Ching Lee Holdings Limited
正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3728

2020
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

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 54, 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 2020.

OVERVIEW

During the year, although Hong Kong has gone through the social unrest and the outbreak of the Coronavirus disease (COVID-19), the foundations of our core business remain robust since we still capture growing business opportunities with potential construction projects from our long established customers network. However, the keen market competition drives down our profit margin.

FINANCIAL RESULTS

The total revenue of the Group increased by approximately HK$149.7 million or 17.7% from approximately HK$843.7 million for the year ended 31 March 2019 to approximately HK$993.3 million for the year ended 31 March 2020. In general, the slight increase in revenue was due to the increase from superstructure building works services and substructure building work services amount to approximately HK$242.1 million and HK$30.9 million respectively which increase was offset by the decrease in RMAA works services of approximately HK$123.4 million. Basic earnings per share for the year ended 31 March 2020 was HK1.20 cents as compared with HK1.09 cents per share for the year ended 31 March 2019.

FORWARD

Looking forward, we expect Hong Kong economy remains challenging, with lingering public events and the COVID-19 outbreak. However, the Group is still 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, 23 June 2020

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 2020 was recorded at approximately HK$993.3 million which represented a slight increase of approximately HK$149.7 million or 17.7% from approximately HK$843.7 million for the year ended 31 March 2019.

	Year ended 31 March		Increase/
	2020	2019	(Decrease)
	HK$'000	*HK$'000*	%
Substructure building work services	**30,936**	–	–
Superstructure building work services	**658,663**	416,508	58.1%
RMAA work services	**303,736**	427,151	(28.9%)
	993,335	843,659	17.7%

(i) Substructure building works services

For the year ended 31 March 2020, revenue recorded in this segment amounted to approximately HK$30.9 million (2019: HK$Nil). The increase by approximately HK$30.9 million was mainly due to substructure building work projects were engaged with revenue recognised during the year ended 31 March 2020.

(ii) Superstructure building works services

For the year ended 31 March 2020, revenue recorded in this segment amounted to approximately HK$658.7 million (2019: approximately HK$416.6 million). The increase by approximately HK$242.1 million was mainly due to the more milestone recognitions by projects were reached with revenue recognised.

(iii) RMAA works services

For the year ended 31 March 2020, revenue recorded in this segment amounted to approximately HK$303.7 million (2019: approximately HK$427.2 million). The decrease by approximately HK$123.4 million was mainly due to less milestone recognitions by projects were recognised when compared to the year ended 31 March 2019.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2020 recorded at approximately HK$993.3 million which represented a slight increase of approximately HK$149.6 million or 17.7% from approximately HK$843.7 million for the year ended 31 March 2019. The increase in total revenue was mainly due to a increase from superstructure building works services and substructure building work services amount to approximately HK$242.1 million and HK$30.9 million respectively. The increase was offset by decrease in RMAA works services of approximately HK$123.4 million.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately HK$6.6 million or 7.5%, from approximately HK$87.2 million for the year ended 31 March 2019 to approximately HK$80.7 million for the year ended 31 March 2020. During the year ended 31 March 2020, the gross profit margin was approximately 8.1%, which is slightly lower than the gross profit margin of prior year of approximately 10.3%.

Other Income and Gains

Other Income and Gains remain relatively stable at HK$1.7 million for the years ended 31 March 2020 and 2019.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses decreased by approximately HK$5.7 million or 8.8% from approximately HK$65.0 million for the year ended 31 March 2019 to approximately HK$59.3 million for the year ended 31 March 2020.

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) the decrease in staff cost of approximately HK$3.9 million, (ii) the decrease in share-based payment expenses of approximately HK$3.5 million, such decrease was offset by the increase in depreciation of approximately HK$1.4 million.

Finance Costs

Finance Costs increased by approximately HK$2.2 million or 31.8% from approximately HK$7.1 million for the year ended 31 March 2019 to approximately HK$9.3 million for the year ended 31 March 2020, which was mainly due to an increase in average bank borrowings during the year ended 31 March 2020.

Income Tax

Income Tax decreased by approximately HK$1.8 million or 41.8% from approximately HK$4.2 million for the year ended 31 March 2019 to approximately HK$2.4 million for the year ended 31 March 2020.

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 increased by approximately HK$1.2 million or 10.9% from approximately HK$11.0 million for the year ended 31 March 2019 to approximately HK$12.2 million for the year ended 31 March 2020.

Such increase was primarily attributable to the net effect of (i) the decrease in gross profit of approximately HK$6.6 million and (ii) the decrease in administrative and other operating expenses incurred by the Group of HK$5.7 million, iii) the decrease in expected credit loss on financial assets HK$1.5 million and iv) the increase in the share of results of an associate of approximately HK$1.0 million.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had total assets of approximately HK$521.4 million, which is financed by total liabilities and shareholders' equity of approximately HK$400.4 million and HK$121.0 million, respectively. The Group's current ratio remained stable at approximately 1.2 at 31 March 2019 and 31 March 2020.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2020 was approximately 130.8% (31 March 2019: approximately 174.0%), which is calculated based on the total obligations under finance lease, lease liabilities 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 2020 was approximately HK$0.5 million, which was mainly used in the purchase of property, furniture and equipment.

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$113.0 million were pledged as securities for the Group's banking facilities.

SEGMENT INFORMATION

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

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 March 2020.

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.

Management Discussion and Analysis

CAPITAL STRUCTURE

The Share 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 2020, 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 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2020, 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 2020, the Group employed a total of 146 employees (31 March 2019: 199 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 2020 were approximately HK$82.8 million (For the year ended 2019: approximately HK$89.4 million).

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

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries and investment in associate, the Group did not hold any significant investments during the year ended 31 March 2020.

Management Discussion and Analysis

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.

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 2020 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 2020 HK$ million
To invest in property development project	16.3	2.9
	16.3	2.9

Biographical Details of Directors and Senior Management

Executive Directors

Mr. NG Choi Wah, aged 54, 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 48, 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 47, 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 59, 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 82, 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 57, was appointed as an independent non- executive Director on 10 March 2016. He is also the chairman of the audit committee and a member of the remuneration committee of our Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

He has over 20 years of experience in audit, tax and financial management. Mr. Chau is an executive director of Winox Holdings Limited (stock code: 6838), the issued shares of which is listed on the Stock Exchange, since March 2011. He is also an Independent Non-executive Director of 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 55, 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 41, 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 31, 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 37, 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 31, is an building services coordinator of our Group. He joined our Group in October 2015.

Mr. H.N. Ng has about 8 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 38, was appointed by the Board as the company secretary of the Company on 14 August 2017. Mr. Tsui has more than 15 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 an Executive Director of Tree Holdings Limited (stock code: 8395), a company listed on the GEM of the Stock Exchange, since 6 September 2016. Mr. Tsui has been the Company Secretary of Jiu Zun Digital Interactive Entertainment Group Holdings Limited (stock code: 1961), a company listed on the Main Board of the Stock Exchange, since February 2019.

Mr. Tsui was appointed by the Embassy of the Republic of the Uganda in Beijing as Honorary Trade, Tourism and Investment Consultant/Adviser on China (Hong Kong and Macau SAR) from November 2016 to June 2019.

Mr. Tsui was appointed as a member of the Chinese People's Political Consultative Conference of Qinzhou City in Guangxi Province in China since December 2019.

Mr. Tsui was appointed by the Ministry of Foreign Affairs and Regional Integration of the Republic of Ghana as Honorary Consul of Ghana in Hong Kong in March 2020.

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.

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 2020.

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.

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 2020 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.

Corporate Governance Report

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 2020 commencing from 1 April 2019 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	4/4	2/2	1/1	N/A	1/1
Mr. Chau 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.

Corporate Governance 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 2020 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 2020 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 2020. 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 2020, 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 2020 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 2020 set out in this annual report.

AUDITORS' REMUNERATION

For the year ended 31 March 2020, 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	1,080
Non-audit services	58
	1,138

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 2020. 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 2020.

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 2020, 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 2020, 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. The intensities in this section were calculated per number of facilities[1].

