Ching Lee Holdings Limited
正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3728

2018
Annual Report

Contents

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

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPLIANCE ADVISER

Kingsway Capital Limited
7/F, Tower One
Lippo Centre
89 Queensway
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 203, 2nd Floor
Hang Bong Commercial Centre
28 Shanghai Street
Jordan
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
4–4A Des Voeux Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Dah Sing Bank, Limited
Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

COMPANY WEBSITE

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

STOCK CODE

3728

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 annual results for the year ended 31 March 2018.

OVERVIEW

On 18 September 2017, the listing of the Company transferred from the GEM to the Main Board (the "**Transfer of Listing**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") representing another significant milestone in our history since our first listing on GEM in March 2016. We believe that the Transfer of Listing will not only further enhance the corporate profile of the Group, but also increase our financing flexibility and the recognition of our business amongst the public and investors. Besides, this would also pave the way for capturing opportunities that create long-term value for shareholders.

The total revenue of the Group increased by approximately HK$291.1 million or 50.2% from approximately HK$579.8 million for the year ended 31 March 2017 to approximately HK$870.9 million for the year ended 31 March 2018. In general, the increase in revenue was resulted by the greater demand for the Group's contracting business and favorable market condition. Basic earnings per share for the year ended 31 March 2018 was HK1.97 cents as compared with HK2.55 cents per share for the year ended 31 March 2017.

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, 19 June 2018

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

We are a main contractor in Hong Kong principally engaged in providing (i) substructure building works services; (ii) superstructure building works services; and (iii) repair, maintenance, alteration and addition for an existing structure ("RMAA") work services.

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

The Group's revenue for the year ended 31 March 2018 was recorded at approximately HK$870.9 million which represented an increase of approximately HK$291.1 million or 50.2% from approximately HK$579.8 million for the year ended 31 March 2017.

	Year ended 31 March		Increase/
	2018	2017	(Decrease)
	HK$'000	HK$'000	%
Substructure building work services	**1,696**	55,094	(96.9)
Superstructure building work services	**534,785**	384,297	39.2
RMAA work services	**334,407**	140,458	138.1
	870,888	579,849	50.2

(i) Substructure building works services

For the year ended 31 March 2018, revenue recorded in this segment amounted to approximately HK$1.7 million (2017: approximately HK$55.1 million). The decrease by approximately HK$53.4 million was mainly due to the completion/substantial completion of four substructure building works projects during the year ended 31 March 2017.

(ii) Superstructure building works services

For the year ended 31 March 2018, revenue recorded in this segment amounted to approximately HK$534.8 million (2017: approximately HK$384.3 million). The increase by approximately HK$150.5 million was mainly due to the commencement of three superstructure projects amounted to approximately HK$257.3 million and a substantial portion of works of three superstructure projects performed amounted to approximately HK$192.5 million for the year ended 31 March 2018. The increase was partially offset by a decrease of approximately HK$298.8 million from the completion/substantial completion of seven superstructure projects during the year ended 31 March 2017.

(iii) RMAA works services

For the year ended 31 March 2018, revenue recorded in this segment amounted to approximately HK$334.4 million (2017: approximately HK$140.5 million). The increase by approximately HK$193.9 million was mainly due to the commencement of four new RMAA projects during the year ended 31 March 2018, which contributed revenue of approximately HK$319.6 million, net off with a decrease of approximately HK$127.4 million from the completion/substantial completion of three major RMAA projects during the year ended 31 March 2017.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2018 recorded at approximately HK$870.9 million which represented an increase of approximately HK$291.1 million or 50.2% from approximately HK$579.8 million for the year ended 31 March 2017. The increase in total revenue was mainly due to an increase from superstructure building works services and RMAA works services amount to approximately HK$150.5 million and HK$193.9 million respectively. The increase was offset by decrease in substructure building works services of approximately HK$53.4 million.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK$19.9 million or 26.3%, from approximately HK$75.6 million for the year ended 31 March 2017 to approximately HK$95.5 million for the year ended 31 March 2018. During the year ended 31 March 2018, the gross profit margin was approximately 11.0%, which is slightly lower than the gross profit margin of prior year of approximately 13.0%.

Other Income and Gains

Other Income and Gains increased by HK$0.7 million or 350% from approximately HK$0.2 million for the year ended 31 March 2017 to approximately HK$0.9 million for the year ended 31 March 2018. The increase was due to gain on disposal of equipment and motor vehicles of approximately HK$0.7 million for the year ended 31 March 2018.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses increased by approximately HK$25.1 million or 57.2% from approximately HK$43.9 million for the year ended 31 March 2017 to approximately HK$69.0 million for the year ended 31 March 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, entertainments, 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$4.1 million due to an increase in number of staff and salary level during the year; (ii) increase in legal & professional fee of HK$10.6 million mainly for a litigation of a breach of the Buildings Ordinance, (iii) increase in share-based payments of approximately HK$1.5 million of a grant of share options to directors and staff on 21 November 2017, (iv) increase in business development costs of approximately HK$5.4 million due to an increase in social and business networking activities, and an increase in social and business networking activities, (v) increase in donations of approximately HK$1.4 million and (vi) increase in others of HK$2.1 million.

Finance Costs

Finance Costs increased by approximately HK$1.8 million or 257% from approximately HK$0.7 million for the year ended 31 March 2017 to approximately HK$2.5 million for the year ended 31 March 2018. It was mainly to increase in bank borrowing from approximately HK$35.7 million to approximately HK$95.2 million as at 31 March 2018.

Management Discussion and Analysis

Income Tax

Income Tax decreased by approximately HK$0.5 million or 8.8% from approximately HK$5.7 million for the year ended 31 March 2017 to approximately HK$5.2 million for the year ended 31 March 2018.

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

Profit and total comprehensive income for the year attributable to the owners of the Company decreased by approximately HK$5.8 million or 22.7% from approximately HK$25.5 million for the year ended 31 March 2017 to approximately HK$19.7 million for the year ended 31 March 2018.

Such decrease was primarily attributable to the increase in administrative and other operating expenses, offset by the increase in revenue and gross profit for the year ended 31 March 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had total assets of approximately HK$380.8 million, which is financed by total liabilities and shareholders' equity of approximately HK$284.6 million and HK$96.2 million, respectively. The Group's current ratio remained stable at approximately 1.2 at 31 March 2017 and 31 March 2018.

Gearing Ratio

The gearing ratio of the Group as at 31 March 2018 was approximately 101.9% (31 March 2017: approximately 45.2%), which is calculated based on the total obligations under finance lease and total bank borrowings divided by total equity as at the respective reporting date.

Capital Expenditure

Total capital expenditure for the year ended 31 March 2018 was approximately HK$3.1 million, which was mainly used in the purchase of machineries and motor vehicles.

Contingent Liabilities

At the end of the reporting periods, there were no significant contingent liabilities for the Group except for those disclosed.

Commitments

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

Charges on Group Assets

Assets with a carrying value of approximately HK$65.2 million were pledged as securities for the Group's banking facilities and surety bonds. Details of the charges on assets of the Group are set out in notes 15, 17, 18 and 23 to the financial statements.

Segment Information

Segmental information is presented for the Group as disclosed on note 6 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 March 2018.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were denominated in Hong Kong dollars, hence, there is no significant exposure to foreign exchange rate fluctuations.

CAPITAL STRUCTURE

The shares of the Company were successfully transferred from the GEM to the Main Board of the Stock Exchange on 18 September 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2018, the Company's issued share capital was HK$10,000,000 and the number of its issued ordinary shares was 1,000,000,000 of HK$0.01 each.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have plans for material investments or capital assets during the year ended 31 March 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group employed a total of 151 employees (31 March 2017: 110 employees). The staff costs of our Group (including salaries, allowances, other benefits and contribution to defined contribution retirement plan) for the year ended 31 March 2018 were approximately HK$73.3 million (For the year ended 2017: approximately HK$48.9 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.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during the year ended 31 March 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in our operations and financial position as efficiently and effectively as possible.

I. Our revenue is mainly derived from projects which are not recurring in nature and any significant decrease in the number of our projects would affect our operations and financial results;

II. We depend on our suppliers for concrete, steel and other construction materials, and any shortage or delay of supply, or deterioration in the quality, of the same could materially and adversely affect our operations, and we may not be able to identify an alternative source of stable supply with acceptable quality and price;

III. We may be involved in construction and/or labour disputes, legal and other proceedings arising from our operations from time to time and may face significant legal liabilities as a result;

IV. We determine our tender price based on the estimated time and costs to be involved in a project, yet the actual time and costs incurred may deviate from our estimate due to unexpected circumstances, thereby adversely affecting our operations and financial results;

V. We rely on our Board members and senior management staff, and their departure would adversely affect our operations and financial results;

VI. Our works are labour intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected;

VII. Expiry, withdrawal, revocation, downgrading and/or failure to renew any of our various registrations and certifications would adversely affect our operations and financial results; and

VIII. There is no guarantee that we would not be subject to any claims in relation to defects of our works, which may result in further costs to make good the defects, and/or deduction of the retention monies to be released and/or claims from our customers against us.

An analysis of the Group's financial risk management (included credit risk, and liquidity risk) objectives and policies are provided in note 34 to the consolidated financial statements.

USE OF PROCEEDS

The net proceeds from the Listing in after deducting the underwriting fees, the Stock Exchange trading fee and SFC transaction levy for the New Shares and estimated listing expenses in connection with the Placing, were approximately HK$42.5 million.

The actual net proceeds from the issue of new shares of the Company under the Placing was different from the estimated net proceeds of approximately HK$39.0 million as set out in the Prospectus.

The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, which is (i) approximately 40.1% of the net proceeds, representing approximately HK$17.0 million to reserve more capital to satisfy our potential customers' requirement for surety bond, (ii) approximately 24.8% of the net proceeds, representing approximately HK$10.5 million to expand our workforce, and arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses, (iii) approximately 7.7% of the net proceeds, representing approximately HK$3.3 million to acquire machinery, (iv) approximately 17.4% of the net proceeds, representing approximately HK$7.4 million to reduce our gearing ratio, and (v) approximately 10% of the net proceeds, representing approximately HK$4.3 million for working capital and other general corporate purposes.

As at the date of this annual report, the Company has unutilised Net Proceeds of approximately HK$16.3 million, and the Board resolved to change the proposed use of the Net Proceeds. Details of the original allocation of the Net Proceeds, the actual use of the Net Proceeds and the revised allocation of the Net Proceeds as at the date of this annual report are set out below:

	Planned use of net proceeds as stated in the Prospectus up to the date of this annual report HK$ million	Actual use of net proceeds up to the date of this annual report HK$ million	Unutilized amount HK$ million	Revise allocation HK$ million
To reserve more capital to satisfy our potential customers' requirement for surety bond (Note)	17	0.7	16.3	–
To expand our workforce, and arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses	10.5	10.5	–	–
To acquire machinery	3.3	3.3	–	–
To reduce our gearing ratio	7.4	7.4	–	–
Working capital and other general corporate	4.3	4.3	–	–
To invest property development projects (Note)	–	–	–	16.3
	42.5	26.2	16.3	16.3

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

Note: For the reasons of the change in use of proceeds, please refer to announcement dated 19 June 2018.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. NG Choi Wah, aged 52, is the founder of our Group. Mr. Ng is also the chairman of the nomination committee, and a member of the remuneration committee. He was appointed as a Director on 16 November 2015 and was designated as an executive Director on 16 December 2015. He was also appointed as the Chairman and the chief executive officer of our Group on 16 December 2015. Mr. Ng is responsible for overseeing the corporate strategy, operational management as well as sales and marketing of our Group. Mr. Ng is also a director of Ching Lee Construction, Ching Lee Engineering and Ching Lee Foundation. He has over 27 years of experience in providing building work services.

From January 1988 to May 1990, Mr. Ng was employed as a site agent or a sub-agent by Wing Mou Construction Co. Ltd. for various projects under the Housing Department, the Territory Development Department and the Architectural Services Department of Hong Kong. Mr. Ng was employed by W. M. Construction Limited as a project manager from November 1993 to January 1998. In March 1999, Mr. Ng acted as a director of Ching Lee Engineering.

