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Ching Lee Holdings Limited

正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3728)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021 together with the comparative audited figures for the year ended 31 March 2020, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	4	908,809	993,335
Cost of revenue		<u>(847,477)</u>	<u>(912,674)</u>
Gross profit		61,332	80,661
Other income and gains, net	5	9,554	1,711
Administrative and other operating expenses		(53,722)	(59,272)
Expected credit loss on financial assets		(885)	(1,000)
Finance costs	7	(5,003)	(9,314)
Share of results of an associate		<u>1,530</u>	<u>1,830</u>
Profit before income tax	6	12,806	14,616
Income tax	8	<u>(1,268)</u>	<u>(2,446)</u>
Profit and total comprehensive income for the year		<u>11,538</u>	<u>12,170</u>
Earnings per share:			
— Basic and Diluted (HK cents)	10	<u>1.14</u>	<u>1.20</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		39,126	41,271
Intangible asset		790	790
Interest in an associate		14,670	14,940
Financial assets at fair value through profit or loss		7,344	4,560
Rental deposits	<i>11</i>	123	144
Deferred tax assets		281	–
		<hr/>	<hr/>
Total non-current assets		62,334	61,705
Current assets			
Trade and other receivables	<i>11</i>	50,902	93,183
Contract assets		213,145	266,729
Amount due from an associate		12,439	14,916
Financial assets at fair value through profit or loss		–	2,784
Taxation recoverable		1,315	421
Pledged bank deposits		25,209	25,053
Bank balances and cash		58,549	56,591
		<hr/>	<hr/>
Total current assets		361,559	459,677
Current liabilities			
Trade and other payables	<i>12</i>	201,596	237,718
Contract liabilities		3,068	4,211
Lease liabilities		2,055	2,271
Bank borrowings, secured		89,531	152,437
Provision of taxation		–	43
		<hr/>	<hr/>
Total current liabilities		296,250	396,680
Net current assets		<hr/> 65,309 <hr/>	<hr/> 62,997 <hr/>
Total assets less current liabilities		<hr/> 127,643 <hr/>	<hr/> 124,702 <hr/>

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		1,707	3,544
Deferred tax liabilities		–	175
		<hr/>	<hr/>
Total non-current liabilities		1,707	3,719
		<hr/>	<hr/>
Net assets			
		125,936	120,983
Capital and reserves			
Share capital	<i>13</i>	10,130	10,130
Reserves		115,806	110,853
		<hr/>	<hr/>
Total equity		125,936	120,983
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2021

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 “**Construction Works**”).

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 or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

Except for the above mentioned, the Group has not early applied any amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of amended HKFRS 16 are summarised below.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (early adopted)

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The amendment extend the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended 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 1 and Hong Kong Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current and Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9 and Illustrative Examples accompanying HKFRS 16 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁴ Effective for annual period beginning on or after 1 January 2023

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer I	151,082	99,416
Customer II	101,917	–
Customer III	99,909	120,012
Customer IV	N/A ¹	149,970
Customer V	N/A ¹	125,613
Customer VI	N/A ¹	116,188

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contract with customers by major services:		
Substructure building work services	24,792	30,936
Superstructure building work services	749,831	658,663
Repair, maintenance, alteration and addition services	134,186	303,736
	<u>908,809</u>	<u>993,335</u>

5. OTHER INCOME AND GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	25	104
Changes in fair value of financial assets at fair value through profit or loss	–	228
Government subsidies (<i>Note</i>)	7,899	300
Subsidies from an industry association in relation to provision of Construction Works	631	–
Consultancy income	192	156
Effect of lease modifications	21	–
COVID-19-related rent concessions	9	–
Insurance compensation	–	371
Others	777	552
	<u>9,554</u>	<u>1,711</u>

Note: For the year ended 31 March 2021, the amount included government grants of HK\$7,879,000 (2020: Nil) obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program as at 31 March 2021.

For the year ended 31 March 2020, 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 as at 31 March 2020.

6. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting) the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	1,080	1,080
Depreciation in respect of:		
— Owned assets	3,088	3,705
— Leased assets	4,695	4,340
	<u>7,783</u>	<u>8,045</u>
Employee benefit expenses (including directors' emoluments)		
— Salaries, allowances and other benefits	68,350	80,038
— Contribution to defined contribution retirement plan	2,003	2,713
	<u>70,353</u>	<u>82,751</u>
Short-term leases expenses:		
— Buildings	1,159	1,724
— Equipment	2,403	4,053
Effect of lease modifications	(21)	—
COVID-19-related rent concessions	(9)	—

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	4,637	8,867
Interest on lease liabilities	366	447
	<u>5,003</u>	<u>9,314</u>

