

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Ching Lee Holdings Limited

正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3728)

SUPPLEMENTAL AGREEMENT TO THE SHARE PURCHASE AGREEMENT

Reference is made to (i) the announcements dated 25 April 2018 and 10 May 2018 of Ching Lee Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) in relation to a discloseable transaction (the “**Announcements**”); and (ii) the supplemental announcement dated 14 November 2019 of the Company in relation to the Company’s annual report for the years ended 31 March 2018 and 2019 (the “**Supplemental Announcement**”).

BACKGROUND

As disclosed in the Announcements, by a share purchase agreement dated 25 April 2018 (the “**Share Purchase Agreement**”), the Group agreed to acquire from Mr. Cheung Kwok Keung (the “**Vendor**”) 30% interests (the “**Sale Shares**”) in New Bright Engineering Limited (the “**Target Company**”), a registered electrical contractor in Hong Kong which is principally engaged in air-conditioning and electrical engineering installation and alteration works. Completion of the Share Purchase Agreement took place on 10 May 2018. Since then, the Target Company has become an associate of the Company.

Pursuant to the Share Purchase Agreement, the Vendor has undertaken, among others, that if the audited net profits of the Target Company for any of the financial years ended 31 March 2018, 2019 and 2020 are less than HK\$7,000,000 (the “**Profit Guarantee**”), the Group will have the right to require the Vendor to purchase all the Sale Shares (the “**Put Option**”) at a consideration of HK\$15,000,000 together with interest of 10% per annum accrued from the date of completion until the date of full payment by the Vendor.

As disclosed in the Supplemental Announcement, the net profits of the Target Company for each of the years ended 31 March 2018 and 2019 were less than HK\$7,000,000 and the Profit Guarantee was not met. Although the Profit Guarantee was not met in each of the years ended 31 March 2018 and 2019, after having considered a number of factors, the Board decided not to exercise the Put Option in 2018 and 2019.

FINANCIAL PERFORMANCE OF THE TARGET COMPANY FOR THE YEAR ENDED 31 MARCH 2020

The Target Company's unaudited profit and total comprehensive income for the year ended 31 March 2020 was approximately HK\$6,200,000. A summary of the unaudited financial information of the Target Company for the year ended 31 March 2020 is as follows:

	<i>HK\$'000</i>
Current assets	39,790
Non-current assets	112
Current liabilities	26,732
Net assets	13,170
Revenue	40,304
Profit before income tax	7,175
Income tax	1,003
Profit and total comprehensive income for the year	6,172

SUPPLEMENTAL AGREEMENT AND RENEWED PROFIT GUARANTEE

The unaudited net profits of the Target Company for the year ended 31 March 2020 were less than HK\$7,000,000 so the Profit Guarantee was not met. As such, the Group had the right to exercise the Put Option in 2020.

Having considered the following factors, the Board decided not to exercise the Put Option in 2020:

- (i) Although the Profit Guarantee was not met in each of the years ended 31 March 2020, the Target Company had made a profit for the three years ended 31 March 2020, approximately HK\$2,700,000 of which was contributed to the Group.
- (ii) The Target Company is a reliable supplier, which is critical to the operation of the Group under current market situation.
- (iii) Interim dividend of HK\$1,800,000 was declared to the Group for the year ending 31 March 2021.
- (iv) The Target Company was able to secure contracts in relation to air-conditioning and electrical engineering installation and alteration works from time to time despite the current economic situation due to the outbreak of coronavirus (COVID-19).

In addition, as the Put Option under the Share Purchase Agreement has expired, on 29 September 2020, Ching Lee Enterprise Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, as purchaser and the Vendor, as vendor, entered into a supplemental agreement (the "**Supplemental Agreement**") to the Share Purchase Agreement to extend the operation of the Profit Guarantee, pursuant to which the Vendor has undertaken, among others, that if the accumulated audited net profits of the Target Company for the financial years ended 31 March 2021, 2022 and 2023 are less than HK\$15,000,000 (the "**Renewed Profit Guarantee**"), the Group will have the right to require the Vendor to purchase all the Sale Shares (the "**Renewed Put Option**") at a

consideration of HK\$15,000,000, which shall be paid in cash within five (5) business days from the date of the audited accounts for the financial year ended 31 March 2023 (which shall be available no later than 30 September 2023). Save as aforesaid, all other terms and conditions of the Share Purchase Agreement shall remain unchanged and shall continue to be in full force and effect.

The Renewed Profit Guarantee was determined after arm's length negotiations among the parties to the Supplemental Agreement, after taking into account, among others, the historical financial performance, the future development potential and the expected business opportunities of the Target Company.

The Directors are of the view that the terms and conditions of the Supplemental Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

For the reasons above, the Board is of the view that it is in the interests of the Company and its shareholders as a whole not to exercise the Put Option in 2020 and to enter into the Supplemental Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.75(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), where the exercise of an option granted to a listed issuer is at the listed issuer's discretion, only the premium will be taken into consideration for the purpose of classification of notifiable transactions. As no premium is payable for the grant of the Renewed Put Option to the Vendor, such grant does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. The Company will comply with the relevant requirements under the Listing Rules upon exercise of the Renewed Put Option where necessary.

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

Hong Kong, 29 September 2020

As at the date of this announcement, the executive directors of the Company are Mr. Ng Choi Wah, Mr. Lui Yiu Wing and Mr. Lam Ka Fai, and the independent non-executive directors of the Company are Dr. Wai Wing Hong Onyx, Mr. Tong Hin Sum Paul and Mr. Chau Kam Wing Donald.