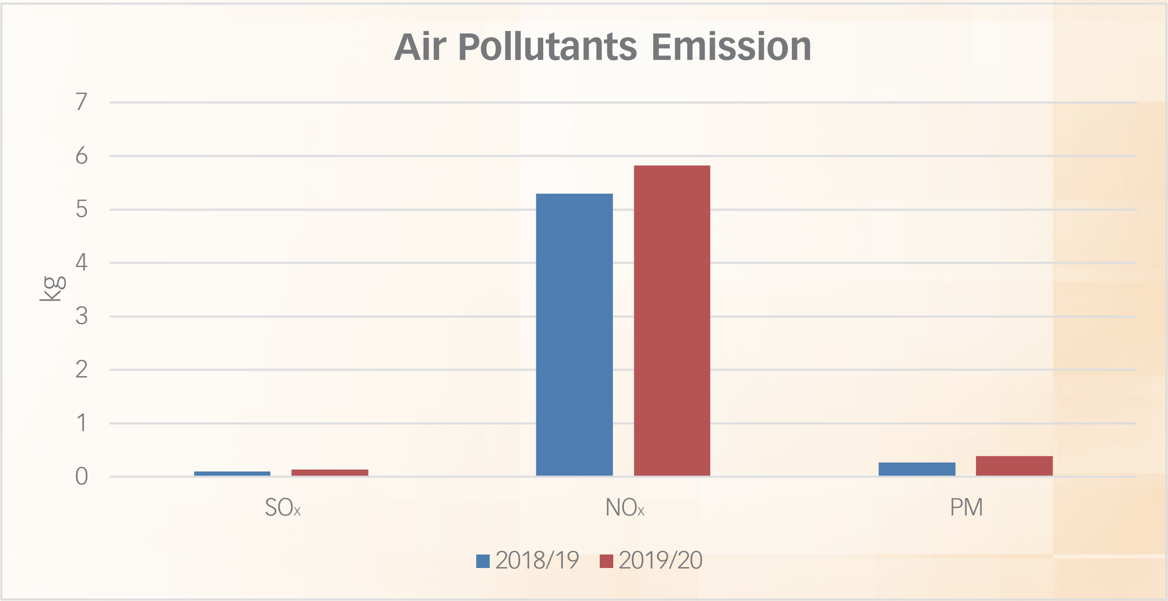
During the Reporting Year, there was no material non-compliance issue with relevant laws and regulations related to the environment. The Group will continue to contribute to future sustainable development and be alert to any non-compliance behavior relating to critical environmental problems.

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 ("**SO_x**"), nitrogen oxides ("**NO_x**") and particulate matter ("**PM**"). Total weight of air emission amounted to 6.34 kg (2019: 5.66 kg), which was 0.45 kg per facility (2019: 0.33 kg per facility), with an increase of 12% in the total emission weight compared to Year 2018/19. The increase was mainly due to the change of using electricity generated by the rented generators in construction sites, which consumed diesel oil for operations, instead of purchasing from electricity providers during the Reporting Year.

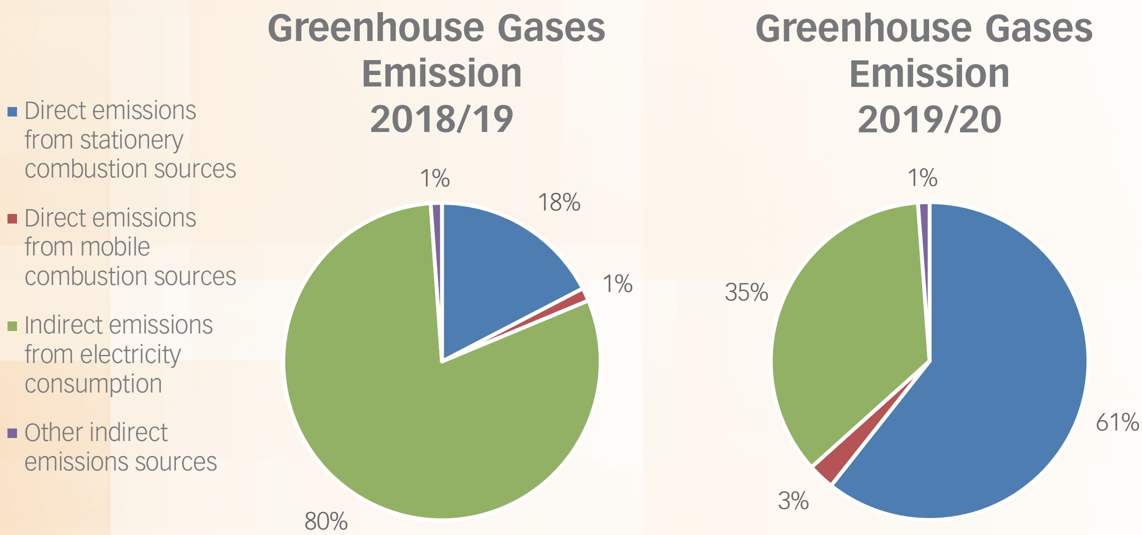
The Group has implemented an environmental policy to reduce the air pollutant emissions. All machineries and vehicles were under frequent and regular checks and maintenance to ensure no energy inefficiency occurred. Besides, for transportation logistics, our drivers planned the route ahead with the shortest distance to reduce unnecessary consumption of fuel.



[1] During the Reporting Year, there were 13 project sites (2019: 16) and 1 headquarter located in Hong Kong.

Greenhouse Gases Emission

The Group's purchase of electricity from electricity providers[2] 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[3] and sewage[4] processing and paper waste disposal at landfills. During the Reporting Year, the amount of total greenhouse gas emission was approximately 889 tonnes (2019: 1,213 tonnes), which was 64 tonnes per facility (2019: 71 tonnes per facility). Compared to the last year emissions, the total amount of greenhouse gas emission decreased significantly by 26.7%, with a decrease of 9.9% in the relevant intensity. The reason of the significant decrease was due to the change of using electricity generated by the rented generators in construction sites, which consumed diesel oil for operations, instead of purchasing from electricity providers during the Reporting Year. With respect of this reason, the total direct greenhouse gases emission from stationery combustion sources (i.e. the electricity generators) increased from 211 tonnes to 539 tonnes, with an increase of 155.5% compared to last year. Nonetheless, the total indirect greenhouse gases emission from electricity purchased decreased from 972 tonnes to 315 tonnes, with a decrease of 67.6% compared to last year. The above two effects resulted the aforementioned 26.7% drop in the total greenhouse gas emissions compared to last year. The change in proportion of respective emission sources was illustrated in below charts. 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 gases emission 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. Moreover, the switch from purchasing electricity to using electricity generators in construction sites helped whittle down the greenhouse gases emissions effectively. In hopes of these measures, the Group believed that the carbon emissions could be further reduced in the upcoming future.

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2 The latest carbon emission factors announced in the Sustainability Report 2018/19 issued by CLP Holdings Limited and HK Electric Investments Limited were 0.50 $kgCO_2e/kWh$ and 0.81 $kgCO_2e/kWh$ respectively.

3 The latest unit electricity consumption factor of fresh water processing announced in the Annual Report 2018/19 issued by Hong Kong Water Supply Department was 0.606 kWh/m^3.

4 The latest unit electricity consumption factor of sewage processing announced in the Sustainability Report 2018/19 issued by Hong Kong Drainage Services Department was 0.28 kWh/m^3.

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 as well as recycling for further usage. Total weight of non-hazardous waste disposed during the Reporting Year was recorded as 19,546 tonnes (2019: 17,797 tonnes), with an intensity of 1,396 tonnes per facility (2019: 1,047 tonnes per facility). Compared to last year, there was an increase of 9.8% in terms of the amount of non-hazardous waste disposed. In addition, there was a 33.3% increase on the relevant intensity. 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. During the Reporting Year, the total weight of waste recycled amounted to 14 tonnes. We will continue to strive for whittling down the waste produced and hence further reduce the negative impact on the environment.