In November 1990, Mr. Ng graduated with a higher diploma in building from City Polytechnic of Hong Kong (currently known as the City University of Hong Kong). In April 2002, he received his bachelor's degree in applied science in construction management and economics from Curtin University of Technology in Australia by distance learning.

Mr. Ng was registered as a Chartered Environmentalist by the Society for the Environment in January 2012. He was also elected as a member of the Association of Building Engineers (currently known as the Chartered Association of Building Engineers) in the United Kingdom in July 2013 and is currently a chartered building engineer.

Mr. Ng is also dedicated in community service. In February 2015, he was appointed as an honorary treasurer by the Hong Kong General Building Contractors Association for the period between 2015 and 2017. Mr. Ng was also appointed as a vice president of East Kowloon region of the Scout Association in Hong Kong in June 2015.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Mr. LUI Yiu Wing, aged 46, was appointed as an executive Director on 16 December 2015. Mr. Lui is responsible for overseeing the operational management of our Group. Mr. Lui is also a director of Ching Lee Construction and Ching Lee Engineering. He has over 15 years of experience in the building works industry. He became a registered architect of the Architects Registration Board in October 1999. In May 2003, Mr. Lui joined our Group and acted as a director of Ching Lee Construction. He was then promoted to senior project manager in October 2012.

Mr. Lui graduated with a bachelor's degree in social science from the Chinese University of Hong Kong in December 1994. He then received his master's degree in architecture from the Chinese University of Hong Kong in December 1997.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Biographical Details of Directors and Senior Management

Mr. LAM Ka Fai, aged 45, was appointed as an executive Director on 16 December 2015. In May 2003, Mr. Lam joined our Group and acted as a director of Ching Lee Construction and is currently responsible for overseeing the operational management of our Group. Mr. Lam is also a director of Ching Lee Construction and Ching Lee Engineering. He has over 18 years of experience in the building works industry. In January 2014, he became a member of the Chartered Institute of Building and a chartered building engineer of the Chartered Association of Building Engineers, in the United Kingdom.

Mr. Lam worked as a project co-ordinator at W.M. Construction Limited from September 1997 to April 1998. From April 1999 to July 2014, Mr. Lam worked as a project co-ordinator at Hien Lee Engineering Co., Ltd and his last position was project manager. Since July 2014, Mr. Lam has served our Group as a senior E&M project manager.

In November 2007, he obtained a bachelor's degree in engineering in building engineering (building services engineering) from the City University of Hong Kong. In October 2011, Mr. Lam obtained a master's degree in science in project management from The Hong Kong Polytechnic University. He became a member of the Australian Institute of Building in July 2013.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Independent Non-executive Directors

Dr. WAI Wing Hong Onyx, aged 57, was appointed as an independent non-executive Director on 10 March 2016. He is also the chairman of the remuneration committee and a member of the audit and nomination committees of our Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

Dr. Wai is currently a professor in the Department of Civil and Environmental Engineering of The Hong Kong Polytechnic University. He joined the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) as a lecturer since October 1992 and has worked in the University ever since.

Dr. Wai obtained his bachelor's degree in applied science in civil engineering at the University of Windsor in Windsor, Canada in June 1984. In August 1986, he received his master's degree in science in the Ohio State University in the USA. In December 1991, Dr. Wai obtained his doctor of philosophy at the same university. In December 2014, he received a merit award in "Study of Green Roof (Landscape Research Study Category)" from The Hong Kong Institute of Landscape Architects. Dr. Wai also has a number of professional appointments. He is currently a council member of the Hong Kong Institute of Science. Dr. Wai was admitted as a member of the Hong Kong Institution of Engineers in June 2000. Dr. Wai has also contributed to various journals and publications, including, among others, "Environmental Pollution" and "Journal of Hydroinformatics".

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Biographical Details of Directors and Senior Management

Mr. TONG Hin Sum Paul, aged 80, was appointed as an independent non-executive Director on 10 March 2016. He is also a member of the audit and nomination committees of our Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

Mr. Tong was called to the bar in 1989 and is currently a barrister. He was appointed as a life fellow of St. John's College, the University of Hong Kong, in 2008. In March 2009, he was also appointed as a panel member of the Securities and Futures Appeals Tribunal for the period between April 2009 and March 2011.

Mr. Tong obtained his bachelor's degree in arts from the University of Hong Kong in November 1963. He then furthered his studies in the University of Cambridge, England, and obtained his bachelor's degree in arts and master's degree in arts in June 1987 and February 1991, respectively. Mr. Tong also went to Yale University and obtained a master's degree in sacred theology in July 1971.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Mr. CHAU Kam Wing Donald, aged 55, was appointed as an independent non- executive Director on 10 March 2016. He is also the chairman of the audit committee and a member of the remuneration committee of our Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

He has over 20 years of experience in audit, tax and financial management. Mr. Chau is an executive director of Winox Holdings Limited (stock code: 6838), the issued shares of which is listed on the Stock Exchange, since March 2011. He is also an independent non-executive director of China Water Affairs Group Limited (stock code: 855) since March 2007, Eco-Tek Holdings Limited (stock code: 8169) since March 2008, Carpenter Tan Holdings Limited (stock code: 837) since November 2009, 浙江長安仁恒科技股份有限公司 (Zhejiang Chang'an Renheng Technology Co., Ltd.*) (stock code: 8139) since May 2014, the issued shares of which are listed on the Stock Exchange. From November 2009 to June 2015, Mr. Chau was also an independent non-executive director of 浙江世寶股份有限公司 (Zhejiang Shibao Company Limited*) (Hong Kong stock code: 1057 and Shenzhen stock code: 2703), the issued shares of which are listed on the Stock Exchange and Shenzhen Stock Exchange.

Mr. Chau obtained a master's degree in business administration from the University of San Francisco in the USA in December 2000. He is also a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. TSE Henry Lai Han, aged 53, joined our Group in August 2013 and is currently a project director. He is responsible for overseeing the overall operational management of our Group, in particular, on foundation works and contract administration.

Mr. Tse has considerable experience in property and development projects management. Prior to joining our Group, from October 2011 to July 2013, Mr. Tse served as a deputy general manager (development — Hong Kong properties) in a group company in the K. Wah Group. Since September 2004, he is also an independent non-executive director of Tern Properties Company Limited (stock code: 277), the issued shares of which are listed on the Stock Exchange.

Mr. Tse received his bachelor's degree in applied science majoring in civil engineering and master's degree in applied science from The University of British Columbia in Vancouver, Canada in May 1987 and November 1989, respectively.

Mr. LEE Tsz Yuen, aged 39, joined our Group in March 2007 and is currently a contract manager. He is responsible for overseeing the operations of sub-vetting and quantity surveying.

Mr. Lee has considerable experience in surveying and building works. His working experience prior to joining our Group is listed in the table below:

Entities	Position	Duration
Diamond Term Ltd.	Surveyor	May 2003–February 2006
Diamond Term Decoration Ltd.	Quantity surveyor	March 2006–September 2006
WH Interior Design & Contracting Co. Ltd.	Assistant quantity surveyor	November 2006–March 2007

In July 2008, Mr. Lee obtained a higher diploma in quantity surveying from (Hong Kong) Continuous Professional Education Centre.

Mr. WONG Yee Ching, aged 29, is a safety officer of our Group. He joined our Group in June 2013.

Mr. Wong has about 5 years of experience in construction safety industry. He is responsible for implementing the safety management system in our Group.

Mr. Wong obtained his Bachelor of Science in Applied Science in 2009 from The Open University of Hong Kong. In 2014, he received his diploma in Occupational Health and Safety from The Open University of Hong Kong. He is a registered safety officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations.

His working experience in our Group is listed in the table below:

Position	Duration
Safety Supervisor	June 2013–September 2014
Assistant Safety Officer	September 2014–February 2015
Safety Officer	February 2015–present

Biographical Details of Directors and Senior Management

Mr. LAW Chun Man, aged 35, joined our Group in October 2014 and is currently an electrical and mechanical manager. He is responsible for the day-to-day coordination and supervision of electrical and mechanical works of our Group.

Mr. Law has considerable experience in the building and engineering industry. He joined Interlite (Asia) Limited as an engineer from January 2006 to March 2011. From March 2011 to May 2012, he served as a project engineer for Thorn Security (Hong Kong) Ltd. Prior to joining our Group, Mr. Law was employed by Hsin Chong Construction (Engineering) Limited as a building services engineer from May 2012 to October 2014. Mr. Law obtained his bachelor's degree in engineering in fire engineering from the University of Central Lancashire in August 2015 by distance learning.

Mr. NG Ho Nam, aged 29, is an building services coordinator of our Group. He joined our Group in October 2015.

Mr. H.N. Ng has about 7 years of experience in building and engineering industry. From February 2010 to September 2012, he was an assistant engineer at Telemax Environmental and Energy Management Limited. He was primarily responsible for providing design of building services installation for building projects. He then joined Hsin Chong Construction (Engineering) Limited as a building services engineer from October 2012 to September 2015, in which he had gained experience in managing and coordinating a team to handle building projects.

Mr. H.N. Ng obtained his Higher Diploma in Building Services Engineering from Hong Kong Institute of Vocational Education in 2012. In 2014, he received his bachelor's degree in Engineering majoring in Fire Engineering from City University of Hong Kong.

Mr. Ng's working experience prior to joining our Group is listed in the table below:

Entities	Position	Duration
Telemax Environmental and Energy Management Limited	Assistant Building Services Engineer	February 2010–September 2012
Hsin Chong Construction (Engineering) Limited	Building Services Engineer	October 2012–September 2015
Ching Lee Engineering Limited	Building Services Coordinator	October 2015–present

Biographical Details of Directors and Senior Management

COMPANY SECRETARY

Mr. Tsui Wing Tak, aged 36, was appointed by the Board as the company secretary of the Company on 14 August 2017. Mr. Tsui has more than 11 years of experience in the accounting and corporate field. Mr. Tsui has been the Chief Executive Officer of AE Majoris Advisory Company Limited which is principally engaged in the provision of corporate advisory services, since January 2012. He was the Company Secretary of Noble House (China) Holdings Limited (now known as Northern New Energy Holdings Limited) (stock code: 8246), a company listed on GEM, from July 2013 to August 2014. From August 2004 to January 2012, Mr. Tsui worked in an international accounting firm in Hong Kong with his last position as a Manager in auditing. Mr. Tsui has been a Non-Executive Director of CCT Land Holdings Limited (stock code: 261), a company listed on the Main Board of the Stock Exchange, since January 2017. Mr. Tsui has been the Company Secretary of Ching Lee Holdings Limited (stock code: 3728), a company listed on the Main Board of the Stock Exchange, since 14 August 2017.

Mr. Tsui graduated from The Hong Kong University of Science and Technology with a degree of Bachelor of Business Administration (Honours) in Accounting in November 2004. He was admitted as a Certified Public Accountant and a Certified Public Accountant (practising) of the Hong Kong Institute of Certified Public Accountants in January 2009 and January 2012, respectively.

In November 2016, the embassy of the Republic of the Uganda in Beijing appointed Mr. Tsui as Honorary Trade, Tourism and Investment Consultant/Adviser on China (Hong Kong and Macau SAR).

COMPLIANCE OFFICER

Mr. Ng Choi Wah, was appointed as the compliance officer of our Company on 21 December 2015. Details of the qualification and experience of Mr. Ng have been disclosed in the paragraph headed "Executive Directors" of this section.

AUTHORISED REPRESENTATIVES

Mr. Ng and Mr. Lui are the authorised representatives of our Company.

Corporate Governance Report

INTRODUCTION

We are committed to achieving and maintaining high standards of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Company has applied 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. In the opinion of the Board, the Company has complied with the Code for the year ended 31 March 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as a code of conduct regarding directors' securities transactions. All the directors have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code for the year ended 31 March 2018 and up to the date of this annual report.

