



Ching Lee Holdings Limited
正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8318

2016
ANNUAL REPORT

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of Ching Lee Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Ng Choi Wah (*Chairman*)
Mr. Lui Yiu Wing
Mr. Lam Ka Fai

Independent non-executive Directors:

Dr. Wai Wing Hong Onyx
Mr. Tong Hin Sum Paul
Mr. Chau Kam Wing Donald

AUDIT COMMITTEE

Mr. Chau Kam Wing Donald (*Chairman*)
Dr. Wai Wing Hong Onyx
Mr. Tong Hin Sum Paul

REMUNERATION COMMITTEE

Dr. Wai Wing Hong Onyx (*Chairman*)
Mr. Ng Choi Wah
Mr. Chau Kam Wing Donald

NOMINATION COMMITTEE

Mr. Ng Choi Wah (*Chairman*)
Dr. Wai Wing Hong Onyx
Mr. Tong Hin Sum Paul

COMPANY SECRETARY

Mr. Chan Ming Hang (*Certified Public Accountants*)

AUTHORISED REPRESENTATIVES

Mr. Ng Choi Wah
Mr. Lui Yiu Wing

INDEPENDENT AUDITOR

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

COMPLIANCE ADVISER

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 203–204, 2nd Floor
Hang Bong Commercial Centre
28 Shanghai Street
Jordan
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

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

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

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

COMPANY WEBSITE

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

STOCK CODE

08318

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 2016.

OVERVIEW

This year was definitely a remarkable year for the development of our Group. Our successful listing on the GEM of the Stock Exchange of Hong Kong Limited on 29 March 2016 was a milestone of the Group which boosted the confidence of our stakeholders and enhanced the Group's profile. The Listing greatly promoted the Group's brand in Hong Kong as well as provided the Group with a readily accessible capital platform for the Group's future business development.

The total revenue of the Group increased by approximately HK\$98.1 million or 26.0% from approximately HK\$377.4 million for the year ended 31 March 2015 to approximately HK\$475.5 million for the year ended 31 March 2016. In general, the increase in revenue was resulted by the greater demand for the Group's contracting business and favorable market condition. Basic earnings per share was HK\$2.63 cents after deducting listing expenses, as compared with 2015 of HK\$2.31 cents per share.

FORWARD

Looking ahead, the Group is confident about the outlook and the prospects of the construction market in Hong Kong. We believe that we are well positioned to expand our market share and maintain our active status in the construction main contracting industry in Hong Kong. In view of our potential undertaking of more projects in the future, with the Listing of the Company in 2016, it will provide more available resource to the Group to engage in the current business as well as further expanding the scope of services.

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, 21 June 2016

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) RMAA works 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, 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 2016 recorded at approximately HK\$475.5 million which represented an increase of approximately HK\$98.1 million or 26.0% from approximately HK\$377.4 million for the year ended 31 March 2015.

	Year ended 31 March 2015	2016	Increase/ (Decrease)
	HK\$'000	HK\$'000	%
Substructure building work services	131,520	88,106	(33.0)
Superstructure building work services	221,009	365,067	65.2
RMAA work services	24,827	22,301	(10.2)
	377,356	475,474	26.0

(i) Substructure building works services

For the year ended 31 March 2016, revenue recorded in this segment amounted to approximately HK\$88.1 million (2015: HK\$131.5 million). The decrease by approximately HK\$43.4 million was mainly due to approximately HK\$61.3 million from the completion/substantial completion of substructure building works completed during the year ended 31 March 2015. The decrease was partly offset by an increase of approximately HK\$3.3 million from the commencement of a new substructure project and approximately HK\$14.6 million from two substructure projects for which substantial portion of works had been performed for the year ended 31 March 2016.

(ii) Superstructure building works services

For the year ended 31 March 2016, revenue recorded in this segment amounted to approximately HK\$365.0 million (2015: HK\$221.0 million). The increase by approximately HK\$144.0 million was mainly due to the commencement of two superstructure projects amounted to approximately HK\$63.0 million and a substantial portion of works of four superstructure projects performed amounted to approximately HK\$197.0 million for the year ended 31 March 2016. The increase was partially offset by a decrease of approximately HK\$116.0 million from the completion/substantial completion of two superstructure projects during the year ended 31 March 2015.

(iii) RMAA works services

For the year ended 31 March 2016, revenue recorded in this segment amounted to approximately HK\$22.3 million (2015: HK\$24.8 million). The decrease by approximately HK\$2.5 million was mainly due to a decrease of approximately HK\$24.2 million from the completion/substantial completion of two major RMAA projects during the year ended 31 March 2015. The decrease was partially offset by the commencement of two new RMAA projects during the year ended 31 March 2016, which contributed revenue of approximately HK\$21.7 million.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2016 recorded at approximately HK\$475.5 million which represented an increase of approximately HK\$98.1 million or 26.0% from approximately HK\$377.4 million for the year ended 31 March 2015. The increase in total revenue was mainly due to an increase of approximately HK\$144.0 million from superstructure building works services. The increase was offset by decrease in substructure building works services and RMAA works services amount to approximately HK\$43.4 million and HK\$2.5 million respectively.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK\$12.3 million or 25.2%, from approximately HK\$48.8 million for the year ended 31 March 2015 to approximately HK\$61.1 million for the year ended 31 March 2016. During the year ended 31 March 2016, the gross profit margin was approximately 12.8%, which is close to the gross profit margin of prior year of approximately 12.9%.

Other Income and Gains

Other Income and Gains increased by HK\$11.8 million or 1,475.0% from approximately HK\$0.8 million for the year ended 31 March 2015 to approximately HK\$12.6 million for the year ended 31 March 2016. The significant increase was mainly due to gain on disposal of a property of approximately HK\$12.1 million for the year ended 31 March 2016.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses increased by approximately HK\$20.8 million or 82.9% from approximately HK\$25.1 million for the year ended 31 March 2015 to approximately HK\$45.9 million for the year ended 31 March 2016.

