

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

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 2022 together with the comparative audited figures for the year ended 31 March 2021, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	536,502	908,809
Cost of revenue		(512,265)	(847,477)
Gross profit		24,237	61,332
Other income and gains, net	5	3,911	9,554
Administrative and other operating expenses		(45,271)	(53,722)
Expected credit loss on financial assets		(1,883)	(885)
Finance costs	7	(3,340)	(5,003)
Share of results of an associate		1,523	1,530
(Loss)/profit before income tax	6	(20,823)	12,806
Income tax	8	2,662	(1,268)
(Loss)/profit and total comprehensive income for the year		(18,161)	11,538
(Loss)/earnings per share:			
— Basic and Diluted (HK cents)	10	(1.79)	1.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		34,710	39,126
Intangible asset		790	790
Interest in an associate		12,683	14,670
Financial assets at fair value through profit or loss		9,197	7,344
Deposit paid for acquisition of financial assets	<i>11</i>	2,430	–
Rental deposits	<i>11</i>	–	123
Deferred tax assets		2,864	281
		<hr/>	<hr/>
Total non-current assets		62,674	62,334
Current assets			
Trade and other receivables	<i>11</i>	56,110	50,902
Contract assets		142,257	213,145
Amount due from an associate		6,398	12,439
Taxation recoverable		1,894	1,315
Pledged bank deposits		25,211	25,209
Bank balances and cash		27,255	58,549
		<hr/>	<hr/>
Total current assets		259,125	361,559
Current liabilities			
Trade and other payables	<i>12</i>	138,825	201,596
Contract liabilities		8,036	3,068
Lease liabilities		1,269	2,055
Bank borrowings, secured		68,472	89,531
		<hr/>	<hr/>
Total current liabilities		216,602	296,250
		<hr/>	<hr/>
Net current assets		42,523	65,309
		<hr/>	<hr/>
Total assets less current liabilities		105,197	127,643
		<hr/>	<hr/>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		<u>461</u>	<u>1,707</u>
Total non-current liabilities		<u>461</u>	<u>1,707</u>
Net assets		<u>104,736</u>	<u>125,936</u>
Capital and reserves			
Share capital	<i>13</i>	10,130	10,130
Reserves		<u>94,606</u>	<u>115,806</u>
Total equity		<u>104,736</u>	<u>125,936</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022

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 (“**BVI**”).

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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
--	--

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(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 HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41	Annual Improvements to HKFRSs 2018–2020 ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹

¹ No mandatory effective date yet determined but available for adoption.

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

³ Effective for annual periods beginning on or after 1 January 2023.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer I	186,606	N/A ¹
Customer II	117,396	N/A ¹
Customer III	N/A ¹	151,082
Customer IV	N/A ¹	101,917
Customer V	–	99,909

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contract with customers by major services:		
Substructure building works services	20,320	24,792
Superstructure building works services	497,126	749,831
Repair, maintenance, alteration and addition services	19,056	134,186
	<u>536,502</u>	<u>908,809</u>

5. OTHER INCOME AND GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	2	25
Changes in fair value of financial assets at fair value through profit or loss	1,853	–
Subsidies from an industry association in relation to provision of Construction Works	837	631
Insurance compensation	180	7
Government subsidies (<i>Note</i>)	–	7,899
Consultancy income	–	192
Effect of lease modifications	–	21
COVID-19-related rent concessions	–	9
Others	1,039	770
	<u>3,911</u>	<u>9,554</u>

Note: For the year ended 31 March 2021, government grants of HK\$7,879,000 was 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. The Hong Kong SAR Government did not offer government grant under ESS for the year 2022.

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	1,000	1,080
Depreciation in respect of:		
— Owned assets	373	3,088
— Leased assets	4,043	4,695
	<u>4,416</u>	<u>7,783</u>
Employee benefit expenses (including directors' emoluments)		
— Salaries, allowances and other benefits	49,724	68,350
— Contribution to defined contribution retirement plan	1,428	2,003
	<u>51,152</u>	<u>70,353</u>
Short-term leases expenses:		
— Buildings	1,255	1,159
— Equipment	3,334	2,403
Effect of lease modifications	—	(21)
COVID-19-related rent concessions	—	(9)

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	3,149	4,637
Interest on lease liabilities	191	366
	<u>3,340</u>	<u>5,003</u>

8. INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	—	1,939
— Over-provision for prior years	(79)	(215)
Deferred tax	(2,583)	(456)
	<u>(2,662)</u>	<u>1,268</u>

Hong Kong profits tax is calculated at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax regime. Under which, 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend declared and paid	–	3,546
Final dividend proposed	–	3,039
	<u> </u>	<u> </u>

The board of directors did not declare an interim dividend (2021: HK\$0.0035 per share) during the year. The board of directors did not recommend the payment of any final dividend for the year ended 31 March 2022 (2021: HK\$0.003 per share). The proposed final dividend for the year ended 31 March 2021 at HK\$0.003 per share was approved by the Company's shareholders at the annual general meeting during the year.