BOARD OF DIRECTORS

Composition

The composition of the Board during the year and up to the date of this annual report is set out as follows:

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

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 10 to 15 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed three independent non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

Each of the Independent non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company considers that all Independent non-executive Directors to be independent.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management update report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the directors have a balance of skills and experience for the business of the Group.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service contract with our Company on 10 March 2016 and we signed letters of appointment with each of our independent non-executive Directors on the same day. The service contracts with our executive Directors are for an initial term of three years commencing from 29 March 2016 and can be terminated by either party giving not less than three months' notice in writing. The letter of appointment with each of our independent non-executive Directors are for one year until 31 March 2018 commencing from 1 April 2017 and can be terminated by either party giving not less than one month's notice in writing.

The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts can be renewed in accordance with our articles of association and the applicable Listing Rules.

According to our articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

The Company has taken out directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Our Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of our Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the year, the Board held five meetings and one Shareholders' meeting (being the annual general meeting of the Company) was held. The Directors' attendance records in respect of meetings held during the year are shown as follows:

	Attendance Record of Meetings held during the Year				
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Number of total meetings	5	3	1	1	1
Mr. Ng Choi Wah	5/5	N/A	1/1	1/1	1/1
Mr. Lui Yiu Wing	5/5	N/A	N/A	N/A	1/1
Mr. Lam Ka Fai	5/5	N/A	N/A	N/A	1/1
Dr. Wai Wing Hong Onyx	5/5	3/3	1/1	1/1	1/1
Mr. Tong Hin Sum Paul	5/5	3/3	1/1	N/A	1/1
Mr. Chan Kam Wing Donald	5/5	3/3	N/A	1/1	1/1

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All board members have received directors' training hosted by our auditor, BDO Limited, which was about the new updates of the Listing Rules.

All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills.

Pursuant to the code provision A.6.5 of the Code, during the year ended 31 March 2018 and up to the date of the report, all Directors had participated in continuous professional development in the following manner:

Name of Directors	**Reading materials relevant to Listing Rules**	**Training on Director's responsibilities**
Mr. Ng Choi Wah	√	√
Mr. Lui Yiu Wing	√	√
Mr. Lam Ka Fai	√	√
Dr. Wai Wing Hong Onyx	√	√
Mr. Tong Hin Sum Paul	√	√
Mr. Chau Kam Wing Donald	√	√

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 of the Company and chief executive of the Company. In view that Mr. Ng has been assuming day-to-day responsibilities in operating and managing our Group since 1998 and the rapid development of our Group, the Board believes that with the support of Mr. Ng's extensive experience and knowledge in the business of the Group, vesting the roles of both Chairman and chief executive officer of our Company in Mr. Ng strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision which is in the best interest to our Group. Mr. Ng delegates the role and responsibilities including operations, management, business development and strategy planning of the Group to other Executive Directors. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

BOARD COMMITTEE

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website at www.chingleeholdings.com. All the Board committees should report to the Board on their decisions or recommendations made. The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report.

Audit Committee

The 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 primary duties of our audit committee are (i) to make recommendations to our Board on the appointment and removal of external auditors, (ii) to review the financial statements and material advice in respect of financial reporting process of our Group and (iii) to oversee the internal control systems of our Group. The Committee's authority and duties are set out in written terms of reference which are posted on the websites of the Company and the Stock Exchange.

The Group's consolidated financial statements for the year ended 31 March 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2018 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The remuneration committee currently consists of an executive Director, namely Mr. Ng, and two of our independent non-executive Directors, namely Dr. Wai Wing Hong Onyx and Mr. Chau Kam Wing Donald. Dr. Wai Wing Hong Onyx is the chairman of our remuneration committee. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2018. The primary duties of our remuneration committee are (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) to review and approve other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review and approve performance-based remuneration and to establish a formal and transparent procedure for developing policy in relation to remuneration. The Committee's authority and duties are set out in written terms of reference which are posted on the websites of the Company and the Stock Exchange.

Remuneration of directors and senior management

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme. Our Remuneration Committee determines the salaries of our Directors based on each Director's qualification, position and seniority.

Nomination Committee

The nomination committee currently consists of one executive Director, namely Mr. Ng, and two of our independent non-executive Directors, namely Dr. Wai Wing Hong Onyx and Mr. Tong Hin Sum Paul. Mr. Ng is the chairman of the nomination committee. The primary duties of our nomination committee are (i) to review the structure, size and composition of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members and to select or make recommendations to our Board on the selection of individuals for nomination of directorships of the Company; (iii) to assess the independence of independent non-executive Directors; and (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors. The Committee's authority and duties are set out in written terms of reference which are posted on the websites of the Company and the Stock Exchange.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for the year ended 31 March 2018 to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's financial statements for the year ended 31 March 2018 set out in this annual report.

AUDITORS' REMUNERATION

For the year ended 31 March 2018, the remuneration paid or payable to BDO Limited and its affiliate companies in respect of audit and non-audit services provided is set out below:

Services rendered	Remuneration paid/payable (HK$'000)
Audit services	1,200
Non-audit services	50
	1,250

INTERNAL CONTROLS AND RISK ASSESSMENT

The Board is responsible for the establishment, maintenance and review of the Group's system of internal controls and risk assessment. A review of internal controls systems of different operations was conducted by an independent external risk advisory firm to ensure the effectiveness and adequacy internal controls system.

The Board considered the internal controls system of the Group to be adequate and effective for the year ended 31 March 2018. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 31 March 2018.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Group recognises that good risk management is essential for the long-term development on the Group's business. The management is responsible to establish, implement, review and evaluate effectiveness of the internal control system underpinning the risk management framework. Upon taking into full account of the new requirements effective from 1 January 2016 under the Listing Rules brought by the Stock Exchange relating to risk management and internal control, the management has formulated the risk management and control framework.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, department staff/employees are responsible for identifying, assessing and monitoring risks associated with each business or transactions. The management, as the second line of defence, provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the audit committee of the Company, with the professional advices and opinions from the external professional company by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defence are effective through constant inspection and monitoring.

COMPANY SECRETARY

Mr. Tsui Wing Tak, was appointed by the Board as the Company Secretary on 14 August 2017. The biographical details of Mr. Tsui are set out under the section headed "Biographical Details of Directors and Senior Management".

The primary duties of the Company Secretary include, but are not limited to, the following: (i) to ensure the Board procedures are followed and that the activities of the Board are carried out efficiently and effectively; (ii) to assist the chairman to prepare agendas and Board papers for meetings and disseminate such documents to the Directors and Board committees in a timely manner; (iii) to timely disseminate announcements and information relating to the Group; and (iv) to maintain formal minutes of the Board meetings and other Board committee meetings.

During the year ended 31 March 2018, the Company Secretary of the Company had confirmed that he had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

HANDLING INSIDE INFORMATION

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;

- Designated persons and departments to determine further escalation and disclosure as required; and

- Designated persons authorised to act as spokespersons and respond to external enquiries.

SHAREHOLDERS' RIGHT

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

Procedures and right for shareholders to convene EGM

The following procedures for shareholders to convene an extraordinary general meeting are subject to the Articles of Association (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

(a) Pursuant to Article 58 of the articles of association, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

(b) The written requisition must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Room 203–204, 2nd Floor, Hang Bong Commercial Centre, 28 Shanghai Street, Jordan, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;

(c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) the Requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;

(e) If within 21 days of such deposit the Board fails to proceed to convene such meeting the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Right to put enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Procedures for shareholders to put forward proposals at shareholders' meetings

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual report, interim report and quarterly reports, notices, announcements and circulars that are available on Company's website at www.chingleeholdings.com.

For the year ended 31 March 2018, there had been no significant change in the Company's constitutional documents.

Environmental, Social and Governance Report

GENERAL

This is the Environmental, Social and Governance ("ESG") Report prepared by the Group pursuant to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Main Board Listing Rules ("ESG Reporting Guide").

For the year ended 31 March 2018, the Group has been attaching much importance to environmental and social responsibility work, integrated the ideas of environmental and social responsibility into the Group's operation and management activities. The implementation of our ESG strategy is the responsibility of the Board and employee's participation is vital to the success of it.

For details of the Group's financial performance and corporate governance matters, please refer to other sections in the annual report of the Company of which this ESG Report forms part.

SECTION A: ENVIRONMENTAL

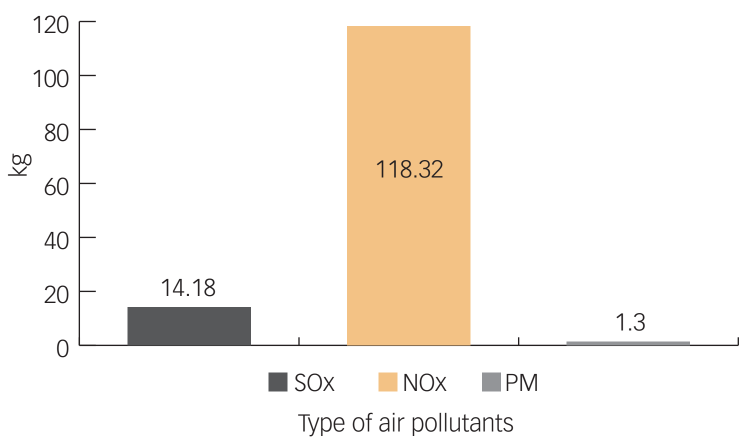
The Group is committed to leading by example, inspiring others to strive for environmental sustainability, and minimizing our environmental impacts from operations. We have implemented eco-friendly measures to reduce carbon and emission footprints in our business operations. For the year ended 31 March 2018, there was no material non-compliance issue with relevant laws and regulations related to the environment. The Group will continue to contribute to future sustainable development.

Emissions

Air Emission

As the Group's operations mainly focus on providing construction work services to customers, there is no gaseous fuel consumption. The material pollutants come from the usage of vehicles, which causes air emissions, including sulphur oxides (SO_x), nitrogen oxides (NO_x) and particulate matter (PM). Total weight of air emission amounts to 133.80 kg, which is 9.56 kg per facility[1]. Nonetheless, the Group has implemented an environmental policy. All vehicles are under frequent and regular checks and maintenance to ensure no energy inefficiency occurs.

Air Emission from Vehicles

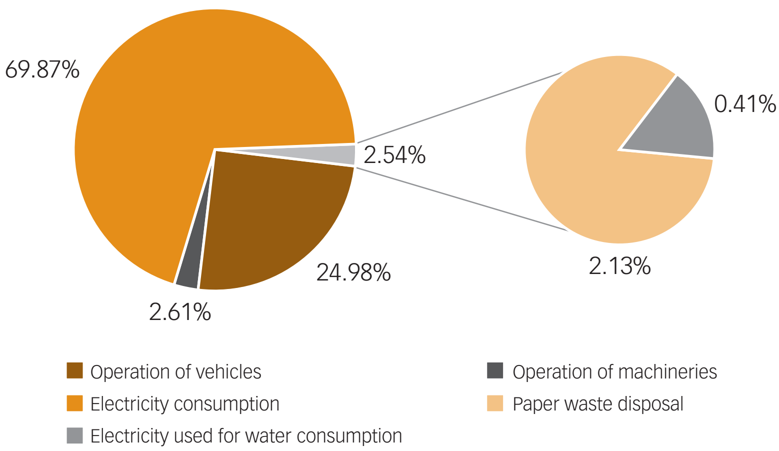


[1] Total number of facilities includes 13 project sites and 1 head office.

Greenhouse Gases Emission

The Group's consumption of electricity and operation of machineries and vehicles directly contribute to the emission of greenhouse gases, which is the main culprit of global warming. Alongside the direct emission sources, there are also several indirect emission sources noted as the electricity used in water consumption and paper waste disposal at landfills. The amount of total greenhouse gas emission is approximately 826.92 tonnes, which is 59.07 tonnes per facility.

Greenhouse Gas Emissions



Several measures to reduce our greenhouse gas emissions have been implemented to demonstrate our determination of maintaining environmental sustainability. Those measures include promoting paperless office by reusing single-side-printed paper, and encouraging employees to switch off all idle appliances.

Collection of single-side-printed paper at site

Waste Management

The Group implements waste management plan in all sites. The plan sets out procedures to confirm that all wastes generated during the construction phase are managed on-site, transported and disposed of in environmental friendly manners and in full compliance with statutory requirements.

