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 2020

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 2020 together with the comparative audited figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Revenue	*4*	**993,335**	843,659
Cost of revenue		**(912,674)**	(756,447)
Gross profit		**80,661**	87,212
Other income and gains	*5*	**1,711**	1,725
Administrative and other operating expenses		**(59,272)**	(65,034)
Expected credit loss on financial assets		**(1,000)**	(2,483)
Finance costs	*7*	**(9,314)**	(7,068)
Share of results of an associate		**1,830**	877
Profit before income tax	*6*	**14,616**	15,229
Income tax	*8*	**(2,446)**	(4,203)
Profit and total comprehensive income for the year		**12,170**	11,026
Earnings per share:			
— Basic (HK cents)	*10*	**1.20**	1.09
— Diluted (HK cents)		**1.20**	1.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**41,271**	42,442
Intangible asset		**790**	790
Interest in an associate		**14,940**	13,110
Financial assets at fair value through profit or loss		**4,560**	4,332
Rental deposits	*11*	**144**	–
Total non-current assets		**61,705**	60,674
Current assets			
Trade and other receivables	*11*	**93,183**	78,378
Contract assets		**266,729**	201,629
Amount due from an associate		**14,916**	12,906
Financial assets at fair value through profit or loss		**2,784**	2,784
Taxation recoverable		**421**	1,901
Pledged bank deposits		**25,053**	15,022
Bank balances and cash		**56,591**	69,097
Total current assets		**459,677**	381,717
Current liabilities			
Trade and other payables	*12*	**237,718**	133,952
Contract liabilities		**4,211**	1,012
Lease liabilities		**2,271**	–
Obligations under finance leases		**–**	721
Bank borrowings, secured		**152,437**	192,438
Provision of taxation		**43**	369
Total current liabilities		**396,680**	328,492
Net current assets		**62,997**	53,225
Total assets less current liabilities		**124,702**	113,899

	Note	2020	2019
		HK$'000	*HK$'000*
Non-current liabilities			
Lease liabilities		**3,544**	–
Obligations under finance leases		**–**	1,403
Deferred tax liabilities		**175**	644
Total non-current liabilities		**3,719**	2,047
Net assets		**120,983**	111,852
Capital and reserves			
Share capital	*13*	**10,130**	10,130
Reserves		**110,853**	101,722
Total equity		**120,983**	111,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2020

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 are listed on Main Board of the Stock Exchange.

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.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs

Except as explained below, the adoption of these new/revised HKFRSs has no material impact on the Group's consolidated financial statements.

HKFRS 16 Leases ("HKFRS 16")

HKFRS 16 supersedes HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an arrangement contains a Lease ("**HK(IFRIC)-Int 4**"), HK(SIC)-15 Operating Leases-Incentives and HK(SIC)-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance-sheet model.

Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect on initial adoption as an adjustment to opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee — Leases previously classified as operating leases

(i) Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, buildings and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the elective exemption for short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("**short-term leases**"). Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Leases previously accounted for as operating leases

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average of the incremental borrowing rates used for determination of the remaining lease payments was 9.94%. The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments recognised in the statement of financial position immediately before 1 April 2019.

The Group also applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

The effect of adoption HKFRS 16 as at 1 April 2019 (increase/(decrease)) is as follows:

	HK$'000
Assets	
Non-current assets	
Property, plant and equipment	740
Total non-current assets	740
Total assets	740
Liabilities	
Current liabilities	
Lease liabilities	1,461
Obligations under finance leases	(721)
Total current liabilities	740
Non-current liabilities	
Lease liabilities	1,403
Obligations under finance leases	(1,403)
Total non-current liabilities	–
Total liabilities	740

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	2,190
Less: commitments relating to short-term leases	(1,403)
Less: total future interest expense	(47)
Add: obligations under finance leases	2,124
Lease liabilities as at 1 April 2019	2,864

Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 April 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The right-of-use assets were recognised based on the amount equal to the lease liabilities. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment on that date.

