Ching Lee Holdings Limited
正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3728

2019
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 2019.

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.

FINANCIAL RESULTS

The total revenue of the Group decreased by approximately HK$27.2 million or 3.1% from approximately HK$870.9 million for the year ended 31 March 2018 to approximately HK$843.7 million for the year ended 31 March 2019. In general, the slight decrease in revenue was due to the decrease from superstructure building works services and substructure building work services amount to approximately HK$118.3 million and HK$1.7 million respectively which was offset by the increase in RMAA works services of approximately HK$92.7 million. Basic earnings per share for the year ended 31 March 2019 was HK1.09 cents as compared with HK1.97 cents per share for the year ended 31 March 2018.

FORWARD

Looking forward, the Group is confident about the industrial outlook and the prospects of the construction market in Hong Kong. The Group will continuously focus on its core businesses in providing (i) substructure building work services, (ii) superstructure building work services, and (iii) RMAA work as a main contractor in Hong Kong; and, at the same time, explore new opportunities as well as new merger and acquisition targets that will benefit the shareholders as a whole.

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

APPRECIATION

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

By Order of the Board
Ng Choi Wah
Chairman

Hong Kong, 24 June 2019

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 2019 was recorded at approximately HK$843.7 million which represented a slight decrease of approximately HK$27.2 million or 3.1% from approximately HK$870.9 million for the year ended 31 March 2018.

	Year ended 31 March		Increase/
	2019	2018	(Decrease)
	HK$'000	HK$'000	%
Substructure building work services	**–**	1,696	–
Superstructure building work services	**416,508**	534,785	(22.1)
RMAA work services	**427,151**	334,407	27.7
	843,659	870,888	(3.1)

(i) Substructure building works services

For the year ended 31 March 2019, there was no revenue recorded in this segment (2018: approximately HK$1.7 million). The decrease by approximately HK$1.7 million was mainly due to the completion of substructure building work projects in FY2018 and subsequently no additional substructure building work projects were engaged during the year ended 31 March 2019.

(ii) Superstructure building works services

For the year ended 31 March 2019, revenue recorded in this segment amounted to approximately HK$416.5 million (2018: approximately HK$534.8 million). The decrease by approximately HK$118.3 million was mainly due to the completion/substantial completion of four superstructure projects during the year ended 31 March 2019.

(iii) RMAA works services

For the year ended 31 March 2019, revenue recorded in this segment amounted to approximately HK$427.2 million (2018: approximately HK$334.4 million). The increase by approximately HK$92.7 million was mainly due to more RMAA projects engaged and with the commencement of three new RMAA projects during the year ended 31 March 2019.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2019 recorded at approximately HK$843.7 million which represented a slight decrease of approximately HK$27.2 million or 3.1% from approximately HK$870.9 million for the year ended 31 March 2018. The decrease in total revenue was mainly due to a decrease from superstructure building works services and substructure building work services amount to approximately HK$118.3 million and HK$1.7 million respectively. The decrease was offset by increase in RMAA works services of approximately HK$92.7 million.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately HK$8.3 million or 8.7%, from approximately HK$95.5 million for the year ended 31 March 2018 to approximately HK$87.2 million for the year ended 31 March 2019. During the year ended 31 March 2019, the gross profit margin was approximately 10.3%, which is slightly lower than the gross profit margin of prior year of approximately 11.0%.

Other Income and Gains

Other Income and Gains increased by HK$0.8 million or 84.3% from approximately HK$0.9 million for the year ended 31 March 2018 to approximately HK$1.7 million for the year ended 31 March 2019. The increase was mainly due to change in fair value of financial asset at FVTPL of approximately HK$1.5 million for the year ended 31 March 2019.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses decreased by approximately HK$4.0 million or 5.7% from approximately HK$69 million for the year ended 31 March 2018 to approximately HK$65.0 million for the year ended 31 March 2019.

Administrative and other operating expenses mainly consist of staff cost (including salaries, allowances, other benefits and contribution to defined contribution retirement plan), legal & professional fee, business development cost, donations, depreciation, share-based payment expense and others. The decrease was mainly attributable by (i) decrease in legal and professional fee of approximately HK$7.9 million as there is a litigation of a breach of the Buildings Ordinance in FY2018. (ii) decrease in donations of approximately HK$1.2 million. The decrease was offset by (i) the increase of share-based expenses of approximately HK$2.1 million; (ii) increase in staff Salaries of approximately HK$1.1 million with more staffs recruited during the year ended 31 March 2019 (iii) increase in long service payment provision of approximately HK$0.6 million, (iv) increase in consultancy fee of approximately HK$0.5 million and (v) increase in others of HK$0.8 million.

Finance Costs

Finance Costs increased by approximately HK$4.6 million or 184.7% from approximately HK$2.5 million for the year ended 31 March 2018 to approximately HK$7.1 million for the year ended 31 March 2019. It was mainly due to the increase in bank borrowing from approximately HK$95.2 million to approximately HK$192.4 million as at 31 March 2019.

Management Discussion and Analysis

Income Tax

Income Tax decreased by approximately HK$1.0 million or 19.8% from approximately HK$5.2 million for the year ended 31 March 2018 to approximately HK$4.2 million for the year ended 31 March 2019.

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$8.7 million or 44.0% from approximately HK$19.7 million for the year ended 31 March 2018 to approximately HK$11.0 million for the year ended 31 March 2019.

Such decrease was primarily attributable to the increase in finance cost and the expected credit loss on financial assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had total assets of approximately HK$442.4 million, which is financed by total liabilities and shareholders' equity of approximately HK$330.5 million and HK$111.9 million, respectively. The Group's current ratio remained stable at approximately 1.2 at 31 March 2018 and 31 March 2019.

Gearing Ratio

The gearing ratio of the Group as at 31 March 2019 was approximately 174.0% (31 March 2018: approximately 101.9%), 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 2019 was approximately HK$6.7 million, which was mainly used in the purchase of property, furniture and equipment and intangible asset.

Contingent Liabilities

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

Commitments

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

Charges on Group Assets

Assets with a carrying value of approximately HK$75.9 million were pledged as securities for the Group's banking facilities. Details of the charges on assets of the Group are set out in notes 15, 20, 21 and 27 to the financial statements.

Segment Information

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

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 March 2019.

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 Board to the Main Board of the Stock Exchange on 18 September 2017. On 10 May 2018, the Company has allotted and issued 13,000,000 Consideration Shares at an issue price of HK$0.39 per Consideration Share as part of the consideration in accordance with the terms and conditions of the Share Purchase Agreement of the acquisition of 30% of New Bright Engineering Limited. There has been no other change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2019, the Company's issue share capital was HK$10,130,000 and the number of its issued ordinary share was 1,013,000,000 of HK$0.01 each.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have plans for material investments or capital assets during the year ended 31 March 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

Save as the above, during full year ended 31 March 2019, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 199 employees (31 March 2018: 151 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 2019 were approximately HK$89.4 million (For the year ended 2018: approximately HK$73.3 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 and investment in an associate, the Group did not hold any significant investments during the year ended 31 March 2019.

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 40 to the consolidated financial statements.

Management Discussion and Analysis

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 19 June 2018, the Company has announced to revise the remaining unutilized net proceeds of $16.3 million from "To reserve more capital to satisfy our potential customers' requirement for surety bond" to "To invest in property development projects".

An analysis of the unutilized net proceeds up to 31 March 2019 is set out below:

	Revised allocation of unutilized amount as at 19 June 2018 HK$ million	Actual use of net proceeds up to 31 March 2019 HK$ million
To invest in property development project	16.3	2.9
	16.3	2.9

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 53, 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 47, 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 46, 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 58, 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 81, 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 56, 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-exeuctive Director of 康達國際環保有限公司 (Kangda International Environmental Company Limited) (Stock code: 6136) since April 2019, 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 till May 2019, 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 54, 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 40, 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 30, 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 36, 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 30, 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 37, 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 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

The Company is of the view that it has provided adequate guidelines and procedures regarding securities transactions to the Directors.

However, in order to avoid similar incidents from happening in the future, the Company had reminded all the Directors at the meeting of the Board held on 24 June 2019 about the importance of complying with the Model Code, in particular, the timing of the absolute prohibition to deal in Shares and the Directors' obligation to notify the Company of their intention to deal in Shares.

Going forward, the Company will continue to emphasise and remind the Directors of their obligations under the Model Code and to provide updates to the Directors on the latest development regarding the Model Code to ensure compliance and enhance their awareness of good corporate governance practices.

Save as the above, the directors have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code for the year ended 31 March 2019 and up to the date of this annual report.

Corporate Governance 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 2019 commencing from 1 April 2018 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 four 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	4	2	1	1	1
Mr. Ng Choi Wah	4/4	N/A	1/1	1/1	1/1
Mr. Lui Yiu Wing	4/4	N/A	N/A	N/A	1/1
Mr. Lam Ka Fai	4/4	N/A	N/A	N/A	1/1
Dr. Wai Wing Hong Onyx	4/4	2/2	1/1	1/1	1/1
Mr. Tong Hin Sum Paul	3/4	2/2	1/1	N/A	1/1
Mr. Chan Kam Wing Donald	4/4	2/2	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 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.

The Company Secretary from time to time updates and provides written training materials on the latest developments of applicable Listing Rules and regulations to the Directors.

