CHING LEE HOLDINGS LIMITED
正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3728)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

- The Group recorded a revenue amounted to approximately HK$547.4 million for the six months ended 30 September 2018, representing an increase of approximately 27.5% or HK$118.0 million as compared with the six months ended 30 September 2017.
- The profit and total comprehensive income of the Company is approximately HK$14.0 million for the six months ended 30 September 2018, representing an increase of approximately HK$0.6 million or 4.8% as compared with the six months ended 30 September 2017.
- The basic and diluted earnings per share for the six months ended 30 September 2018 is HK1.39 cents, as compared with the corresponding period in 2017 of HK1.34 cents.
- The board of directors of the Company has resolved to declare an interim dividend of HK0.4 cents per share for the six months ended 30 September 2018 (six months ended 30 September 2017: HK0.6 cents per share).

INTERIM RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2018 together with the unaudited comparative figures for the corresponding period in 2017, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**547,403**	429,399
Cost of revenue		**(496,977)**	(383,504)
Gross profits		**50,426**	45,895
Other income and gains		**679**	142
Administrative and other operating expenses		**(32,035)**	(28,562)
Finance costs		**(2,160)**	(1,175)
Share of profit of an associate		**317**	–
Profit before income tax		**17,227**	16,300
Income tax	*4*	**(3,187)**	(2,900)
Profit and total comprehensive income for the period		**14,040**	13,400
Earnings per share	*6*		
— Basic (HK Cents)		**1.39**	1.34
— Diluted (HK Cents)		**1.39**	1.34

UNAUDITED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Notes	**As at 30 September 2018** *HK$'000* **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**40,228**	42,883
Investment in an associate		**15,317**	–
Deposit for acquisition of interest in an associate		**–**	2,500
Available-for-sale financial asset		**–**	2,884
Financial asset at fair value through profit or loss		**12,183**	–
Total non-current assets		**67,728**	48,267
Current assets			
Trade and other receivables	*7*	**88,942**	141,750
Pledged deposits		**674**	674
Amounts due from customers of contract work		**–**	112,717
Contract assets		**248,807**	–
Pledged bank deposit		**25,005**	25,002
Bank balances and cash		**43,518**	52,365
Total current assets		**406,946**	332,508
Current liabilities			
Trade and other payables	*8*	**203,047**	185,029
Amounts due to customers of contract work		**–**	199
Contract liabilities		**219**	–
Obligation under finance lease		**705**	688
Bank borrowings, secured		**146,900**	95,248
Provision of taxation		**3,800**	246
Total current liabilities		**354,671**	281,410
Net current assets		**52,275**	51,098
Total assets less current liabilities		**120,003**	99,365
Non-current liabilities			
Obligation under finance lease		**1,768**	2,124
Deferred tax liabilities		**627**	993
Total non-current liabilities		**2,395**	3,117
Net assets		**117,608**	96,248
Capital and reserves			
Share capital		**10,130**	10,000
Reserves		**107,478**	86,248
Total equity		**117,608**	96,248

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2018

	Share Capital	Share premium	Merger reserve	Share option reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018 (audited)	**10,000**	**73,495**	**(28,965)**	**1,500**	**40,218**	**96,248**
Issue of consideration shares for acquisition of an associate	**130**	**4,940**	**–**	**–**	**–**	**5,070**
Share-based payment expenses	**–**	**–**	**–**	**2,250**	**–**	**2,250**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**14,040**	**14,040**
At 30 September 2018 (unaudited)	**10,130**	**78,435**	**(28,965)**	**3,750**	**54,258**	**117,608**
At 1 April 2017 (audited)	10,000	73,495	(28,965)	–	26,516	81,046
Profit and total comprehensive income for the period	–	–	–	–	13,400	13,400
At 30 September 2017 (unaudited)	10,000	73,495	(28,965)	–	39,916	94,446

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(40,697)**	(16,791)
Net cash used in investing activities	**(17,302)**	(1,243)
Net cash generated from financing activities	**49,152**	19,107
Net (decrease)/increase in cash and cash equivalents	**(8,847)**	1,073
Cash and cash equivalents at beginning of the period	**52,365**	32,538
Cash and cash equivalents at ending of the period	**43,518**	33,611

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL INFORMATION

Ching Lee Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands. The headquarter and principal place of business of the Company in Hong Kong is located at Room 203, 2nd Floor, Hang Bong Commercial Centre, Shanghai Street, Jordon, Kowloon, Hong Kong.