Recycling bins placed in construction sites

Construction waste disposal area in construction sites

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 in the Group's office and construction sites was one of the major contributors to the greenhouse gas footprint. During the Reporting Year, the total units of electricity purchased from electricity providers was 627 MWh[5] (2019: 1,774 MWh), with an intensity of 45 MWh per facility (2019: 104 MWh per facility). Compared to last year, the electricity purchased from electricity providers significantly decreased by 64.7%, with a decrease of 56.7% in the relevant intensity.

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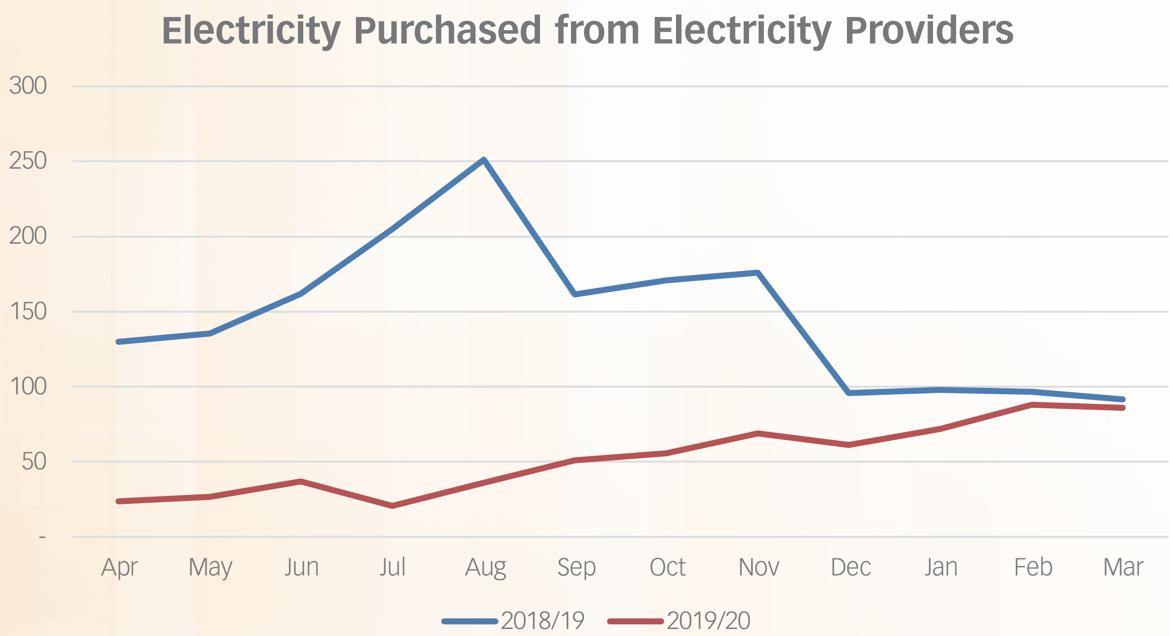
5 The only measurable data of electricity consumption was the purchased electricity from the electricity providers. Due to the limitation of data collected, the electricity consumption from the operations of electricity generators in the construction sites was not included.



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 15,257 cubic metres (2019: 22,093 cubic metres), in which the water consumption intensity was 1,090 cubic metres per facility (2019: 1,300 cubic metres per facility). Compared with last year, the total consumption level decreased by 30.9%, with a 16.2% decrease in the relevant intensity. The decrease mainly due to the successful implementation of water reduction measures described as follows.

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.

Fuel consumption[6]

The Group's fuel consumption mainly attributed to the operations of machineries and automobiles. During the Reporting Year, for machinery usage including the electricity generators aforementioned and other machineries such as welding machines, the total consumption of fuels amounted to 201,465 L of diesel oil (2019: 70,120 L), 3,008 kg of liquefied petroleum gas (2019: 6,043 kg) and 1,240 L of kerosene (2019: nil) respectively. During the Reporting Year, for automobiles usage including private cars, the total consumption of fuels amounted to 8,085 L of unleaded petrol (2019: 5,992 L) and 793 L of diesel oil (2019: nil) respectively. As aforementioned in previous sections, due to the change of using electricity generated by the rented generators in construction sites, which consumed diesel oil for operations, instead of purchasing from electricity providers during the Reporting Year, the consumption of diesel oil increased significantly by 187.3%.

In addition, alongside the operations of machineries and automobiles, the Group also consumed town gas for its daily operations. During the Reporting Year, no town gas (2019: 3,590 kg) was consumed during the Group's operations.

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

[6] The data of fuel consumption was not disclosed in previous ESG reports. This section is included in this ESG report for a more comprehensive disclosure of the Group's use of resources.

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.

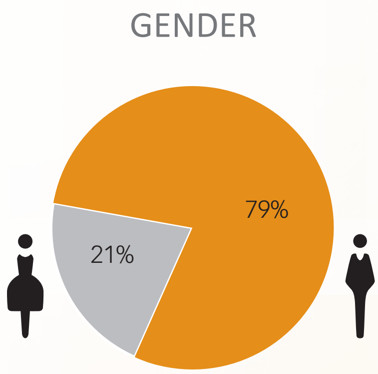
For recruitment and dismissal process, the Group will go through the procedures according to the policies stated internally. For recruitment, equal opportunities are provided to all applicants with regards of the considerations of their experience, knowledge and skills only. For dismissal, those employees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

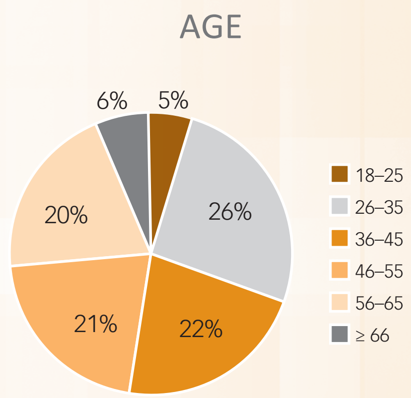
The Group offers competitive employee benefits packages for all employees regardless of the form of employee. Pay rate and benefits packages are benchmarked, by our Executive Directors, against the market standard to ensure fair and equitable compensation practice and maintaining competitive salaries. 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 2020, the male- to-female ratio was 79% : 21%, for a total of 146 employees (2019: 199 employees). Among our 146 employees, there were 96, 35 and 15 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. To foster harmonious work culture, we also organise employees activities regularly, such as friendly football matches.

The aforementioned employee benefit and the harmonious working environment contribute to the healthy monthly average turnover rate of 1.80% (2019: 2.44%). With respect of gender, the monthly average turnover rate of male staff and female staff were 1.58% (2019: 2.13%) and 3.08% (2019: 3.90%) respectively.

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 0.45 per 100,000 man-hours.

During the Report Year, the number of reported cases of work injury was 8, with a total of 122 working hours lost. There was no fatal cases reported during the Reporting Year. All the injured employees were given sick leave to ensure sufficient rest for recovery. They were also compensated accordingly and adequately by either the sub-contractor concerned, our Group or insurance company. The Group has purchased sufficient employees' compensation insurance and group medical insurance that cover all its employees under different projects, while maintaining a list of effective insurance to keep track of all the insurances. This helps to ensure adequate coverage of the employees' compensation and make necessary updates in a timely manner to safeguard the interests of all our employees. In the meantime, the Group maintains a work injury register to keep track of all reported cases of work injury, ensuring that all cases are attended to appropriately.

The Group provides healthy and safe 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 healthy and safe environment in the construction sites. Similar to the practice in Head Office, emergency drills on sites will be arranged by Project Manager and Construction Manager, with fire exit plans posted around project sites. 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. Besides, site safety reports are prepared regularly to ensure that all these measures have been implemented appropriately, while helping the management to stay alert of the safety condition of all construction sites and manage the potential hazards at sites.

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. Posters are also posted at our construction sites to remind workers of the safety protocols and potential hazards.

The Group follows strictly to the Section 15 of the Employees' Compensation Ordinance to report any accident to the Commissioner for Labor. The Group also strictly complied with others relevant health and safety laws and regulations, such as the local fire services regulations, to provide a safe work environment to its employees by protecting them from occupational hazards. 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 560 hours of training. The proportion of employees joining training courses this year was at around 8%, with an average of 46.7 hours per each trained staff, consisting of 7 males and 5 females with 6 front-line staff, 5 middle-management staff and 1 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 basis.