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.

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 2019 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 2019 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 2019. 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.

NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Nomination Policy which sets out the selection criteria and process in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board members have a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Reputation for integrity;
- Accomplishment, experience and reputation in the business and industry;
- Commitment in respect of available time and relevant interest;
- Compliance with the criteria of independence, in case for the appointment of an independent non-executive director, as prescribed under Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange;
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and
- Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate.

The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 March 2019, there was no change in the composition of the Board.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

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 2019 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 2019 set out in this annual report.

AUDITORS' REMUNERATION

For the year ended 31 March 2019, 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	1,260
Non-audit services	201
	1,461

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. Reviews of internal controls systems of different operations were 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 2019. 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 2019.

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 also recognises that good risk management is essential for the long-term development on the Group's business. The Group has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources and information technology. All employees are committed to implement the risk management framework into the daily operation.

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 2019, 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 2019, there had been no significant change in the Company's constitutional documents.

SECTION A: ENVIRONMENTAL

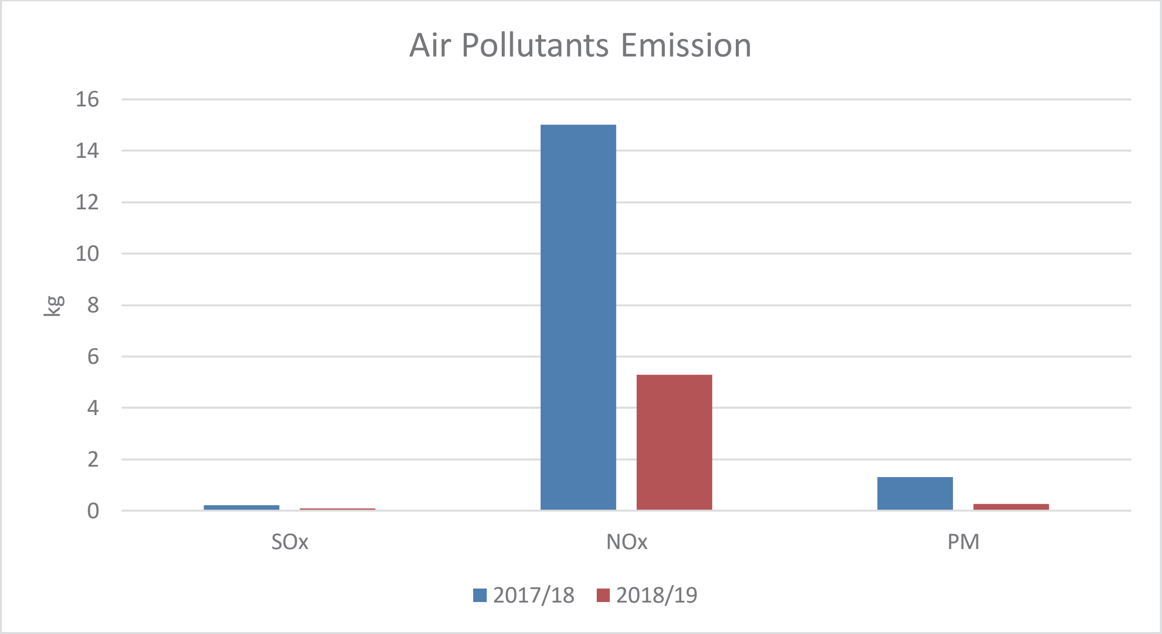
The Group is committed to leading by example, inspiring others to strive for environmental sustainability, and minimizing our environmental impacts from operations. We have implemented eco-friendly measures to reduce carbon and emission footprints in our business operations. To present a comprehensive emission overview, we compared the emission figures and relevant intensities in the Reporting Year to last year[1]. The intensities in this section were calculated per number of facilities[2].

During the Reporting Year, 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 and be alert to any non-compliance behavior relating to critical environmental problems.

Emissions

Air Pollutants Emission

During the Reporting Year, the material pollutants came from the usage of stationery machines and automobiles, which causes air emissions, including sulphur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter ("PM"). Total weight of air emission amounts to 5.66 kg, which is 0.33 kg per facility, with a significant decrease of 65.8% in the total emission weight compared to Year 2017/18. The Group has implemented an environmental policy to reduce the air pollutant emissions. All machineries and vehicles were under frequent and regular checks and maintenance to ensure no energy inefficiency occurred. Besides, for transportation logistics, our drivers planned the route ahead with the shortest distance to reduce unnecessary consumption of fuel.

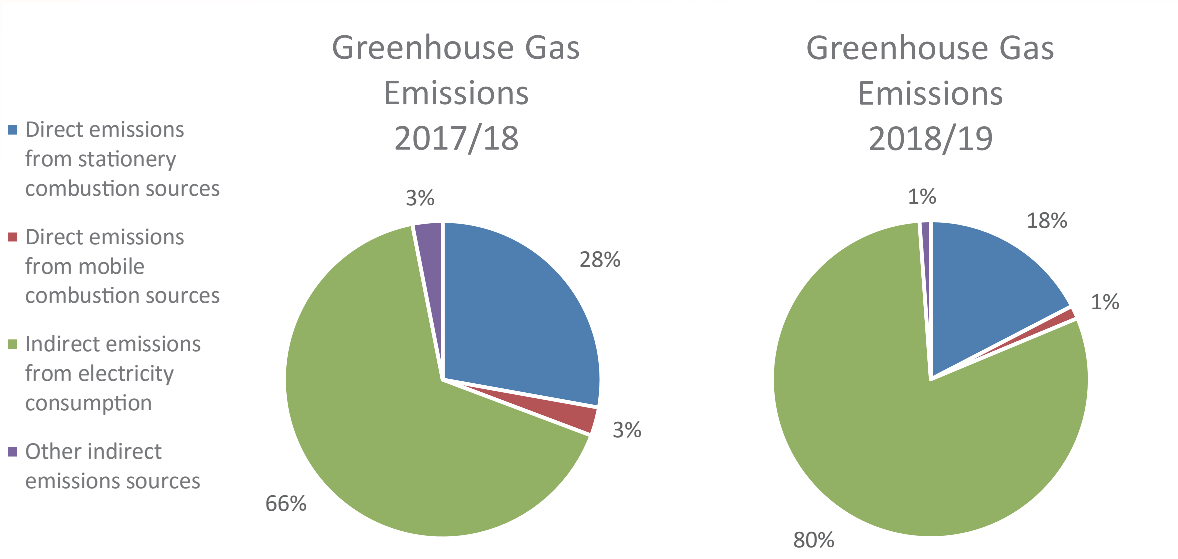


1 Adjustments had been made on the last year data when compared to our last ESG Report due to the updates of related emission factors and estimation methods for a more accurate disclosure.

2 During the Reporting Year, there were 16 project sites and 1 headquarter located in Hong Kong.

Greenhouse Gases Emission

The Group's consumption of electricity[3] 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 fresh water[4] and sewage[5] processing and paper waste disposal at landfills. During the Reporting Year, the amount of total greenhouse gas emission was approximately 1,213 tonnes, which was 71 tonnes per facility. Compared to the last year emissions[6], the total amount of greenhouse gas emission increased by 63.4%, with an increase of 34.5% in the relevant intensity. The increased amount of emissions with decreased intensity indicated that the inclined emissions were due to the increased number of project sites. The Group will continue to monitor the carbon footprints during our business operations in order to reduce the adverse impact on environment.



Several measures to reduce our greenhouse gas emissions have been implemented to demonstrate our determination of maintaining environmental sustainability. In light of the increased proportion of indirect emissions from electricity consumption, the Group encouraged its staff to switch off all idle appliances. Besides, electricity saving labels were posted at the office to advocate the reduction of energy consumption. In hopes of these measures, the Group believed that the carbon emissions could be reduced in the upcoming future.

3 The latest carbon emission factors announced in the Sustainability Report 2017/18 issued by CLP Holdings Limited and HK Electric Investments Limited were 0.51 kgCO2e/kWh and 0.80 kgCO2e/kWh respectively.

4 The latest unit electricity consumption factor of fresh water processing announced in the Annual Report 2017/18 issued by Hong Kong Water Supply Department was 0.575 kWh/m3.

5 The latest unit electricity consumption factor of sewage processing announced in the Sustainability Report 2017/18 issued by Hong Kong Drainage Services Department was 0.31 kWh/m3.

6 Adjustments had been made on the last year data when compared to our last ESG Report due to the updates of related emission factors and estimation methods for a more accurate disclosure.

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.

As the Group's operations focus on the provisions of construction and consulting services, there was no hazardous waste being involved during the Reporting Year. 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 Year was recorded as 17,797 tonnes, with an intensity of 1,047 tonnes per facility. Compared to last year, we successfully achieved a 33.9% and 45.6% decline on the amount of non-hazardous waste disposed and the relevant intensity respectively. With our growing concern for waste management, measures for reducing and recycling the waste were implemented. We encouraged reuse of single side printed paper. Recycling bins are also placed in construction sites to collect recyclable wastes. In addition, the inert wastes would be centralized in the specified areas in the construction sites for the sake of easy monitoring and handling.