The Company's issued ordinary shares are listed and traded on Main Board.

The principal activity of the Company is investment holding. The Group's principal activities are the provision of construction and consultancy works and project management services in Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

These unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (the "**HKAS 34**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of The Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These unaudited consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in part(b).

The preparation of these unaudited consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These unaudited consolidated interim financial statements are presented in Hong Kong Dollars ("**HK$**"), unless otherwise stated. These unaudited consolidated interim financial statements contain unaudited consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These unaudited consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") and should be read in conjunction with the 2018 annual financial statements.

(b) Changes in HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014–2016 Cycle	Investments in Associates and Joint Ventures
Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014–2016 Cycle	First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments (see note A below) and HKFRS 15 Revenue from Contracts with Customers (see note B below) have been summarised below. The other new or amended HKFRSs that are effective from 1 April 2018 did not have any material impact on the Group's accounting policies.

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

As of 1 April 2018, unlisted equity investment originally classified as available-for-sale financial asset was designated by the Group as financial asset at FVTPL. The Group intends to hold the unquoted equity investment for long term strategic purpose. In addition, the Group has designated such unlisted equity instrument at the date of initial application as measured at FVTPL.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**
Unlisted equity investment	Available-for-sale (at fair value) *(note 2(b)A(i))*	FVTPL
Trade and other receivables	Loans and receivables	Amortised cost
Pledged deposits	Loans and receivables	Amortised cost
Amounts due from customers of contract work (reclassified as contract assets under HKFRS 15 as at 1 April 2018)	Loans and receivables	Amortised cost
Pledged bank deposits	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables of manufacturing segment using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortised cost, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

Impairment of trade receivables, contract assets and other receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life-time ECLs for all trade receivables and contract assets. To measure the ECLs, the trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. No additional loss allowance is recognised as at 1 April 2018 as the amount is immaterial. For other receivables including retention receivables, deposits, prepayment and other receivables, no ECLs were recognised as the amount is immaterial.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9, if any, are recognised in retained earnings as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held; and

- The designation and revocation of previous designations of certain financial assets as measured at FVTPL.

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. As a result, the financial information presented for 2018 has not been restated.

The following tables summarised the impact of adopting HKFRS 15 on the Group's unaudited consolidated statement of financial position as at 30 September 2018. There was no material impact on the Group's unaudited consolidated statement of comprehensive income and unaudited consolidated statement of cash flows for the six months ended 30 September 2018:

Impact on the unaudited consolidated statement of financial position as of 30 September 2018 (increase/(decrease)):

	HK$'000
Current assets	
Contract assets	248,807
Amount due from customers of contract work	(175,613)
Retention receivables	(73,194)
Total current assets	–
Current liabilities	
Contract liabilities	219
Amounts due to customers of contract work	(219)
Total current liabilities	–

Under HKASs 11 and 18, the Group recorded its rights to consideration for construction, consultancy works and project management services performed but not yet billed as amounts due from customers of contract work and retention receivables. Such balances were reclassified from amounts due from customers of contract work and retention receivables to contract assets upon the adoption of HKFRS 15 as at 1 April 2018.

Under HKFRS 15, the Group's obligations to transfer goods or services to the customers for which the Group has received consideration from the customers that was classified as amounts due to customers for contract work under HKAS 11 were reclassified to contract liabilities.

All the revenue from contracts with customers of the Group are recognised over time.

The Group recognised revenue from construction works according to the stage of completion of individual contract at the end of the reporting period when the outcome of construction contracts can be estimated reliably. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

Adoption of HKFRS 15 does not lead to significant changes to previous accounting policies of the Group's various goods and services.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for services rendered by the Group to outside customers, less discount.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Substructure building work services — demolition and hoarding, site formation and foundation works

(ii) Superstructure building work services — development and redevelopment of educational, residential, and commercial buildings

(iii) RMAA work services — improvement, fitting-outworks, renovation works, restoration works and external works

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Substructure building work services	**–**	2,411
Superstructure building work services	**299,688**	404,706
RMAA work services	**247,715**	22,282
	547,403	429,399

4. INCOME TAX

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong profit tax	**3,554**	3,243
Deferred tax	**(367)**	(343)
	3,187	2,900

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

5. DIVIDEND

The directors of the Company has resolved to declare an interim dividend of HK0.4 cents per share for the six months ended 30 September 2018 (six months ended 30 September 2017: an interim dividend of HK0.6 cents per share).