Administrative expenses mainly consist of listing expenses, staff costs, depreciation, donation, consultancy fees and others. The increase was attributable by (i) increase in listing expenses of approximately HK\$9.3 million for services rendered by professional parties; (ii) increase in staff costs paid to directors and staff of approximately HK\$4.0 million due to increase in number of staff and salary level during the year; (iii) increase in consultancy fees of approximately HK\$5.1 million due to professional and advisory services rendered; (iv) increase in donation of approximately HK\$1.5 million; and (v) increase in others of approximately HK\$0.9 million.

Finance Costs

Finance Costs slightly decreased by approximately HK\$0.1 million or 5.9% from approximately HK\$1.7 million for the year ended 31 March 2015 to approximately HK\$1.6 million for the year ended 31 March 2016. Although bank loans decreased significantly from approximately HK\$56.4 million as at 31 March 2015 to approximately HK\$14.6 million as at 31 March 2016, finance cost did not drop accordingly as repayments of bank loans were mainly made in March 2016.

Income Tax Expenses

Income Tax Expenses increased by approximately HK\$0.9 million or 20.9% from approximately HK\$4.3 million for the year ended 31 March 2015 to approximately HK\$5.2 million for the year ended 31 March 2016.

Management Discussion and Analysis

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\$2.6 million or 14.1% from approximately HK\$18.5 million for the year ended 31 March 2015 to approximately HK\$21.1 million for the year ended 31 March 2016.

Such increase was primarily attributable to the net effect of (i) the increase in revenue and gross profit for the year ended 31 March 2016; and (ii) the gain on disposal of a property, net off with the listing expenses incurred by the Group for its listing during the year ended 31 March 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had total assets of approximately HK\$230.3 million, which is financed by total liabilities and shareholders' equity of approximately HK\$174.7 million and HK\$55.6 million, respectively. The Group's current ratio at 31 March 2016 was approximately 1.1 compared to approximately 1.0 at 31 March 2015.

Gearing Ratio

The gearing ratio of the Group as at 31 March 2016 was approximately 26.3% (31 March 2015: approximately 310.0%), which decreased significantly as the Group repaid HK\$41.7 million of bank borrowings during the year in order to improve the capital structure and reduce the finance costs.

The gearing ratio is calculated based on the total bank borrowings divided by total equity as at the respective reporting date.

Capital Expenditure

Total capital expenditure for the year ended 31 March 2016 was approximately HK\$18.1 million, which was mainly used in the purchase of property, plant 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\$29.3 million were pledged as securities for the Group's banking facilities. Details of the charges on assets of the Group are set out in note 24 to the financial statements.

Segment Information

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

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 March 2016.

Management Discussion and Analysis

TREASURY POLICY

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

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 29 March 2016. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2016, the Company's issued share capital was HK\$10,000,000 and the number of its issued ordinary shares was 1,000,000,000 of HK\$0.01 each.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 21 March 2016 (the "**Prospectus**") and in this report, the Group did not have other plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

In preparation for the Listing, the Company underwent corporate reorganization, the details of which are set out in the section headed "History, Reorganization and Group Structure" of the Prospectus.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed a total of 80 employees (31 March 2015: 72 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 2016 were approximately HK\$33.1 million (For the year ended 2015: approximately HK\$25.4 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, the Group did not hold any significant investments during the year ended 31 March 2016.

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.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

An analysis of the Group's financial risk management (included credit risk, and liquidity risk) objectives and policies are provided in note 36 to the consolidated financial statements.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As the Listing date (i.e. 29 March 2016) is close to the financial year end date (i.e. 31 March 2016), the Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the Prospectus. The Group will strive to achieve the milestone events as stated in the Prospectus.

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds from the Listing in March 2016, 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 the Listing date (i.e. 29 March 2016) is close to the year end date (i.e. 31 March 2016), the Group has not yet utilised the proceeds from the Listing.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. NG Choi Wah, aged 50, 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 44, 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 43, 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 55, 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 78, 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 53, was appointed as an independent non-executive Director on 10 March 2016. He is also the chairman of the audit committee and a member of the remuneration committee of our Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

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

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

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

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. TSE Henry Lai Han, aged 51, 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. Cheung Lok Sang, aged 64, joined our Group in October 2013 and is currently a manager estimating. He is responsible for overseeing tendering works of our Group.

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

Entities	Position	Duration
Frank & Vargeson (HK) Ltd.	Quantity surveyor	1980–1983
China State Construction Engineering (Hong Kong) Ltd.	Deputy manager (estimate department)	1986–1989
Frank & Vargeson (HK) Ltd.	Quantity surveyor	1989–1997
China State Construction Limited	Deputy contracts manager and subsequently deputy manager of tendering department	April 1997–January 2009
China Overseas (Hong Kong) Limited	Deputy Manager of tendering department	January 2010–September 2013

Biographical Details of Directors and Senior Management

Mr. LEE Tsz Yuen, aged 37, 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. AU Yiu Kwong, aged 61, joined our Group in June 2013 and is currently a safety officer. He is responsible for the overall safety management, supervision and training of our Group. Mr. Au has considerable experience in building works safety.

In February 2009, Mr. Au obtained his bachelor's degree in science in health and safety from the Curtin University of Technology in Australia by distance learning. Mr. Au was admitted by the Labour Department of the HKSAR as a trainer for the construction industry mandatory basic safety training course & revalidation course and the container handling industry mandatory basic safety training course in December 2005. Mr. Au is currently a registered safety officer. He is also a registered electrical worker (grade A) recognised by the Electrical & Mechanical Services Department of the HKSAR.

Mr. LAW Chun Man, aged 33, 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. C.M. 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. C.M. Law was employed by Hsin Chong Construction (Engineering) Limited as a building services engineer from May 2012 to October 2014. Mr. C.M. Law obtained his bachelor's degree in engineering in fire engineering from the University of Central Lancashire in August 2015 by distance learning.

Biographical Details of Directors and Senior Management

Mr. Ng Chin Hong, aged 50, joined our Group in December 2014 and is currently a project manager. He is responsible for the management and coordination of day-to-day site works, in particular, foundation and substructure works of our Group.