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.

Apart from safety training, advanced training, such as Building Information Modelling Course, is also provided to the management to equip them with the necessary skills and knowledge in the industry, while our clerical staff are also engaged in external continuous development and 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 2020, we worked with 255 approved subcontractors and 372 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 and safety 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.

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.

The Group also conducts regular project site visit to ensure project progress and quality. Site progress reports are prepared regularly for various sites which keep track of the statutory form submission, site progress, schedule of works in the coming weeks, site safety, complaint received, and instruction received from architects and engineers. By this means, we can ensure that all aspects of the project are up to standard and that project plans are being executed in timely manner. During the Reporting Year, we have received a total of 5 cases of complaint, all of which have been attended to in timely and appropriate manner. We will continue to place the quality and safety of our products and services at top priority, so as to deliver the best to our customers.

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. In addition, the Group strictly complied with the relevant laws and regulations relating to health and safety, advertising, labeling and privacy matters relating to services provided and methods of redress.

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; and

(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.

In addition to bribery and corruption, our employees are strictly prohibited from engaging in any illegal acts, including extortion, fraud, money laundering, etc.

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. It is the Group's core values for reminding its employees to uphold their integrity and professionalism as aforementioned.

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.

During the Reporting Year, the Group has donated to a vast variety of organisations to give back to society, including Scout Association of Hong Kong East Kowloon Region, Miu Fat Buddhist Monastery, PMA Music Foundation Limited, Bursary Scheme at the City University of Hong Kong, Vocational Training Council, Twinkle Stars, Guangdong-Hong Kong-Macau Greater Bay Area Youth Association Limited, Madam Lau Kam Lung Secondary School of Miu Fat Buddhist Monastery, Hong Kong Festival Fringe Limited, Hong Kong Wu Hua General Association Limited, Hong Kong Mei Zhou Association, and Construction Industry Council, with our donation this year amounting to HK$1,774,035. Our area of contribution also covers a wide range of aspects, ranging from arts and culture, education, vocational training, youth development, to coronavirus relief efforts in mainland China and construction industry in Hong Kong.

Twinkle Star Scheme in Meizhou, sponsoring students to pursue higher education.

Apart from monetary contribution, the Group's employees are also actively engaged in community services, such as volunteering and performing at community activities, as well as delivering medical supplies to local communities in light of the outbreak of coronavirus. During the Reporting Year, 20 of our employees have participated in community services with a total of 71 hours of service.

The Group will continue to invest more resources and engage more employees in community investment, in a bid to give back to the community while promoting corporate social responsibility and bringing positive impacts to society.

Report of Directors

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 March 2020.

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 2020, 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 2020 amounted to approximately HK$1.8 million (31 March 2019: HK$1.6 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 2020 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 52 to 117.

The Board of Directors declared an interim dividend of HK$0.003 (2019: HK$0.004) per share, which was paid during the year. The Board of Directors recommended the payment of final a dividend of HK$0.003 (2019: Nil) in respect of the year ended 31 March 2020.

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 2020, 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 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 March 2020 are set out in note 28 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 this 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 2019 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 2020, details of the significant related party transactions undertaken in the normal course of business are set out in the Note 32 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 2020.

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 2020, 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	676,820,000 (Note 1)	10,000,000	686,820,000	67.80%
Lui Yiu Wing	900,000	3,000,000	3,900,000	0.38%
Lam Ka Fai	–	3,000,000	3,000,000	0.30%
Independent non-executive Directors				
Wai Wing Hong Onyx	–	1,000,000	1,000,000	0.10%
Tong Hin Sum Paul	–	1,000,000	1,000,000	0.10%
Chau Kam Wing Donald	–	1,000,000	1,000,000	0.10%
Chief executive				
Tse Lai Han Henry	–	6,000,000	6,000,000	0.59%

Note 1: 645,000,000 Shares are registered in the name of JT Glory Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Ng. Under the SFO, Mr. Ng is deemed to be interested in all Shares held by JT Glory Limited. Another 31,820,000 shares are owned by Mr. Ng through the Bank directly.

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

Note 3: These percentages were compiled based on the total number of issued shares (i.e 1,013,000,000) as at 31 March 2020.

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

As at 31 March 2020, 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 2020, 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	31,820,000	10,000,000	4.13%
JT Glory Limited	Beneficial owner	645,000,000 (Note 1)	–	63.67%
Ms. Cheung Yuk Sheung ("**Ms. Cheung**")	Interest of spouse	645,000,000 (Note 2)	–	63.67%
	Beneficial owner	–	2,500,000	0.25%

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

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

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

Note 4: These percentages were compiled based on the total number of issued shares (i.e. 1,013,000,000) as at 31 March 2020.

Short positions in shares of the Company

As at 31 March 2020, 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 2020, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

	Percentage of revenue
— The largest customer	15.1%
— The total of the five largest customers	61.5%

For the year ended 31 March 2020, the percentages of cost of services attributable to the Group's major suppliers and subcontractors are set out below:

Cost of services

	Percentage of total purchase
— The largest supplier	8.2%
— The total of the five largest suppliers	22.6%

	Percentage of total subcontracting cost
— The largest subcontractor	6.8%
— The total of the five largest subcontractors	29.3%

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 2020, 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 2020. Details of accounting policies adopted for the share options are described in Note 27 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 7 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 2020. Details of accounting policies adopted for the share options are described in Note 27 to the consolidated financial statements.

Details of the share options under the Share Option Scheme during the year ended 31 March 2020 were as follows:

Name	Date of Grant	Exercisable period	Exercise price of share option	Outstanding as at 1 April 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31 March 2020	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	0.99%
Lui Yiu Wing	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	3,000,000	–	–	–	–	3,000,000	0.30%
Lam Ka Fai	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	3,000,000	–	–	–	–	3,000,000	0.30%
Tse Lai Han Henry	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	6,000,000	–	–	–	–	6,000,000	0.59%
Wai Wing Hong Onyx	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	1,000,000	–	–	–	–	1,000,000	0.10%
Tong Hin Sum Paul	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	1,000,000	–	–	–	–	1,000,000	0.10%
Chau Kam Wing Donald	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	1,000,000	–	–	–	–	1,000,000	0.10%
Cheung Yuk Sheung	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	2,500,000	–	–	–	–	2,500,000	0.25%
Other senior management and employees	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	5,000,000	–	–	–	–	5,000,000	0.49%

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.

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 2020 have been audited by BDO Limited.

By Order of the Board
Ng Choi Wah
Chairman

Hong Kong, 23 June 2020

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 52 to 117, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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 20 to the consolidated financial statements.

The Group is engaged in provision of construction and consultancy works and project management services in Hong Kong (the "Construction Works"). As at 31 March 2020, the Group recorded contract assets and contract liabilities of approximately HK$266,729,000 and HK$4,211,000 respectively. The Group recognised revenue and gross profit on provision of the Construction Works of approximately HK$993,335,000 and HK$80,661,000 respectively for the year ended 31 March 2020.