6. EARNINGS PER SHARE

The calculation of the basic earnings per share attribute to the owners of the company is based on the following data:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**14,040**	13,400
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,010,229,508**	1,000,000,000

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the six months ended 30 September 2017 and 2018.

7. TRADE AND OTHER RECEIVABLES

	As at	
	30 September	31 March
	2018	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**55,300**	57,011
Retention receivables *(Note)*	**–**	64,965
Deposits, prepayment and other receivables	**33,642**	19,774
	88,942	141,750

Note: Upon the adoption of HKFRS 15, retention receivables is included in contract assets (see Note 2(b)(B)).

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

	As at 30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**46,589**	57,011
31–60 days	**8,711**	–
	55,300	57,011

The ageing analysis of trade receivables, based on the due date, as at the end of each of the reporting periods, is as follows:

	As at 30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**55,300**	57,011

Receivables that were neither past due nor impaired are related to a range of customers for whom there was no recent history of default. Credit terms granted to our customers vary from contract to contract, which are generally within 30 days from the date of issuance of the interim certificate.

8. TRADE AND OTHER PAYABLES

	As at	
	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**160,822**	135,456
Bills payable	**–**	6,134
Trade and bills payable *(Note)*	**160,822**	141,590
Retention payables	**34,325**	34,677
Other payables, accruals and deposits received	**7,900**	8,762
	203,047	185,029

Note: The Group's bills payables are repayable within 120 days. For other trade payables, the credit period granted by suppliers and contractors is normally 30 to 60 days.

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

	As at	
	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**155,067**	105,935
31–60 days	**100**	22,334
61–90 days	**642**	3,975
Over 90 days	**5,013**	3,212
	160,822	135,456

As at 30 September 2018, retention payables of HK$28,700,000 (31 March 2018: HK$14,987,000) were expected to be settled beyond twelve months after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group is a main contractor in Hong Kong principally engaged in providing (i) substructure building work services; (ii) superstructure building work services; and (iii) RMAA work services.

In general, substructure and superstructure building work refer to building works in relation to the parts of the structure below or above the ground level respectively, while RMAA work are for existing structures. The scope of our substructure building work projects consisted of demolition and hoarding, site formation and foundation works. The scope of our superstructure building work projects consisted of development and redevelopment of educational, residential, and commercial buildings, the scope of our RMAA works consisted of improvement, fitting-out work, renovation work, restoration work and external work.

OVERVIEW

The total revenue of the Group increased by approximately HK$118.0 million or 27.5% from approximately HK$429.4 million for the six months ended 30 September 2017 to approximately HK$547.4 million for the six months ended 30 September 2018. In general, the increase in revenue was resulted by the greater demand for the Group's contracting business and favourable market condition. Basic earnings per share for the six months ended 30 September 2018 was HK1.39 cents as compared with HK1.34 cents per share for the six months ended 30 September 2017.

In 2018, the Group has completed an acquisition of 3.5% of a company from a property developer, Wing Shing Land Investment Limited, in its property development project "AVA" series located in Sham Shui Po. It is a milestone of the Group to step into the property development business in Hong Kong. The project will be a single block boutique property development and will be mainly small unit apartments.

Besides, the Group has completed an acquisition of 30% of New Bright Engineering Limited in May 2018, which is a registered electrical contractor in Hong Kong principally engaged in air-conditioning and electrical engineering installation and alteration works. The Group believes the acquisition could enhance the construction ecosystem and add extra values to our customers by providing qualitied all-rounded service.

FORWARD

Looking forward, the Group is confident about the industrial outlook, prospects of the construction, and property development market in Hong Kong. The Group will continuously focus on its core businesses in providing (i) substructure building work services, (ii) superstructure building work services, and (iii) RMAA work as a main contractor in Hong Kong, meanwhile extending its operation into (iv) property development.