Mr. C.H. Ng has considerable experience in the building works industry. Mr. C.H. Ng served a number of construction and engineering companies before joining our Group, including Leighton Contractors (Asia) Limited from July 1989 to August 1994 (with last position as a senior engineer), China Overseas Civil Engineering Limited from December 1994 to January 1999 (as a sub-agent), and Chun Wo Construction & Engineering Co., Ltd from June 2000 to October 2000 and from September 2002 to March 2004 (as a sub-agent).

Mr. C.H. Ng obtained a higher diploma in civil engineering (municipal) studies at Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1989. He was also awarded an endorsement certificate in building organisation and supervision from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1990.

COMPANY SECRETARY

Mr. Chan Ming Hang, aged 34, was appointed as the company secretary of our Company on 21 December 2015. He is primarily responsible for the company secretarial matters of our Group.

Mr. Chan has over 10 years of experience in the fields of accounting, auditing and compliance matters of listed companies in Hong Kong. He was employed by Deloitte Touche Tohmatsu from August 2004 to January 2014 and his last position was senior manager. Mr. Chan has been a member of the Hong Kong Institute of Certified Public Accountants since January 2009.

Mr. Chan obtained his postgraduate certificate in professional accounting from the City University of Hong Kong in November 2004.

COMPLIANCE OFFICER

Mr. Ng Choi Wah, was appointed as the compliance officer (Rule 5.19 of the GEM Listing Rules) 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 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code from 29 March 2016 (the “Listing Date”) up to 31 March 2016.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors’ securities transactions in securities of the Company. Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance from the Listing Date up to the date of this annual report.

BOARD OF DIRECTORS

Composition

The composition of the Board from the Listing Date up to the date of this annual report is set out as follows:

Executive Directors

Mr. Ng Choi Wah (*Chairman*) (appointed on 16 November 2015)
Mr. Lui Yiu Wing (appointed on 16 November 2015)
Mr. Lam Ka Fai (appointed on 16 November 2015)

Independent non-executive Directors

Dr. Wai Wing Hong Onyx (appointed on 10 March 2016)
Mr. Tong Hin Sum Paul (appointed on 10 March 2016)
Mr. Chau Kam Wing Donald (appointed on 10 March 2016)

Biographical details of the Directors are set out in “Biographical Details of the Directors and Senior Management” on pages 11 to 13 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with rule 5.05A, 5.05(1) and (2) of the GEM Listing Rules, 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.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in rule 5.09 of the GEM Listing Rules.

Corporate Governance Report

FUNCTIONS OF THE BOARD AND MANAGEMENT

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

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

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

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service contract with our Company on 10 March 2016 and we signed letters of appointment with each of our independent non-executive Directors on the same day. The service contracts with our executive Directors are for an initial term of three years commencing from the date on which the shares of the Company are listed on the GEM (i.e. 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 an initial term until 31 March 2017 commencing from 10 March 2016 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 GEM 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.

Corporate Governance Report

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.

As our Company was first listed on GEM on 29 March 2016, only one Board meeting was held on 10 March 2016 (before the Listing Date) during the year ended 31 March 2016. The individual attendance record of the Board meeting is set out as follows:

Name of Directors	Number of Board Meetings attended/ eligible to attend
Mr. Ng Choi Wah	1/1
Mr. Lui Yiu Wing	1/1
Mr. Lam Ka Fai	1/1
Dr. Wai Wing Hong Onyx	1/1
Mr. Tong Hin Sum Paul	1/1
Mr. Chau Kam Wing Donald	1/1

Other than the Board meeting was held on 10 March 2016, for the year ended 31 March 2016, no general meeting was held.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All board members have received directors' training hosted by a law firm which was about, inter alias, the listing rules, Companies Ordinance and Securities and Futures Ordinance.

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

Pursuant to the code provision A.6.5 of the Code, during the year ended 31 March 2016, all Directors had participated in continuous professional development in the following manner:

Name of Directors	Training on Director's responsibilities provided by the Company's legal consultant prior to the Listing
Mr. Ng Choi Wah	Attended
Mr. Lui Yiu Wing	Attended
Mr. Lam Ka Fai	Attended
Dr. Wai Wing Hong Onyx	Attended
Mr. Tong Hin Sum Paul	Attended
Mr. Chau Kam Wing Donald	Attended

Corporate Governance Report

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 GEM's website www.hkgem.com and the Company's website at www.chingleeholdings.com. All the Board committees should report to the Board on their decisions or recommendations made. The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

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

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

Audit Committee

We have established an audit committee pursuant to a resolution of our Directors passed on 10 March 2016 in compliance with Rule 5.28 of the GEM Listing Rules and with the written terms of reference in compliance with the Code as set out in Appendix 15 of the GEM Listing Rules. 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. Our audit committee currently consists of all three of our independent non-executive Directors, namely Dr. Wai Wing Hong Onyx, Mr. Tong Hin Sum Paul and Mr. Chau Kam Wing Donald. Mr. Chau Kam Wing Donald who has the appropriate accounting and financial related management expertise, is the chairman of the audit committee.

The Group's consolidated financial statements for the year ended 31 March 2016 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 2016 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

No Audit Committee meeting has yet held for the year ended 31 March 2016.

Corporate Governance Report

Remuneration Committee

We have established a remuneration committee pursuant to a resolution of our Directors passed on 10 March 2016 in compliance with Rule 5.34 of the GEM Listing Rules and with the written terms of reference in compliance with the Code. 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. Our 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 2016.

No Remuneration Committee meeting has yet held for the year ended 31 March 2016.

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

We have established a nomination committee pursuant to a resolution of our Directors passed on 10 March 2016 with written terms of reference in compliance with the Code. 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. Our 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.

No Nomination Committee meeting has yet held for the year ended 31 March 2016.

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.

Corporate Governance Report

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

All Directors acknowledges their responsibility to prepare the Group's consolidated financial statements for the year ended 31 March 2016 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 2016 set out in this annual report.

AUDITORS' REMUNERATION

Apart from provision of annual audit services for the year ended 31 March 2016, BDO Limited, the Company's auditor, was also the reporting accountant of the Company in relation to the listing of the Company.