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, 23 June 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Revenue	7	**993,335**	843,659
Cost of revenue		**(912,674)**	(756,447)
Gross profit		**80,661**	87,212
Other income and gains	8	**1,711**	1,725
Administrative and other operating expenses		**(59,272)**	(65,034)
Expected credit loss on financial assets		**(1,000)**	(2,483)
Finance costs	10	**(9,314)**	(7,068)
Share of results of an associate		**1,830**	877
Profit before income tax	9	**14,616**	15,229
Income tax	11	**(2,446)**	(4,203)
Profit and total comprehensive income for the year		**12,170**	11,026
Earnings per share:	14		
— Basic (HK cents)		**1.20**	1.09
— Diluted (HK cents)		**1.20**	1.09

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	15	**41,271**	42,442
Intangible asset	16	**790**	790
Interest in an associate	17	**14,940**	13,110
Financial assets at fair value through profit or loss	18	**4,560**	4,332
Rental deposits	19	**144**	–
Total non-current assets		**61,705**	60,674
Current assets			
Trade and other receivables	19	**93,183**	78,378
Contract assets	20	**266,729**	201,629
Amount due from an associate	17	**14,916**	12,906
Financial assets at fair value through profit or loss	18	**2,784**	2,784
Taxation recoverable		**421**	1,901
Pledged bank deposits	21	**25,053**	15,022
Bank balances and cash		**56,591**	69,097
Total current assets		**459,677**	381,717
Current liabilities			
Trade and other payables	22	**237,718**	133,952
Contract liabilities	20	**4,211**	1,012
Lease liabilities	23	**2,271**	–
Obligations under finance leases	24	**–**	721
Bank borrowings, secured	25	**152,437**	192,438
Provision of taxation		**43**	369
Total current liabilities		**396,680**	328,492
Net current assets		**62,997**	53,225
Total assets less current liabilities		**124,702**	113,899

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Lease liabilities	23	**3,544**	–
Obligations under finance leases	24	**–**	1,403
Deferred tax liabilities	11	**175**	644
Total non-current liabilities		**3,719**	2,047
Net assets		**120,983**	111,852
Capital and reserves			
Share capital	26	**10,130**	10,130
Reserves	28	**110,853**	101,722
Total equity		**120,983**	111,852

Approved and authorised for issue by the board of directors on 23 June 2020.

Mr. Ng Choi Wah
Executive Director

Mr. Lui Yiu Wing
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

		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 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 26)	130	4,940	–	–	–	5,070
Dividend declared and paid (Note 13)	–	–	–	–	(4,052)	(4,052)
Share-based payment expenses (Note 27)	–	–	–	3,560	–	3,560
At 31 March 2019 and 1 April 2019	10,130	78,435	(28,965)	5,060	47,192	111,852
Profit and total comprehensive income for the year	–	–	–	–	12,170	12,170
Dividend declared and paid (Note 13)	–	–	–	–	(3,039)	(3,039)
At 31 March 2020	**10,130**	**78,435**	**(28,965)**	**5,060**	**56,323**	**120,983**

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 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 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Profit before income tax	**14,616**	15,229
Adjustments for:		
Changes in fair value of financial asset at fair value through profit or loss	**(228)**	(1,465)
Depreciation of property, plant and equipment	**8,045**	6,345
Expected credit loss on financial assets	**1,000**	2,483
Share-based payment expenses	**–**	3,560
Bank interest income	**(104)**	(66)
Finance costs	**9,314**	7,068
Share of results of an associate	**(1,830)**	(877)
Operating profit before working capital changes	**30,813**	32,277
Increase in trade and other receivables	**(15,949)**	(4,076)
Decrease in pledged deposits	**–**	674
Increase in contract assets	**(65,100)**	(23,947)
Increase in contract liabilities	**3,199**	813
Increase/(decrease) in trade and other payables	**103,766**	(51,077)
Cash generated from/(used in) operating activities	**56,729**	(45,336)
Income tax paid	**(1,761)**	(6,330)
Net cash generated from/(used in) operating activities	**54,968**	(51,666)
Investing activities		
(Increase)/decrease in pledged bank deposits	**(10,031)**	9,980
Purchases of property, plant and equipment	**(476)**	(5,904)
Interest received	**104**	66
Acquisition of interest in an associate	**–**	(4,663)
Purchase of financial assets at fair value through profit or loss	**–**	(2,767)
Purchase of intangible asset	**–**	(790)
Increase in amount due from an associate	**(2,010)**	(12,906)
Net cash used in investing activities	**(12,413)**	(16,984)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Financing activities		
Proceeds from new bank borrowings	**207,291**	277,960
Repayments of bank borrowings	**(247,292)**	(180,770)
Repayment of principal portion of the lease liabilities	**(2,707)**	–
Capital element of finance lease payments	**–**	(688)
Interest paid on bank borrowings	**(8,867)**	(6,967)
Interest paid on lease liabilities	**(447)**	–
Interest paid on obligations under finance leases	**–**	(101)
Dividend paid	**(3,039)**	(4,052)
Net cash (used in)/generated from financing activities	**(55,061)**	85,382
Net (decrease)/increase in cash and cash equivalents	**(12,506)**	16,732
Cash and cash equivalents at beginning of year	**69,097**	52,365
Cash and cash equivalents at end of year, representing bank balances and cash	**56,591**	69,097

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs

Except as explained below, the adoption of these new/revised HKFRSs has no material impact on the Group's consolidated financial statements.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

HKFRS 16 Leases ("HKFRS 16")

HKFRS 16 supersedes HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an arrangement contains a Lease ("HK(IFRIC)-Int 4"), HK(SIC)-15 Operating Leases-Incentives and HK(SIC)-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance-sheet model.

Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect on initial adoption as an adjustment to opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee — Leases previously classified as operating leases

(i) Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, buildings and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the elective exemption for short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"). Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

HKFRS 16 Leases ("HKFRS 16") (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

(i) Nature of the effect of adoption of HKFRS 16 (Continued)

Leases previously accounted for as operating leases
Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average of the incremental borrowing rates used for determination of the remaining lease payments was 9.94%. The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments recognised in the statement of financial position immediately before 1 April 2019.

The Group also applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

The effect of adoption HKFRS 16 as at 1 April 2019 (increase/(decrease)) is as follows:

	HK$'000
Assets	
Non-current assets	
Property, plant and equipment	740
Total non-current assets	740
Total assets	740
Liabilities	
Current liabilities	
Lease liabilities	1,461
Obligations under finance leases	(721)
Total current liabilities	740
Non-current liabilities	
Lease liabilities	1,403
Obligations under finance leases	(1,403)
Total non-current liabilities	–
Total liabilities	740

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

HKFRS 16 Leases ("HKFRS 16") (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

(i) Nature of the effect of adoption of HKFRS 16 (Continued)

Leases previously accounted for as operating leases (Continued)
The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

	HK$'000
Operating lease commitments as at 31 March 2019 (Note 30)	2,190
Less: commitments relating to short-term leases	(1,403)
Less: total future interest expense	(47)
Add: obligations under finance leases	2,124
Lease liabilities as at 1 April 2019	2,864

(ii) Summary of new accounting policies

The new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application, are set out in Note 4.

Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 April 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The right-of-use assets were recognised based on the amount equal to the lease liabilities. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment on that date.

The Group has applied the exemption for non-recognition of right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

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

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

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

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 fair value through other comprehensive income ("FVOCI") if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 19 — Plan amendment, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

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)

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (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 clarifies 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.

(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.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[5]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.
5 Effective for annual periods beginning on or after 1 June 2020

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

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKAS 1 — Classification of Liabilities of Current or Non-Current

The amendments affect requirements in HKAS 1 for the presentation of liabilities. Specifically, they clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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

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

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

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

Amendments to HKFRS 16 — COVID-19-Related Rent Concession

The amendments provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification and require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (Continued)

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.

(d) Leases

Accounting policies applied from 1 April 2019

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise leases which are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (Continued)

Accounting policies applied from 1 April 2019 (Continued)

Right-of-use assets (Continued)

The Group has leased a number of land, buildings and motor vehicles under tenancy agreements which are held for own use. Right-of-use assets of the Group are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

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

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (Continued)

Accounting policies applied until 31 March 2019

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

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

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

(i) The Group as lessee under finance lease

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

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

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

(ii) The Group as lessee under operating lease

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(f) Financial instruments

(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 fair value through profit or loss ("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 entirely 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("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-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. 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-months 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at 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.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, obligations under finance leases, lease liabilities 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) Recognition of revenue and other income

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)

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

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)

(h) Recognition of revenue and other income (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.

(i) 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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).

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) 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.

(m) 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)

(m) 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.

(n) 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.

(v) Estimation of the incremental borrowing rate for lease liabilities

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

6. SEGMENT REPORTING

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

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

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

6. SEGMENT REPORTING (CONTINUED)

Information about major customers

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

	2020 **HK$'000**	2019 HK$'000
Customer I	**149,970**	N/A[1]
Customer II	**125,613**	N/A[1]
Customer III	**120,012**	N/A[1]
Customer IV	**116,188**	N/A[1]
Customer V	**99,416**	–
Customer VI	**N/A[1]**	242,498
Customer VII	**N/A[1]**	127,055
Customer VIII	**N/A[1]**	109,547

[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:

	2020 **HK$'000**	2019 HK$'000
Revenue recognised over time:		
Substructure building work services	**30,936**	–
Superstructure building work services	**658,663**	416,508
Repair, maintenance, alteration and addition services	**303,736**	427,151
	993,335	843,659

As at 31 March 2020, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$887,663,000 (2019: 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 year.