There is no hazardous waste being involved in the Group's operation. The non-hazardous waste produced by the Group was mainly the construction waste, including both inert and non-inert waste, and paper waste. The construction waste will be handled by the approved sanitary service providers to dispose at landfills. Total weight of non-hazardous waste disposed during the reporting period is recorded as about 26,939 tonnes, which is around 1,924 tonnes per facility.

Transportation of waste by approved cleaning service provider

With our growing concern for waste management, measures for reducing and recycling the waste are implemented. We encourage reuse of single side printed paper. Recycling bins are also placed in construction sites to collect recyclable waste.

Recycling bins placed in project sites

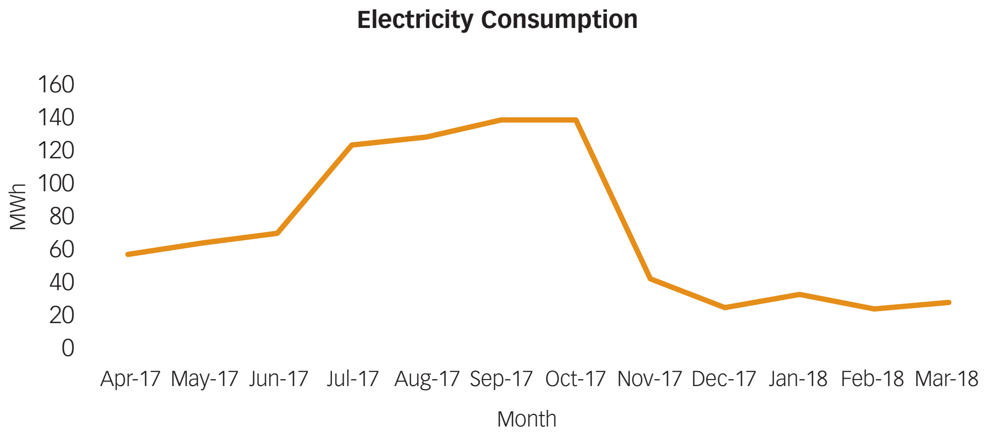
Collection of single-side-printed paper at office

Use of Resources

The Group has been committed to becoming a resource-saving and environmental-friendly enterprise to promote environmental protection. We have been working actively to reduce our usage of resources, as well as our emissions.

Energy Consumption

The electricity consumed by the Group's offices was the largest contributor to the greenhouse gas footprint. Total units of electricity consumed is approximately 879.38 MWh, with an intensity of 62.81 MWh per facility.



To reduce the Group's carbon and energy footprints, the Group has posted some energy conservation reminders in place. Computers and office lights are switched off during non- business hours to minimize light pollution and reduce energy consumption. Looking ahead, we would continue making efforts in reducing our energy consumption and keep up the pace of energy-saving.

Water Consumption

Since water is one of the most precious resources in the world, cherishing water consumption is the fundamental target of the Group. Total units of water consumed is about 8,508 cubic metres, in which the water consumption intensity is 607.71 cubic metres per facility. Efficiency in usage of water can effectively reduce the indirect energy consumption for water supply, in which, as a result, the Group's carbon footprint declines. Thus, the Group has installed the sewage purification system to obtain and reuse clean water from sewage produced during the construction process.

Paper Usage

Paper usage is always one of the fundamental concern in consumption of natural resources. To produce paper, logging is involved which will provoke impacts on the environment both directly and indirectly. The Group's operation brings a total of 3.66 tonnes of paper waste, which is about 0.26 tonnes per facility, to the landfills. As aforementioned, single-side- printed paper is collected for reuse at both the project sites and head office for the sake of reducing paper waste.

Packaging Materials

As the Group's operations mainly focus on providing construction work services to customers, no packaging material consumption can be identified as material issue.

The Environmental and Natural Resources

The Group believes that corporate development should not come at the expense of the environment. Alongside the implementation of the environmental friendly approaches in various aspects as mentioned in the previous sections, the Group also undertakes the following measure to further reduce the adverse environmental impacts.

Sewage Treatment

The Group highlights the significance on the sewage water management to control the water pollution. A sewage management system is established at project sites. Sewage is centrally collected and placed for purification. The clean water after purification will be reuse on the construction process. The Group targets to minimize the water pollution to the lowest level, as well as enhance the water consumption efficiency.

Water purifying machine

Sewage centralized for purification

By integrating environmental consideration into our business strategies, we aim to be an environmentally sustainable business. In the coming years, we would continue promoting greenhouse gas emission reduction, energy and paper resource conservation and efficient use of natural resources. We believe that not only can raising environmental awareness and reinforcing the positive behavioral changes bring benefits to our financial situation, but also to the future generations.

SECTION B: SOCIAL — EMPLOYMENT AND LABOR PRACTICES

Employment

It is gratifying to receive recognition for our contribution and achievement from customers. The Group takes pride in the dedication and the effort by our employees, and hence aims to grow with the employees and groom our employees into future leaders. The Group wants our employees to feel that they are contributing to our purpose and believe that the organization supports them.

Employees Benefits

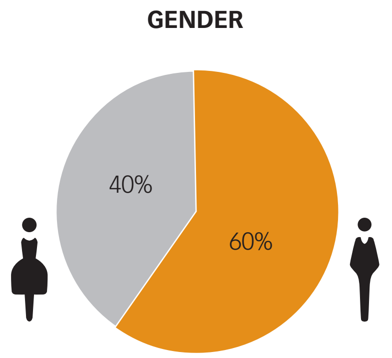
The Group has established a comprehensive Human Resources management policies and procedures to manage the staff recruitment, remuneration, working period, leave entitlement, pay rate, and compensation matters and procedures.

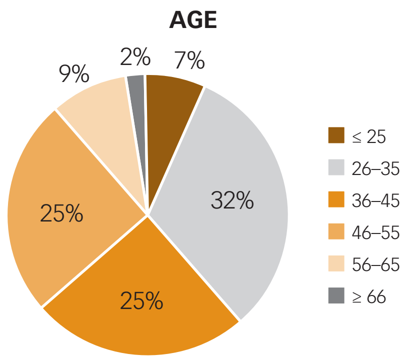
The Group offers competitive employee benefits packages for all employees regardless of the form of employee. Pay rate and benefits packages are benchmarked, by our Executive Directors, against the market standard to ensure fair and equitable compensation practice and maintaining competitive salaries. Our employees also receive welfare benefits, including study fund, marriage leave, maternity leave for female employees, paternity leave for male employees, compassionate leave, retirement benefits, occupational injury insurance, medical and dental scheme and other miscellaneous items. Subcontracting workers are also eligible to participate in the Contractor All Risk Insurance provided by the Group. The Group will conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion. The Group even adopts the Share Option Scheme which is designed to provide incentives and rewards to our employees.

The Group strictly abides with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 485) and other relevant laws and regulations which cover all employment protection and benefits.

Harmonious Workplace

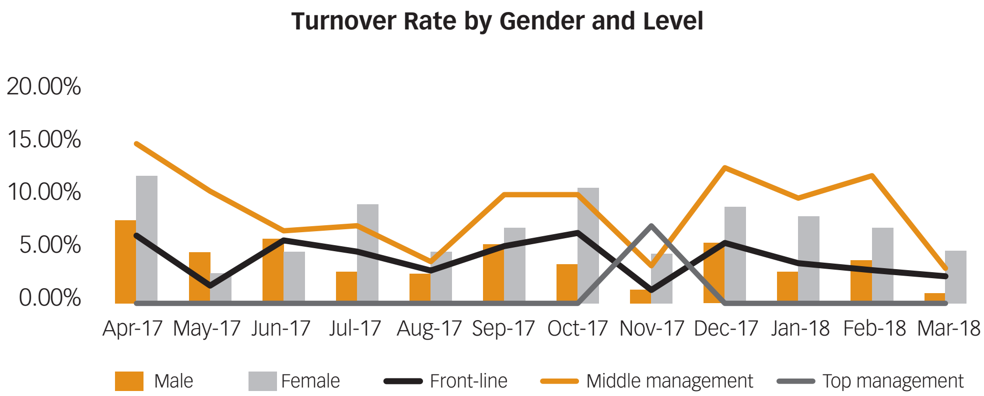
To meet the future challenges of our business, we believe we must continue to attract qualified applicants who share our vision and values. We hire people base on experience, expertise and values, regardless of race, color, creed, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age or sexual orientation. We formulate equal opportunities and diversity policies for all employees. Gender equality is achieved as the male-to-female ratio in office is 60%: 40%, for a total of 151 employees.





Employees Work-life Balance

The Group strives for the work-life balance of employees, providing them five working days per week with 8 working hours every day. Overtime compensation hours and pays are in line with the local laws and regulations. Employees are entitled to 7 to 14 days of annual leave according to their job positions. The aforementioned employee benefit and the harmonious working environment contribute to the healthy monthly average turnover rate of 4.94%.



Health and Safety

The Group is committed to safeguard the safety, health and welfare of all employees, workers, and persons including subcontractors and the general public likely to be affected by the normal operations. To achieve our commitment, we maintain a high standard regarding safety and health. The implementation of Health and Safety Policy aims at reducing the number of fatal accident and dangerous occurrence case to zero and accident frequency rate to less than 0.5 reportable accidents per 100,000 man-hours worked in 2018 and further to 0.45 in 2019.

The Group provides health and safety environment in office. Air purifiers are placed in workplace to improve air circulation. First aid kit is being placed in the office in case of injuries and emergencies. We also understand the importance of preparedness in disaster management, so there is sufficient emergency lighting, fire exits and fire extinguishers equipped at office. To ensure that every employee can proactively react to emergency, fire drills of Head Office will be arranged by Administration Manager regularly.

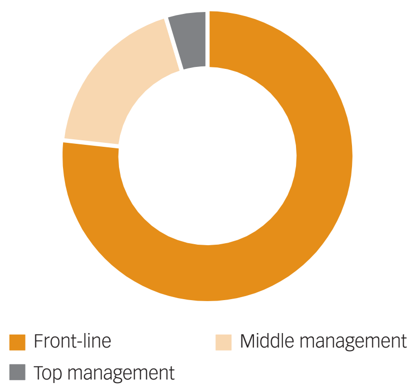
The Group also maintains health and safety environment in the construction sites. Similar to the practice in Head Office, environmental emergency drills on sites will be arranged by Project Manager and Construction Manager. There are registered ambulancemen in every construction site to guide emergency team for first aid work. In order to ensure the high safety standard, frequent detailed safety inspections and equipment tests are conducted in sites. If there are any dissatisfactions or violations on the safety policies, Safety Improvement Notice with warnings and administrative penalties will be sent to the responsible subcontractors.

The Group follows strictly to the Section 15 of the Employees' Compensation Ordinance to report any accident to the Commissioner for Labor. During reporting period, there are total 21 cases of injury and no fatal cases reported within the Group. The Group provides sufficient days of sick leave due to work injury and the total man-hours lost due to work injury is reported as 570 hours during the year. We will continue to strive for a safe and healthy work environment for our employees and subcontracting workers.

Development and Training

Empowering employees is our number one priority. Not only we aim at sharpening the skills set and knowledge of our employees, but we are also eager to shape our every single employee into future leaders. In the financial year ended 31 March 2018, our employees, including front-line staff, middle management and top management, received approximately 43 hours of training. We maintain a large proportion of employees joining training courses at around 27%, with an average of one hour per trained staff.

Training and Development



Alongside our internal staff, we also provide one hour induction training course on safety and health to every new subcontracting workers in construction sites. The induction training focuses on the safety standards in the sites, the guidelines when emergency events occur and the environmental protection requirements regarding pollutant-handling. Specific safety training courses will also be provided to workers on occasional bases. During the year, total numbers of subcontracting workers[2] receiving induction training is 1,586. It is to ensure that the subcontracting workers fully understand and are able to comply with the safety standards and requirements.

For every six months, the Safety Officers will evaluate the safety performance of each internal staff and subcontracting worker to see if they need to retake any safety training.

Labor Standards

With reference to the relevant law and regulations in Hong Kong and the principles of United Nations Global Compact, we adopted strict procedures to safeguard human rights. No employee is paid less than the minimum wage specified by the government regulations. In addition, monthly salary payments and mandatory provident fund scheme payment are made on time. We are delighted to announce that we have not encountered major risks in human rights matters so far. The Group guarantees that no employee is made to work against his/her will, or work as forced labor, or subject to coercion related to work. Recruitment of child labor is strictly prohibited. Through the whistle-blowing mechanism, employees are able to voice out injustice they face.

