



Ching Lee Holdings Limited

正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3728

2019

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Ng Choi Wah (*Chairman*)

Mr. Lui Yiu Wing

Mr. Lam Ka Fai

Independent non-executive Directors:

Dr. Wai Wing Hong Onyx

Mr. Tong Hin Sum Paul

Mr. Chau Kam Wing Donald

AUDIT COMMITTEE

Mr. Chau Kam Wing Donald (*Chairman*)

Dr. Wai Wing Hong Onyx

Mr. Tong Hin Sum Paul

REMUNERATION COMMITTEE

Dr. Wai Wing Hong Onyx (*Chairman*)

Mr. Ng Choi Wah

Mr. Chau Kam Wing Donald

NOMINATION COMMITTEE

Mr. Ng Choi Wah (*Chairman*)

Dr. Wai Wing Hong Onyx

Mr. Tong Hin Sum Paul

COMPANY SECRETARY

Mr. Tsui Wing Tak (*Certified Public Accountants*)

AUTHORISED REPRESENTATIVES

Mr. Ng Choi Wah

Mr. Lui Yiu Wing

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PRINCIPAL BANKERS

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Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building
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Hong Kong

Dah Sing Bank, Limited
Dah Sing Financial Centre
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Hong Kong

COMPANY WEBSITE

www.chingleeholdings.com
(information of this website does not
form part of this report)

STOCK CODE

03728

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Ching Lee Holdings Limited (our "Company", together with our subsidiaries, our "Group"), I have the pleasure to present to you the unaudited interim results for the six months ended 30 September 2019.

OVERVIEW

The total revenue of the Group decreased by approximately HK\$128.0 million or 23.4% from approximately HK\$574.4 million for the six months ended 30 September 2018 to approximately HK\$419.4 million for the six months ended 30 September 2019. In general, the decrease 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 2019 was HK1.13 cents as compared with HK1.39 cents per share for the six months ended 30 September 2018.

FORWARD

Looking forward, the Group is confident about the industrial outlook and the prospects of the construction 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; and, at the same time, explore new opportunities as well as new merger and acquisition targets that will benefit the shareholders as a whole.

Furthermore, in the view of our comprehensive skills and experience in the construction industry, the Group feels excited to explore the opportunities in property development projects in the future.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to all our customers, shareholders and business partners for their continuous care and support. I would also like to thank all of our employees for their commitment and loyalty they have shown throughout the years.

By Order of the Board

Ng Choi Wah

Chairman

Hong Kong, 20 November 2019

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue amounted to approximately HK\$419.4 million for the six months ended 30 September 2019, representing a decrease of approximately 23.4% or HK\$128.0 million as compared with the six months ended 30 September 2018.
- The profit and total comprehensive income of the Company is approximately HK\$11.4 million for the six months ended 30 September 2019, representing a decrease of approximately HK\$2.6 million or 18.8% as compared with the six months ended 30 September 2018.
- The basic and diluted earnings per share for the six months ended 30 September 2019 is HK1.13 cents, as compared with the corresponding period in 2018 of HK1.39 cents.
- The board of directors of the Company has resolved to declare an interim dividend of HK0.3 cents per share for the six months ended 30 September 2019 (six months ended 30 September 2018: HK0.4 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 2019 together with the unaudited comparative figures for the corresponding period in 2018, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	NOTES	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	419,440	547,403
Cost of revenue		(372,807)	(496,977)
Gross profits		46,633	50,426
Other income and gains		1,559	679
Administrative and other operating expenses		(31,263)	(32,035)
Finance costs		(3,913)	(2,160)
Share of profit of an associate		642	317
Profit before income tax		13,658	17,227
Income tax	4	(2,251)	(3,187)
Profit and total comprehensive income for the period		11,407	14,040
Earnings per share	6		
— Basic (HK Cents)		1.13	1.39
— Diluted (HK Cents)		1.13	1.39