In the coming year, the Group will continue to explore more new opportunities and M&A targets that will help grow the construction and property development businesses.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2018 recorded at approximately HK$547.4 million which represented an increase of approximately HK$118.0 million or 27.5% from approximately HK$429.4 million for the six months ended 30 September 2017. The increase in total revenue was mainly due to an increase from RMAA work services approximately HK$225.4 million, net off with a decrease from substructure work services and RMAA work services approximately $2.4 million and $105.0 million respectively.

Gross Profits and Gross Profit Margin

Our gross profits increased by approximately HK$4.5 million or 9.9% from approximately HK$45.9 million for the six months ended 30 September 2017 to approximately HK$50.4 million for the six months ended 30 September 2018. Our overall gross profit margin for the six months ended 30 September 2018 decreased to 9.2% as compared to 10.7% for the six months ended 30 September 2017. The decrease was mainly due to decrease in gross profit margin of RMAA building work services segment during the six months ended 30 September 2018.

Other Income and Gains

Other Income and Gains increased by approximately HK$537,000 or 378% from approximately HK$142,000 for the six months ended 30 September 2017 to approximately HK$679,000 for the six months ended 30 September 2018. The increase was mainly due to the miscellaneous minor works of the old projects, which were completed many years ago.

Administrative and Other Operating Expenses

Administrative and other Operating Expenses increased by approximately HK$3.5 million or 12.2% from approximately HK$28.6 million for the six months ended 30 September 2017 to approximately HK$32.0 million for the six months ended 30 September 2018.

Administrative and other operating expenses mainly consist of staff cost (including salaries, allowances, other benefits and contribution to defined contribution retirement plan), legal & professional fee, business development costs, donations, depreciation, share-based payment expenses and others. The increase was mainly attributable by (i) increase in staff costs paid to directors and staff of approximately HK$0.5 million due to an increase in number of staff and salary level during the period; (ii) increase in share-based payments of approximately HK$2.3 million of a grant of share options to directors and staff on 21 November 2017, (iii) increase in business development costs of approximately HK$1.2 million mainly due to an increase in social and business networking activities, (iv) decrease in donations of approximately HK$1.2 million and (v) increase in others of HK$0.7 million.

Finance Costs

Finance Costs mainly represent the interest on bank borrowings. Finance costs increased by HK$1.0 million or 83.8% from approximately HK$1.2 million for the six months ended 30 September 2017 to approximately HK$2.2 million for the six months ended 30 September 2018. The increase was mainly due to the increase in a bank borrowing during the six months ended 30 September 2018 as compared with the corresponding period in 2017.

Income Tax Expenses

Income Tax Expenses increased by approximately HK$0.3 million or 9.9% to approximately HK$3.2 million for the six months ended 30 September 2018.

PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Profit and total comprehensive income for the six months attributable to the owners of the Company increased by approximately HK$0.6 million or 4.8% from approximately HK$13.4 million for the six months ended 30 September 2017 to approximately HK$14.0 million for the six months ended 30 September 2018.

Such increase was primarily attributable to the net effect of (i) the increase in revenue and gross profit for the six months ended 30 September 2018 and (ii) the increase in administrative and other operating expenses incurred by the Group during the six months ended 30 September 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had total assets of approximately HK$474.7 million, which is financed by total liabilities and shareholders' equity of approximately HK$357.1 million and HK$117.6 million, respectively. The Group's current ratio at 30 September 2018 was approximately 1.1 compared to approximately 1.2 at 31 March 2018.

GEARING RATIO

The gearing ratio of the Group as at 30 September 2018 was approximately 127.0% (31 March 2018: approximately 101.9%), which is calculated based on the Group's total interest-bearing debt of approximately HK$149.4 million (31 March 2018: HK$98.1 million) and the Group's total equity of approximately HK$117.6 million (31 March 2018: HK$96.2 million).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months. 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.

CHARGES ON GROUP ASSETS

Assets with a carrying value of approximately HK$30.0 million were pledged as securities for the Group's banking facilities.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the six months ended 30 September 2018.

CAPITAL STRUCTURE

The shares 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 13,000,000,000 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 30 September 2018, the Company's issued share capital was HK$10,130,000 and the number of its issued ordinary shares was 1,013,000,000 of HK$0.01 each.