[2] The total number of trained workers is based on construction projects J280 and J283.

SECTION B: SOCIAL — OPERATING PRACTICES

Supply Chain Management

The Group places great emphasis on the procurement principles. In purchasing materials, equipment and services, the Group promotes fair and open competition based on established procurement policies and procedures to ensure that the price, quality, delivery and services are in line with the best economic benefits. As a responsible organization, the Group adheres to the spirit of contract and abides by the principle, purpose and content of the contract with the supplier.

As a construction and building work provider, the Group recognizes the importance of subcontractors and suppliers. It is crucial to ensure that all the subcontractors and suppliers comply with both statutory and contractual requirements regarding site, materials and equipment safety. The Group selects reputable and reliable subcontractors and suppliers to provide high quality, reasonably priced and sustainable products and services. The Group has a transparent and independent procurement process with the goal of promoting competitiveness, which also serves the interests of our shareholders and other stakeholders.

The Group expects to establish a vertically integrated supply chain management system by integrating procurement resources, promoting supplier screening and management mechanisms, and proactively providing comprehensive solutions to meet customer needs.

In this regard, a list of approved subcontractors and suppliers has been established and reviewed regularly. As at 31 March 2018, we are working with 159 approved subcontractors and 270 approved suppliers, including 30 major Hong Kong suppliers for construction materials, sanitary service and transportation. Regular appraisals are conducted semi-annually, by the representatives of Site Quality Assurance, for the existing list. Updates and eliminations will be made to the approved list if any suppliers or subcontractors are not up to our required standards. If there is any amendments made to the safety and health requirements, the Purchasing Manager will proactively notice the subcontractors and suppliers.

The Group also encourages subcontractors and suppliers to promote corporate social responsibility activities and comply with corporate social responsibility codes for their business ethics, workplace operations, marketing activities, social contacts and environmental responsibility. All business transactions should maintain a high standard of ethics; bribes or other improper interests cannot be provided or accepted; according to applicable laws and regulations, information about the business activities, structure, financial status, and performance should be regularly disclosed.

Product Responsibility and Public Health

The Group is committed to providing better services to the citizens and creating higher return for the stakeholders. As a construction main contractor, the Group addresses the significance of public health during the construction work.

Noise Control

The Group strictly abides with the Noise Control Ordinance. To reduce the harm on the surrounding areas, especially the residential and commercial areas, sound proof canvas and noise barriers are set up in construction sites. Regular noise-level evaluations are made by the Site Managers to ensure that noise produced during construction process does not exceed 85 decibel.

Sound proof canvas in sites

Dust Control

For the sake of minimizing the negative effects of dust produced, tight control is implemented by the Group. Frequent watering and cleaning, covering construction waste by canvas and using over 2.4 meters barriers effectively reduce the impacts of suspended dust.

Chemicals Control

The Group recognizes the danger of chemicals. Therefore, chemicals are handled under rigorous means. For site and public safety, all chemicals, with proper labels, are stored under good ventilation. Volatile chemicals are separately placed and flammable chemicals must be stored with “No Smoking” warning sign. All chemicals must be handled by well-trained workers. All used chemicals are immediately removed from the sites to keep the amount of chemicals at a low level.

Relevant Laws and Regulations

Actively identifying compliance issues and remediating the findings of investigations can prevent problems from escalating. Therefore, we keep a close eye on the updates of Buildings Ordinance, Construction Industry Council Ordinance and other relevant regulations to revise our policies and operations accordingly to prevent any malpractice. Due to our preventive measures on potential harm on surrounding environment, there is no complaints reported during the reporting period.

Anti-corruption

It is our long-standing attitude to combat corruption and money laundering with integrity. Corruption and bribery are not entirely the question of morals and ethics, but also questions of legal litigation and the reputation damage. As part of the commitment, all forms of bribery and corruptions are unacceptable and will not be tolerated. To uphold the highest standards and commitment, all staff are abided by the Code. The Code has stated that:

a). Employees shall not accept gifts and benefits that are beyond common business hospitality

b). Always act honestly and impartially

c). Employees should not offer bribe to any person for the purpose of obtaining or retaining business

d). Illegal to offer advantages to influence public servants and bribes in relations to public contracts, tenders and auctions

e). Falsifying documents and furnishing false accounting records are strictly prohibited

For the year ended 31 March 2018, there was no concluded legal case regarding corruption brought against the Group or its employees.

Whistle blowing Procedures

The Group values and welcomes our employees to report any suspected malpractices through various channels, i.e. emails, website, in person. The management will take immediate action to investigate on the issue.

SECTION B: SOCIAL — COMMUNITY INVESTMENT

We have long practiced corporate social and environmental responsibility, contributing to the well-being of communities. We are particularly interested advocating public health and youth education.

We donated money amounting to $2,580,810 to support Miu Fat Monastery, Scout Association of Hong Kong East Kowloon Region, Po Leung Kuk, Tai Po District Dragon Boat Management Committee, City University of Hong Kong, Twinkle Stars, the Community Chest of Hong Kong, Hong Kong General Building Contractors Association, Project ORBIS International Inc., Hong Kong Paralympic Committee & Sports, St. Stephen's College and the University of Hong Kong.

Inspired by the passion of our Group, 15% of our employees also actively participated in the fund-raising event held by Tai Po District Dragon Boat Race Committee, the Stock Code Balloting for Charity Scheme — Main Board held by the Community Chest of Hong Kong, and Standard Chartered Hong Kong Marathon Corporation Challenge 2018 held by Project ORBIS International Inc., contributing to a total of 24 service hours.

REGULATORY COMPLIANCE

The Group was not aware of any non-compliance with laws and regulations that has a significant impact on the Group relating to emissions, employment, health and safety, labor standards, product responsibility and anti-corruption during the reporting period.

Report of Directors

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. During the year, the Company's subsidiaries are main contractor in Hong Kong principally engaged in providing substructure building works services, superstructure building works services and RMAA works services.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a review of the Group's business, a description of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators and indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 9 of this annual report. This discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The principal activity of the Group is in Hong Kong and our operations are governed by Hong Kong laws and regulations including the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) and Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong). These laws and regulations cover a broad range of environmental matters, including air pollution, noise emissions, discharge of sewage and waste residues. The Group recognises the importance of environmental protection and has implemented various environmental protection measures in order to minimise the operation impact on the environment and natural resources.

The Group will continue to monitor the construction process in order to ensure that it does not have a significant adverse effect on the environment and that the Group's environmental protection measures are adequate to ensure compliance with all applicable current regulations. As at 31 March 2018, no significant administrative sanctions, penalties or punishments have been imposed upon us for the violation of any environmental laws or regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Company and its subsidiaries during the year.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER PARTIES

The Company is of the view that it has been maintaining a good relationship with the following key stakeholders of the Group:

- employees and workers
- major customers
- major suppliers and subcontractors
- bankers

DONATIONS

Charitable and other donations made by the Group during the year ended 31 March 2018 amounted to approximately HK$2.7 million (31 March 2017: HK$1.4 million).

PERMITTED INDEMNITY PROVISION

Each Director or other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 March 2018 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 51 to 95.

The board of directors declared an interim dividend of HK$0.006 per share, which was paid during the year.

The Directors do not recommend the payment of final dividend in respect of the year end 31 March 2018 (31 March 2017: nil).

SHARE CAPITAL

As at 31 March 2018, the Company's issued share capital was HK$10,000,000 and the number of its issued ordinary shares was 1,000,000,000 of HK$0.01 each.

Details of movements in the share capital during the year are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 March 2018 are set out in note 26 to the consolidated financial statements.

Report of Directors

USE OF PROCEEDS FROM THE COMPANY'S PLACING

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.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

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

Brief biographical details of Directors and senior management are set out on pages 10 to 15 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 29 March 2016 and will continue thereafter until terminated in accordance with the terms of the agreement.

Each of the independent non-executive Directors was appointed by the Company for a term of one year from 1 April 2017 and can be terminated by either party giving not less than one month's notice in writing.

No Directors being proposed for re-election at the forthcoming annual general meeting has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation (other than the statutory compensation).

During the year ended 31 March 2018, details of the significant related party transactions undertaken in the normal course of business are set out in the note 30 to the consolidated financial statements, and none of which constitutes a disclosable connected transaction as defined under the Listing Rules.

COMPETING BUSINESS AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (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 year ended 31 March 2018.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Share Option Scheme.

DISCLOSURE OF INTEREST

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

As at 31 March 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	65.5%
Lam Ka Fai	900,000	3,000,000	3,900,000	0.39%
Lui Yiu Wing	–	3,000,000	3,000,000	0.03%
Independent non-executive Directors				
Wai Wing Hong Onyx	–	1,000,000	1,000,000	0.01%
Tong Hin Sum Paul	–	1,000,000	1,000,000	0.01%
Chau Kam Wing Donald	–	1,000,000	1,000,000	0.01%
Chief executive				
Tse Lai Han Henry	–	6,000,000	6,000,000	0.06%

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 1,000,000,000) as at 31 March 2018.

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

As at 31 March 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 31 March 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	–	64.5%
	Beneficial owner		10,000,000	1.0%
JT Glory Limited	Beneficial owner	645,000,000 (Note 1)	–	64.5%
Ms. Cheung Yuk Sheung	Interest of spouse	645,000,000 (Note 2)	–	64.5%
	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 1,000,000,000) as at 31 March 2018.

Short positions in shares of the Company

As at 31 March 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

	Percentage of revenue
— The largest customer	31.7%
— The total of the five largest customers	81.2%

For the year ended 31 March 2018, the percentage of cost of services attributable to the Group's major suppliers is set out below:

Cost of services

	Percentage of total purchase
— The largest supplier	7.5%
— The total of the five largest suppliers	24.0%

	Percentage of total subcontracting cost
— The largest subcontractor	15.9%
— The total of the five largest subcontractors	35.0%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers, major suppliers and major subcontractors noted above.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2018, the Group had not entered into any connected transactions or continuing connected transactions that are not exempted under Rule 14A.73 of the Listing Rules.

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 year ended 31 March 2018. Details of accounting policies adopted for the share options are described in Note 4 and Note 25 to the consolidated financial statements.

(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 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 year ended 31 March 2018. Details of accounting policies adopted for the share options are described in Note 4 and Note 25 to the consolidated financial statements.

Details of the share options under the Share Option Scheme during the year ended 31 March 2018 were as follows:

Name	Date of Grant	Exercisable period	Exercise price of share option	Outstanding as at 1 April 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31 March 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	–	–	–	10,000,000	1.00%
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	0.60%
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	0.50%

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 16 to 23 of this report.

AUDITOR

BDO Limited was appointed by the Directors as the auditor of the Company. BDO Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 March 2018 have been audited by BDO Limited.

EVENTS AFTER THE REPORTING PERIOD

On 25 April 2018, Ching Lee Enterprise Limited, a wholly-owned subsidiary of the Company incorporated in British Virgin Islands with limited liability, entered into a share purchase agreement with the only shareholder of New Bright Engineering Limited (the "**Target Company**"), a limited company incorporated in Hong Kong, to acquire 30% of the entire issued share capital of the Target Company for a consideration of HK$15,000,000 in which HK$9,930,000 was paid by cash and the remaining of HK$5,070,000 was settled by allotting and issuing 13,000,000 new ordinary shares an issue price of HK$0.39 per share. The Target Company is a registered electrical contractor in Hong Kong which principally engages in air-conditioning and electrical engineering installation and alteration works. The transaction was completed on 10 May 2018. For details, please refer to announcements dated 1 February, 26 March, 25 April and 10 May, 2018.

In early April 2018, the court hearing has held regarding the Group's beach of section 40(2B)(b) of the Buildings Ordinance in November 2014 and imposed a fine of HK$100,000 for the offense. The background information on the criminal litigation was detailed further in the prospectus and the announcement dated 8 September 2017.