UNAUDITED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	NOTES	As at	
		30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		37,908	42,442
Right of use asset		5,557	–
Intangible asset		790	790
Interest in an associate		13,751	13,110
Financial asset at fair value through profit or loss		4,332	4,332
Total non-current assets		62,338	60,674
Current assets			
Trade and other receivables	7	122,351	78,378
Amount due from an associate		13,238	12,906
Financial assets at fair value through profit or loss		2,784	2,784
Taxation recoverable		–	1,901
Contract assets		304,126	201,629
Pledged bank deposit		15,038	15,022
Bank balances and cash		63,337	69,097
Total current assets		520,874	381,717

	NOTES	As at	
		30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	8	246,909	133,952
Contract liabilities		5,229	1,012
Lease liabilities		1,381	–
Obligation under finance lease		–	721
Bank borrowings, secured		201,401	192,438
Provision of taxation		882	369
Total current liabilities		455,802	328,492
Net current assets		65,072	53,225
Total assets less current liabilities		127,410	113,899
Non-current liabilities			
Lease liabilities		3,683	–
Obligation under finance lease		–	1,403
Deferred tax liabilities		468	644
Total non-current liabilities		4,151	2,047
Net assets		123,259	111,852
Capital and reserves			
Share capital		10,130	10,130
Reserves		113,129	101,722
Total equity		123,259	111,852

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Share Capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2019 (audited)	10,130	78,435	(28,965)	5,060	47,192	111,852
Profit and total comprehensive income for the period	-	-	-	-	11,407	11,407
At 30 September 2019 (unaudited)	10,130	78,435	(28,965)	5,060	58,599	123,259
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	54,528	117,608

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	(8,846)	(40,697)
Net cash used in investing activities	(3,690)	(17,302)
Net cash generated from financing activities	6,776	49,152
Net decrease in cash and cash equivalents	(5,760)	(8,847)
Cash and cash equivalents at beginning of the period	69,097	52,365
Cash and cash equivalents at ending of the period	63,337	43,518

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 2019 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 2019. 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 2019 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 2019 annual financial statements.

(b) Change in Accounting Policies

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory and effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

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

The impact of the adoption of HKFRS 16 Lease have been summarized below. The other new or amended HKFRSs that are effective from 01 April 2019 did not have any material impact on the Group’s accounting policies.

Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets. The amounts of such adjustments are considered insignificant.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group re-measures lease liabilities (and make a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is re-measured by discounting the revised lease payment using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group re-measures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-to-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon applications of HKFRS 16:

As at 1 April 2019, the Group recognized additional lease liabilities of approximately HK\$1,182,000 and right of use assets approximately of HK\$1,182,000 equal to the related lease liabilities adjusted by any prepaid or accrued lease payment by applying HKFRS 16.

When recognizing the lease liabilities for lease previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

	At 1 April 2019 HK\$'000
Operating Lease commitments disclosed at 31 March 2019	2,190
Lease liabilities discounted at relevant incremental borrowing rates	1,903
Add: Extension Options Reasonably certain to be exercised	380
Less: Recognition Exemption — Short-Term Leases	(1,101)
Lease Liabilities relating to operating leases recognized upon application of HKFRS 16 at 1 April 2019	1,182

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Substructure building work services	18,806	–
Superstructure building work services	264,624	299,688
RMAA work services	136,010	247,715
	419,440	547,403

4. INCOME TAX

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax		
Hong Kong profit tax	2,427	3,554
Deferred tax	(176)	(367)
	2,251	3,187

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the relevant period, Hong Kong Profit Tax is calculated in accordance with the two-tiered profits tax rates regime for the qualifying corporation and the remaining corporations are calculated at a flat rate of 16.5%.

5. DIVIDEND

The directors of the Company has resolved to declare an interim dividend of HK0.3 cents per share for the six months ended 30 September 2019 (six months ended 30 September 2018: an interim dividend of HK0.4 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	11,407	14,040
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,013,000,000	1,010,229,508

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 2018 and 2019.

