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Ching Lee Holdings Limited

正利控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3728)

VOLUNTARY ANNOUNCEMENT MEMORANDUM OF UNDERSTANDING IN RESPECT OF A POSSIBLE ACQUISITION

This announcement is made by Ching Lee Holdings Limited (the “**Company**”) on a voluntary basis.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 1 February 2018, the Company, as purchaser, entered into a non-legally binding memorandum of understanding (the “**MOU**”) with a third party (the “**Vendor**”) in relation to a possible acquisition (the “**Possible Acquisition**”) of certain interests in a company (the “**Target Company**”) which is principally engaged in air-conditioning and electrical engineering installation and alteration works in the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”).

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Vendor is not a connected person (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the Company.

MAJOR TERMS OF THE MOU

Definitive agreement

The Vendor and the Company (or its nominee) shall use reasonable endeavours to negotiate and enter into a binding agreement (the “**Definitive Agreement**”) in respect of the Possible Acquisition, in form and content acceptable to the Vendor and the Company on or before 31 March 2018 (or such other date as the parties may agree).

Consideration

The consideration relating to the Possible Acquisition is currently under negotiation and the Vendor and the Company intend that such consideration to be satisfied partly by cash and partly by the allotment and issue of the shares of the Company.

Refundable deposit

Pursuant to the terms of the MOU, the Company paid a sum of HK\$2,500,000 (2.5 million Hong Kong Dollars) (the “**Deposit**”) in cash to the Vendor upon execution of the MOU as a refundable deposit for the Possible Transaction, which will be credited against the consideration payable by the Company to the Vendor upon completion of the Possible Acquisition in accordance with the terms and conditions of the Definitive Agreement.

The Deposit (without interest) will be refunded in cash by the Vendor to the Company within three (3) days (excluding Saturday, Sunday and public holidays in Hong Kong) after the occurrence of the following events, whichever is earlier:

- (a) termination of the MOU; and
- (b) the Company serving a notice to the Vendor in writing indicating that it has no intention to proceed with the Possible Acquisition.

Exclusivity

During the period from the date of the MOU up to 31 March 2018 (or such later date as the parties may agree) (the “**Exclusivity Period**”), the Company will have the sole and exclusive right to negotiate with the Vendor with a view to agreeing and executing the Definitive Agreement.

The Vendor has undertaken to the Company that it will not directly or indirectly solicit, invite, initiate or encourage any other approach, proposal or offer or enter into any discussion, negotiation, arrangement or agreement, from or with any other person for the purpose of securing an offer for the sale of any share of the Target Company and/or any asset or business of the Target Company and its subsidiaries (if any) (except that in case of assets only, in the ordinary course of business) and it will not procure the Target Company to, among other things, issue any new share, warrant or other securities of the Target Company during the Exclusivity Period without the prior written consent of the Company.

Due diligence

The Company has the right to conduct the due diligence review on the business, dealings, financial condition, legal and other affairs of the Target Company and its subsidiaries (if any) during the Exclusivity Period and determine whether or not to proceed with the signing of the Definitive Agreement and the Possible Acquisition.

Legally binding

Save for the legally binding provisions relating to the Deposit, conduct of confidentiality, exclusivity, termination, costs and expenses, counterparts of the MOU and governing law in the MOU, the MOU is not legally binding on the parties to the MOU in respect of the Possible Acquisition. The Possible Acquisition is subject to the execution and completion of the Definitive Agreement.

REASONS FOR ENTERING INTO THE MOU

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of construction and consultancy works and project management services in Hong Kong. The Company and its subsidiaries (the “**Group**”) operate as a contractor in Hong Kong principally engaged in providing substructure building works services, superstructure building works services, and repair, maintenance, alteration and addition works services. The Board considers that the Possible Acquisition will help strengthening and expanding the Group’s construction services in Hong Kong.

The Board wishes to emphasise that as the Possible Acquisition may or may not lead to the entering into of the Definitive Agreement, shareholders and investors of the Company should exercise caution when dealing in the shares of the Company. If the Possible Acquisition materialises, it may constitute a notifiable transaction of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event that any binding agreement has been signed or as and when required under the Listing Rules.

By order of the Board
Ching Lee Holdings Limited
Ng Choi Wah
Chairman

Hong Kong, 1 February 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.