8. OTHER INCOME AND GAINS

	2020 HK$'000	2019 HK$'000
Bank interest income	**104**	66
Changes in fair value of financial assets at FVTPL (Note 18)	**228**	1,465
Insurance compensation	**371**	–
Government subsidies (Note)	**300**	–
Consultancy income	**156**	–
Others	**552**	194
	1,711	1,725

Note: Various government subsidies have been granted to the Group as incentives for environmental protection. There are no unfulfilled conditions or contingencies attached to these government subsidies.

9. PROFIT BEFORE INCOME TAX

This is arrived at after charging the following:

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	**1,080**	1,260
Depreciation in respect of:		
— Owned assets	**3,705**	5,500
— Leased assets	**4,340**	845
	8,045	6,345
Employee benefit expenses (including directors' emoluments (Note 12))		
— Salaries, allowances and other benefits	**80,038**	83,468
— Share-based payment expenses (Note 27)	**–**	3,560
— Contribution to defined contribution retirement plan	**2,713**	2,407
	82,751	89,435
Total minimum lease payments for leases previously classified as operating leases under HKAS 17		
— Office	**–**	767
— Equipment	**–**	5,564
Short-term leases expenses:		
— Buildings	**1,724**	–
— Equipment	**4,053**	–

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings	**8,867**	6,967
Interest on lease liabilities (Note 23)	**447**	–
Interest element of finance lease payments	**–**	101
	9,314	7,068

11. INCOME TAX AND DEFERRED TAX

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

	2020 HK$'000	2019 HK$'000
Current tax		
— Hong Kong Profits Tax	**3,423**	4,236
— (Over)/under-provision for prior years	**(508)**	316
Deferred tax	**(469)**	(349)
	2,446	4,203

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.

The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group.

11. INCOME TAX AND DEFERRED TAX (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
Profit before income tax	**14,616**	15,229
Tax calculated at tax rate of 16.5%	**2,412**	2,513
Tax effect of share of results of an associate	**(302)**	(144)
Tax effect of revenue not taxable for tax purposes	**(63)**	(242)
Tax effect of expenses not deductible for tax purposes	**926**	1,770
Tax effect of temporary differences not recognised	**170**	205
(Over)/under-provision for prior years	**(508)**	316
Income tax at concessionary rate	**(165)**	(165)
Tax relief for the year	**(24)**	(50)
	2,446	4,203

(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 2018	993
Credited to profit or loss	(349)
At 31 March 2019 and 1 April 2019	644
Credited to profit or loss	(469)
At 31 March 2020	175

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$'000	Pension scheme contribution HK$'000	Total HK$'000
Year ended 31 March 2020					
Executive directors					
Mr. Ng Choi Wah ("Mr. Ng")	3,000	3,316	3,620	18	9,954
Mr. Lui Yiu Wing	1,236	–	949	18	2,203
Mr. Lam Ka Fai	1,068	–	762	18	1,848
Independent non-executive directors					
Mr. Wai Wing Hong, Onyx	192	–	–	–	192
Mr. Tong Hin Sum, Paul	192	–	–	–	192
Mr. Chau Kam Wing Donald	192	–	–	–	192
	5,880	3,316	5,331	54	14,581

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 2019						
Executive directors						
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

During 2017, 19,000,000 share options were granted to the directors of the Company, and the share-based payments expenses of HK$2,068,000 was recognised in profit or loss during the year ended 31 March 2019.

During the years ended 31 March 2020 and 2019, 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 2020 and 2019.

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 (2019: three) directors and the following two (2019: two) non-director individuals whose emoluments are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and other benefits	3,684	4,298
Contribution to pension scheme	36	36
	3,720	4,334

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

	2020	2019
HK$Nil–HK$1,000,000	–	–
HK$1,000,001–HK$1,500,000	–	–
HK$1,500,001–HK$2,000,000	1	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:

	2020	2019
HK$Nil–HK$1,000,000	3	3
HK$1,000,001–HK$1,500,000	1	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

	2020 HK$'000	2019 HK$'000
Interim dividend declared and paid	**3,039**	4,052
Final dividend proposed	**3,039**	–

The board of directors declared an interim dividend of HK$0.003 (2019: HK$0.004) per share, which was paid during the year. The board of directors proposed a final dividend of HK$0.003 (2019: HK$Nil) per share for the year ended 31 March 2020. The proposed final dividend for the year ended 31 March 2020 is subject to approval of the Company's shareholders at the forthcoming annual general meeting.

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:

	2020 HK$'000	2019 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**12,170**	11,026

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,013,000,000**	1,011,575,342
Effect of dilutive potential ordinary shares:		
— Share options (Note)	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,013,000,000**	1,011,575,342

Note: For the years ended 31 March 2020 and 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$'000	Right-of-use assets HK$'000	Total HK$'000
Cost							
At 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 as originally presented	39,292	937	2,543	5,382	21,386	–	69,540
Initial application of HKFRS 16	(39,292)	–	–	(3,387)	–	43,419	740
Restated balance as at 1 April 2019	–	937	2,543	1,995	21,386	43,419	70,280
Additions	–	–	229	247	–	5,658	6,134
Transfer	–	–	–	615	–	(615)	–
At 31 March 2020	–	937	2,772	2,857	21,386	48,462	76,414
Accumulated depreciation							
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 as originally presented	5,577	786	1,317	3,222	16,196	–	27,098
Initial application of HKFRS 16	(5,577)	–	–	(1,392)	–	6,969	–
Restated balance as at 1 April 2019	–	786	1,317	1,830	16,196	6,969	27,098
Charge for the year	–	76	550	165	2,914	4,340	8,045
Transfer	–	–	–	334	–	(334)	–
At 31 March 2020	–	862	1,867	2,329	19,110	10,975	35,143
Net carrying value							
At 31 March 2020	–	75	905	528	2,276	37,487	41,271
At 31 March 2019	33,715	151	1,226	2,160	5,190	–	42,442

Notes:

(a) The Group's leasehold land and buildings are situated in Hong Kong as at 31 March 2019, of which HK$29,271,000 were pledged as securities for the bank facilities of the Group (Note 25). The right-of-use assets in relation to leasehold land and buildings are situated in Hong Kong as at 31 March 2020, of which HK$27,737,000 were pledged as securities for the bank facilities of the Group (Note 25).

(b) As at 31 March 2019, 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
Motor vehicles	1,995

Upon application of HKFRS 16 on 1 April 2019, the carrying amounts of the assets previously under finance leases which were still under leases were recategorised as right-of-use assets.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

The Group has lease contracts for various items of buildings and motor vehicles used in its operations. Leases of owned land and buildings generally have lease terms between 19 to 23 years, buildings generally have lease terms between 2 to 3 years and motor vehicles generally have lease terms between 3 to 5 years.

The Group also has certain leases of buildings with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Owned leasehold land and buildings HK$'000	**Leased buildings** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
As at 1 April 2019	33,715	740	1,995	36,450
Additions	–	2,330	3,328	5,658
Depreciation expense	(1,779)	(987)	(1,574)	(4,340)
Transfer	–	–	(281)	(281)
As at 31 March 2020	31,936	2,083	3,468	37,487

16. INTANGIBLE ASSET

	Club membership HK$'000
Cost	
At 1 April 2018	–
Addition	790
Carrying amount	
At 31 March 2019, 1 April 2019 and 31 March 2020	790

The intangible asset is not amortised for the years ended 31 March 2020 and 2019 as the club membership has no expiry date. The club membership is tested for impairment annually. As at 31 March 2020 and 2019, the directors have performed impairment review and are of the opinion that no impairment is recognised.