Recycling bins placed in project sites

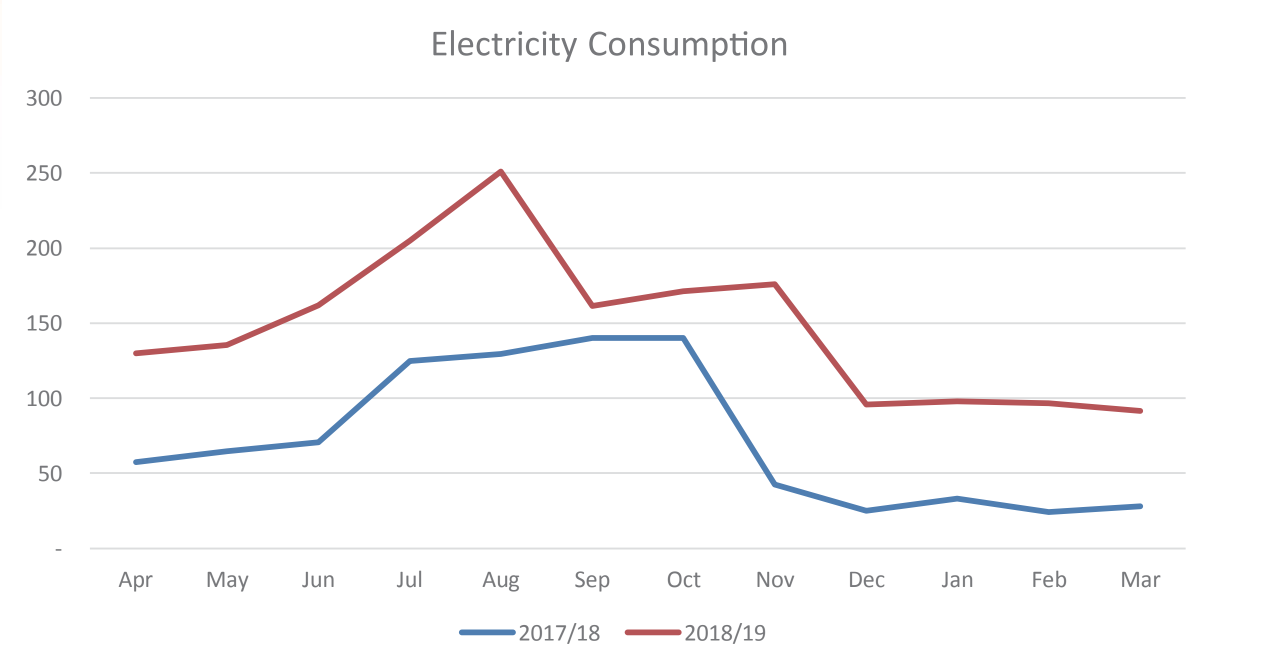
Collection of single-side-printed paper at office

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.

Electricity Consumption

The electricity consumed by the Group's office was the largest contributor to the greenhouse gas footprint. During the Reporting Year, the total units of electricity consumed was 1,774 MWh, with an intensity of 104 MWh per facility. Compared to the last year, the electricity consumption increased by 101.68%, with an increase of 66.09% in the relevant intensity.



To reduce the Group's energy consumption, 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 conservation.

Water Consumption

Since water is one of the most precious resources in the world, cherishing water consumption is the fundamental target of the Group. The Group had always encouraged the reduction on unnecessary water consumption. During the Reporting Year, the total units of water consumed was 22,093 cubic metres, in which the water consumption intensity was 1,300 cubic metres per facility. Compared with last year, the total consumption level increased by 159.67%, with a 113.8% increase in the relevant intensity.

In order to effectively reduce the indirect energy consumption for water supply as well as sewage processing, the Group has installed the sewage purification system to obtain and reuse clean water from sewage produced during the construction process. Not only could it help to reduce the direct consumption of water source, but it also eventually whittled down the carbon footprints due to the emissions from water and sewage processing. As our water was sourced from the government bodies and our sewage purification system, there was no water sourcing issue identified during the Reporting Year.

Packaging Materials

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

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 was established at project site. Sewage was 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. By this means, the greenhouse gas emissions level could be reduced in the foreseeable future.

Water purifying machine

Sewage centralized for purification

By integrating environmental consideration into our business strategies, we aim to be an environmentally sustainable enterprise. In the coming years, we would continue promoting greenhouse gas emission reduction, energy and water 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

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. As such, we adopt employee-oriented approach in attracting, developing and retaining the best people to support our business development.

Employees Benefits

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

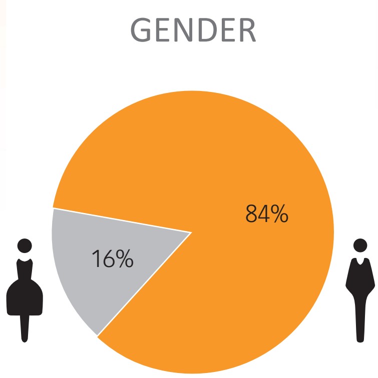
For recruitment and dismissal process, the Group will go through the procedures according to the policies stated internally. For recruitment, equal opportunities are provided to all applicants with regards of the considerations of their experience, knowledge and skills only. For dismissal, those employees acting improperly or breaching of contract terms and code of conduct will be terminated. Compensations are provided when applicable.

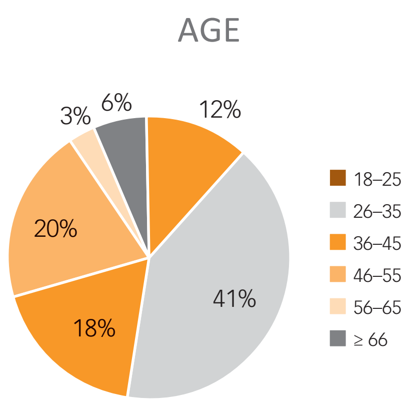
The Group offers competitive employee benefits packages for all employees regardless of the form of employee. Pay rate and benefits packages are benchmarked, by our Executive Directors, against the market standard to ensure fair and equitable compensation practice and maintaining competitive salaries. Our employees also receive welfare benefits, including study fund, marriage leave, maternity leave, paternity leave, 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.

Our Employees

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. As at 31 March 2019, the male-to-female ratio was 84%:16%, for a total of 199 employees. Among our 199 employees, there were 122, 69 and 8 of front-line staff, middle management staff and top management staff respectively.





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 2.44%.

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. During the Report Year, the number of reported cases of work injury was 18, with a total number of 129 lost hours. There was no fatal cases reported during the Reporting Year.

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. For every project site, there are assigned at least one Safety Officer and one Safety Supervisor to monitor the safety issue and handle emergency incidents if any. 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 also maintains a Safety Card Renewal Checklist in order to monitor the qualifications of the subcontractor workers during the construction process. If any of those safety cards are nearly expired, the Safety officer of the site is responsible to urge the relevant workers for renewal.

In addition, safety induction trainings and regular safety trainings are provided to our staff and the subcontracted workers to help them familiarize with the machine operations and site safety guidelines.

The Group follows strictly to the Section 15 of the Employees' Compensation Ordinance to report any accident to the Commissioner for Labor. We will continue to strive for a safe and healthy work environment for our employees and subcontracted workers.

Development and Training

Empowering employees is of our number one priority. Not only do we aim at sharpening the skills set and knowledge of our employees, but we also eager to shape our every single employee into future leaders. During the Reporting Year, our employees, including front-line staff, middle management and top management, received a total number of approximately 880 hours of training. We maintain a large proportion of employees joining training courses at around 31%, with an average of 14.9 hours per each trained staff, consisting of 45 males and 14 females with 50 front-line staff, 6 middle-management staff and 3 top management staff.

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.

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 as stated in the Staff Hand Book. The Human Resources Department will verify the actual age of the applicants by checking their identification documents upon recruitment process. Through the whistle-blowing mechanism, employees are able to voice out injustice they face. For any reported cases, the Management will investigate into the case immediately, and take further follow-up actions if necessary.

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 2019, we worked 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 for alerting them about the new updates.

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.

The Group attempted to integrate the supply chain vertically by investing in both the upper stream of land development and the lower stream as a subcontractor. The Group believed that this strategic alliance could help the Group consolidate its market shares as well as facilitate the supply chain management.

Product Responsibility

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. Besides, the transportation of construction wastes was properly covered to prevent any dust pollution.

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.

Quality Assurance

As mentioned in the Health and Safety section, for every project site, there are assigned at least one Safety Officer and one Safety Supervisor to monitor the safety issue and handle emergency incidents if any. 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. As of these safety inspection and monitoring procedures, the Group is confident that the service quality is of the best-in-kind.

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 regarding to product responsibility during the Reporting Year.

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

During the Reporting Year, there was no concluded legal case regarding corruption brought against the Group or its employees.

Whistleblowing 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 and take follow-up actions if necessary.

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 HK$1,564,800 to support Miu Fat Monastery, Scout Association of Hong Kong East Kowloon Region, Twinkle Stars, Construction Charity Fund, My Orchestra Society Limited, Project ORBIS International Inc., Hong Kong Paralympic Committee & Sports Association for the Physically Disabled, Hong Kong Anti-Cancer Society and the Hong Kong Festival Fringe Limited.

Inspired by the passion of our Group, 16 of our employees also actively participated in the different fund-raising events and voluntary works for a total number of 22 hours community contribution.

Report of Directors

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 March 2019.