For the year ended 31 March 2016, 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 (including statutory audit and reporting accountant services)	1,959
Non-audit services	–
	1,959

INTERNAL CONTROLS AND RISK ASSESSMENT

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

The Board considered the internal controls system of the Group to be adequate and effective for the year ended 31 March 2016. 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 2016.

Corporate Governance Report

COMPANY SECRETARY

Mr. Chan Ming Hang (“**Mr. Chan**”), an employee of the Company, was appointed by the Board as the company secretary of the Company (“**Company Secretary**”) on 10 March 2016. The biographical details of Mr. Chan 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 period from the Listing Date to the date of this annual report, 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 5.15 of the GEM Listing Rules.

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;

Corporate Governance Report

- (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.

From the Listing Date to 31 March 2016, there had been no significant change in the Company's constitutional documents.

Report of Directors

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 March 2016.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 16 November 2015.

In preparing for the listing of the Company's shares on the GEM Board of the Stock Exchange (the "**Listing**"), the Company became the holding company of the companies comprising the Group underwent the corporate reorganisation (the "**Reorganisation**") upon the completion of the Reorganisation on 15 December 2015.

Details of the Reorganisation are set out in note 1 to the consolidated financial statements. The shares of the Company were listed on the GEM Board of the Stock Exchange with effect from 29 March 2016.

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 5 to 10 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 2016, no 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 operation of the Company and its subsidiaries during the Year.

Report of Directors

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 2016 amounted to HK\$2.8 million (31 March 2015: HK\$1.3 million).

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has taken out directors and officers liability insurance to cover liabilities arising from legal action 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 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 77.

A special dividend amounted to HK\$36,445,000 declared by the Company to its shareholder before the Listing during the year. The Directors do not recommend the payment of final dividend in respect of the year end 31 March 2016.

SHARE CAPITAL

As at 31 March 2016, the Company's issued share capital was HK\$10,000,000 and the number of its issued ordinary shares was 1,000,000,000 of HK\$0.01 each.

Details of movements in the share capital during the year are set out in note 25 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

The Shares have been listed on the GEM of the Stock Exchange since 29 March 2016. Save as the Listing, 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 2016.

Report of Directors

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 March 2016 are set out in note 26 to the consolidated financial statements.

USE OF PROCEEDS FROM THE COMPANY'S PLACING

The net proceeds from the Listing in March 2016, 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.

As the Listing date (i.e. 29 March 2016) is close to the year end date (i.e. 31 March 2016), the Group has not yet utilised the proceeds from the Listing.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Company for the year ended 31 March 2014, 2015 and 2016 is set out on page 78 of the annual report. This summary does not form part of the audited 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*) (appointed on 16 November 2015)
Mr. Lui Yiu Wing (appointed on 16 November 2015)
Mr. Lam Ka Fai (appointed on 16 November 2015)

Independent non-executive Directors

Dr. Wai Wing Hong Onyx (appointed on 10 March 2016)
Mr. Tong Hin Sum Paul (appointed on 10 March 2016)
Mr. Chau Kam Wing Donald (appointed on 10 March 2016)

Brief biographical details of Directors and senior management are set out on pages 11 to 13 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the date on which the shares of the Company are listed on the GEM (i.e. 29 March 2016) and will continue thereafter until terminated in accordance with the terms of the agreement. Independent non-executive Directors are appointed for a term until 31 March 2017 initially and can be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

Report of Directors

Save as disclosed above, none of the Directors 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.

COMPETING BUSINESS AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM 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 2016.

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2016, 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 corporations (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 required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares of the Company

Name of Directors	Company/name of associated company	Nature of interest	Number and class of securities	Approximate percentage of issued share capital
Mr. Ng	The Company	Interest in a controlled corporation	700,000,000 Shares (Note)	70%
	JT Glory Limited	Beneficial interest	100 shares of US\$1.00 each	100%

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

Report of Directors

Short positions in shares of the Company

As at 31 March 2016, 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).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 March 2016, 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 positions in shares of the Company:

Name	Capacity	Number of Shares held	Percentage of shareholding
JT GLory Limited	Beneficial owner	700,000,000 (Note 1)	70%
Ms. Cheung Yuk Sheung	Interest of spouse	700,000,000 (Note 2)	70%

Notes:

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

Short positions in shares of the Company:

As at 31 March 2016, there is no interest or 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 2016, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

	Percentage of revenue
— The largest customer	19.2%
— The total of the five largest customers	74.2%

Report of Directors

For the year ended 31 March 2016, the percentage of cost of services attributable to the Group's major suppliers is set out below:

Cost of services

	Percentage of total purchase
— The largest supplier	18.7%
— The total of the five largest suppliers	39.1%

	Percentage of total subcontracting cost
— The largest subcontractor	11.0%
— The total of the five largest subcontractors	33.6%

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 2016, the Group had not entered into any connected transactions or continuing connected transactions that are not exempted under Rule 20.71 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 10 March 2016 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules and set out below.

(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.

Report of Directors

(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.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 March 2016.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited ("**Kingsway**"), as at 31 March 2016, save for the compliance agreement dated 13 January 2016 entered between the Company and Kingsway, neither Kingsway, its directors, employees, and associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 17 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 2016 have been audited by BDO Limited.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period of the Group.