8. INCOME TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	1,939	3,423
— Over-provision for prior years	(215)	(508)
Deferred tax	(456)	(469)
	<u>1,268</u>	<u>2,446</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend declared and paid	3,546	3,039
Final dividend proposed	3,039	3,039

The board of directors declared an interim dividend of HK\$0.0035 (2020: HK\$0.003) per share, which was paid during the year. The board of directors proposed a final dividend of HK\$0.003 (2020: HK\$0.003) per share for the year ended 31 March 2021. The proposed final dividend for the year ended 31 March 2021 is subject to approval of the Company's shareholders at the forthcoming annual general meeting. The proposed final dividend for the year ended 31 March 2020 was approved by the Company's shareholders at the annual general meeting during the year.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	11,538	12,170
	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,013,000,000	1,013,000,000
Effect of dilutive potential ordinary shares:		
— Share options (<i>Note</i>)	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,013,000,000	1,013,000,000

Note: For the years ended 31 March 2021 and 2020, 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	29,703	69,663
Deposits, prepayments and other receivables	24,939	27,147
Less: Expected credit loss	(3,617)	(3,483)
	<u>51,025</u>	<u>93,327</u>
Less: Rental deposits under non-current assets	<u>(123)</u>	<u>(144)</u>
	<u>50,902</u>	<u>93,183</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	3,483	2,483
Expected credit loss recognised during the year	134	1,000
At end of year	<u>3,617</u>	<u>3,483</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	26,078	38,805
31–60 days	3,625	23,011
61–90 days	–	–
Over 90 days	–	7,847
	<u>29,703</u>	<u>69,663</u>

12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables (<i>Note</i>)	129,416	167,585
Retention payables	59,731	58,555
Other payables, accruals and deposits received	12,449	11,578
	<u>201,596</u>	<u>237,718</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	75,555	130,415
31–60 days	27,897	26,583
61–90 days	12,489	4,472
Over 90 days	13,475	6,115
	<u>129,416</u>	<u>167,585</u>

13. SHARE CAPITAL

The share capital as at 31 March 2021 and 2020 represented the issued share capital of the Company as detailed below:

Ordinary shares of HK\$0.01 each	<i>Number</i>	<i>HK\$'000</i>
Authorised		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	10,000,000,000	100,000
Issued and fully paid		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,013,000,000	10,130

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 2021 was recorded at approximately HK\$908.8 million which represented a slight decrease of approximately HK\$84.5 million or 8.5% from approximately HK\$993.3 million for the year ended 31 March 2020.

	Year ended 31 March		Increase/ (Decrease) %
	2021 HK\$’000	2020 HK\$’000	
Substructure building work services	24,792	30,936	(19.9%)
Superstructure building work services	749,831	658,663	13.8%
RMAA work services	134,186	303,736	(55.8%)
	<u>908,809</u>	<u>993,335</u>	(8.5%)

(i) Substructure building works services

For the year ended 31 March 2021, revenue recorded in this segment amounted to approximately HK\$24.8 million (2020: approximately HK\$30.9 million). The decrease by approximately HK\$6.1 million was mainly due to less substructure building work projects were engaged with revenue recognised during the year ended 31 March 2021.

(ii) Superstructure building works services

For the year ended 31 March 2021, revenue recorded in this segment amounted to approximately HK\$749.8 million (2020: approximately HK\$658.7 million). The increase by approximately HK\$91.1 million was mainly due to more milestone recognitions by projects were reached and the commencement of four superstructure building work projects during the year ended 31 March 2021.

(iii) RMAA works services

For the year ended 31 March 2021, revenue recorded in this segment amounted to approximately HK\$134.2 million (2020: approximately HK\$303.7 million). The decrease by approximately HK\$169.5 million was mainly due to less milestone recognitions of RMAA projects when compared to the year ended 31 March 2020.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2021 recorded at approximately HK\$908.8 million which represented a slight decrease of approximately HK\$84.5 million or 8.5% from approximately HK\$993.3 million for the year ended 31 March 2020. The decrease in total was mainly due to a decrease from RMAA works services and substructure building works services amount to approximately HK\$169.5 million and HK\$6.1 million respectively. The decrease was offset by the increase in superstructure building work services of approximately HK\$91.1 million.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately HK\$19.4 million or 24.0%, from approximately HK\$80.7 million for the year ended 31 March 2020 to approximately HK\$61.3 million for the year ended 31 March 2021. During the year ended 31 March 2021, the gross profit margin was approximately 6.7%, which is slightly lower than the gross profit margin of prior year of approximately 8.1%.