17. INTEREST IN AN ASSOCIATE

	2020 HK$'000	2019 HK$'000
Non-current:		
Interest in an associate, including goodwill	**14,940**	13,110

As at 31 March 2020 and 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 ended 31 March 2019, 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 ended 31 March 2019.

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, 31 March 2019 and 31 March 2020 were assessed to be minimal with reference to valuation performed by an independent firm of professionally qualified valuers and the actual performance of New Bright.

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 (Note 18) as at 31 March 2020 were estimated with reference to valuation performed by an independent firm of professionally qualified valuers using the Binomial Option Pricing Model.

17. INTEREST IN AN ASSOCIATE (CONTINUED)

Summarised financial information of the associate is as follows:

	2020 HK$'000	2019 HK$'000
Current assets	**39,790**	37,546
Non-current assets	**112**	200
Current liabilities	**(26,816)**	(30,759)
Net assets	**13,086**	6,987
Reconciliation to the Group's interest in an associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of an associate	**3,926**	2,096
Goodwill on acquisition	**11,014**	11,014
Carrying amount of the investment	**14,940**	13,110
Revenue	**40,304**	111,532
Profit before income tax	**7,102**	3,278
Income tax	**(1,003)**	(356)
Profit and total comprehensive income for the year	**6,099**	2,922

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Non-current		
Unlisted equity investment (Note)		
At beginning of year	**4,332**	2,884
Fair value gain for the year	**228**	1,448
At end of year	**4,560**	4,332
Current		
Derivative financial instrument Put Option (Note 17)		
At beginning of year	**2,784**	–
Addition	**–**	2,767
Fair value gain for the year	**–**	17
At end of year	**2,784**	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 37(b).

19. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**69,663**	40,513
Deposits, prepayments and other receivables (Note)	**27,147**	40,348
Less: Expected credit loss	**(3,483)**	(2,483)
	23,664	37,865
Less: Rental deposits under non-current assets	**(144)**	–
	93,183	78,378

Note: As at 31 March 2019, included in other receivables was an amount of approximately HK$13,009,000 due from an unlisted equity investment of the Group. The amount due was unsecured, interest-free and repayable on demand, which has been fully settled during the year.

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

	2020 HK$'000	2019 HK$'000
At beginning of year	**2,483**	–
Expected credit loss recognised during the year	**1,000**	2,483
At end of year	**3,483**	2,483

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

	2020 HK$'000	2019 HK$'000
Within 30 days	**38,805**	35,460
31–60 days	**23,011**	5,053
61–90 days	**–**	–
Over 90 days	**7,847**	–
	69,663	40,513

As at 31 March 2020, the Group's trade receivables of HK$60,238,000 (2019: HK$31,576,000) were pledged as securities for the bank facilities of the Group (Note 25).

Further details of the Group's credit policy and credit risk arising from trade and other receivables are set out in Note 38(a).

20. CONTRACT ASSETS AND CONTRACT LIABILITIES

(i) Contract assets

	2020 **HK$'000**	2019 HK$'000
Related to provision of Construction Works	**266,729**	201,629

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 issues 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 2020, 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 2020, contract assets include retention receivables held by customers for construction works amounting to HK$98,627,000 (2019: HK$70,542,000). The Group typically agrees a one-year retention period for 5% to 10% of the contract sum, which is included 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 2020, retention receivables of HK$66,073,000 (2019: HK$27,657,000) were expected to be recovered beyond twelve months after the end of the reporting period.

(ii) Contract liabilities

	2020 **HK$'000**	2019 HK$'000
Related to provision of Construction Works	**4,211**	1,012

As at 31 March 2020 and 2019, all contract liabilities are expected to be recognised as revenue within one year.

Movements in contract liabilities:

	2020 **HK$'000**	2019 HK$'000
At beginning of year	**1,012**	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	**(1,012)**	(199)
Increase in contract liabilities as a result of billing in advance of construction works	**4,211**	1,012
At end of year	**4,211**	1,012

21. PLEDGED BANK DEPOSITS

As at 31 March 2020 and 2019, pledged bank deposits were pledged to secure bank facilities of the Group (Note 25).

22. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables (Note)	**167,585**	87,808
Retention payables	**58,555**	32,507
Other payables, accruals and deposits received	**11,578**	13,637
	237,718	133,952

Note: 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:

	2020 HK$'000	2019 HK$'000
Within 30 days	**130,415**	65,236
31–60 days	**26,583**	14,604
61–90 days	**4,472**	3,434
Over 90 days	**6,115**	4,534
	167,585	87,808

As at 31 March 2020, included in trade payables was an amount of approximately HK$4,988,000 (2019: 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 2020, retention payables of HK$3,346,000 (2019: HK$11,834,000) 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.

23. LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	HK$'000
As at 1 April 2019 (Note 2(a))	2,864
Additions	5,658
Interest expense	447
Lease payments	(3,154)
As at 31 March 2020	5,815
Current	2,271
Non-current	3,544
	5,815

Future lease payments are due as follows:

	Minimum lease payments 31 March 2020 HK$'000	Interest 31 March 2020 HK$'000	Present value 31 March 2020 HK$'000
Not later than one year	2,619	348	2,271
Later than one year and not later than two years	2,058	179	1,879
Later than two years and not later than five years	1,723	58	1,665
	6,400	585	5,815

The following are the amounts recognised in profit or loss:

	2020 HK$'000
Expense relating to short-term leases (included in cost of revenue and administrative and other operating expenses)	**5,777**
Aggregate undiscounted commitments for short-term leases	**133**

24. OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2019, 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 and not later than two years	781	45	736
Later than two years and not later than five years	683	16	667
	2,262	138	2,124

The present values of future lease payments are analysed as:

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

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

Upon the adoption of HKFRS 16 on 1 April 2019, the obligations under finance leases were reclassified to lease liabilities.

25. BANK BORROWINGS, SECURED

	2020 HK$'000	2019 HK$'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	**150,039**	189,891
— Bank loans due for repayment after one year (Note (b))	**2,398**	2,547
	152,437	192,438

Notes:

(a) Bank loans are interest-bearing at floating rates. The interest rates of the Group's bank loans as at 31 March 2020 granted under banking facilities ranged from 2.45% to 4.88% (2019: 2.41% to 5.08%) per annum.

(b) The current liabilities as at 31 March 2020 and 2019 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 2020, the banking facilities of the Group were secured by certain trade receivables (Note 19), certain right-of-use assets of the Group (Note 15), pledged bank deposits (Note 21) and corporate guarantee of the Company (2019: certain trade receivables, certain leasehold land and buildings of the Group, pledged bank deposits and corporate guarantee of the Company).

As at 31 March 2020 and 2019, the Group's bank borrowings were scheduled to be repaid as of the end of reporting period as follows:

	2020 HK$'000	2019 HK$'000
On demand or within one year	**150,039**	189,891
More than one year, but not exceeding two years	**152**	147
More than two years, but not exceeding five years	**479**	464
More than five years	**1,767**	1,936
	152,437	192,438

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.

26. SHARE CAPITAL

The share capital as at 31 March 2020 and 2019 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 2018, 31 March 2019, 1 April 2019 and 31 March 2020	10,000,000,000	100,000
Issued and fully paid		
At 1 April 2018	1,000,000,000	10,000
Issue of shares (Note)	13,000,000	130
At 31 March 2019, 1 April 2019 and 31 March 2020	1,013,000,000	10,130

Note: During the year ended 31 March 2019, 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.

27. 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 Company's shares being listed on the GEM of the Stock Exchange (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 was recognised in profit or loss for the year ended 31 March 2019. As at 31 March 2020 and 2019, the Company had 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 7.6 years (2019: 8.6 years).

No share options were exercised during the years ended 31 March 2020 and 2019.