By Order of the Board
Ng Choi Wah
Chairman

Hong Kong, 21 June 2016

Independent Auditor's Report



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TO THE MEMBERS OF CHING LEE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ching Lee Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 34 to 77, which comprise the consolidated statement of financial position as at 31 March 2016, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Lam Siu Fung

Practising Certificate number: P05308

Hong Kong, 21 June 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	7	475,474	377,356
Cost of revenue		(414,382)	(328,560)
Gross profit		61,092	48,796
Other income and gains	8	12,644	830
Administrative and other operating expenses		(45,861)	(25,113)
Finance costs	10	(1,605)	(1,700)
Profit before income tax	9	26,270	22,813
Income tax	11	(5,154)	(4,335)
Profit and total comprehensive income for the year		21,116	18,478
Earnings per share:	14		
— Basic (HK cents)		2.63	2.31
— Diluted (HK cents)		2.63	2.31

Consolidated Statement of Financial Position

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment	15	36,879	27,195
Current assets			
Trade and other receivables	18	64,756	70,906
Pledged deposits	19	13,790	14,259
Amounts due from customers of contract work	20	43,724	11,547
Amounts due from related companies	21	–	15,831
Amount due from a director	21	–	32,727
Pledged bank deposit	17	–	1,007
Bank balances and cash		71,147	5,874
		193,417	152,151
Non-current asset held for sale	16	–	4,600
Total current assets		193,417	156,751
Current liabilities			
Trade and other payables	22	127,824	61,807
Amounts due to customers of contract work	20	29,248	34,112
Amount due to a director	21	–	2,858
Obligations under finance leases	23	–	3,172
Bank borrowings, secured	24	14,611	56,354
Provision of taxation		2,203	1,949
Total current liabilities		173,886	160,252
Net current assets/(liabilities)		19,531	(3,501)
Total assets less current liabilities		56,410	23,694
Non-current liabilities			
Obligations under finance leases	23	–	2,790
Deferred tax liabilities	11	815	799
Total non-current liabilities		815	3,589
Net assets		55,595	20,105
Capital and reserves			
Share capital	25	10,000	3,711
Reserves	26	45,595	16,394
Total equity		55,595	20,105

Approved and authorised for issue by the board of directors on 21 June 2016.

Mr. Ng Choi Wah
Executive Director

Mr. Lui Yiu Wing
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Reserves				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (Note)	Retained profits HK\$'000	
At 1 April 2014	3,711	–	–	3,466	7,177
Profit and total comprehensive income for the year	–	–	–	18,478	18,478
Dividend declared (Note 13)	–	–	–	(5,550)	(5,550)
At 31 March 2015 and 1 April 2015	3,711	–	–	16,394	20,105
Adjustments arising from reorganisation	(3,711)	32,676	(28,965)	–	–
Issue of shares under placing (Note 25(c))	2,000	54,600	–	–	56,600
Capitalisation issue (Note 25(c))	8,000	(8,000)	–	–	–
Share issue expenses	–	(5,781)	–	–	(5,781)
Profit and total comprehensive income for the year	–	–	–	21,116	21,116
Dividend declared (Note 13)	–	–	–	(36,445)	(36,445)
At 31 March 2016	10,000	73,495	(28,965)	1,065	55,595

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
Operating activities		
Profit before income tax	26,270	22,813
Adjustments for:		
Depreciation of property, plant and equipment	4,253	3,904
Gain on disposal of property, plant and equipment, net	(12,122)	–
Gain on disposal of non-current asset held for sale	(400)	–
Bank interest income	(6)	(17)
Finance costs	1,605	1,700
Operating profit before working capital changes	19,600	28,400
Decrease/(increase) in trade and other receivables	6,150	(26,149)
Decrease/(increase) in pledged deposits	469	(871)
(Increase)/(decrease) in amounts due from customers of contract work	(32,177)	2,282
(Decrease)/increase in amounts due to customers of contract work	(4,864)	2,442
Increase in trade and other payables	66,017	29,922
Cash generated from operating activities	55,195	36,026
Income tax paid	(4,884)	(1,997)
Net cash generated from operating activities	50,311	34,029
Investing activities		
Decrease/(increase) in pledged bank deposit	1,007	(1,007)
Purchases of property, plant and equipment	(98)	(14,814)
Increase in amount due from a director	(9,929)	(28,648)
Decrease/(increase) in amounts due from related companies	20,325	(38)
Proceeds from disposal of non-current asset held for sale	5,000	–
Interest received	6	17
Net cash generated from/(used in) investing activities	16,311	(44,490)
Financing activities		
Proceeds from new bank borrowings	–	25,080
Proceeds from placing, net of share issue expenses	50,819	–
Repayments of bank borrowings	(41,743)	(4,488)
Capital element of finance lease payments	(5,962)	(2,784)
(Decrease)/increase in amount due to a director	(2,858)	461
Interest paid on bank borrowings	(1,384)	(1,357)
Interest paid on obligations under finance leases	(221)	(343)
Net cash (used in)/generated from financing activities	(1,349)	16,569
Net increase in cash and cash equivalents	65,273	6,108
Cash and cash equivalents at beginning of year	5,874	(234)
Cash and cash equivalents at end of year	71,147	5,874
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	71,147	5,874

Notes to the Consolidated Financial Statements

31 March 2016

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

Ching Lee Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 16 November 2015. During the current year, its shares are listed on the GEM on the Stock Exchange (the “**Listing**”). 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 the “**Group**”) are provision of construction and consultancy works and project management services in Hong Kong.

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

In connection with the Listing, the Company underwent a reorganisation (the “**Reorganisation**”) and has become the holding company of its subsidiaries now comprising the Group since 15 December 2015. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Group Structure” to the prospectus of the Company dated 21 March 2016.

The Reorganisation involved the formation of the Group and is considered as business combinations under common control. Immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling party that existed prior to the Reorganisation. Accordingly, the Reorganisation has been accounted for in accordance with Hong Kong Accounting Guideline 5 *Merger Accounting for Common Control Combinations* and the financial statements have been prepared using the merger basis of accounting as if the current group structure had always been in existence.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 March 2015 and 2016 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence through those years. The consolidated statement of financial position of the Group as at 31 March 2015 and 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Notes to the Consolidated Financial Statements

31 March 2016

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2015

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no material impact on the Group’s financial statements.

(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.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKFRS 9 (2014)	Financial Instruments ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ On 6 January 2015, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued “Effective Date of Amendments to HKFRS 10 and HKAS 28”, following the International Accounting Standard Board’s equivalent amendments. This update defers/removes the effective date of the amendments in Sale or Contribution of Assets between an Investor and its Associate or Joint Venture that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity’s share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Notes to the Consolidated Financial Statements

31 March 2016

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

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

HKFRS 9 (2014) — Financial Instruments

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

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 — Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary’s main purpose is to provide services that relate to the investment entity’s investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at FVTPL should provide the disclosures related to investment entities as required by HKFRS 12.