10. (LOSS)/EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	<u>(18,161)</u>	<u>11,538</u>
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,013,000,000	1,013,000,000
Effect of dilutive potential ordinary shares:		
— Share options (<i>Note</i>)	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>1,013,000,000</u>	<u>1,013,000,000</u>

Note: For the years ended 31 March 2022 and 2021, the computation of diluted (loss)/earnings per share does not assume the exercise of the Company's share options because the exercise price of the Company's share options was higher than the average market price for shares.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	26,961	29,703
Less: Expected credit loss	<u>(868)</u>	<u>–</u>
	<u>26,093</u>	<u>29,703</u>
Deposits	5,024	2,218
Prepayments	20,565	16,521
Other receivables (<i>Note</i>)	<u>10,852</u>	<u>6,200</u>
	36,441	24,939
Less: Expected credit loss	<u>(3,994)</u>	<u>(3,617)</u>
	<u>32,447</u>	<u>21,322</u>
	<u>58,540</u>	<u>51,025</u>
Less: Deposit paid for acquisition of financial assets under non-current assets	(2,430)	–
Less: Rental deposits under non-current assets	<u>–</u>	<u>(123)</u>
	<u>56,110</u>	<u>50,902</u>

Note: As at 31 March 2022, included in other receivables was an amount of approximately HK\$4,220,000 (2021: HK\$Nil) due from the ultimate holding company of the Group. The amount due is unsecured, interest-free and repayable on demand.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of year	–	–
Expected credit loss recognised during the year	<u>868</u>	<u>–</u>
At end of year	<u>868</u>	<u>–</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of year	3,617	3,483
Expected credit loss recognised during the year	<u>377</u>	<u>134</u>
At end of year	<u>3,994</u>	<u>3,617</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	11,866	26,078
31–60 days	4,945	3,625
61–90 days	–	–
91–180 days	–	–
181–365 days	<u>9,282</u>	<u>–</u>
	<u>26,093</u>	<u>29,703</u>

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables (<i>Note</i>)	81,802	129,416
Retention payables	44,461	59,731
Other payables, accruals and deposits received	12,562	12,449
	<u>138,825</u>	<u>201,596</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	34,836	75,555
31–60 days	18,108	27,897
61–90 days	6,906	12,489
91–180 days	8,602	5,607
181–365 days	6,359	2,123
Over 365 days	6,991	5,745
	<u>81,802</u>	<u>129,416</u>

13. SHARE CAPITAL

The share capital as at 31 March 2022 and 2021 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 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>1,013,000,000</u>	<u>10,130</u>

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**”) works 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 2022 was recorded at approximately HK\$536.5 million which represented a decrease of approximately HK\$372.3 million or 41.0% from approximately HK\$908.8 million for the year ended 31 March 2021.

	Year ended 31 March		Increase/ (Decrease)
	2022	2021	
	HK\$’000	HK\$’000	%
Substructure building works services	20,320	24,792	(18.0)
Superstructure building works services	497,126	749,831	(33.7)
RMAA works services	19,056	134,186	(85.8)
	536,502	908,809	(41.0)

(i) Substructure building works services

For the year ended 31 March 2022, revenue recorded in this segment amounted to approximately HK\$20.3 million (2021: approximately HK\$24.8 million). The decrease by approximately HK\$4.5 million was mainly due to less substructure building works projects were engaged with revenue recognised during the year ended 31 March 2022.

(ii) Superstructure building works services

For the year ended 31 March 2022, revenue recorded in this segment amounted to approximately HK\$497.1 million (2021: approximately HK\$749.8 million). The decrease by approximately HK\$252.7 million was mainly due to less revenue recognised for the projects in the completion/substantial completion stage during the year ended 31 March 2022 and the new projects are still in an early stage which substantial portion of works were not performed during the year ended 31 March 2022.