By Order of the Board
Ng Choi Wah
Chairman

Hong Kong, 19 June 2018

BDO

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永安中心25樓

To the Shareholders of Ching Lee Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ching Lee Holdings Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") set out on pages 51 to 95, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

REVENUE AND PROFIT RECOGNITION OF PROVISION OF CONSTRUCTION WORKS AND AMOUNTS DUE FROM/TO CUSTOMERS OF CONTRACT WORK

Refer to Notes 4, 5, 7 and 20 to the consolidated financial statements.

The Group is engaged in provision of construction and consultancy works and project management services in Hong Kong (the "Construction Works"). As at 31 March 2018, the Group recorded amounts due from customers of contract work and amounts due to customers of contract work of HK$112,717,000 and HK$199,000 respectively. The Group recognised revenue and gross profit on provision of the Construction Works of HK$870,888,000 and HK$95,482,000 respectively for the year ended 31 March 2018.

The Group recognises revenue and profit of provision of the Construction Works and amounts due from/to customers of contract work according to the Group's management's estimation of the total outcome of the construction contracts as well as the percentage of completion of the Construction Works which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract are determined based on budget of the contract which was prepared by the management. Management is required to exercise significant judgement in their assessment of the completeness and accuracy of forecast costs to complete and the ability to deliver contracts within forecast timescales.

OUR RESPONSE:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) Evaluating the estimation of revenue and profit recognised on provision of the Construction Works, on a sample basis, by:

- Comparing the contract sum and budgeted costs to respective signed contracts and approved budgets;
- Obtaining an understanding from management and project managers about how the approved budgets were prepared and the respective stages of completion were determined;
- Assessing the reasonableness of key judgements inherent in the approved budgets;
- Checking the existence and valuation of variations to correspondences with customers; and
- Checking the management's assessment on the Group's ability to deliver contracts within budgeted timescales by comparing the progress of the contracts against the terms stipulated in the contracts.

(ii) Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis; and

(iii) Checking the accuracy of the amounts due from/to customers of contract work by comparing the amount of progress billings, on a sample basis, to billings issued to customers.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 19 June 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7	**870,888**	579,849
Cost of revenue		**(775,406)**	(504,285)
Gross profit		**95,482**	75,564
Other income and gains	8	**936**	183
Administrative and other operating expenses		**(68,993)**	(43,891)
Finance costs	10	**(2,483)**	(712)
Profit before income tax	9	**24,942**	31,144
Income tax	11	**(5,240)**	(5,693)
Profit and total comprehensive income for the year		**19,702**	25,451
Earnings per share:	14		
— Basic (HK cents)		**1.97**	2.55
— Diluted (HK cents)		**1.97**	2.55

Consolidated Statement of Financial Position

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**42,883**	47,862
Deposit for acquisition of interest in an associate	37	**2,500**	–
Available-for-sale financial asset	16	**2,884**	–
Total non-current assets		**48,267**	47,862
Current assets			
Trade and other receivables	18	**141,750**	95,440
Pledged deposits	19	**674**	4,246
Amounts due from customers of contract work	20	**112,717**	78,855
Pledged bank deposits	17	**25,002**	25,001
Bank balances and cash		**52,365**	32,538
Total current assets		**332,508**	236,080
Current liabilities			
Trade and other payables	21	**185,029**	161,510
Amounts due to customers of contract work	20	**199**	2,612
Obligations under finance leases	22	**688**	151
Bank borrowings, secured	23	**95,248**	35,867
Provision of taxation		**246**	690
Total current liabilities		**281,410**	200,830
Net current assets		**51,098**	35,250
Total assets less current liabilities		**99,365**	83,112
Non-current liabilities			
Obligations under finance leases	22	**2,124**	575
Deferred tax liabilities	11	**993**	1,491
Total non-current liabilities		**3,117**	2,066
Net assets		**96,248**	81,046
Capital and reserves			
Share capital	24	**10,000**	10,000
Reserves	26	**86,248**	71,046
Total equity		**96,248**	81,046

Approved and authorised for issue by the board of directors on 19 June 2018.

Mr. Ng Choi Wah
Executive Director

Mr. Lui Yiu Wing
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

		Reserves				
	Share capital HK$'000	**Share premium** HK$'000	**Merger reserve** HK$'000 (Note (1))	**Share option reserve** HK$'000 (Note (2))	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2016	10,000	73,495	(28,965)	–	1,065	55,595
Profit and total comprehensive income for the year	–	–	–	–	25,451	25,451
At 31 March 2017 and 1 April 2017	10,000	73,495	(28,965)	–	26,516	81,046
Profit and total comprehensive income for the year	–	–	–	–	19,702	19,702
Dividend declared and paid (Note 13)	–	–	–	–	(6,000)	(6,000)
Share-based payment expenses (Note 25)	–	–	–	1,500	–	1,500
At 31 March 2018	**10,000**	**73,495**	**(28,965)**	**1,500**	**40,218**	**96,248**

Notes:

(1) Merger reserve represents the difference between the investment costs in subsidiaries and the aggregate amount of issued share capital of subsidiaries pursuant to the group reorganisation carried out by the Group in preparation for the listing of shares of the Company on the Growth Enterprise Market ("**GEM**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

(2) Share option reserve represents cumulative expenses recognised on the granting of share options to the employees over the vesting period.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Profit before income tax	**24,942**	31,144
Adjustments for:		
Depreciation of property, plant and equipment	**7,845**	6,313
Gain on disposal of property, plant and equipment, net	**(707)**	(40)
Share-based payment expenses	**1,500**	–
Bank interest income	**(30)**	(14)
Finance costs	**2,483**	712
Operating profit before working capital changes	**36,033**	38,115
Increase in trade and other receivables	**(46,310)**	(39,674)
Decrease in pledged deposits	**3,572**	9,544
Increase in amounts due from customers of contract work	**(33,862)**	(35,131)
Decrease in amounts due to customers of contract work	**(2,413)**	(26,636)
Increase in trade and other payables	**23,519**	33,686
Cash used in operating activities	**(19,461)**	(20,096)
Income tax paid	**(6,182)**	(6,530)
Net cash used in operating activities	**(25,643)**	(26,626)
Investing activities		
Increase in pledged bank deposits	**(1)**	(25,001)
Purchases of property, plant and equipment	**(621)**	(7,506)
Deposit paid for acquisition of interest in an associate	**(2,500)**	–
Acquisition of available-for-sale financial asset	**(2,884)**	–
Proceeds from disposal of property, plant and equipment	**970**	40
Interest received	**30**	14
Net cash used in investing activities	**(5,006)**	(32,453)
Financing activities		
Proceeds from new bank borrowings	**446,389**	41,600
Repayments of bank borrowings	**(387,008)**	(20,344)
Capital element of finance lease payments	**(422)**	(74)
Interest paid on bank borrowings	**(2,405)**	(698)
Interest paid on obligations under finance leases	**(78)**	(14)
Dividend paid	**(6,000)**	–
Net cash generated from financing activities	**50,476**	20,470
Net increase/(decrease) in cash and cash equivalents	**19,827**	(38,609)
Cash and cash equivalents at beginning of year	**32,538**	71,147
Cash and cash equivalents at end of year, representing bank balances and cash	**52,365**	32,538

1. GENERAL INFORMATION

Ching Lee Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 16 November 2015. Its shares have been listed on the GEM of the Stock Exchange (the "**Listing**") during the year ended 31 March 2016 and the Listing was successfully transferred from the GEM to Main Board of the Stock Exchange on 18 September 2017. The address of its registered office and principal place of business are disclosed in the corporate information section in the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are provision of construction and consultancy works and project management services in Hong Kong.

The directors of the Company consider the Company's ultimate parent is JT Glory Limited, a company incorporated in the British Virgin Islands ("**BVI**").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the cash flow statement, Note 33(b).

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met, instead of at FVTPL.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 — Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company are in the process of assessing the potential impact resulting from the adoption of HKFRS 15. So far they have anticipated that the application of HKFRS 15 in the future may have an impact on the amount of revenue reported based on the timing of satisfaction of the performance obligation, and more disclosures relating to revenue are required.

However, the directors of the Company do not anticipate the impact will be significant, as the Group's inputs are expected to be proportionate, in material respects, to the progress in satisfying the performance obligation in rendering services for the Company's typical contracts.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$1,287,000 as disclosed in Note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. Except as described above, the directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group's financial performance and financial position upon application.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

(b) Basis of measurement

These financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company and its major subsidiaries.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation and subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights to, variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Leasehold land and buildings	Over the shorter of lease terms or 50 years
Leasehold improvements	4 years
Furniture and equipment	4 years
Motor vehicles	4 years
Machineries	4 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

(i) The Group as lessee under finance lease

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease arrangement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred, and are subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in profit or loss.

Gain or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Construction contracts

When the outcome of construction contracts can be estimated reliably, revenue from construction works and the associated contract costs are recognised according to the stage of completion of individual contract at the end of the reporting period. 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.

When the outcome of construction contracts cannot be estimated reliably, no profit is recognised and revenue is recognised only to the extent of contract costs incurred that would probably be recoverable.

Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.

Amounts due from customers of contract work represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract work represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise materials, direct labour and sub-contractors' fees. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract work provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the statement of financial position under "Trade and other receivables".

Retention monies, representing amounts of progress billings which are payable to sub-contractors or receivables from customers when conditions specified in the contracts undertaken are satisfied, are included in the statement of financial position under "Trade and other payables" and "Trade and other receivables" respectively.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

(g) Recognition of revenue and other income

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

(i) When the outcome of construction contracts can be estimated reliably, revenue from construction works is recognised according to the percentage of completion of individual contract at the end of the reporting period.

(ii) Interest income is recognised on a time proportion basis by reference to the principal outstanding using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or deductible for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(i) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits (Continued)

(iii) Share-based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(j) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the higher of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowing costs

Borrowings costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowings costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have significant risks of resulting in material adjustments to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Construction contract

Construction contract revenue is recognised according to the percentage of completion of individual construction contract which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract is determined based on budget of the contract which was prepared by the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that gross profit margin can be estimated reliably, management reviews the costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs and revise the estimated contract costs where necessary. Recognition of variations and claims also requires significant estimation and judgement by the management.

Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts as the contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

(ii) Impairment of receivables

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of receivables and on the specific circumstances for each account. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial condition of these customers was to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required.

(iii) Impairment of non-financial assets

Management assesses impairment by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market conditions existing at the reporting date and approximate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iv) Impairment of available-for-sale financial asset

The Group classified the unlisted equity interest of a private entity as available-for-sale financial asset and recognised at cost less accumulated impairment. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost, the financial health of and near-term business outlook of the investee including the operating and financing cash flows. During the year ended 31 March 2018, no impairment was considered necessary in relation to the available-for-sale financial asset.

6. SEGMENT REPORTING

The executive directors of the Company, who are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategic decisions.

Management regularly reviews the operating results from a project-based perspective. The reportable operating segment derives revenue primarily from provision of construction and consultancy works. Business segment information is not considered necessary.

As the executive directors consider the Group's revenue and results are all derived from provision of construction and consultancy works and project management services in Hong Kong and no consolidated assets of the Group are located outside Hong Kong, geographical segment information is not considered necessary.

6. SEGMENT REPORTING (CONTINUED)

Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2018 HK$'000	2017 HK$'000
Customer I	**276,279**	174,558
Customer II	**156,093**	–
Customer III	**137,369**	N/A[1]
Customer IV	**N/A[1]**	76,719

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

7. REVENUE

Revenue, which is also the Group's turnover, represents construction work income during the current and prior years.