Notes to the Consolidated Financial Statements

31 March 2016

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

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

HKFRS 15 — Revenue from Contracts with Customers

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

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

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

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

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group has so far concluded that the application of these new pronouncements will have no material impact on the Group’s financial statements.

Notes to the Consolidated Financial Statements

31 March 2016

3. BASIS OF PREPARATION

(a) Statement of compliance

The 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 GEM of the Stock Exchange (the “**GEM Listing Rules**”).

(b) Basis of measurement

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

(c) Functional and presentation currency

The 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 combination and consolidation and subsidiaries

These financial statements incorporate the financial statements of the Group. As explained in Note 1, the Reorganisation is accounted for using merger basis of accounting. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

(b) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Notes to the Consolidated Financial Statements

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

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

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

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

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

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

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

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

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

(d) Leasing

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

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

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

Notes to the Consolidated Financial Statements

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leasing (Continued)

(i) The Group as lessee under finance lease

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

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

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

(ii) The Group as lessee under operating lease

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

(e) Financial instruments

(i) Financial assets

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

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

Notes to the Consolidated Financial Statements

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- a significant or prolonged decline in fair value of an investment below its cost.

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

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

Notes to the Consolidated Financial Statements

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(iii) Financial liabilities

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

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

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

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

Notes to the Consolidated Financial Statements

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(vii) Derecognition

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

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

(f) Construction contracts

When the outcome of construction contracts can be estimated reliably, revenue from construction works and the associated contract costs are recognised according to the stage of completion of individual contract at the end of the reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

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

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

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

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

Notes to the Consolidated Financial Statements

31 March 2016

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

- (i) When the outcome of construction contracts can be estimated reliably, revenue from construction works is recognised according to the percentage of completion of individual contract at the end of the reporting period.
- (ii) Interest income is recognised on a time proportion basis by reference to the principal outstanding using the effective interest method.
- (iii) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(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.

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.

Notes to the Consolidated Financial Statements

31 March 2016

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 services.

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 lattice 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 of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

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

(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.

Notes to the Consolidated Financial Statements

31 March 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of non-financial assets (Continued)

If the recoverable amount (i.e. the greater 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.
- (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).

Notes to the Consolidated Financial Statements

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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: (Continued)
- (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) Non-current assets held for sale

Non-current assets are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- An active program to locate a buyer has been initiated;
- The asset is being marketed at a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- Fair value less costs to sell.

Following their classification as held for sale, non-current assets are not depreciated.

Notes to the Consolidated Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Borrowing costs

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

(i) Construction contract

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

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

(ii) Impairment of receivables

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

Notes to the Consolidated Financial Statements

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

Key sources of estimation uncertainty (Continued)

(iii) Impairment of non-financial assets receivables

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.

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 Group's consolidated assets are located outside Hong Kong, geographical segment information is not considered necessary.

Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer I	91,367	53,413
Customer II	85,786	76,843
Customer III	63,716	39,408
Customer IV	59,316	–
Customer V	52,453	–
Customer VI	52,190	48,052
Customer VII	–	66,910

Notes to the Consolidated Financial Statements

31 March 2016

7. REVENUE

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

8. OTHER INCOME AND GAINS

	2016 HK\$'000	2015 HK\$'000
Bank interest income	6	17
Sale of scrap materials	29	342
Rental income	–	213
Gain on disposal of property, plant and equipment, net	12,122	–
Gain on disposal of non-current asset held for sale	400	–
Others	87	258
	12,644	830

9. PROFIT BEFORE INCOME TAX

This is arrived at after charging the followings:

	2016 HK\$'000	2015 HK\$'000
Auditor's remuneration	1,702	116
Depreciation in respect of:		
— Owned assets	1,865	1,461
— Leased assets	2,388	2,443
	4,253	3,904
Employee benefit expenses (including directors' emoluments (Note 12))		
— Salaries, allowances and other benefits	32,123	24,690
— Contribution to defined contribution retirement plan	997	662
	33,120	25,352
Operating lease payments in respect of land and buildings	345	355

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10. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowings (Note)	1,384	1,357
Interest element of finance lease payments	221	343
	1,605	1,700

Note: This analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with scheduled repayment dates set out in the loan agreements. For the years ended 31 March 2015 and 2016, all agreements of bank borrowings contain a repayment on demand clause.

11. INCOME TAX AND DEFERRED TAX

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

	2016 HK\$'000	2015 HK\$'000
Current tax		
— Hong Kong Profits Tax	4,832	3,888
— Under-provision for prior years	306	–
Deferred tax	16	447
	5,154	4,335

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

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

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	26,270	22,813
Tax calculated at tax rate of 16.5%	4,335	3,764
Tax effect of revenue not taxable for tax purposes	(2,154)	(2)
Tax effect of expenses not deductible for tax purposes	2,396	562
Tax effect of temporary differences not recognised	291	31
Under-provision for prior years	306	–
Tax relief for the year	(20)	(20)
	5,154	4,335

Notes to the Consolidated Financial Statements

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11. INCOME TAX AND DEFERRED TAX (CONTINUED)

- (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 2014	352
Charged to profit or loss	447
At 31 March 2015 and 1 April 2015	799
Charged to profit or loss	16
At 31 March 2016	815

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 2016					
Executive directors					
Mr. Ng Choi Wah ("Mr. Ng")	1,802	1,246	675	18	3,741
Mr. Lui Yiu Wing	777	–	498	18	1,293
Mr. Lam Ka Fai	639	–	380	18	1,037
Independent non- executive directors					
Mr. Wai Wing Hong Onyx*	12	–	–	–	12
Mr. Tong Hin Sum Paul*	12	–	–	–	12
Mr. Chau Kam Wing Donald*	12	–	–	–	12
	3,254	1,246	1,553	54	6,107

* The independent non-executive director was appointed on 10 March 2016.