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 2019, 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 2019 amounted to approximately HK$1.6 million (31 March 2018: HK$2.7 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 2019 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 53 to 125.

The board of directors declared an interim dividend of HK$0.004 (2018: 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 2019 and 2018.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval at annual general meeting. The Board will review the dividend policy of the Company from time to time in light of our financial performance, our retained earnings and distributable reserves, our business strategies, our current and future operations, liquidity position and capital requirements, the economic conditions, and other factors the Board may deem relevant in determining whether dividends are to be declared and paid.

SHARE CAPITAL

As at 31 March 2019, the Company's issued share capital was HK$10,130,000 and the number of its issued ordinary shares was 1,013,000,000 of HK$0.01 each.

Details of movements in the share capital during the year are set out in note 28 to the financial statements.

Report of Directors

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 2019.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 March 2019 are set out in note 30 to the consolidated financial statements.

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 2018 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 2019, details of the significant related party transactions undertaken in the normal course of business are set out in the note 34 to the consolidated financial statements, and none of which constitutes a disclosable connected transaction as defined under the Listing Rules.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The controlling shareholders as defined in the Listing Rules and, in the context of the Company, means Mr. Ng and JT Glory Limited the ("Controlling Shareholders"), have made an annual declaration in respect of their compliance with the terms of non-competition undertaking. Details of the non-competition undertaking are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus.

The non-competition undertakings in respect of the controlling shareholders have become effective from the Listing Date.

COMPETING BUSINESS AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders 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 2019.

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 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of Securities and Futures Ordinance ("**SFO**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**"), are set out below:

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

Name of our Directors/ chief executive	Number of ordinary shares held	Interests in Share Option (Note 2)	Total	Approximate percentage of shareholding interests in our Company (%) (Note 3)
Executive Directors				
Ng Choi Wah ("**Mr. Ng**")	645,000,000 (Note 1)	10,000,000	655,000,000	64.66%
Lui Yiu Wing	900,000	3,000,000	3,900,000	0.38%
Lam Ka Fai	–	3,000,000	3,000,000	0.30%
Independent non-executive Directors				
Wai Wing Hong Onyx	–	1,000,000	1,000,000	0.1%
Tong Hin Sum Paul	–	1,000,000	1,000,000	0.1%
Chau Kam Wing Donald	–	1,000,000	1,000,000	0.1%
Chief executive				
Tse Lai Han Henry	–	6,000,000	6,000,000	0.59%

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

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

Note 3 These percentages were compiled based on the total number of issued shares (i.e 1,013,000,000) as at 31 March 2019.

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

As at 31 March 2019, there is no short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO).

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

So far as the Directors are aware, as at 31 March 2019, other than the director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Position in shares of the Company

Name	Capacity/ Nature of interest	Number of Ordinary Shares held	Interests in share option (Note 3)	Approximate percentage of shareholding interests in our Company (Note 4)
Mr. Ng	Interest in a controlled corporation	645,000,000	–	63.67%
	Beneficial owner		10,000,000	0.99%
JT Glory Limited	Beneficial owner	645,000,000 (Note 1)	–	63.67%
Ms. Cheung Yuk Sheung	Interest of spouse	645,000,000 (Note 2)	–	63.67%
	Beneficial owner	–	2,500,000	0.25%

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

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

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

Note 4 These percentages were compiled based on the total number of issued shares (i.e 1,013,000,000) as at 31 March 2019.

Short positions in shares of the Company

As at 31 March 2019, there is no short positions of every person, other than a director and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2019, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

	Percentage of revenue
— The largest customer	28.7%
— The total of the five largest customers	72.5%

For the year ended 31 March 2019, 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	2.5%
— The total of the five largest suppliers	9.1%

	Percentage of total subcontracting cost
— The largest subcontractor	17.6%
— The total of the five largest subcontractors	42.0%

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 2019, 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 2019. Details of accounting policies adopted for the share options are described in Note 4 and Note 29 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 2019. Details of accounting policies adopted for the share options are described in Note 4 and Note 29 to the consolidated financial statements.

Details of the share options under the Share Option Scheme during the year ended 31 March 2019 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 2019	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	0.59%
Wai Wing Hong Onyx	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	–	1,000,000	–	–	–	1,000,000	0.10%
Tong Hin Sum Paul	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	–	1,000,000	–	–	–	1,000,000	0.10%
Chau Kam Wing Donald	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	–	1,000,000	–	–	–	1,000,000	0.10%
Cheung Yuk Sheung	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	–	2,500,000	–	–	–	2,500,000	0.25%
Other senior management and employees	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	–	5,000,000	–	–	–	5,000,000	0.49%

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 24 of this report.

Report of Directors

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 2019 have been audited by BDO Limited.

By Order of the Board
Ng Choi Wah
Chairman

Hong Kong, 24 June 2019

Independent Auditor's Report

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 53 to 125, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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 CONTRACT ASSETS AND CONTRACT LIABILITIES

Refer to Notes 4, 5, 7 and 23 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 2019, the Group recorded contract assets and contract liabilities of approximately HK$201,629,000 and HK$1,012,000 respectively. The Group recognised revenue and gross profit on provision of the Construction Works of approximately HK$843,659,000 and HK$87,212,000 respectively for the year ended 31 March 2019.

The Group recognises revenue and profit of provision of the Construction Works and contract assets and contract liabilities according to the Group's management's estimation of the total outcome of the construction contracts as well as the input method adopted to measure the progress towards complete satisfaction of performance obligation 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 progress towards complete satisfaction of the performance obligation on individual contract.

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 progress towards complete satisfaction of the performance obligation was 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;

(iii) Checking the accuracy of the contract assets or liabilities by comparing the amount of progress billings, on a sample basis, to billings issued to customers; and

(iv) Assessing the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with 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 the 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, 24 June 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**843,659**	870,888
Cost of revenue		**(756,447)**	(775,406)
Gross profit		**87,212**	95,482
Other income and gains	8	**1,725**	936
Administrative and other operating expenses		**(65,034)**	(68,993)
Expected credit loss on financial assets		**(2,483)**	–
Finance costs	10	**(7,068)**	(2,483)
Share of results of an associate		**877**	–
Profit before income tax	9	**15,229**	24,942
Income tax	11	**(4,203)**	(5,240)
Profit and total comprehensive income for the year		**11,026**	19,702
Earnings per share:	14		
— Basic (HK cents)		**1.09**	1.97
— Diluted (HK cents)		**1.09**	1.97

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**42,442**	42,883
Intangible asset	16	**790**	–
Interest in an associate	17	**13,110**	–
Deposit for acquisition of interest in an associate		**–**	2,500
Financial assets at fair value through profit or loss	18	**4,332**	–
Available-for-sale financial asset	19	**–**	2,884
Total non-current assets		**60,674**	48,267
Current assets			
Trade and other receivables	21	**78,378**	141,750
Pledged deposits	22	**–**	674
Contract assets	23	**201,629**	–
Amounts due from customers of contract work	24	**–**	112,717
Amount due from an associate	17	**12,906**	–
Financial assets at fair value through profit or loss	18	**2,784**	–
Taxation recoverable		**1,901**	–
Pledged bank deposits	20	**15,022**	25,002
Bank balances and cash		**69,097**	52,365
Total current assets		**381,717**	332,508
Current liabilities			
Trade and other payables	25	**133,952**	185,029
Contract liabilities	23	**1,012**	–
Amounts due to customers of contract work	24	**–**	199
Obligations under finance leases	26	**721**	688
Bank borrowings, secured	27	**192,438**	95,248
Provision of taxation		**369**	246
Total current liabilities		**328,492**	281,410
Net current assets		**53,225**	51,098
Total assets less current liabilities		**113,899**	99,365

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Non-current liabilities			
Obligations under finance leases	26	**1,403**	2,124
Deferred tax liabilities	11	**644**	993
Total non-current liabilities		**2,047**	3,117
Net assets		**111,852**	96,248
Capital and reserves			
Share capital	28	**10,130**	10,000
Reserves	30	**101,722**	86,248
Total equity		**111,852**	96,248

Approved and authorised for issue by the board of directors on 24 June 2019.