The Group has applied the exemption for non-recognition of right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income ("**FVOCI**") if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 19 — Plan amendment, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(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 HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[5]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] Effective for annual periods beginning on or after 1 January 2022

[4] The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

[5] Effective for annual periods beginning on or after 1 June 2020

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:

	2020	2019
	HK$'000	*HK$'000*
Customer I	**149,970**	N/A[1]
Customer II	**125,613**	N/A[1]
Customer III	**120,012**	N/A[1]
Customer IV	**116,188**	N/A[1]
Customer V	**99,416**	–
Customer VI	**N/A[1]**	242,498
Customer VII	**N/A[1]**	127,055
Customer VIII	**N/A[1]**	109,547

[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. Revenue recognised from the principal activities during the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue recognised over time:		
Substructure building work services	**30,936**	–
Superstructure building work services	**658,663**	416,508
Repair, maintenance, alteration and addition services	**303,736**	427,151
	993,335	843,659

5. OTHER INCOME AND GAINS

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**104**	66
Changes in fair value of financial assets at FVTPL	**228**	1,465
Insurance compensation	**371**	–
Government subsidies *(Note)*	**300**	–
Consultancy income	**156**	–
Others	**552**	194
	1,711	1,725

Note: Various government subsidies have been granted to the Group as incentives for environmental protection. There are no unfulfilled conditions or contingencies attached to these government subsidies.

6. PROFIT BEFORE INCOME TAX

This is arrived at after charging the following:

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**1,080**	1,260
Depreciation in respect of:		
— Owned assets	**3,705**	5,500
— Leased assets	**4,340**	845
	8,045	6,345
Employee benefit expenses (including directors' emoluments)		
— Salaries, allowances and other benefits	**80,038**	83,468
— Share-based payment expenses	**–**	3,560
— Contribution to defined contribution retirement plan	**2,713**	2,407
	82,751	89,435
Total minimum lease payments for leases previously classified as operating leases under HKAS 17		
— Office	**–**	767
— Equipment	**–**	5,564
Short-term leases expenses:		
— Buildings	**1,724**	–
— Equipment	**4,053**	–

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings	**8,867**	6,967
Interest on lease liabilities	**447**	–
Interest element of finance lease payments	**–**	101
	9,314	7,068

8. INCOME TAX

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

	2020	2019
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax	**3,423**	4,236
— (Over)/under–provision for prior years	**(508)**	316
Deferred tax	**(469)**	(349)
	2,446	4,203

Hong Kong profits tax is calculated at two-tiered rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to HK$2 million and 16.5% on any part of assessable profits over HK$2 million.

The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group.

9. DIVIDEND

	2020	2019
	HK$'000	*HK$'000*
Interim dividend declared and paid	**3,039**	4,052
Final dividend proposed	**3,039**	–

The board of directors declared an interim dividend of HK$0.003 (2019: HK$0.004) per share, which was paid during the year. The board of directors proposed a final dividend of HK$0.003 (2019: HK$Nil) per share for the year ended 31 March 2020. The proposed final dividend for the year ended 31 March 2020 is subject to approval of the Company's shareholders at the forthcoming annual general meeting.

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:

	2020	2019
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**12,170**	11,026

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,013,000,000**	1,011,575,342
Effect of dilutive potential ordinary shares:		
— Share options *(Note)*	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,013,000,000**	1,011,575,342

Note: For the years ended 31 March 2020 and 2019, basic earnings per share amount equals to dilutive earnings per share amount because the exercise price of the Company's share options was higher than the average market price for shares.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**69,663**	40,513
Deposits, prepayments and other receivables *(Note)*	**27,147**	40,348
Less: Expected credit loss	**(3,483)**	(2,483)
	93,327	78,378
Less: Rental deposits under non-current assets	**(144)**	–
	93,183	78,378

Note: As at 31 March 2019, included in other receivables was an amount of approximately HK$13,009,000 due from an unlisted equity investment of the Group. The amount due was unsecured, interest-free and repayable on demand, which has been fully settled during the year.