Notes to the Consolidated Financial Statements

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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	Pension scheme contribution HK\$'000	Total HK\$'000
Year ended					
31 March 2015					
Executive directors					
Mr. Ng	550	1,056	268	18	1,892
Mr. Lui Yiu Wing	730	–	390	18	1,138
Mr. Lam Ka Fai	456	–	255	12	723
	1,736	1,056	913	48	3,753

During the years ended 31 March 2015 and 2016, 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 2015 and 2016.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included the following non-director individuals whose emoluments are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and other benefits	2,378	2,178
Contribution to pension scheme	36	35
	2,414	2,213

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

	2016 HK\$'000	2015 HK\$'000
HK\$Nil–HK\$1,000,000	1	1
HK\$1,000,001–HK\$1,500,000	1	1

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

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

(c) Senior management's emoluments

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

	2016 HK\$'000	2015 HK\$'000
HK\$Nil–HK\$1,000,000	5	5
HK\$1,000,001–HK\$1,500,000	1	1

13. DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Special dividend	36,445	–
Interim dividend	–	5,550
	36,445	5,550

A special dividend amounted to HK\$36,445,000 (HK\$364,450 per share for 100 shares) was declared by the Company to its then shareholder before the Listing during the year. For the purpose of these financial statements, the interim dividend for the year ended 31 March 2015 represented interim dividends declared by a group entity to its then shareholder.

14. EARNINGS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	21,116	18,478
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	801,639,344	800,000,000

Note: The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 April 2014.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 31 March 2015 and 2016.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Machineries HK\$'000	Total HK\$'000
Cost						
At 1 April 2014	7,378	117	1,229	3,766	4,057	16,547
Additions	10,112	517	395	510	8,039	19,573
Disposals	–	–	(206)	(71)	–	(277)
At 31 March 2015 and 1 April 2015	17,490	634	1,418	4,205	12,096	35,843
Additions	18,017	–	98	–	–	18,115
Disposals	(5,349)	–	(715)	–	–	(6,064)
At 31 March 2016	30,158	634	801	4,205	12,096	47,894
Accumulated depreciation						
1 April 2014	1,441	117	907	2,208	348	5,021
Charge for the year	279	65	196	801	2,563	3,904
Write-off on disposals	–	–	(206)	(71)	–	(277)
At 31 March 2015 and 1 April 2015	1,720	182	897	2,938	2,911	8,648
Charge for the year	369	129	149	594	3,012	4,253
Write-off on disposals	(1,276)	–	(610)	–	–	(1,886)
At 31 March 2016	813	311	436	3,532	5,923	11,015
Net carrying value						
At 31 March 2016	29,345	323	365	673	6,173	36,879
At 31 March 2015	15,770	452	521	1,267	9,185	27,195

Notes:

- (a) The Group's leasehold land and buildings are situated in Hong Kong as at 31 March 2015 and 2016, which were pledged as securities for the bank facilities of the Group.
- (b) The net carrying amount of the Group's property, plant and equipment included in the following amounts in respect of assets held under finance leases:

	2016 HK\$'000	2015 HK\$'000
Motor vehicles	–	1,267
Machineries	–	5,717
	–	6,984

Notes to the Consolidated Financial Statements

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16. INVESTMENT PROPERTY AND NON-CURRENT ASSET HELD FOR SALE

	2016 HK\$'000	2015 HK\$'000
Fair value		
At beginning of year	–	4,600
Transferred to non-current asset held for sale	–	(4,600)
At end of year	–	–

During the year ended 31 March 2015, the Group entered into a sale and purchase agreement with a staff of a group company who is not a member of senior management of the Group to dispose of its investment property with the then carrying amount of HK\$4,600,000 and the disposal would be completed within 12 months. In accordance with HKFRS 5, the Group's investment property has been reclassified as non-current asset held for sale and stated at HK\$4,600,000 as at 31 March 2015. The property was disposed of during the year ended 31 March 2016.

17. PLEDGED BANK DEPOSIT

As at 31 March 2015, pledged bank deposit was pledged to secure bank facilities of the Group.

18. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	12,807	38,420
Retention receivables	42,541	30,079
Deposits, prepayments and other receivables	9,408	2,407
	64,756	70,906

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

	2016 HK\$'000	2015 HK\$'000
Within 30 days	12,807	36,364
31–60 days	–	837
61–90 days	–	1,219
	12,807	38,420

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18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	12,807	37,201
Past due but not impaired		
Past due for less than 30 days	–	1,219
	12,807	38,420

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Credit terms granted to our customers vary from contract to contract, which are generally within 30 days from the date of issuance of the interim certificate.

As at 31 March 2016, retention receivables of HK\$36,141,000 (2015: HK\$22,421,000) were expected to be recovered beyond twelve months after the end of the reporting period.

19. PLEDGED DEPOSITS

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

As at 31 March 2016, all pledged deposits (2015: HK\$7,128,000) were expected to be recovered beyond twelve months after the end of the reporting period.

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

	2016 HK\$'000	2015 HK\$'000
Costs incurred to date plus recognised profits	859,183	641,315
Less: Progress billings to date	(844,707)	(663,880)
	14,476	(22,565)
Amounts due from customers of contract work	43,724	11,547
Amounts due to customers of contract work	(29,248)	(34,112)
	14,476	(22,565)

Notes to the Consolidated Financial Statements

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21. AMOUNTS DUE WITH RELATED COMPANIES AND A DIRECTOR

(i) Particulars of the amounts due from related companies are as follows:

	As at 1 April 2014 HK\$'000	As at 31 March 2015 HK\$'000	Maximum outstanding amount during the year HK\$'000
Able Vantage Guesthouse Company Limited	–	10	10
Strong Knight Limited	15,793	15,821	15,821
	15,793	15,831	

	As at 1 April 2015 HK\$'000	As at 31 March 2016 HK\$'000	Maximum outstanding amount during the year HK\$'000
Able Vantage Guesthouse Company Limited	10	–	60
Strong Knight Limited	15,821	–	32,122
	15,831	–	

Notes:

- (a) The amounts due with related companies are unsecured, interest-free and repayable on demand.
- (b) A director, who is also the beneficial owner of the Company, is also a director and beneficial owner of the above companies.