Mr. Ng Choi Wah
Executive Director

Mr. Lui Yiu Wing
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

		Reserves				
	Share capital HK$'000	**Share premium** HK$'000	**Merger reserve** HK$'000 (Note (a))	**Share option reserve** HK$'000 (Note (b))	**Retained profits** HK$'000	**Total** HK$'000
At 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 29)	–	–	–	1,500	–	1,500
At 31 March 2018 and 1 April 2018	10,000	73,495	(28,965)	1,500	40,218	96,248
Profit and total comprehensive income for the year	–	–	–	–	11,026	11,026
Issue of shares (Note 28)	130	4,940	–	–	–	5,070
Dividend declared and paid (Note 13)	–	–	–	–	(4,052)	(4,052)
Share-based payment expenses (Note 29)	–	–	–	3,560	–	3,560
At 31 March 2019	**10,130**	**78,435**	**(28,965)**	**5,060**	**47,192**	**111,852**

Notes:

(a) 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 GEM on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Profit before income tax	**15,229**	24,942
Adjustments for:		
Changes in fair value of financial assets at fair value through profit or loss	**(1,465)**	–
Depreciation of property, plant and equipment	**6,345**	7,845
Expected credit loss on financial assets	**2,483**	–
Gain on disposal of property, plant and equipment, net	**–**	(707)
Share-based payment expenses	**3,560**	1,500
Bank interest income	**(66)**	(30)
Finance costs	**7,068**	2,483
Share of results of an associate	**(877)**	–
Operating profit before working capital changes	**32,277**	36,033
Increase in trade and other receivables	**(4,076)**	(46,310)
Decrease in pledged deposits	**674**	3,572
Increase in contract assets	**(23,947)**	–
Increase in amounts due from customers of contract work	**–**	(33,862)
Increase in contract liabilities	**813**	–
Decrease in amounts due to customers of contract work	**–**	(2,413)
(Decrease)/increase in trade and other payables	**(51,077)**	23,519
Cash used in operating activities	**(45,336)**	(19,461)
Income tax paid	**(6,330)**	(6,182)
Net cash used in operating activities	**(51,666)**	(25,643)
Investing activities		
Decrease/(increase) in pledged bank deposits	**9,980**	(1)
Purchases of property, plant and equipment	**(5,904)**	(621)
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
Interest received	**66**	30
Acquisition of interest in an associate	**(4,663)**	–
Purchase of financial assets at FVTPL	**(2,767)**	–
Purchase of intangible asset	**(790)**	–
Increase in amount due from an associate	**(12,906)**	–
Net cash used in investing activities	**(16,984)**	(5,006)

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Financing activities		
Proceeds from new bank borrowings	**277,960**	446,389
Repayments of bank borrowings	**(180,770)**	(387,008)
Capital element of finance lease payments	**(688)**	(422)
Interest paid on bank borrowings	**(6,967)**	(2,405)
Interest paid on obligations under finance leases	**(101)**	(78)
Dividend paid	**(4,052)**	(6,000)
Net cash generated from financing activities	**85,382**	50,476
Net increase in cash and cash equivalents	**16,732**	19,827
Cash and cash equivalents at beginning of year	**52,365**	32,538
Cash and cash equivalents at end of year, representing bank balances and cash	**69,097**	52,365

1. GENERAL INFORMATION

Ching Lee Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 16 November 2015. Its shares are listed on Main Board of the Stock Exchange. The 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 "Construction Works").

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

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2018

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

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.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

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.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

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.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

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

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("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. However, it eliminates the previous HKAS 39 categories for financial assets of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

HKFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

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

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

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

HKFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

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

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

As at 1 April 2018, an unlisted equity investment was reclassified from available-for-sale financial asset at cost to FVTPL. This unquoted equity instrument has no quoted price in an active market. As a result, financial asset with carrying amount of HK$2,884,000 was reclassified from available-for-sale financial asset to FVTPL. The carrying amount of this investment approximates its fair value as at 1 April 2018.

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

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK$'000
Unlisted equity investment (Note 2(a)(i))	Available-for-sale, at cost	FVTPL	2,884	2,884
Trade and other receivables	Loans and receivables	Amortised cost	76,785	76,785
Contract assets (comprising amounts due from customers of contract work and retention receivables)	Not applicable ("N/A")	Recognised under HKFRS 15 and subject to impairment provisions under HKFRS 9	177,682	177,682
Pledged deposits	Loans and receivables	Amortised cost	674	674
Pledged bank deposits	Loans and receivables	Amortised cost	25,002	25,002
Bank balances and cash	Loans and receivables	Amortised cost	52,365	52,365

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets

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

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

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

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

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

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

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

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

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Presentation of ECLs

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

Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The Group has performed a detailed analysis and has considered all reasonable and supportable information, including historical credit loss experience, shared credit risk characteristics and the number of days past due, adjusted for forward-looking factors and specific consideration to the debtors and the economic environment, for estimation of ECLs on its trade receivables and contract assets upon the adoption of HKFRS 9. The adoption of ECLs model does not have material impact on the carrying amount of the Group's trade receivables and contract assets and no loss allowance was recognised on 1 April 2018.

Impairment of other receivables

Other financial assets at amortised cost of the Group includes other receivables, pledged deposits, pledged bank deposits and bank balances and cash. No impairment is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

(iii) Transition

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

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA").

If an investment in a debt investment had low credit risk at the DIA, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers

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

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect if any of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (i.e. 1 April 2018). As a result, the financial information presented for 2018 has not been restated.

The adoption of HKFRS 15 has no material impact on the adjustments to the opening balance of the retained profits as at 1 April 2018. Upon the adoption of HKFRS 15, amounts previously recognised as "Amounts due from customers of contract work" and "retention receivables" have been reclassified to "Contract assets". "Amounts due to customers of contract work" have been reclassified to "Contract liabilities".

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019. There was no material impact on the Group's consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 March 2019:

Impact on the consolidated statement of financial position as at 31 March 2019

	HK$'000
Assets	
Current assets	
Trade and other receivables	(70,542)
Contract assets	201,629
Amounts due from customers of contract work	(131,087)
Total current assets	–
Total assets	–
Liabilities	
Current liabilities	
Contract liabilities	1,012
Amounts due to customers of contract work	(1,012)
Total current liabilities	–
Total liabilities	–

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various services are set out below:

Service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018
Provision of Construction Works	The Group recognises revenue from Construction Works over time when the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group measures progress towards complete satisfaction of a performance obligation at the end of the reporting period using input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract costs), that best depict the Group's performance in transferring control of goods or services. Credit terms granted to customers vary from contract to contract, which are generally within 30 days from the date of issuance of the interim certificate.	HKFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of HKFRS 15, the Group has to make reclassification from amounts due from customers of contract work and retention receivables to contract assets since under HKFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset. Upon the adoption of HKFRS 15, the Group has also made reclassification from amounts due to customers of contract work to contract liabilities.

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.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
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 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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.

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 (Continued)

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 2019, the Group has non-cancellable operating lease commitments of approximately HK$2,190,000 as disclosed in Note 32. 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 these leases unless they qualify for short-term leases upon the application of HKFRS 16. In the consolidated statements of comprehensive income, depreciation will be recognised on the related right-of-use asset and interest expenses will be recognised on the lease liability instead of rental expense. Interest expenses on the lease liability will be presented separately from depreciation under finance costs. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term on a lease by lease basis.

The Group expected that the recognition of right-of-use asset and the lease liability on operating lease commitments upon adoption of HKFRS 16 would result in increase in non-current assets and total liabilities respectively. It is also expected that there will be no material impact on the total expenses to be recognised by the Group over the entire lease period and the total net profit over the lease period is not expected to be materially affected. The adoption of HKFRS 16 would not affect the total cash flows in respect of the lease.

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, the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, 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 3 — Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

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 FVOCI if specified conditions are met — instead of at FVTPL.

Amendments to HKAS1 and HKAS 8 — Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

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 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

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

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

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

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 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

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 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

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 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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 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 except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation and subsidiaries (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost, including contingent consideration if any, and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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)

(d) 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.

(e) Intangible assets

Intangible assets are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible asset, representing club membership, with indefinite useful live is tested for impairment annually either individually or at the cash-generating unit level. This intangible asset is not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

Accounting policies applied from 1 April 2019

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Accounting policies applied from 1 April 2019 (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Accounting policies applied from 1 April 2019 (Continued)

(ii) Impairment loss on financial assets (Continued)

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

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these financial liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Accounting policies applied from 1 April 2019 (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, obligations under finance leases and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains 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 fair value through profit or loss 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 contact at the higher of: (i) the amount of the loss allowance, being the ECLs provision measured in accordance with principles of the accounting policy; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(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 HKFRS 9.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Accounting policies applied from 1 April 2019 (Continued)

(vii) Derecognition (Continued)

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

Accounting policies applied until 31 March 2018

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Accounting policies applied until 31 March 2018 (Continued)

(i) Financial assets (Continued)

Available-for-sale financial assets (Continued)

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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Accounting policies applied until 31 March 2018 (Continued)

(ii) Impairment loss on financial assets (Continued)

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.

(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 loss is 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Accounting policies applied until 31 March 2018 (Continued)

(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.

(g) Construction contracts

Accounting policies applied until 31 March 2018

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 probably 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".

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Construction contracts (Continued)

Accounting policies applied until 31 March 2018 (Continued)

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.

(h) 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.

(i) Recognition of revenue and other income

Accounting policies applied from 1 April 2019

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Recognition of revenue and other income (Continued)

Accounting policies applied from 1 April 2019

Revenue from Construction Works is recognised over time when the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group measures progress towards complete satisfaction of a performance obligation at end of the reporting period using input method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs that best depict the Group's performance in transferring control of goods or services. Credit terms granted to customers vary from contract to contract, which are generally within 30 days from the date of issuance of the interim certificate.

For construction contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when (i) the Group completes the Construction Works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Recognition of revenue and other income (Continued)

Accounting policies applied from 1 April 2019 (Continued)

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

Accounting policies applied until 31 March 2018

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.

(j) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

(k) 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.

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, 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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits (Continued)

(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.

(l) 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.

(m) 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.

(n) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Related parties (Continued)

(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.

(o) 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 using input method 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.

(ii) Impairment of trade receivables and contract assets

The Group makes allowance for impairment on trade receivables and contract assets based on assumptions about risk of default and ECL rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of the reporting period.

(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.

