10.6 million mainly for a litigation of a breach of the Buildings Ordinance, (iii) increase in share-based payments of approximately HK$1.5 million of a grant of share options to directors and staff on 21 November 2017, (iv) increase in business development costs of approximately HK$5.4 million mainly due to an increase in social and business networking activities, (v) increase in donations of approximately HK$1.4 million and (vi) increase in others of HK$2.1 million.

Finance Costs

Finance Costs increased by approximately HK$1.8 million or 257% from approximately HK$0.7 million for the year ended 31 March 2017 to approximately HK$2.5 million for the year ended 31 March 2018. It was mainly to increase in bank borrowing from approximately HK$35.7 million to approximately HK$95.2 million as at 31 March 2018.

Income Tax

Income Tax decreased by approximately HK$0.5 million or 8.8% from approximately HK$5.7 million for the year ended 31 March 2017 to approximately HK$5.2 million for the year ended 31 March 2018.

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

Profit and total comprehensive income for the year attributable to the owners of the Company decreased by approximately HK$5.8 million or 22.7% from approximately HK$25.5 million for the year ended 31 March 2017 to approximately HK$19.7 million for the year ended 31 March 2018.

Such decrease was primarily attributable to the increase in administrative and other operating expenses, offset by the increase in revenue and gross profit for the year ended 31 March 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had total assets of approximately HK$380.8 million, which is financed by total liabilities and shareholders' equity of approximately HK$284.6 million and HK$96.2 million, respectively. The Group's current ratio remained stable at approximately 1.2 at 31 March 2017 and 31 March 2018.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2018 was approximately 101.9% (31 March 2017: approximately 45.2%), 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 2018 was approximately HK$3.1 million, which was mainly used in the purchase of machineries and motor vehicles.

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$65.2 million were pledged as securities for the Group's banking facilities and surety bonds.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 3 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 March 2018.

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 transferred from the GEM to the Main Board of the Stock Exchange on 18 September 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2018, 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

The Group did not have plans for material investments or capital assets during the year ended 31 March 2018.

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 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group employed a total of 151 employees (31 March 2017: 110 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 2018 were approximately HK$73.3 million (For the year ended 2017: approximately HK$48.9 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 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in our operations and financial position as efficiently and effectively as possible.

I. Our revenue is mainly derived from projects which are not recurring in nature and any significant decrease in the number of our projects would affect our operations and financial results;

II. We depend on our suppliers for concrete, steel and other construction materials, and any shortage or delay of supply, or deterioration in the quality, of the same could materially and adversely affect our operations, and we may not be able to identify an alternative source of stable supply with acceptable quality and price;

III. We may be involved in construction and/or labour disputes, legal and other proceedings arising from our operations from time to time and may face significant legal liabilities as a result;

IV. We determine our tender price based on the estimated time and costs to be involved in a project, yet the actual time and costs incurred may deviate from our estimate due to unexpected circumstances, thereby adversely affecting our operations and financial results;

V. We rely on our Board members and senior management staff, and their departure would adversely affect our operations and financial results;

VI. Our works are labour intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected;

VII. Expiry, withdrawal, revocation, downgrading and/or failure to renew any of our various registrations and certifications would adversely affect our operations and financial results; and

VIII. There is no guarantee that we would not be subject to any claims in relation to defects of our works, which may result in further costs to make good the defects, and/or deduction of the retention monies to be released and/or claims from our customers against us.

USE OF PROCEEDS

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

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

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

As at the date of this announcement, the Company has unutilised Net Proceeds of approximately HK$16.3 million, and the Board resolved to change the proposed use of the Net Proceeds. Details of the original allocation of the Net Proceeds, the actual use of the Net Proceeds and the revised allocation of the Net Proceeds as at the date of this announcement are set out as follows:

	Planned use of net proceeds as stated in the Prospectus up to 31 March 2018 *HK$ million*	**Actual use of net proceeds up to the date of this announcement** *HK$ million*	**Unutilized amount** *HK$ million*	**Revise allocation** *HK$ million*
To reserve more capital to satisfy our potential customers' requirement for surety bond	17.0	0.7	16.3	–
To expand our workforce, and arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses	10.5	10.5	–	–
To acquire machinery	3.3	3.3	–	–
To reduce our gearing ratio	7.4	7.4	–	–
Working capital and other general corporate	4.3	4.3	–	–
To invest property development projects *(Note)*	–	–	–	16.3
	42.5	26.2	16.3	16.3

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.

Note: For the reasons of the change in use of proceeds, please refer to announcement dated 19 June 2018.

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 2018.

DIVIDEND

The board of directors declared an interim dividend of HK$0.006 per share, which was paid during the year. The Directors do not recommend the payment of final dividend in respect of the year end 31 March 2018 (31 March 2017: nil).

EVENTS AFTER THE REPORTING PERIOD

On 25 April 2018, the Group entered into a share purchase agreement with the only shareholder of New Bright Engineering Limited (the "Target Company"), a limited company incorporated in Hong Kong, to acquire 30% of the entire issued share capital of the Target Company for a consideration of HK$15,000,000, in which HK$9,930,000 was paid by cash and the remaining of HK$5,070,000 was settled by allotting and issuing 13,000,000 new ordinary shares an issue price of HK$0.39 per share. The Target Company is a registered electrical contractor in Hong Kong which principally engages in air-conditioning and electrical engineering installation and alteration works. The transaction was completed on 10 May 2018. For details, please refer to announcements dated 1 February, 26 March, 25 April and 10 May, 2018.

In early April 2018, the court hearing has held regarding the Group's breach of section 40(2B)(b) of the Buildings Ordinance in November 2014 and imposed a fine of HK$100,000 for the offense. The background information on the criminal litigation was detailed further in the prospectus and the announcement dated 8 September 2017.

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 14 of the Listing Rules. The Group's consolidated financial statements for the year ended 31 March 2018 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 2018 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. All the directors have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code for the year ended 31 March 2018 and up to the date of this results announcement.

CORPORATE GOVERNANCE PRACTICE

Pursuant to the code provision A.2.1 of the CG 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 of the Company 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 applied the principles and code provisions in the CG as set out in Appendix 14 to the Listing Rules with the exception for code provision A.2.1 as disclosed above for the year ended 31 March 2018.

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 2018 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.

PUBLICATION OF ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.chingleeholdings.com). The annual report for the year ended 31 March 2018 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Ching Lee Holdings Limited
Ng Choi Wah
Chairman

Hong Kong, 19 June 2018

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.