8. OTHER INCOME AND GAINS

	2018 HK$'000	2017 HK$'000
Bank interest income	**30**	14
Sale of scrap materials	**9**	38
Gain on disposal of property, plant and equipment, net	**707**	40
Others	**190**	91
	936	183

9. PROFIT BEFORE INCOME TAX

This is arrived at after charging the following:

	2018 HK$'000	2017 HK$'000
Auditor's remuneration	**1,200**	1,550
Depreciation in respect of:		
— Owned assets	**7,353**	6,280
— Leased assets	**492**	33
	7,845	6,313
Employee benefit expenses (including directors' emoluments (Note 12))		
— Salaries, allowances and other benefits	**69,787**	47,439
— Share-based payment expenses (Note 25)	**1,500**	–
— Contribution to defined contribution retirement plan	**2,014**	1,501
	73,301	48,940
Operating lease payments in respect of land and buildings and car parks	**866**	865

10. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings	**2,405**	698
Interest element of finance lease payments	**78**	14
	2,483	712

11. INCOME TAX AND DEFERRED TAX

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

	2018 **HK$'000**	2017 HK$'000
Current tax		
— Hong Kong Profits Tax	**5,620**	5,164
— Under/(over) provision for prior years	**118**	(147)
Deferred tax	**(498)**	676
	5,240	5,693

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

The income tax for the year can be reconciled to the profit before income tax in the consolidated statement of comprehensive income as follows:

	2018 **HK$'000**	2017 HK$'000
Profit before income tax	**24,942**	31,144
Tax calculated at tax rate of 16.5%	**4,115**	5,139
Tax effect of revenue not taxable for tax purposes	**(152)**	(37)
Tax effect of expenses not deductible for tax purposes	**1,121**	735
Tax effect of temporary differences not recognised	**98**	23
Under/(over) provision for prior years	**118**	(147)
Tax relief for the year	**(60)**	(20)
	5,240	5,693

(ii) Details of the deferred tax liabilities recognised and movements during the current and prior years are as follows:

	Accelerated tax depreciation HK$'000
At 1 April 2016	815
Charged to profit or loss	676
At 31 March 2017 and 1 April 2017	1,491
Credited to profit or loss	(498)
At 31 March 2018	993

12. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of each of the directors for the years are set out below:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Share-based payment HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Year ended 31 March 2018						
Executive directors						
Mr. Ng Choi Wah ("Mr. Ng")	2,082	2,530	3,220	468	18	8,318
Mr. Lui Yiu Wing	962	–	870	140	18	1,990
Mr. Lam Ka Fai	840	–	700	140	18	1,698
Independent non-executive directors						
Mr. Wai Wing Hong, Onyx	165	–	–	47	–	212
Mr. Tong Hin Sum, Paul	165	–	–	47	–	212
Mr. Chau Kam Wing Donald	165	–	–	47	–	212
	4,379	2,530	4,790	889	54	12,642

12. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Share-based payment HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Year ended 31 March 2017						
Executive directors						
Mr. Ng Choi Wah ("Mr. Ng")	2,082	874	2,640	–	18	5,614
Mr. Lui Yiu Wing	872	–	1,150	–	18	2,040
Mr. Lam Ka Fai	759	–	672	–	18	1,449
Independent non-executive directors						
Mr. Wai Wing Hong, Onyx	144	–	–	–	–	144
Mr. Tong Hin Sum, Paul	144	–	–	–	–	144
Mr. Chau Kam Wing Donald	144	–	–	–	–	144
	4,145	874	4,462	–	54	9,535

During the year ended 31 March 2018, 19,000,000 share options (2017: Nil) were granted to the directors of the Company, and the corresponding share-based payments expenses of HK$889,000 (2017: HK$Nil) was recognised in profit or loss.

During the years ended 31 March 2017 and 2018, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the years ended 31 March 2017 and 2018.

12. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included three (2017: three) directors and the following two (2017: two) non-director individuals whose emoluments are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and other benefits	**3,414**	3,019
Contribution to pension scheme	**36**	36
	3,450	3,055

Remuneration of these non-director highest paid individuals was within the following bands:

	2018	2017
HK$Nil–HK$1,000,000	**–**	–
HK$1,000,001–HK$1,500,000	**1**	1
HK$1,500,001–HK$2,000,000	**–**	1
HK$2,000,001–HK$2,500,000	**1**	–

The remaining highest paid individuals are directors of the Company whose emoluments are reflected in the analysis presented in Note 12(a) above.

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2018	2017
HK$Nil–HK$1,000,000	**4**	4
HK$1,000,001–HK$1,500,000	**–**	–
HK$1,500,001–HK$2,000,000	**–**	1
HK$2,000,001–HK$2,500,000	**1**	–

13. DIVIDEND

	2018 HK$'000	2017 HK$'000
Dividend declared and paid	**6,000**	–

The board of directors declared an interim dividend of HK$0.006 per share, which was paid during the year. The board of directors does not recommend the payment of final dividend in respect of the years ended 31 March 2017 and 2018.

14. EARNINGS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**19,702**	25,451

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,000,000,000**	1,000,000,000
Effect of dilutive potential ordinary shares: — Share options	**401,560**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,000,401,560**	1,000,000,000

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Machineries	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 April 2016	30,158	634	801	4,205	12,096	47,894
Additions	4,592	234	164	800	11,506	17,296
Disposals	–	–	–	(947)	–	(947)
At 31 March 2017 and 1 April 2017	34,750	868	965	4,058	23,602	64,243
Additions	–	59	226	2,695	149	3,129
Disposals	–	–	–	(1,371)	(2,365)	(3,736)
At 31 March 2018	34,750	927	1,191	5,382	21,386	63,636
Accumulated depreciation						
1 April 2016	813	311	436	3,532	5,923	11,015
Charge for the year	1,599	136	262	590	3,726	6,313
Write-off on disposals	–	–	–	(947)	–	(947)
At 31 March 2017 and 1 April 2017	2,412	447	698	3,175	9,649	16,381
Charge for the year	1,533	199	209	513	5,391	7,845
Write-off on disposals	–	–	–	(1,371)	(2,102)	(3,473)
At 31 March 2018	3,945	646	907	2,317	12,938	20,753
Net carrying value						
At 31 March 2018	30,805	281	284	3,065	8,448	42,883
At 31 March 2017	32,338	421	267	883	13,953	47,862

Notes:

(a) The Group's leasehold land and buildings are situated in Hong Kong as at 31 March 2017 and 2018, of which HK$30,805,000 (2017: HK$27,831,000) were pledged as securities for the bank facilities of the Group (Note 23).

(b) The net carrying value of the Group's property, plant and equipment included in the following amounts in respect of assets held under finance leases:

	2018	2017
	HK$'000	HK$'000
Motor vehicles	**2,842**	767

16. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2018 **HK$'000**	2017 HK$'000
Unlisted equity securities in a private limited company incorporated in Hong Kong, at cost	**2,884**	–

During the year, the Group acquired 3.5% equity interest in an unlisted private limited company incorporated in Hong Kong. The investment is measured at cost less impairment at the end of the reporting period because the investment does not have a quoted market price in an active market and therefore the directors of the Company are of the opinion that its fair value cannot be measured reliably.

17. PLEDGED BANK DEPOSITS

As at 31 March 2018, pledged bank deposits were pledged to secure bank facilities of the Group (Note 23).

18. TRADE AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**57,011**	38,452
Retention receivables	**64,965**	47,500
Deposits, prepayments and other receivables	**19,774**	9,488
	141,750	95,440

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

	2018 **HK$'000**	2017 HK$'000
Within 30 days	**57,011**	37,025
31–60 days	**–**	1,135
Over 60 days	**–**	292
	57,011	38,452

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	57,011	37,025
Past due but not impaired		
Past due for less than 30 days	–	1,135
More than 30 days but less than 60 days	–	–
More than 60 days	–	292
	57,011	38,452

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. 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.

As at 31 March 2018, retention receivables of HK$37,709,000 (2017: HK$25,486,000) were expected to be recovered beyond twelve months after the end of the reporting period.

The Group's trade receivables of HK$8,673,000 as at 31 March 2018 were pledged as securities for the bank facilities of the Group (Note 23).

19. PLEDGED DEPOSITS

Pledged deposits are placed with insurance companies as collateral for surety bonds issued in favour of customers of certain construction contracts. The Group has unconditionally and irrevocably agreed to indemnify the insurance companies for claims and losses the insurance companies may incur in respect of the surety bonds.

As at 31 March 2018, pledged deposits of HK$674,000 (2017: HK$4,246,000) were expected to be recovered beyond twelve months after the end of the reporting period.

20. AMOUNTS DUE FROM/(TO) CUSTOMERS OF CONTRACT WORK

	2018 HK$'000	2017 HK$'000
Costs incurred to date plus recognised profits	1,508,219	1,371,456
Less: Progress billings to date	(1,395,701)	(1,295,213)
	112,518	76,243
Amounts due from customers of contract work	112,717	78,855
Amounts due to customers of contract work	(199)	(2,612)
	112,518	76,243

21. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**135,456**	115,212
Bills payable	**6,134**	12,540
Trade and bills payables (Note)	**141,590**	127,752
Retention payables	**34,677**	21,013
Other payables, accruals and deposits received	**8,762**	12,745
	185,029	161,510

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:

	2018 HK$'000	2017 HK$'000
Within 30 days	**105,935**	87,759
31–60 days	**22,334**	11,181
61–90 days	**3,975**	9,110
Over 90 days	**3,212**	7,162
	135,456	115,212

As at 31 March 2018, retention payables of HK$14,987,000 (2017: HK$11,394,000) were expected to be settled beyond twelve months after the end of the reporting period.

22. OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2018, the Group leased motor vehicles which were classified as finance leases. The lease obligations were secured by the underlying leased assets. The future lease payments under the finance leases are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 March 2018			
Not later than one year	**798**	**110**	**688**
Later than one year but not later than two years	**798**	**77**	**721**
Later than two years but not later than five years	**1,464**	**61**	**1,403**
	3,060	**248**	**2,812**

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 March 2017			
Not later than one year	174	23	151
Later than one year but not later than two years	174	17	157
Later than two years but not later than five years	436	18	418
	784	58	726

The present value of future lease payments are analysed as:

	2018 HK$'000	2017 HK$'000
Current liabilities	**688**	151
Non-current liabilities	**2,124**	575
	2,812	726

Note: The effective interest rates of the Group's obligations under finance leases liability as at 31 March 2018 and 2017 ranged from 3.48% to 5.96% and 3.50% per annum respectively.

23. BANK BORROWINGS, SECURED

	2018 HK$'000	2017 HK$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
Bank loans subject to repayment on demand clause or repayable within one year (Note (a))		
— Bank loans due for repayment within one year	**92,098**	31,520
— Bank loans due for repayment after one year (Note (b))	**3,150**	4,347
	95,248	35,867

Notes:

(a) Bank loans are interest-bearing at floating rates. The interest rates of the Group's bank loans as at 31 March 2018 granted under banking facilities ranged from 2.40% to 3.96% (2017: 2.24% to 3.50%) per annum.

(b) The current liabilities as at 31 March 2017 and 2018 include such bank loans that are not scheduled to be repaid within one year after the end of the reporting periods. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

(c) As at 31 March 2018, the banking facilities of the Group were secured by certain trade receivables (Note 18), leasehold land and buildings of the Group (Note 15), pledged bank deposits (Note 17) and corporate guarantee of the Company (2017: leasehold land and buildings of the Group, pledged bank deposits and corporate guarantee of the Company).

As at 31 March 2017 and 2018, the Group's bank borrowings were scheduled to be repaid as of the end of reporting period as follows:

	2018 HK$'000	2017 HK$'000
On demand or within one year	**92,098**	31,520
More than one year, but not exceeding two years	**605**	1,197
More than two years, but not exceeding five years	**456**	905
More than five years	**2,089**	2,245
	95,248	35,867

Note: The amounts due are based on the scheduled repayment dates in the loan agreements and no effect of any repayment on demand clause is taken into account.

24. SHARE CAPITAL

The share capital as at 31 March 2017 and 2018 represented the issued share capital of the Company as detailed below:

	2018		2017	
	Number	**HK$'000**	Number	HK$'000
Ordinary shares of HK$0.01 each				
Authorised				
At beginning and end of year	**10,000,000,000**	**100,000**	10,000,000,000	100,000

	2018		2017	
	Number	**HK$'000**	Number	HK$'000
Ordinary shares of HK$0.01 each				
Issued and fully paid				
At beginning and end of year	**1,000,000,000**	**10,000**	1,000,000,000	10,000

25. SHARE OPTION SCHEME

On 10 March 2016, the Company adopted a share option scheme (the "**Scheme**"). The Board of the Company may, at its discretion, invite any eligible persons who have made contributions to the Group to take up share options. The terms of the Scheme are in accordance with the provisions of the Listing Rules.