Other Income and Gains, net

Other income and gains, net increased by approximately HK\$7.9 million or 464.7% from approximately HK\$1.7 million for the year ended 31 March 2020 to approximately HK\$9.6 million for the year ended 31 March 2021. The increase was mainly due to the HKSAR Government wage subsidies of approximately HK\$7.9 million for the support of Hong Kong's economy.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses decreased by approximately HK\$5.6 million or 9.4% from approximately HK\$59.3 million for the year ended 31 March 2020 to approximately HK\$53.7 million for the year ended 31 March 2021.

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 and others. The decrease was mainly attributable by (i) the decrease in consultancy fee of approximately HK\$2.2 million, (ii) the decrease in entertainment expenses of approximately HK\$1.3 million, (iii) the decrease in legal and professional fee of approximately HK\$1.0 million and (iv) the decrease in donation and others of approximately HK\$1.1 million.

Finance Costs

Finance Costs decreased by approximately HK\$4.3 million or 46.2% from approximately HK\$9.3 million for the year ended 31 March 2020 to approximately HK\$5.0 million for the year ended 31 March 2021, which was mainly due to a decrease in average bank borrowings during the year ended 31 March 2021.

Income Tax

Income Tax decreased by approximately HK\$1.1 million or 45.8% from approximately HK\$2.4 million for the year ended 31 March 2020 to approximately HK\$1.3 million for the year ended 31 March 2021.

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\$0.7 million or 5.7% from approximately HK\$12.2 million for the year ended 31 March 2020 to approximately HK\$11.5 million for the year ended 31 March 2021.

Such decrease was primarily attributable to the net effect of (i) the decrease in gross profit of approximately HK\$19.4 million, (ii) the increase in other income and gains of approximately HK\$7.9 million, (iii) the decrease in administrative and other operating expenses incurred by the Group of approximately HK\$5.6 million and (iv) the decrease in finance costs of approximately HK\$4.3 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group had total assets of approximately HK\$423.9 million, which is financed by total liabilities and shareholders' equity of approximately HK\$298.0 million and HK\$125.9 million, respectively. The Group's current ratio remained stable at approximately 1.2 at 31 March 2020 and 31 March 2021.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2021 was approximately 74.1% (31 March 2020: approximately 130.8%), which is calculated based on the total, lease liabilities and total bank borrowings divided by total equity as at the respective reporting date.

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\$73.9 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 2021.

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 2021, 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 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2021, 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 2021, the Group employed a total of 120 employees (31 March 2020: 146 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 2021 were approximately HK\$70.4 million (For the year ended 2020: approximately HK\$82.8 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 2021.

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".

A table shows the actual use of the net proceeds from 19 June 2018 up to 31 March 2020 and 31 March 2021 and the Unutilised Net Proceeds as at 31 March 2020 and 31 March 2021.

	Revised allocation of unutilised amount as at 19 June 2018 <i>HK\$ million</i>	Actual use of Net Proceeds up to 31 March 2020 <i>HK\$ million</i>	Unutilised Net Proceeds as at 31 March 2020 <i>HK\$ million</i>	Revised allocation of unutilised amount as at 4 September 2020 <i>HK\$ million</i>	Actual use of Net Proceeds up to 31 March 2021 <i>HK\$ million</i>	Unutilised Net Proceeds as at 31 March 2021 <i>HK\$ million</i>
To invest in property development project	16.3	2.9	13.4	–	–	–
Working capital (<i>Note</i>)	–	–	–	13.4	13.4	–
	<u>16.3</u>	<u>2.9</u>	<u>13.4</u>	<u>13.4</u>	<u>13.4</u>	<u>–</u>

Note: The Group kept searching for feasible property development opportunities in order to fully utilise the remaining net proceeds and generate a promising profit to the Group since 19 June 2018 and approximately HK\$2.9 million was utilised. In view of the lack of the feasible opportunities and recent business environment in Hong Kong, the Board of directors has resolved to change the use of Unutilised Net Proceeds of approximately HK\$13.4 million as working capital to support the ordinary operation of the Group in order to provide buffer for the Group to commence the new projects and further cope with the future economic uncertainty in Hong Kong, which is expected to fully utilise by 31 March 2021.

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 2021.

DIVIDEND

The board of directors declared an interim dividend of HK\$0.0035 per share (2020: HK\$0.003 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 Thursday, 23 September 2021 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 8 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 24 August 2021 to Friday, 27 August 2021, 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, 23 August 2021. The Register of Members of the Company will be closed from Monday, 6 September 2021 to Wednesday, 8 September 2021, 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, 3 September 2021.

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 2021 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 2021 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.

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 2021 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 2021.

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 2021 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 2021 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 2021

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.