28. 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 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 27)	–	3,560	–	3,560
At 31 March 2019 and 1 April 2019	**78,435**	**5,060**	**671**	**84,166**
Profit and total comprehensive income for the year	**–**	**–**	**2,748**	**2,748**
Dividend declared and paid (Note 13)	**–**	**–**	**(3,039)**	**(3,039)**
At 31 March 2020	**78,435**	**5,060**	**380**	**83,875**

29. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Investments in subsidiaries		**32,676**	32,676
Current assets			
Deposit and prepayment		**254**	55
Amounts due from subsidiaries		**60,010**	56,629
Bank balances and cash		**1,065**	5,015
Total current assets		**61,329**	61,699
Current liabilities			
Accruals		**–**	79
Net current assets		**61,329**	61,620
Net assets		**94,005**	94,296
Capital and reserves			
Share capital	26	**10,130**	10,130
Reserves	28	**83,875**	84,166
Total equity		**94,005**	94,296

Approved and authorised for issue by the board of directors on 23 June 2020.

Mr. Ng Choi Wah
Executive Director

Mr. Lui Yiu Wing
Executive Director

30. 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 years and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

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

31. 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 2020	2019	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

32. 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 2020, the Group paid subcontracting charges and lease payments of approximately HK$29,782,000 (2019: HK$81,208,000) and HK$266,000 (2019: HK$Nil) respectively to New Bright, an associate of the Group.

(b) During the year ended 31 March 2020, the Group received consultancy income of approximately HK$156,000 (2019: HK$Nil) from New Bright, an associate of the Group.

(c) During the year ended 31 March 2020, the Group rented certain car parks from a director in the aggregate amount of HK$192,000 (2019: HK$112,000). The directors are of the opinion that the rent was determined with reference to market price.

(d) 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.

33. 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:

	2020 **HK$'000**	2019 HK$'000
Aggregate value of the surety bonds issued in favour of customers	**119,482**	123,990

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 2020 and 2019.

As at 31 March 2020 and 2019, the Group's surety bonds were secured by the Company's corporate guarantee.

34. 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 or has meritable and arguable case to defeat the plaintiff's claims, 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.

35. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Significant non-cash transactions

	2020 HK$'000	2019 HK$'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
	–	7,570

(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 25) HK$'000	Obligations under finance leases (Note 24) HK$'000	Lease liabilities (Note 23) HK$'000
At 1 April 2019	192,438	2,124	–
Initial application of HKFRS 16	–	(2,214)	2,864
Restated balance as at 1 April 2019	192,438	–	2,864
Changes from financing cash flows:			
Proceeds from new bank borrowings	207,291	–	–
Repayments of bank borrowings	(247,292)	–	–
Interest paid on bank borrowings	(8,867)	–	–
Lease payments	–	–	(3,154)
Total changes from financing cash flows	(48,868)	–	(3,154)
Other charges:			
Additions	–	–	5,658
Interest expenses	8,867	–	447
Total other changes	8,867	–	6,105
At 31 March 2020	152,437	–	5,815

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

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

	Bank borrowings (Note 25) HK$'000	Obligations under finance leases (Note 24) HK$'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

36. CAPITAL COMMITMENT

As at 31 March 2020 and 2019, the Group did not have any significant capital commitment.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised costs		
— Trade and other receivables	**73,506**	58,446
— Pledged bank deposits	**25,053**	15,022
— Bank balances and cash	**56,591**	69,097
— Amount due from an associate	**14,916**	12,906
Financial assets at FVTPL	**7,344**	7,116
Financial liabilities		
Financial liabilities at amortised costs		
— Trade and other payables	**237,718**	133,952
— Obligations under finance leases	**–**	2,124
— Bank borrowings, secured	**152,437**	192,438
Lease liabilities	**5,815**	–

(a) Financial instruments not measured at fair value

The 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.

(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.

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

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

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 2020					
Financial assets at FVTPL					
Unlisted equity investment	(i)	**–**	**–**	**4,560**	**4,560**
Put Option	(ii)	**–**	**–**	**2,784**	**2,784**
		–	**–**	**7,344**	**7,344**

	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2019					
Financial assets at FVTPL					
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.

37. 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 are as follows:

Financial assets	Fair value 2020 HK$'000	Fair value 2019 HK$'000	Valuation technique(s)	Significant unobservable inputs to fair value	Sensitivity
(i) Unlisted equity investment	**4,560**	4,332	Cost Approach	Discount rate of 3.5% (2019: 3.5%)	If the discount rate is 1% higher/lower, while all other variables were held constant, the fair value would decrease by HK$315,000 and increase by HK$315,000 (2019: decrease by HK$525,000 and increase by HK$490,000) respectively.
(ii) Put Option	**2,784**	2,784	Binomial Option Pricing Model	Volatility of 42.35% (2019: 36.98%)	If the volatility is 5% higher/lower, while all other variables were held constant, the fair value would increase by HK$460,000 and decrease by HK$451,000 (2019: increase by HK$206,000 and decrease by HK$209,000) respectively.
				Equity value of HK$17,433,000 (2019: HK$14,999,000)	If the equity value is 10% higher/lower, while all other variables were held constant, the fair value would decrease by HK$789,000 and increase by HK$1,030,000 (2019: decrease by HK$465,000 and increase by HK$540,000) respectively.

38. 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.

38. 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 2020, the Group has concentration of credit risk as the top five trade debtors accounted for approximately 91% (2019: 92%) 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.

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.

38. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Impairment under ECLs model (Continued)

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.

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 2020 and 2019.

38. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Impairment under ECLs model (Continued)

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 2020, included in other receivables was an amount of HK$3,483,000 (2019: 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, as at 31 March 2020, the accumulated lifetime expected credit loss of HK$3,483,000 (2019: 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 2020 and 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.

The gross carrying amount of other receivables and amount due from an associate by stage are as follows:

	12-month ECLs	Lifetime ECLs		
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As 31 March 2020				
Other receivables	**3,843**	**–**	**3,483**	**7,326**
Amount due from an associate	**14,916**	**–**	**–**	**14,916**
As 31 March 2019				
Other receivables	16,933	–	3,483	20,416
Amount due from an associate	12,906	–	–	12,906

The movements in provision for impairment of other receivables are as follows:

	12-month ECLs HK$'000	Lifetime ECLs HK$'000	Total HK$'000
At 1 April 2018	–	–	–
Impairment losses recognised	–	2,483	2,483
At 31 March 2019 and 1 April 2019	–	2,483	2,483
Impairment losses recognised	–	1,000	1,000
At 31 March 2020	–	3,483	3,483

38. 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 2020 and 2019 bore interest at floating rates. Details of bank loans are disclosed in Note 25.

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	
	2020	2019
	HK$'000	HK$'000
Changes in interest rate		
+1%	**(1,524)**	(1,924)
–1%	**1,524**	1,924

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

(c) Liquidity risk

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

38. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

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
At 31 March 2020					
Trade and other payables	**237,718**	**237,718**	**237,718**	**–**	**–**
Bank borrowings subject to repayment on demand clause	**152,437**	**152,437**	**152,437**	**–**	**–**
Lease liabilities	**5,815**	**6,400**	**2,619**	**2,058**	**1,723**
	395,970	**396,555**	**392,774**	**2,058**	**1,723**

	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
At 31 March 2019					
Trade and other payables	133,952	133,952	133,952	–	–
Obligation under finance lease	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

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.

38. 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
Bank borrowings subject to repayment on demand clause						
As at 31 March 2020	**152,437**	**154,106**	**151,260**	**211**	**632**	**2,003**
As at 31 March 2019	192,438	196,550	193,464	213	638	2,235

(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, lease liabilities 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:

	2020 HK$'000	2019 HK$'000
Bank borrowings, secured	**152,437**	192,438
Lease liabilities	**5,815**	–
Obligations under finance leases	**–**	2,124
Total debts	**158,252**	194,562
Total equity	**120,983**	111,852
Gearing ratio	**131%**	174%

39. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting date.

Financial Summary

RESULTS

	2020 **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**993,335**	843,659	870,888	579,849	475,474
Profit before income tax	**14,616**	15,229	24,942	31,144	26,270
Income tax	**(2,446)**	(4,203)	(5,240)	(5,693)	(5,154)
Profit and total comprehensive income for the year	**12,170**	11,026	19,702	25,451	21,116

ASSETS AND LIABILITIES

	2020 **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**521,382**	442,391	380,775	283,942	230,296
Total liabilities	**(400,399)**	(330,539)	(284,527)	(202,896)	(174,701)
Net assets	**120,983**	111,852	96,248	81,046	55,595