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

Key sources of estimation uncertainty (Continued)

(iv) Fair value measurement of financial assets at FVTPL

The fair value assessment of financial assets at FVTPL that are measured at level 3 fair value hierarchy requires significant estimates, which include risk-free rates, expected volatility, relevant underlying financial projections, market information of recent transactions and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets.

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.

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:

	2019 **HK$'000**	2018 HK$'000
Customer I	**242,498**	276,279
Customer II	**127,055**	N/A[1]
Customer III	**109,547**	156,093
Customer IV	**N/A[1]**	137,369

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. Revenue recognised from the principal activities during the year is as follows:

	2019 HK$'000	2018 HK$'000
Revenue recognised over time:		
Substructure building work services	–	1,696
Superstructure building work services	416,508	534,785
Repair, maintenance, alteration and addition services	427,151	334,407
	843,659	870,888

As at 31 March 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$947,470,000. This amount represents revenue expected to be recognised in the future from partially-completed construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next one to two years.

8. OTHER INCOME AND GAINS

	2019 HK$'000	2018 HK$'000
Bank interest income	66	30
Sale of scrap materials	–	9
Gain on disposal of property, plant and equipment, net	–	707
Changes in fair value of financial assets at FVTPL	1,465	–
Others	194	190
	1,725	936

9. PROFIT BEFORE INCOME TAX

This is arrived at after charging the following:

	2019 HK$'000	2018 HK$'000
Auditor's remuneration	**1,260**	1,200
Depreciation in respect of:		
— Owned assets	**5,500**	7,353
— Leased assets	**845**	492
	6,345	7,845
Employee benefit expenses (including directors' emoluments (Note 12))		
— Salaries, allowances and other benefits	**83,468**	69,787
— Share-based payment expenses (Note 29)	**3,560**	1,500
— Contribution to defined contribution retirement plan	**2,407**	2,014
	89,435	73,301
Operating lease payments in respect of land and buildings and car parks	**767**	866

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	**6,967**	2,405
Interest element of finance lease payments	**101**	78
	7,068	2,483

11. INCOME TAX AND DEFERRED TAX

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

	2019 HK$'000	2018 HK$'000
Current tax		
— Hong Kong Profits Tax	**4,236**	5,620
— Under-provision for prior years	**316**	118
Deferred tax	**(349)**	(498)
	4,203	5,240

Hong Kong profits tax is calculated at two-tiered rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to HK$2 million and 16.5% on any part of assessable profits over HK$2 million (2018: 16.5% on the estimated assessable profits).

11. INCOME TAX AND DEFERRED TAX (CONTINUED)

The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 April 2018.

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

	2019 HK$'000	2018 HK$'000
Profit before income tax	**15,229**	24,942
Tax calculated at tax rate of 16.5%	**2,513**	4,115
Tax effect of share of results of an associate	**(144)**	–
Tax effect of revenue not taxable for tax purposes	**(242)**	(152)
Tax effect of expenses not deductible for tax purposes	**1,770**	1,121
Tax effect of temporary differences not recognised	**205**	98
Under-provision for prior years	**316**	118
Income tax at concessionary rate	**(165)**	–
Tax relief for the year	**(50)**	(60)
	4,203	5,240

(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 2017	1,491
Credited to profit or loss	(498)
At 31 March 2018 and 1 April 2018	993
Credited to profit or loss	(349)
At 31 March 2019	644

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 2019						
Executive directors						
Mr. Ng Choi Wah ("Mr. Ng")	2,542	3,033	1,200	1,089	18	7,882
Mr. Lui Yiu Wing	1,090	–	949	326	18	2,383
Mr. Lam Ka Fai	953	–	762	326	18	2,059
Independent non-executive directors						
Mr. Wai Wing Hong, Onyx	180	–	–	109	–	289
Mr. Tong Hin Sum, Paul	180	–	–	109	–	289
Mr. Chau Kam Wing Donald	180	–	–	109	–	289
	5,125	3,033	2,911	2,068	54	13,191

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 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

During the prior year, 19,000,000 share options were granted to the directors of the Company, and the share-based payment expenses of HK$2,068,000 (2018: HK$889,000) was recognised in profit or loss during the year.

During the years ended 31 March 2019 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 2019 and 2018.

Discretionary bonus is determined primarily based on the performance of each director and the profitability of the Group.

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 (2018: three) directors and the following two (2018: two) non-director individuals whose emoluments are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and other benefits	**4,298**	3,414
Contribution to pension scheme	**36**	36
	4,334	3,450

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

	2019	2018
HK$Nil–HK$1,000,000	**–**	–
HK$1,000,001–HK$1,500,000	**–**	1
HK$1,500,001–HK$2,000,000	**1**	–
HK$2,000,001–HK$2,500,000	**–**	1
HK$2,500,001–HK$3,000,000	**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:

	2019	2018
HK$Nil–HK$1,000,000	**3**	4
HK$1,000,001–HK$1,500,000	**1**	–
HK$1,500,001–HK$2,000,000	**–**	–
HK$2,000,001–HK$2,500,000	**–**	1
HK$2,500,001–HK$3,000,000	**1**	–

13. DIVIDEND

	2019 HK$'000	2018 HK$'000
Dividend declared and paid	**4,052**	6,000

The board of directors declared an interim dividend of HK$0.004 (2018: 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 2019 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:

	2019 HK$'000	2018 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**11,026**	19,702

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,011,575,342**	1,000,000,000
Effect of dilutive potential ordinary shares: — Share options (Note)	**N/A**	401,560
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,011,575,342**	1,000,401,560

Note: For the year ended 31 March 2019, basic earnings per share amount equals to dilutive earnings per share amount because the exercise price of the Company's share options was higher than the average market price for shares.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Machineries HK$'000	Total HK$'000
Cost						
At 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 and 1 April 2018	34,750	927	1,191	5,382	21,386	63,636
Additions	4,542	10	1,352	–	–	5,904
At 31 March 2019	39,292	937	2,543	5,382	21,386	69,540
Accumulated depreciation						
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 and 1 April 2018	3,945	646	907	2,317	12,938	20,753
Charge for the year	1,632	140	410	905	3,258	6,345
At 31 March 2019	5,577	786	1,317	3,222	16,196	27,098
Net carrying value						
At 31 March 2019	33,715	151	1,226	2,160	5,190	42,442
At 31 March 2018	30,805	281	284	3,065	8,448	42,883

Notes:

(a) The Group's leasehold land and buildings are situated in Hong Kong as at 31 March 2019 and 2018, of which HK$29,271,000 (2018: HK$30,805,000) were pledged as securities for the bank facilities of the Group (Note 27).

(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:

	2019 HK$'000	2018 HK$'000
Motor vehicles	**1,995**	2,842

16. INTANGIBLE ASSET

	Club membership HK$'000
Cost	
At 1 April 2017, 31 March 2018 and 1 April 2018	–
Addition	790
Carrying amount	
At 31 March 2019	790

The intangible asset is not amortised for the year ended 31 March 2019 as the club membership has no expiry date. The club membership is tested for impairment annually. As at 31 March 2019, the directors have performed impairment review and are of the opinion that no impairment is recognised.

17. INTEREST IN AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Non-current:		
Interest in an associate, including goodwill	**13,110**	–

As at 31 March 2019, the amount due from an associate is unsecured, interest-free and repayable on demand.

Details of the Group's associate are as follows:

Name	Place of incorporation	Operation and principal activity	Percentage of equity interest held by the Group
New Bright Engineering Limited ("New Bright")	Hong Kong	Provision of air-conditioning and electrical engineering installation and alteration works in Hong Kong	30%

During the year, the Group entered into a share purchase agreement (the "Agreement") to acquire 30% equity interest in New Bright for consideration comprising HK$9,930,000 in cash and issue of 13,000,000 shares of the Company to the vendor. The transaction was completed during the year.

17. INTEREST IN AN ASSOCIATE (CONTINUED)

Pursuant to the Agreement, the vendor undertakes to the Group that if the accumulated net profit after income tax of New Bright for the years ended 31 March 2018, 2019 and 2020 is less than HK$30,000,000 but more than HK$21,000,000, the vendor shall pay to the Group an amount to be calculated by a formula as stipulated in the Agreement (the "Profit Guarantee"). The Group accounted for the Profit Guarantee as contingent consideration. The fair values of the contingent consideration as at acquisition date and 31 March 2019 were assessed to be minimal with reference to valuation performed by an independent firm of professionally qualified valuers.

The Group was granted the right to require the vendor to purchase 30% equity interest in New Bright at a cash consideration of HK$15,000,000 together with interest of 10% per annum accrued from the acquisition date until the date of full payment by the vendor if the net profit after income tax of New Bright for any of the years ended 31 March 2018, 2019 and 2020 is less than HK$7,000,000 (the "Put Option"). The fair values of the Put Option as at acquisition date and 31 March 2019 of HK$2,767,000 and HK$2,784,000 respectively (Note 18) were estimated with reference to valuation performed by an independent firm of professionally qualified valuers using the Binomial Option Pricing Model.