7. TRADE AND OTHER RECEIVABLES

	As at	
	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables	96,838	40,513
Deposits, prepayment and other receivables	27,996	40,348
Less: Expected credit loss	(2,483)	(2,483)
	122,351	78,378

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 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within 30 days	70,171	35,460
31–60 days	26,667	5,053
	96,838	40,513

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 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Neither past due nor impaired	96,838	40,513

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 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables	189,289	87,808
Retention payables	46,992	32,507
Other payables, accruals and deposits received	10,628	13,637
	246,909	133,952

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

	As at	
	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within 30 days	178,510	65,236
31–60 days	5,421	14,604
61–90 days	1,219	3,434
Over 90 days	4,139	4,534
	189,289	87,808

As at 30 September 2019, retention payables of HK\$26,414,000 (31 March 2019: HK\$11,834,000) were expected to be settled beyond twelve months after the end of the reporting period.

9. RELATED PARTY TRANSACTION

During the six months ended 30 September 2019, the Group paid the subcontracting charges amounted to approximately HK\$19 million (six months ended 30 September 2018: HK\$73 million) to New Bright Engineering Limited, which is an associate of the Group.

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 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, the scope of our RMAA works consisted of improvement, fitting-out works, renovation works, restoration works and external works.

OVERVIEW

The total revenue of the Group decreased by approximately HK\$128.0 million or 23.4% from approximately HK\$547.4 million for the six months ended 30 September 2018 to approximately HK\$419.4 million for the six months ended 30 September 2019. In general, the decrease in revenue was caused by the less demand for the Group's contracting business and persistently weak and substantially due to the completion/substantial completion of the on-going projects in the second half of FY2018. The new projects are still in a preliminary stage. Basic earnings per share for the six months ended 30 September 2019 was HK1.13 cents as compared with HK1.39 cents per share for the six months ended 30 September 2018.

FORWARD

Global economic outlook is dimming as the conflicts between China and US escalates. The Group's core market may not be hit directly by it. Nonetheless, it causes uncertainties on Hong Kong's economic growth which may impact the market momentum in near term. We would move forward cautiously.

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; and, at the same time, explore new opportunities as well as new merger and acquisition targets that will benefit the shareholders as a whole. The Group will also keep explore the opportunities in property development projects in the coming future.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2019 recorded at approximately HK\$419.4 million which represented a decrease of approximately HK\$128.0 million or 23.4% from approximately HK\$547.4 million for the six months ended 30 September 2018. The decrease in total revenue was mainly due to a decrease from RMAA work services and superstructure building work services approximately HK\$111.7 million and HK\$35.1 million respectively, net off with an increase from substructure building work services approximately HK\$18.8 million.

Gross Profits and Gross Profit Margin

Our gross profits decreased by approximately HK\$2.3 million or 4.6% from approximately HK\$50.4 million for the six months ended 30 September 2018 to approximately HK\$48.1 million for the six months ended 30 September 2019. Our overall gross profit margin for the six months ended 30 September 2019 increased to 11.1% as compared to 9.2% for the six months ended 30 September 2018. The increase was mainly due to increase in gross profit margin of RMAA building work services segment during the six months ended 30 September 2019.

Other Income and Gains

Other Income and Gains increased by approximately HK\$880,000 or 129.6% from approximately HK\$679,000 for the six months ended 30 September 2018 to approximately HK\$1,559,000 for the six months ended 30 September 2019. The increase was mainly due to the miscellaneous minor works of the old project, which were completed many years ago.

Administrative and Other Operating Expenses

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, and others. The administrative and other operating expenses of the Group remained relatively stable as compared to the relevant period.

Finance Costs

Finance Costs mainly represent the interest on bank borrowings. Finance costs increased by HK\$1.8 million or 81.2% from approximately HK\$2.2 million for the six months ended 30 September 2018 to approximately HK\$3.9 million for the six months ended 30 September 2019. The increase was mainly due to the increase in a bank borrowing during the six months ended 30 September 2019 as compared with the corresponding period in 2018.

Income Tax Expenses

Income Tax Expenses decreased by approximately HK\$0.9 million or 29.4% to approximately HK\$2.3 million for the six months ended 30 September 2019.