The maximum number of shares in respect of which options may be granted under the Scheme shall not in aggregate exceed 10% of all the shares in issue as at the date of the Listing (i.e. a total of 100,000,000 shares). Moreover, 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 Scheme, shall not exceed 1% of the shares in issue in any 12-month period up to the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

The Board may, at its discretion, set a minimum period for which an option must be held before it can be exercised. Participant under the Scheme shall exercise the granted share options within a period the Board may determine, which shall not exceed ten years from the date of grant.

On 21 November 2017, 32,500,000 share options were granted with a vesting period of 1 year upon date of grant. Share-based payment expenses amounted to HK$1,500,000 (2017: HK$Nil) was recognised in profit or loss accordingly. As at 31 March 2018, the Company had 32,500,000 (2017: Nil) share options outstanding under the Scheme.

All outstanding share options (2017: Nil) will be exercisable with exercise price of HK$0.40 (2017: HK$Nil). The remaining contractual life of all outstanding share options was 9.6 years (2017: Nil).

25. SHARE OPTION SCHEME (CONTINUED)

The weighted average fair value of each option granted during the year was HK$0.13 (2017: HK$Nil). The following information is relevant in the determination of the fair value of options granted during the year under the Scheme operated by the Company.

	2018
Option pricing model used	**Binomial Option Pricing Model**
Weighted average share price at grant date	**HK$0.40**
Exercise price	**HK$0.40**
Weighted average contractual life	**10 years**
Expected volatility	**60%**
Expected dividend rate	**1.5%**
Risk-free interest rate	**1.8%**

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of the daily share prices.

26. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium HK$'000	**Share option reserve** HK$'000	**(Accumulated losses)/ retained profits** HK$'000	**Total** HK$'000
At 1 April 2016	73,495	–	478	73,973
Loss and total comprehensive income for the year	–	–	(1,862)	(1,862)
At 31 March 2017 and 1 April 2017	**73,495**	**–**	**(1,384)**	**72,111**
Profit and total comprehensive income for the year	**–**	**–**	**1,430**	**1,430**
Dividend declared and paid (Note 13)	**–**	**–**	**(6,000)**	**(6,000)**
Share-based payment expenses (Note 25)	**–**	**1,500**	**–**	**1,500**
At 31 March 2018	**73,495**	**1,500**	**(5,954)**	**69,041**

27. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investments in subsidiaries		**32,676**	32,676
Current assets			
Amounts due from subsidiaries		**46,444**	50,432
Current liabilities			
Accruals		**79**	997
Net current assets		**46,365**	49,435
Net assets		**79,041**	82,111
Capital and reserves			
Share capital	24	**10,000**	10,000
Reserves	26	**69,041**	72,111
Total equity		**79,041**	82,111

Approved and authorised for issue by the board of directors on 19 June 2018.

Mr. Ng Choi Wah
Executive Director

Mr. Lui Yiu Wing
Executive Director

28. OPERATING LEASE COMMITMENTS

Operating leases — The Group as lessee

The Group leases office premises under operating lease arrangement. The leases run for an initial period of one to two years and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**929**	938
Later than one year and not more than five years	**358**	145
	1,287	1,083

29. INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid-up capital	Effective interest attributable to the Group 2018	Effective interest attributable to the Group 2017	Principal activities
Ching Lee Group Limited	BVI/16 November 2015/ Limited liability company	Hong Kong	500 shares of US$500	**100%**	100%	Investment holding
Ching Lee Engineering Limited	Hong Kong/27 November 1998/ Limited liability company	Hong Kong	3,700,000 shares of HK$3,700,000	**100%**	100%	Provision of construction and consultancy works and project management services in Hong Kong
Ching Lee Foundation Limited	Hong Kong/10 August 2007/ Limited liability company	Hong Kong	1,000 shares of HK$1,000	**100%**	100%	Investment holding
Ching Lee Construction Limited	Hong Kong/26 May 2003/ Limited liability company	Hong Kong	10,000 shares of HK$10,000	**100%**	100%	Property holding and provision of construction works in Hong Kong
Right Lucky Limited	Hong Kong/25 August 2005/ Limited liability company	Hong Kong	1 share of HK$1	**100%**	100%	Property holding
Ching Lee Enterprise Limited	BVI/16 March 2018/ Limited liability company	Hong Kong	1 share of US$1	**100%**	–	Dormant

30. RELATED PARTY TRANSACTIONS

Save for those disclosed elsewhere in these financial statements, the Group has the following significant transactions with related parties.

(a) During the year ended 31 March 2018, the Group leased certain car parks from a director in the aggregate amount of HK$192,000 (2017: HK$208,000). The directors are of the opinion that the rent was determined with reference to market price.

(b) Compensation of key management personnel
Remuneration of key management personnel, who are executive directors of the Company, during the years were disclosed in Note 12.

31. GUARANTEES

The Group provided guarantees in respect of the surety bonds issued in favour of the customers of certain construction contracts. Details of these guarantees as of the end of the reporting periods are as follows:

	2018 **HK$'000**	2017 HK$'000
Aggregate value of the surety bonds issued in favour of customers	**86,902**	95,627

The directors are of the opinion that it is not probable that the insurance companies would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made as at 31 March 2017 and 2018.

As at 31 March 2017 and 2018, the Group's surety bonds were secured by the Company's corporate guarantee.

32. LITIGATION

Lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as of the end of reporting period. In the opinion of the directors, sufficient insurance coverage is maintained to cover the losses, if any, arising from most of these lawsuits and claims, or based on opinion from legal counsel, it is difficult at this stage to estimate the possible outflow of economic benefits for certain lawsuits and therefore the ultimate liability under these lawsuits and claims would not have a material adverse impact on the financial position of the Group or no provision should be made.

33. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Significant cash transactions

	2018 HK$'000	2017 HK$'000
Significant non-cash transactions are as follows:		
Operating activities		
Property, plant and equipment acquired by setting off against the other receivables	–	8,990
Financing activities		
Property, plant and equipment acquired under finance leases	**2,508**	800
	2,508	9,790

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings (Note 23) HK$'000	Obligations under finance leases (Note 22) HK$'000
At 1 April 2017	35,867	726
Changes from financing cash flows:		
Proceeds from new bank borrowings	446,389	–
Repayments of bank borrowings	(387,008)	–
Capital element of finance lease payments	–	(422)
Interest paid on bank borrowings	(2,405)	–
Interest paid on obligations under finance leases	–	(78)
Total changes from financing cash flows	56,976	(500)
Other charges:		
Interest expenses	2,405	–
New finance leases	–	2,508
Finance charges on obligations under finance leases	–	78
Total other changes	2,405	2,586
At 31 March 2018	**95,248**	**2,812**

34. CAPITAL COMMITMENT

As at 31 March 2017 and 2018, the Group did not have any significant capital commitment.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables at amortised costs		
— Trade and other receivables	**141,750**	95,440
— Pledged deposits	**674**	4,246
— Pledged bank deposits	**25,002**	25,001
— Bank balances and cash	**52,365**	32,538
Available-for-sale financial asset at cost	**2,884**	–
Financial liabilities		
Financial liabilities at amortised costs		
— Trade and other payables	**185,029**	161,510
— Obligations under finance leases	**2,812**	726
— Bank borrowings, secured	**95,248**	35,867

The above financial instruments are not measured at fair value due to their short term nature, the carrying values of the above financial instruments approximate their fair values.

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Group is exposed to a variety of financial risks which comprise credit risk, interest rate risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables, pledged deposits, amounts due from customers of contract work, pledged bank deposits and bank balances. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

In respect of trade and other receivables, it is the Group's policy to only deal with creditworthy counterparties. In order to minimise credit risk, management has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from the counterparties.

In respect of bank balances and cash, pledged deposits and pledged bank deposits, the credit risk is limited because majority of the deposits are placed with reputable banks and financial institutions.

The Group provides guarantees in respect of the surety bonds issued in favour of several customers. As at 31 March 2017 and 2018, the maximum exposure to credit risk of guarantees issued by the Group represented the maximum amount the Group could be required to pay if the guarantees were called on, which are disclosed in Note 31. Management considers it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The credit policies have been consistently applied and are considered to be effective in managing the Group's exposure.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank borrowings. Borrowings arranged at variable rates expose the Group to cash flow interest rate risk.

All of the Group's bank borrowings as at 31 March 2017 and 2018 bore interest at floating rates. Details of bank loans are disclosed in Note 23.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating-rate bank borrowings with all other variables held constant at the end of each of the reporting periods (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(decrease) in profit for the year and retained profits	
	2018	2017
	HK$'000	HK$'000
Changes in interest rate		
+1%	**(952)**	(359)
-1%	**952**	359

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(b) Interest rate risk (Continued)

Sensitivity analysis (Continued)

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of each of the reporting periods resembles that of the corresponding financial years. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group for years and is considered to be effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities including bank loans with repayment on demand clause, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain repayment on demand clause which can be exercised at bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 March 2018						
Trade and other payables	185,029	185,029	185,029	–	–	–
Obligations under finance leases	2,812	3,060	798	798	1,464	–
Bank loans subject to repayment on demand clause	95,248	95,248	95,248	–	–	–
	283,089	283,337	281,075	798	1,464	–

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
At 31 March 2017						
Trade and other payables	161,510	161,510	161,510	–	–	–
Obligations under finance leases	726	784	174	174	436	–
Bank loans subject to repayment on demand clause	35,867	35,867	35,867	–	–	–
	198,103	198,161	197,551	174	436	–

The following tables summarise the maturity analysis of the Group's bank loans with repayment on demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time banding in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK$'000	**Total contractual undiscounted cash flow** HK$'000	**Within 1 year or on demand** HK$'000	**More than 1 year but less than 2 years** HK$'000	**More than 2 years but less than 5 years** HK$'000	**More than 5 years** HK$'000
Bank loans subject to repayment on demand clause						
As at 31 March 2018	**95,248**	**96,450**	**92,744**	**680**	**627**	**2,399**
As at 31 March 2017	35,867	37,506	32,510	1,290	1,098	2,608

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(d) Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debts to equity. Total debts include bank borrowings and obligations under finance leases. Equity represents total equity of the Group.

The directors of the Company actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sells assets to reduce debts.

The gearing ratios as at the end of reporting period were as follows:

	2018 **HK$'000**	2017 HK$'000
Bank borrowings, secured	**95,248**	35,867
Obligations under finance leases	**2,812**	726
Total debts	**98,060**	36,593
Total equity	**96,248**	81,046
Gearing ratio	**102%**	45%

37. EVENTS AFTER THE REPORTING PERIOD

On 25 April 2018, the Group entered into a share purchase agreement with the only shareholder of New Bright Engineering Limited (the "**Target Company**"), a limited company incorporated in Hong Kong, to acquire 30% of the entire issued share capital of the Target Company for a consideration of HK$15,000,000 (which would be settled partly by cash and partly by the Company's allotment and issue of shares, for which a refundable deposit of HK$2,500,000 has been paid as of 31 March 2018). The Target Company is a registered electrical contractor in Hong Kong which principally engaged in air-conditioning and electrical engineering installation and alteration works. The transaction was completed on 10 May 2018. Further details are set out in the Company's announcements dated 11 February, 26 March, 25 April and 10 May 2018.

Financial Summary

RESULTS

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	**870,888**	579,849	475,474	377,356	200,183
Profit before income tax	**24,942**	31,144	26,270	22,813	11,354
Income tax	**(5,240)**	(5,693)	(5,154)	(4,335)	(1,934)
Profit and total comprehensive income for the year	**19,702**	25,451	21,116	18,478	9,420

ASSETS AND LIABILITIES

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Total assets	**380,775**	283,942	230,296	183,946	116,802
Total liabilities	**284,527**	(202,896)	(174,701)	(163,841)	(109,625)
Net assets	**96,248**	81,046	55,595	20,105	7,177

Notes:

The summary above does not form part of the audited consolidated financial statements.

The financial information for the years ended 31 March 2015 and 2014 was extracted from the prospectus of the Company dated 21 March 2016.

Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in notes 1 and 3 to the consolidated financial statements.