Summarised financial information of the associate is as follows:

	2019 HK$'000	2018 HK$'000
Current assets	**37,546**	–
Non-current assets	**200**	–
Current liabilities	**(30,759)**	–
Non-current liabilities	**–**	–
Net assets	**6,987**	–
Reconciliation to the Group's interest in an associate:		
Proportion of the Group's ownership	**30%**	–
Group's share of net assets of an associate	**2,096**	–
Goodwill on acquisition	**11,014**	–
Carrying amount of the investment	**13,110**	–
Revenue	**111,532**	–
Profit before income tax	**3,278**	–
Income tax	**(356)**	–
Profit and total comprehensive income for the year	**2,922**	–

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Non-current		
Unlisted equity investment (Note)		
At beginning of year (Note 2(a)(i))	**2,884**	–
Fair value gain for the year	**1,448**	–
At end of year	**4,332**	–
Current		
Derivative financial instrument		
Put Option (Note 17)		
At beginning of year	**–**	–
Addition	**2,767**	–
Fair value gain for the year	**17**	–
At end of year	**2,784**	–

Note:

The amounts represented the Group's investment in 3.5% equity interest in an unlisted private limited company incorporated in Hong Kong which is engaged in property development.

For more detailed information in relation to the fair value measurement of the items above, please refer to Note 39(b).

19. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2019 HK$'000	2018 HK$'000
Unlisted equity securities in a private limited company incorporated in Hong Kong, at cost	**–**	2,884

During the year ended 31 March 2018, the Group acquired 3.5% equity interest in an unlisted private limited company incorporated in Hong Kong. The investment was measured at cost less impairment at the end of the reporting period because the investment did not have a quoted market price in an active market and therefore the directors of the Company were of the opinion that its fair value cannot be measured reliably.

Upon the adoption of HKFRS 9, the investment was reclassified from available-for-sale financial asset to financial assets at FVTPL on 1 April 2018 (Note 18).

20. PLEDGED BANK DEPOSITS

As at 31 March 2019 and 2018, pledged bank deposits were pledged to secure bank facilities of the Group (Note 27).

21. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	40,513	57,011
Retention receivables	–	64,965
Deposits, prepayments and other receivables (Note)	40,348	19,774
Less: Expected credit loss	(2,483)	–
	37,865	19,774
	78,378	141,750

Note: As at 31 March 2019, included in other receivables was an amount of approximately HK$13,009,000 (2018: HK$3,429,000) due from an unlisted equity investment of the Group. The amount due is unsecured, interest-free and repayable on demand.

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

	2019 HK$'000	2018 HK$'000
At beginning of year	–	–
Expected credit loss recognised during the year	2,483	–
At end of year	2,483	–

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

	2019 HK$'000	2018 HK$'000
Within 30 days	35,460	57,011
31–60 days	5,053	–
	40,513	57,011

21. 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
Neither past due nor impaired	57,011

For the year ended 31 March 2018, 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 were expected to be recovered beyond twelve months after the end of the reporting period. Upon the adoption of HKFRS 15, retention receivables, for which the Group's entitlement to the consideration was conditional on satisfactory completion of the retention period, were reclassified to "Contract assets" (Note 23).

As at 31 March 2019, the Group's trade receivables of HK$31,576,000 (2018: HK$8,673,000) were pledged as securities for the bank facilities of the Group (Note 27).

Further details of the Group's credit policy and credit risk arising from trade and other receivables are set out in Note 40(a).

22. 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 were expected to be recovered beyond twelve months after the end of the reporting period.

23. CONTRACT ASSETS AND CONTRACT LIABILITIES

(i) Contract assets

	31 March 2019 HK$'000	1 April 2018 HK$'000
Related to provision of Construction Works	**201,629**	177,682

The Group's contract assets represent the Group's right to consideration for construction works completed but not yet billed to customers at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is, when the Group issue progress billings to customers based on certified amount agreed with customer. All contract assets are expected to be recovered/settled within one to three years. As at 31 March 2019, the increase in contract assets was resulted from the increase in the provision of construction works at end of the year.

As at 31 March 2019, contract assets include retention receivables held by customers for construction works amounting to HK$70,542,000 (2018: HK$64,965,000). The Group typically agrees a one-year retention period for 5% to 10% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection.

As at 31 March 2019, retention receivables of HK$27,657,000 (2018: HK$37,709,000) were expected to be recovered beyond twelve months after the end of the reporting period.

(ii) Contract liabilities

	31 March 2019 HK$'000	1 April 2018 HK$'000
Related to provision of Construction Works	**1,012**	199

As at 31 March 2019, all contract liabilities are expected to be recognised as revenue within one year.

23. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(ii) Contract liabilities (Continued)

Movements in contract liabilities:

	2019 HK$'000
At 1 April	**199**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(199)**
Increase in contract liabilities as a result of billing in advance of construction works	**1,012**
At 31 March	**1,012**

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 April 2018. Upon the adoption of HKFRS 15, amounts previously included as "Amounts due from/(to) customers of contract work" (Note 24) and "retention receivables" (Note 21) have been reclassified to "Contract assets" and "Contract liabilities".

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

	2019 HK$'000	2018 HK$'000
Costs incurred to date plus recognised profits	**–**	1,508,219
Less: Progress billings to date	**–**	(1,395,701)
	–	112,518
Amounts due from customers of contract work	**–**	112,717
Amounts due to customers of contract work	**–**	(199)
	–	112,518

25. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**87,808**	135,456
Bills payable	**–**	6,134
Trade and bills payables (Note)	**87,808**	141,590
Retention payables	**32,507**	34,677
Other payables, accruals and deposits received	**13,637**	8,762
	133,952	185,029

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

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**65,236**	105,935
31–60 days	**14,604**	22,334
61–90 days	**3,434**	3,975
Over 90 days	**4,534**	3,212
	87,808	135,456

As at 31 March 2019, included in trade payables was an amount of approximately HK$3,168,000 due to an associate which is repayable on credit term similar to those offered to the suppliers of the Group.

As at 31 March 2019, retention payables of HK$11,834,000 (2018: HK$14,987,000) were expected to be settled beyond twelve months after the end of the reporting period.

Other payables, accruals and deposits received mainly represented accruals for daily operating expenses including accrued salaries and professional fees.

26. OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2019 and 2018, the Group leased motor vehicles which were classified as finance leases. The lease obligations were secured by the underlying leased assets and corporate guarantee of the Company. 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 2019			
Not later than one year	**798**	**77**	**721**
Later than one year but not later than two years	**781**	**45**	**736**
Later than two years but not later than five years	**683**	**16**	**667**
	2,262	**138**	**2,124**

	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

The present values of future lease payments are analysed as:

	2019 HK$'000	2018 HK$'000
Current liabilities	**721**	688
Non-current liabilities	**1,403**	2,124
	2,124	2,812

Note: The effective interest rates of the Group's obligations under finance leases liability as at 31 March 2019 and 2018 ranged from 3.42% to 5.96% and 3.48% to 5.96% per annum respectively.

27. BANK BORROWINGS, SECURED

	2019 HK$'000	2018 HK$'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	**189,891**	92,098
— Bank loans due for repayment after one year (Note (b))	**2,547**	3,150
	192,438	95,248

Notes:

(a) Bank loans are interest-bearing at floating rates. The interest rates of the Group's bank loans as at 31 March 2019 granted under banking facilities ranged from 2.41% to 5.08% (2018: 2.40% to 3.96%) per annum.

(b) The current liabilities as at 31 March 2019 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 2019, the banking facilities of the Group were secured by certain trade receivables (Note 21), certain leasehold land and buildings of the Group (Note 15), pledged bank deposits (Note 20) and corporate guarantee of the Company (2018: certain trade receivables, leasehold land and buildings of the Group, pledged bank deposits and corporate guarantee of the Company).

As at 31 March 2019 and 2018, the Group's bank borrowings were scheduled to be repaid as of the end of reporting period as follows:

	2019 HK$'000	2018 HK$'000
On demand or within one year	**189,891**	92,098
More than one year, but not exceeding two years	**147**	605
More than two years, but not exceeding five years	**464**	456
More than five years	**1,936**	2,089
	192,438	95,248

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.

28. SHARE CAPITAL

The share capital as at 31 March 2019 and 2018 represented the issued share capital of the Company as detailed below:

	Number	HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	10,000,000,000	100,000
Issued and fully paid		
At 1 April 2017, 31 March 2018 and 1 April 2018	1,000,000,000	10,000
Issue of shares (Note)	13,000,000	130
At 31 March 2019	1,013,000,000	10,130

Note: During the year, 13,000,000 shares were issued to the vendor of New Bright in respect of the partial consideration for the acquisition of 30% equity interest in New Bright (Note 17).

29. 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$3,560,000 (2018: HK$1,500,000) was recognised in profit or loss for the year. As at 31 March 2019, the Company had 32,500,000 (2018: 32,500,000) share options outstanding under the Scheme.

All outstanding share options are exercisable with exercise price of HK$0.40. The remaining contractual life of all outstanding share options was 8.6 years (2018: 9.6 years).