Movements in the expected credit loss in respect of trade and other receivables during the year are as follows:

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**2,483**	–
Expected credit loss recognised during the year	**1,000**	2,483
At end of year	**3,483**	2,483

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**38,805**	35,460
31–60 days	**23,011**	5,053
61–90 days	**–**	–
Over 90 days	**7,847**	–
	69,663	40,513

12. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables *(Note)*	**167,585**	87,808
Retention payables	**58,555**	32,507
Other payables, accruals and deposits received	**11,578**	13,637
	237,718	133,952

Note: 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:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**130,415**	65,236
31–60 days	**26,583**	14,604
61–90 days	**4,472**	3,434
Over 90 days	**6,115**	4,534
	167,585	87,808

13. SHARE CAPITAL

The share capital as at 31 March 2020 and 2019 represented the issued share capital of the Company as detailed below:

Ordinary shares of HK$0.01 each	*Number*	*HK$'000*
Authorised		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	10,000,000,000	100,000
Issued and fully paid		
At 1 April 2018	1,000,000,000	10,000
Issue of shares *(Note)*	13,000,000	130
At 31 March 2019, 1 April 2019 and 31 March 2020	1,013,000,000	10,130

Note: During the year ended 31 March 2019, 13,000,000 shares were issued to the vendor of New Bright Engineering Limited in respect of the partial consideration for the acquisition of 30% equity interest in New Bright Engineering Limited.

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 2020 was recorded at approximately HK$993.3 million which represented a slight increase of approximately HK$149.7 million or 17.7% from approximately HK$843.7 million for the year ended 31 March 2019.

	Year ended 31 March		Increase/
	2020	2019	(Decrease)
	HK$'000	*HK$'000*	%
Substructure building work services	**30,936**	–	–
Superstructure building work services	**658,663**	416,508	58.1%
RMAA work services	**303,736**	427,151	(28.9%)
	993,335	843,659	17.7%

(i) Substructure building works services

For the year ended 31 March 2020, revenue recorded in this segment amounted to approximately HK$30.9 million (2019: HK$Nil). The increase by approximately HK$30.9 million was mainly due to substructure building work projects were engaged with revenue recognised during the year ended 31 March 2020.

(ii) Superstructure building works services

For the year ended 31 March 2020, revenue recorded in this segment amounted to approximately HK$658.7 million (2019: approximately HK$416.6 million). The increase by approximately HK$242.1 million was mainly due to the more milestone recognitions by projects were reached with revenue recognised.

(iii) RMAA works services

For the year ended 31 March 2020, revenue recorded in this segment amounted to approximately HK$303.7 million (2019: approximately HK$427.2 million). The decrease by approximately HK$123.4 million was mainly due to less milestone recognitions by projects were recognised when compared to the year ended 31 March 2019.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2020 recorded at approximately HK$993.3 million which represented a slight increase of approximately HK$149.6 million or 17.7% from approximately HK$843.7 million for the year ended 31 March 2019. The increase in total revenue was mainly due to a increase from superstructure building works services and substructure building work services amount to approximately HK$242.1 million and HK$30.9 million respectively. The increase was offset by decrease in RMAA works services of approximately HK$123.4 million.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately HK$6.6 million or 7.5%, from approximately HK$87.2 million for the year ended 31 March 2019 to approximately HK$80.7 million for the year ended 31 March 2020. During the year ended 31 March 2020, the gross profit margin was approximately 8.1%, which is slightly lower than the gross profit margin of prior year of approximately 10.3%.

Other Income and Gains

Other Income and Gains remain relatively stable at HK$1.7 million for the years ended 31 March 2020 and 2019.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses decreased by approximately HK$5.7 million or 8.8% from approximately HK$65.0 million for the year ended 31 March 2019 to approximately HK$59.3 million for the year ended 31 March 2020.

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 cost, donations, depreciation, share-based payment expense and others. The decrease was mainly attributable by (i) the decrease in staff cost of approximately HK$3.9 million, (ii) the decrease in share-based payment expenses of approximately HK$3.5 million, such decrease was offset by the increase in depreciation of approximately HK$1.4 million.

Finance Costs

Finance Costs increased by approximately HK$2.2 million or 31.8% from approximately HK$7.1 million for the year ended 31 March 2019 to approximately HK$9.3 million for the year ended 31 March 2020, which was mainly due to an increase in average bank borrowings during the year ended 31 March 2020.

Income Tax

Income Tax decreased by approximately HK$1.8 million or 41.8% from approximately HK$4.2 million for the year ended 31 March 2019 to approximately HK$2.4 million for the year ended 31 March 2020.