COMMITMENTS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2018, the Group did not have other plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 10 May 2018, the Company completed an acquisition of 30% of New Bright Engineering Limited and it became an associate of the Company. New Bright Engineering Limited is a registered electrical contractor in Hong Kong and is principally engaged in air-conditioning and electrical engineering installation and alteration works.

Save as the above, during six months ended 30 September 2018, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed a total of 156 employees (31 March 2018: 151 employees). The staff costs of our Group (including salaries, allowances, other benefits and contribution retirement plan) for the six months ended 30 September 2018 were approximately HK34.6 million (For the six months ended 30 September 2017: approximately HK$32.2 million).

The remuneration package for our employees generally includes salary and bonuses. Our employees also receive welfare benefits, including exam leave, retirement benefits, occupational injury insurance, medical insurance and other miscellaneous items. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees. Our executive Directors will also conduct research on the remuneration packages offered for similar positions in the Hong Kong construction main contracting industry in order to keep our remuneration packages at a competitive level. We have also adopted the Share Option Scheme which is designed to provide incentives and rewards to our employees.

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during the six months ended 30 September 2018.

USE OF PROCEEDS

The net proceeds from the Listing, 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 30 September 2018 is set out below:

	Revised allocation of unutilized amount as at 19 June 2018	**Actual use of net proceeds up to 30 September 2018**
	HK$ million	*HK$ million*
To invest in property development projects	16.3	2.3
	16.3	2.3

OTHER INFORMATION

DISCLOSURE OF INTEREST

A. Directors' and Chief executives' interest and short position in shares, underlying shares and debentures

As at 30 September 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of Securities and Futures Ordinance ("**SFO**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**"), are set out below:

Long Positions in shares of the Company or any of its associated corporation

Name of our Directors/ chief executive	**Number of ordinary shares held**	**Interests in Share Option** *(Note 2)*	**Total**	**Approximate percentage of shareholding interests in our Company (%)** *(Note 3)*
Executive Directors				
Ng Choi Wah ("**Mr. Ng**")	645,000,000 *(Note 1)*	10,000,000	655,000,000	64.7%
Lui Yiu Wing	900,000	3,000,000	3,900,000	0.38%
Lam Ka Fai	–	3,000,000	3,000,000	0.30%
Independent non-executive Directors				
Wai Wing Hong Onyx	–	1,000,000	1,000,000	0.10%
Tong Hin Sum Paul	–	1,000,000	1,000,000	0.10%
Chau Kam Wing Donald	–	1,000,000	1,000,000	0.10%
Chief executive				
Tse Lai Han Henry	–	6,000,000	6,000,000	0.59%

Note 1 The Shares are registered in the name of JT Glory Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Ng. Under the SFO, Mr. Ng is deemed to be interested in all Shares held by JT Glory Limited.

Note 2 These represent the interests of share options granted to the Directors under the share option scheme adopted by the Company on 21 November 2017 to subscribe for shares.

Note 3 These percentages were compiled based on the total number of issued shares (i.e 1,013,000,000) as at 30 September 2018.

Short positions in shares of the Company or any of its associated corporation

As at 30 September 2018, there is no short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO).

B. Substantial Shareholders' and Other Persons' interests and short positions in the shares and underlying shares of the Company

So far as the Directors are aware, as at 30 September 2018, other than the director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Position in shares of the Company

Name	**Capacity/ Nature of interest**	**Number of Ordinary Shares held**	**Interests in share option** *(Note 3)*	**Approximate percentage of shareholding interests in our Company** *(Note 4)*
Mr. Ng	Interest in a controlled corporation	645,000,000	–	63.7%
	Beneficial owner		10,000,000	0.1%
JT Glory Limited	Beneficial owner	645,000,000 *(Note 1)*	–	63.7%
Ms. Cheung Yuk Sheung	Interest of spouse	645,000,000 *(Note 2)*	–	63.7%
	Beneficial owner	–	2,500,000	0.25%

Note 1 JT Glory Limited is wholly-owned by Mr. Ng under the SFO, Mr. Ng is deemed to be interested in all the Shares held by JT Glory Limited.