30. 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 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 29)	–	1,500	–	1,500
At 31 March 2018 and 1 April 2018	**73,495**	**1,500**	**(5,954)**	**69,041**
Profit and total comprehensive income for the year	**–**	**–**	**10,677**	**10,677**
Issue of shares	**4,940**	**–**	**–**	**4,940**
Dividend declared and paid (Note 13)	**–**	**–**	**(4,052)**	**(4,052)**
Share-based payment expenses (Note 29)	**–**	**3,560**	**–**	**3,560**
At 31 March 2019	**78,435**	**5,060**	**671**	**84,166**

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	**2019 HK$'000**	2018 HK$'000
Non-current assets			
Investments in subsidiaries		**32,676**	32,676
Current assets			
Deposit and prepayment		**55**	–
Amounts due from subsidiaries		**56,629**	46,444
Bank balances and cash		**5,015**	–
Total current assets		**61,699**	46,444
Current liabilities			
Accruals		**79**	79
Net current assets		**61,620**	46,365
Net assets		**94,296**	79,041
Capital and reserves			
Share capital	28	**10,130**	10,000
Reserves	30	**84,166**	69,041
Total equity		**94,296**	79,041

Approved and authorised for issue by the board of directors on 24 June 2019.

Mr. Ng Choi Wah
Executive Director

Mr. Lui Yiu Wing
Executive Director

32. OPERATING LEASE COMMITMENTS

Operating leases — The Group as lessee

The Group leases office premises under operating lease arrangement. As at 31 March 2019, the leases run for an initial period of one to two (2018: one to two) years and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**1,935**	929
Later than one year and not more than five years	**255**	358
	2,190	1,287

33. 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 2019	2018	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%**	100%	Investment holding

34. 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 2019, the Group paid subcontracting charges of approximately HK$81,208,000 to New Bright, since it became an associate of the Group.

(b) During the year ended 31 March 2019, the Group rented certain car parks from a director in the aggregate amount of HK$112,000 (2018: HK$192,000). The directors are of the opinion that the rent was determined with reference to market price.

(c) 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.

35. 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:

	2019 **HK$'000**	2018 HK$'000
Aggregate value of the surety bonds issued in favour of customers	**123,990**	86,902

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 2019 and 2018.

As at 31 March 2019 and 2018, the Group's surety bonds were secured by the Company's corporate guarantee.

36. 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.

37. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Significant non-cash transactions

	2019 HK$'000	2018 HK$'000
Significant non-cash transactions are as follows:		
Investing activities		
Associate acquired by setting off against deposit paid	2,500	–
Associate acquired by issue of shares	5,070	–
Financing activities		
Property, plant and equipment acquired under finance lease	–	2,508
	7,570	2,508

(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 27) HK$'000	Obligations under finance leases (Note 26) HK$'000
At 1 April 2018	95,248	2,812
Changes from financing cash flows:		
Proceeds from new bank borrowings	277,960	–
Repayments of bank borrowings	(180,770)	–
Capital element of finance lease payments	–	(688)
Interest paid on bank borrowings	(6,967)	–
Interest paid on obligations under finance leases	–	(101)
Total changes from financing cash flows	90,223	(789)
Other charges:		
Interest expenses	6,967	–
Finance charges on obligations under finance leases	–	101
Total other changes	6,967	101
At 31 March 2019	192,438	2,124

37. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Bank borrowings (Note 27) HK$'000	Obligations under finance leases (Note 26) HK$'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

38. CAPITAL COMMITMENT

As at 31 March 2019 and 2018, the Group did not have any significant capital commitment.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised costs		
— Trade and other receivables	**58,446**	–
— Pledged bank deposits	**15,022**	–
— Bank balances and cash	**69,097**	–
— Amount due from an associate	**12,906**	–
Loan and receivables at amortised costs		
— Trade and other receivables	**–**	141,750
— Pledged deposits	**–**	674
— Pledged bank deposits	**–**	25,002
— Bank balances and cash	**–**	52,365
Financial assets at FVTPL	**7,116**	–
Available-for-sale financial asset at cost	**–**	2,884
Financial liabilities		
Financial liabilities at amortised costs		
— Trade and other payables	**133,952**	185,029
— Obligations under finance leases	**2,124**	2,812
— Bank borrowings, secured	**192,438**	95,248

(a) Financial instruments not measured at fair value

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

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(b) Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

— Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Notes	**Level 1** HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 March 2019					
Financial assets at fair value through profit or loss					
Unlisted equity investment	(i)	–	–	4,332	4,332
Put Option	(ii)	–	–	2,784	2,784
		–	–	7,116	7,116

There were no transfers between levels during the year.

The movements in fair measurements within Level 3 during the year are set out in Note 18.

There were no changes in valuation techniques during the year.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(b) Financial instruments measured at fair value (Continued)

The information about Level 3 fair value measurements is as follows:

Financial assets	Fair value 2019 HK$'000	Fair value 2018 HK$'000	Valuation technique(s)	Significant unobservable inputs to fair value	Sensitivity
(i) Unlisted equity investment	**4,332**	–	Cost Approach	Discount rate of 3.5%	If the discount rate is 1% higher/lower, while all other variables were held constant, the fair value would decrease by HK$525,000 and increase by HK$490,000, respectively.
(ii) Put Option	**2,784**	–	Binomial Option Pricing Model	Volatility of 36.98%	If the volatility is 5% higher/lower, while all other variables were held constant, the fair value would increase by HK$206,000 and decrease by HK$209,000, respectively.
				Discount rate of 37.75%	If the discount rate is 5% higher/lower, while all other variables were held constant, the fair value would decrease by HK$202,000 and increase by HK$217,000, respectively.

40. 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.

40. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

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 maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

The Group's credit risk is primarily attributable to its trade and other receivables, contract assets, amount due from an associate, 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.

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

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.

As at 31 March 2019, the Group has concentration of credit risk as the top five trade debtors accounted for approximately 92% (2018: 91%) of the trade receivables. In view of their good payment records and long established relationships with the Group, management does not consider the Group's credit risk with the top five trade debtors to be significant.

40. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Impairment under ECLs model

The Group recognises loss allowance for ECLs on debt instruments carried at amortised cost. The Group applies simplified approach to measure ECLs on trade receivables and contract assets; and general approach to measure ECLs on other receivables, amount due from an associate, pledged bank deposits and bank balances. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECLs. Under the general approach, the Group applies the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

– Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

– Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit risk assessment and including forward-looking information.

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or past due event;

(c) granting a concession to the debtors that the lender would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or

(d) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

40. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Impairment under ECLs model (Continued)

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of default. The assessment of the probability of default and loss given default is based on historical data such as actual loss experience over the past 3 years and adjusted for forward-looking information through the use of industry trend and experienced credit judgement to reflect the qualitative factors, and through the use of multiple probability-weighted scenarios.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The ECL rates of trade receivables and contract assets were assessed to be minimal. The directors of the Company believe that there is no loss allowance required for trade receivables and contract assets as at 31 March 2019.

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and amount due from an associate based on historical settlement records and past experience as well as ECL assessment. As at 31 March 2019, included in other receivables was an amount of HK$3,483,000 representing advanced payments to a subcontractor of the Group. The directors identified that the debtor is in financial difficulty and determined that the amount is credit-impaired. Accordingly, lifetime expected credit loss of HK$2,483,000 was recognised under Stage 3 of ECLs model. Save as disclosed above, the Group has considered that credit risk on other receivables and amount due from an associate has not increased significantly since initial recognition and has assessed the ECL rate under 12-month ECLs method based on the Group's assessment in the risk of default of the respective counterparties. As at 31 March 2019, the Group has assessed that the expected loss rates for other receivables and amount due from an associate were immaterial. Accordingly, no further loss allowance was recognised.

40. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(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 2019 and 2018 bore interest at floating rates. Details of bank loans are disclosed in Note 27.

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 reasonable 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	
	2019	2018
	HK$'000	HK$'000
Changes in interest rate		
+1%	**(1,924)**	(952)
-1%	**1,924**	952

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.

40. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(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 since prior years and is considered to have been 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 borrowings 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 2019						
Trade and other payables	133,952	133,952	133,952	–	–	–
Obligations under finance leases	2,124	2,262	798	781	683	–
Bank borrowings subject to repayment on demand clause	192,438	192,438	192,438	–	–	–
	328,514	328,652	327,188	781	683	–

40. 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 2018						
Trade and other payables	185,029	185,029	185,029	–	–	–
Obligations under finance leases	2,812	3,060	798	798	1,464	–
Bank borrowings subject to repayment on demand clause	95,248	95,248	95,248	–	–	–
	283,089	283,337	281,075	798	1,464	–

The following tables summarise the maturity analysis of the Group's bank borrowings 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 borrowings subject to repayment on demand clause						
As at 31 March 2019	**192,438**	**196,550**	**193,464**	**213**	**638**	**2,235**
As at 31 March 2018	95,248	96,450	92,744	680	627	2,399

40. 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:

	2019 **HK$'000**	2018 HK$'000
Bank borrowings, secured	**192,438**	95,248
Obligations under finance leases	**2,124**	2,812
Total debts	**194,562**	98,060
Total equity	**111,852**	96,248
Gearing ratio	**174%**	102%

41. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting date.

Financial Summary

RESULTS

	2019 **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**843,659**	870,888	579,849	475,474	377,356
Profit before income tax	**15,229**	24,942	31,144	26,270	22,813
Income tax	**(4,203)**	(5,240)	(5,693)	(5,154)	(4,335)
Profit and total comprehensive income for the year	**11,026**	19,702	25,451	21,116	18,478

ASSETS AND LIABILITIES

	2019 **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Total assets	**442,391**	380,775	283,942	230,296	183,946
Total liabilities	**(330,539)**	(284,527)	(202,896)	(174,701)	(163,841)
Net assets	**111,852**	96,248	81,046	55,595	20,105

Notes:

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

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