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 decreased by approximately HK\$2.6 million or 18.8% from approximately HK\$14.0 million for the six months ended 30 September 2018 to approximately HK\$11.4 million for the six months ended 30 September 2019.

Such decrease was primarily attributable to the net effect of (i) the decrease in revenue and gross profit for the six months ended 30 September 2019 and (ii) the finance costs incurred by the Group during the six months ended 30 September 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had total assets of approximately HK\$583.2 million, which is financed by total liabilities and shareholders' equity of approximately HK\$460.0 million and HK\$123.2 million, respectively. The Group's current ratio at 30 September 2019 was approximately 1.1 compared to approximately 1.2 at 31 March 2019.

GEARING RATIO

The gearing ratio of the Group as at 30 September 2019 was approximately 164.5% (31 March 2019: approximately 173.9%), which is calculated based on the Group's total interest-bearing debt of approximately HK\$202.8 million (31 March 2019: HK\$194.6 million) and the Group's total equity of approximately HK\$123.3 million (31 March 2019: HK\$111.9 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\$28.5 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 2019.

CAPITAL STRUCTURE

The shares of the Company were successfully transferred from the GEM 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 30 September 2019, 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 2019, the Group did not have other plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During six months ended 30 September 2019, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities (31 March 2019: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed a total of 201 employees (31 March 2019: 199 employees). The staff costs of our Group (including salaries, allowances, other benefits and contribution retirement plan) for the six months ended 30 September 2019 were approximately HK\$39.2 million (For the six months ended 30 September 2018: approximately HK\$34.6 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 2019.

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 2019 is set out below:

	Revised allocation of unutilized amount as at 19 June 2018 HK\$ million	Actual use of net proceeds up to 30 September 2019 HK\$ million
To invest in property development projects	16.3	2.6
	16.3	2.6

OTHER INFORMATION

DISCLOSURE OF INTEREST

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

As at 30 September 2019, 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")	658,720,000 (Note 1)	10,000,000	668,720,000	66.01%
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: 645,000,000 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. Another 13,720,000 shares are owned by Mr. Ng through the Bank directly.

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 2019, 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 2019, 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	–	63.67%
	Beneficial owner	13,720,000	10,000,000	2.34%
JT Glory Limited	Beneficial owner	645,000,000 (Note 1)	–	63.67%
Ms. Cheung Yuk Sheung ("Ms. Cheung")	Interest of spouse	645,000,000 (Note 2)	–	63.67%
	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 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 2019.

Short positions in shares of the Company

As at 30 September 2019, 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 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as a code of conduct regarding directors' securities transactions.

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

Save as the above, the directors have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code for the six months ended 30 September 2019 and up to the date of this 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 2019.

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 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 2019.

RESULTS AND DIVIDEND

The Group's results for the six months ended 30 September 2019 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 6 to 10.

On 20 November 2019, the board of directors of the Company has resolved to declare an interim dividend of HK0.3 cents per share for the six months ended 30 September 2019 (six months ended 30 September 2018: HK0.4 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 2019.

(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 report).

(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 8 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 2019.

Details of the share options under the Share Option Scheme during the year ended 30 September 2019 were as follows:

Name	Date of Grant	Exercisable period	Exercise price of share option	Outstanding as at 1 April 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of Shares	Approximate percentage of the issued shares of the Company
									subject to outstanding options at 30 September 2019	
Ng Choi Wah	21 November 2017	21 November 2018 to 20 November 2027	HK\$0.40 per share	-	10,000,000	-	-	-	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	-	-	-	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	-	-	-	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	-	-	-	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	-	-	-	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	-	-	-	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	-	-	-	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	-	-	-	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	-	-	-	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 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 December 2019 to Friday, 6 December 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Tuesday, 3 December 2019.

Dividend cheques will be dispatched to shareholders on or about Friday, 20 December 2019.

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

Hong Kong, 20 November 2019

As at the date of this report, 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.