(iii) RMAA works services

For the year ended 31 March 2022, revenue recorded in this segment amounted to approximately HK\$19.1 million (2021: approximately HK\$134.2 million). The decrease by approximately HK\$115.1 million was mainly due to less RMAA projects were engaged with revenue recognised when compared to the year ended 31 March 2021.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2022 recorded at approximately HK\$536.5 million which represented a decrease of approximately HK\$372.3 million or 41.0% from approximately HK\$908.8 million for the year ended 31 March 2021. The decrease in total was mainly due to a decrease from superstructure building works services and RMAA works services amount to approximately HK\$252.7 million and HK\$115.1 million respectively.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately HK\$37.1 million or 60.5%, from approximately HK\$61.3 million for the year ended 31 March 2021 to approximately HK\$24.2 million for the year ended 31 March 2022. During the year ended 31 March 2022, the gross profit margin was approximately 4.5%, which is lower than the gross profit margin of prior year of approximately 6.7%. The decrease was mainly due to COVID-19 pandemic which leading the increase in the material costs.

Other Income and Gains, net

Other income and gains, net decreased by approximately HK\$5.6 million or 59.1% from approximately HK\$9.6 million for the year ended 31 March 2021 to approximately HK\$3.9 million for the year ended 31 March 2022. The decrease was mainly due to there was no more government grants obtained from ESS launched by the Hong Kong SAR Government for the year ended 31 March 2022.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses decreased by approximately HK\$8.4 million or 15.7% from approximately HK\$53.7 million for the year ended 31 March 2021 to approximately HK\$45.3 million for the year ended 31 March 2022.

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, depreciation and others. The decrease was mainly attributable by (i) the decrease in staff cost of approximately HK\$5.3 million and (ii) the decrease in business development cost of approximately HK\$2.6 million.

Finance Costs

Finance Costs decreased by approximately HK\$1.7 million or 33.2% from approximately HK\$5.0 million for the year ended 31 March 2021 to approximately HK\$3.3 million for the year ended 31 March 2022, which was mainly due to a decrease in average bank borrowings during the year ended 31 March 2022.

Income Tax

Income tax changed from approximately HK\$1.3 million tax expense for year ended 31 March 2021 to approximately HK\$2.7 million tax credit for the year ended 31 March 2022.

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

The Group recognized net loss of approximately HK\$18.2 million for the year ended 31 March 2022 as opposed to the net profit of approximately HK\$11.5 million for the year ended 31 March 2021.

Such decrease was mainly due to (i) the decrease in gross profit of approximately HK\$37.1 million, (ii) the decrease in administrative and other operating expenses of approximately HK\$8.4 million, (iii) the decrease in other income and gains of approximately HK\$5.6 million and (iv) the increase in income tax credit of approximately HK\$3.9 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, the Group had total assets of approximately HK\$321.8 million, which is financed by total liabilities and shareholders' equity of approximately HK\$217.1 million and HK\$104.7 million, respectively. The Group's current ratio remained stable at approximately 1.2 at 31 March 2021 and 31 March 2022.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2022 was approximately 67.0% (31 March 2021: approximately 74.1%), 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\$52.6 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 2022.

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 2022, 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 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2022, 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 2022, the Group employed a total of 94 employees (31 March 2021: 120 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 2022 were approximately HK\$51.2 million (31 March 2021: approximately HK\$70.4 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 2022.

EVENTS AFTER THE REPORTING PERIOD

The Group has the following significant events after the reporting period:

- (i) On 7 April 2022, the Company entered into a subscription agreement and a shareholders' agreement with Zun Wang Holdings Limited, Primo Holdings Limited, RJHK Company Limited, Gainful Asset Management Limited and Berrystead Investment Holdings Limited (collectively the "**Shareholders**"), independent third parties, which the Company and the Shareholders agreed to subscribe Empire Elite Group Limited (the "**Project Company**") (the "**Subscription**"). The total subscription price was HK\$120 million. As at 31 March 2022, there was a deposit paid for the Subscription of HK\$2,430,000.

On 7 April 2022, the Project Company entered into a sale and purchase agreement with China Expert Development Limited, an independent third party, for purchase of the entire issued share capital of Front Builder Investment Limited (the "**Target Company**") at a total consideration of HK\$111.5 million (the "**Acquisition**"). The purpose to acquire the Acquisition is to develop the properties owned by the Target Company.

Further details are set out in the Company's announcements dated 9 December 2021, 14 December 2021 and 7 April 2022.

- (ii) On 9 June 2022, the Hong Kong Legislative Council passed the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 to abolish the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund System to offset severance payment and long service payment. The directors of the Company do not anticipate that its impact on the consolidated financial statements would be significant. The Group will continue to monitor the development and react actively to its impact on the financial position and operating results of the Group.

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.

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 2022.

DIVIDEND

The board of directors did not declare an interim dividend (2021: HK\$0.0035 per share) during the year.

The board of directors did not recommend the payment of any final dividend for the year ended 31 March 2022 (2021: HK\$0.003 per share).

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 2022 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 2022 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 2022 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 2022.

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 2022 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 2022 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, 24 June 2022

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.