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$1.2 million or 10.9% from approximately HK$11.0 million for the year ended 31 March 2019 to approximately HK$12.2 million for the year ended 31 March 2020.

Such increase was primarily attributable to the net effect of (i) the decrease in gross profit of approximately HK$6.6 million and (ii) the decrease in administrative and other operating expenses incurred by the Group of HK$5.7 million, (iii) the decrease in expected credit loss on financial assets HK$1.5 million and (iv) the increase in the share of results of an associate of approximately HK$1.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had total assets of approximately HK$521.4 million, which is financed by total liabilities and shareholders' equity of approximately HK$400.4 million and HK$121.0 million, respectively. The Group's current ratio remained stable at approximately 1.2 at 31 March 2019 and 31 March 2020.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2020 was approximately 130.8% (31 March 2019: approximately 174.0%), which is calculated based on the total obligations under finance lease, lease liabilities 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 2020 was approximately HK$0.5 million, which was mainly used in the purchase of property, furniture and equipment.

CONTINGENT LIABILITIES

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

COMMITMENTS

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

CHARGES ON GROUP ASSETS

Assets with a carrying value of approximately HK$113.0 million were pledged as securities for the Group's banking facilities.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 3 to this results announcement.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 March 2020.

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 Share of the Company were successfully transferred from the GEM Board to the Main Board of the Stock Exchange on 18 September 2017. On 10 May 2018, the Company has allotted and issued 13,000,000 Consideration Shares at an issue price of HK$0.39 per Consideration Share as part of the consideration in accordance with the terms and conditions of the Share Purchase Agreement of the acquisition of 30% of New Bright Engineering Limited. There has been no other 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 2020, the Company's issue share capital was HK$10,130,000 and the number of its issued ordinary share was 1,013,000,000 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 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2020, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed a total of 146 employees (31 March 2019: 199 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 2020 were approximately HK$82.8 million (For the year ended 2019: approximately HK$89.4 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 and investment in associate, the Group did not hold any significant investments during the year ended 31 March 2020.

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 19 June 2018, the Company has announced to revise the remaining unutilized net proceeds of $16.3 million from "To reserve more capital to satisfy our potential customers' requirement for surety bond" to "To invest in property development projects".

An analysis of the unutilized net proceeds up to 31 March 2020 is set out below:

	Revised allocation of unutilized amount as at 19 June 2018	Actual use of net proceeds up to 31 March 2020
	HK$ million	*HK$ million*
To invest in property development project	16.3	2.9
	16.3	2.9

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 2020.

DIVIDEND

The board of directors declared an interim dividend of HK$0.003 per share (2019: HK$0.004 per share), which was paid during the year.

The board of directors proposed a final dividend of HK$0.003 per share in cash. The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company. The proposed final dividend is expected to be distributed on Friday, 25 September 2020 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 9 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m., on Monday, 24 August 2020. The Register of Members of the Company will be closed from Monday, 7 September 2020 to Wednesday, 9 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m., on Friday, 4 September 2020.

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 2020 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 2020 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as a code of conduct regarding directors' securities transactions.

Due to miscommunication between himself and his broker, Mr. Ng Choi Wah ("**Mr. Ng**"), the chairman and executive director of the Company, had inadvertently purchased in total 1,000,000 Shares from the market on 14 June 2019, which was during the Company's blackout period (from 18 April 2019 to 24 June 2019) (the "**Purchase**"). As soon as Mr. Ng was informed of the Purchase, he disposed of all 1,000,000 Shares in the market at the earliest possible time, which was on 17 June 2019 (Monday) to remedy the unintentional acquisition of Shares and non-compliance of the Listing Rules. Mr. Ng noted the non-compliance and has undertaken to comply with the required standards as set out in the Model Code to the best of his ability and will take appropriate measures to avoid occurrence of similar incident in the future. Save as the above incident, Mr. Ng does not have any record of dealing in the Shares during any of the Company's black-out periods since he became an executive Director on 16 November 2015.

Save as the above, 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 2020 and up to the date of this 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 complied with 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 2020.

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 2020 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 2020 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, 23 June 2020

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.