Note 2 Ms. Cheung Yuk Sheung is the spouse of Mr. Ng under the SFO, Ms. Cheung is deemed to be interested in all the Shares held by Mr. Ng.

Note 3 These represent the interests of share options granted to the Directors under the share option scheme adopted by the Company on 21 November 2017 to subscribe for shares.

Note 4 These percentages were compiled based on the total number of issued shares (i.e 1,013,000,000) as at 30 September 2018.

Short positions in shares of the Company

As at 30 September 2018, there is no short positions of every person, other than a director and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

COMPETING BUSINESS AND CONFLICT OF INTERESTS

The Director are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective associate (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. All the directors have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code for the six months ended 30 September 2018 and up to the date of the interim report.

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 six months ended 30 September 2018.

CORPORATE GOVERNANCE PRACTICE

Pursuant to the code provision A.2.1 of the 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 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 Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Listing Rules with the exception for code provision A.2.1 as disclosed above for the six months ended 30 September 2018.

RESULTS AND DIVIDEND

The Group's results for the six months ended 30 September 2018 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 2 to 5.

On 20 November 2018, the board of directors of the Company has resolved to declare an interim dividend of HK0.4 cents per share for the six months ended 30 September 2018 (six months ended 30 September 2017: HK0.6 cents per share).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 10 March 2016. On 21 November 2017, the Group announced the granting of a total of 32,500,000 share options to selected employees and directors under the Share Option Scheme. The exercise price of the granted options is HK$0.40 per share. No share options were exercised or forfeited during the six months 30 September 2018.

(A) Purpose of the share option scheme

The purpose of the Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(B) Participants

The Board may, at its discretion, invite any Eligible Persons to take up Options.

(C) Total number of shares available for issue under the share option scheme

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of all the Shares in issue as at the Date of Listing (i.e. a total of 100,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this announcement).

(D) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

(E) Term of subscription of shares upon exercise of the options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

(F) Minimum period for which an option must be held before it can be exercised

The Board may in its absolute discretion set a minimum period for which an option must be held before an option can be exercised.

(G) Time of acceptance and the amount payable on acceptance of the option

An offer for the grant of options must be accepted within twenty eight days from the date on which the option is granted. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(H) Basis for determination the exercise price

The exercise price for any share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee (in the letter containing the offer of the grant of the option) and shall not be less than the highest of:

(i) the closing price per Share as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(ii) the average closing price per Share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share at the date of grant.

(I) The remaining life of the scheme

Approximately 9 years (expiring on 20 November 2027).

On 21 November 2017, the Group announced the granting of a total of 32,500,000 share options to selected employee and directors under the Share Option Scheme. The exercise price of the granted options is HK$0.40 per share. No share options were exercised or forfeited during the six months ended 30 September 2018.

Details of the share options under the Share Option Scheme as at 30 September 2018 were as follows:

Name	Date of Grant	Exercisable period	Exercise price of share option	Number of Shares subject to outstanding options at 30 September 2018	Approximate percentage of the issued shares of the Company
Ng Choi Wah	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	10,000,000	0.99%
Lui Yiu Wing	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	3,000,000	0.30%
Lam Ka Fai	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	3,000,000	0.30%
Tse Lai Han Henry	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	6,000,000	0.59%
Wai Wing Hong Onyx	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	1,000,000	0.10%
Tong Hin Sum Paul	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	1,000,000	0.10%
Chau Kam Wing Donald	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	1,000,000	0.10%
Cheung Yuk Sheung	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	2,500,000	0.25%
Other senior management and employees	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	5,000,000	0.49%

AUDIT COMMITTEE

Our audit committee currently consists of all three of our independent non-executive Directors, namely Dr. Wai Wing Hong Onyx, Mr. Tong Hin Sum Paul and Mr. Chau Kam Wing Donald. Mr. Chau Kam Wing Donald who has the appropriate accounting and financial related management expertise, is the chairman of the audit committee.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control procedures and financial reporting matters including the review of the Group's unaudited interim financial statements for the six months ended 30 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 December 2018 to Friday, 7 December 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Tuesday, 4 December 2018.

Dividend cheques will be dispatched to shareholders on or about Thursday, 20 December 2018.

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

Hong Kong, 20 November 2018

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