(ii) Particulars of the amount due from a director are as follows:

Name of director	As at 1 April 2014 HK\$'000	As at 31 March 2015 HK\$'000	Maximum outstanding amount during the year HK\$'000
Mr. Ng	9,629	32,727	32,727

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21. AMOUNTS DUE WITH RELATED COMPANIES AND A DIRECTOR (CONTINUED)

(ii) Particulars of the amount due from a director are as follows: (Continued)

Name of director	As at 1 April 2015 HK\$'000	As at 31 March 2016 HK\$'000	Maximum outstanding amount during the year HK\$'000
Mr. Ng	32,727	–	32,727

The amounts due with a director are non-trade in nature, unsecured, interest-free and repayable on demand.

22. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables	98,545	42,873
Bills payable	7,128	8,230
Trade and bills payables (Note)	105,673	51,103
Retention payables	9,508	2,687
Other payables, accruals and deposits received	12,643	8,017
	127,824	61,807

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

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

	2016 HK\$'000	2015 HK\$'000
Within 30 days	79,328	36,208
31–60 days	9,831	1,183
61–90 days	7,228	99
Over 90 days	2,158	5,383
	98,545	42,873

As at 31 March 2016, retention payables of HK\$8,791,000 (2015: HK\$2,440,000) were expected to be settled beyond twelve months after the end of the reporting period.

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23. OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2015, the Group leased certain of its motor vehicles and machineries and these leases were classified as finance leases. The lease obligations were secured by the underlying leased assets. During the year ended 31 March 2016, all of the Group's obligations under finance leases have been settled.

As at 31 March 2015, 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 2015			
Not later than one year	3,388	216	3,172
Later than one year but not later than five years	2,872	82	2,790
	6,260	298	5,962

The present value of future lease payments are analysed as:

	2016 HK\$'000	2015 HK\$'000
Current liabilities	–	3,172
Non-current liabilities	–	2,790
	–	5,962

Note: The effective interest rates of the Group's obligations under finance lease liabilities as at 31 March 2015 ranged from 2.00% to 3.75% per annum. As at 31 March 2015, the obligations under finance leases of HK\$1,466,000 were secured by personal guarantee of a director of the Company.

Notes to the Consolidated Financial Statements

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24. BANK BORROWINGS, SECURED

	2016 HK\$'000	2015 HK\$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
Bank loans subject to repayment on demand clause (Note (a))		
— Bank loans due for repayment within one year	7,400	38,792
— Bank loans due for repayment after one year (Note (b))	7,211	17,562
	14,611	56,354

Notes:

- (a) Bank loans are interest-bearing at floating rates. The interest rates of the Group's bank loans as at 31 March 2016 granted under banking facilities ranged from 1.18% to 2.53% (2015: 0.91% to 3.58%) per annum.
- (b) The current liabilities as at 31 March 2015 and 2016 include such bank loans that are not scheduled to repay 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 2015, unless stated otherwise, the Group's banking facilities are secured by:
- (i) personal guarantees of a director of the Company;
 - (ii) time deposit;
 - (iii) leasehold land and buildings and property of the Group;
 - (iv) certain properties of a related company and a director of the Company; and
 - (v) loan guarantees issued by the Government of the Hong Kong Special Administrative Region.

Notes to the Consolidated Financial Statements

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24. BANK BORROWINGS, SECURED (CONTINUED)

During the year, the above personal guarantees pledged for the relevant banking facilities granted to the Group as at 31 March 2015 have been released and replaced by corporate guarantees issued by the Company, and the bank loans which are guaranteed under the SME Loan Guarantee Scheme operated by the Government of the Hong Kong Special Administrative Region as at 31 March 2015 have been fully repaid, and the guarantees issued by the Government of the Hong Kong Special Administrative Region have been released accordingly. As at 31 March 2016, the banking facilities of the Group were secured by leasehold land and buildings of the Group and corporate guarantee of the Company.

As at 31 March 2015 and 2016, the Group's bank borrowings were scheduled to repay as of the end of reporting period as follows:

	2016 HK\$'000	2015 HK\$'000
On demand or within one year	7,400	38,792
More than one year, but not exceeding two years	1,923	5,200
More than two years, but not exceeding five years	2,891	8,889
More than five years	2,397	3,473
	14,611	56,354

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.

25. SHARE CAPITAL

The share capital as at 31 March 2016 represented the issued share capital of the Company as detailed below:

	Number	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
On date of incorporation on 16 November 2015 (Note (a))	38,000,000	380
Increase in authorised share capital on 10 March 2016 (Note (a))	9,962,000,000	99,620
At end of year	10,000,000,000	100,000

For the purpose of the consolidated financial statements, the share capital as at 31 March 2015 represented the aggregate amount of issued share capital of certain subsidiaries, namely Ching Lee Engineering Limited, Ching Lee Construction Limited, Ching Lee Foundation Limited and Right Lucky Limited, as at that date.

Notes to the Consolidated Financial Statements

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25. SHARE CAPITAL (CONTINUED)

	Number	HK\$'000
Ordinary shares of HK\$0.01 each		
Issued and fully paid		
Upon incorporation (Note (a))	1	–
Allotment of shares (Note (b))	99	–
Capitalisation issue (Note (c))	799,999,900	8,000
Issue of shares under placing (Note (c))	200,000,000	2,000
At end of the year	1,000,000,000	10,000

Notes:

- (a) The Company was incorporated in the Cayman Islands on 16 November 2015 with initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Pursuant to the written resolution of the shareholder of the Company on 10 March 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 shares of HK\$0.01 each. Upon incorporation, 1 nil-paid subscriber share was allotted and issued to the subscriber, which was transferred to Mr. Ng on 16 November 2015, as part of the Reorganisation.
- (b) On 15 December 2015, the Company acquired the entire issued share capital in Ching Lee Group Limited from Mr. Ng in consideration of which, the Company credited as fully paid at par the 1 nil-paid subscriber share held by Mr. Ng and allotted and issued 99 fully paid-up new shares to Mr. Ng as part of the Reorganisation.
- (c) Pursuant to the written resolution of the shareholder of the Company on 10 March 2016:
- (i) 200,000,000 new ordinary shares of HK\$0.01 each were issued, by way of placing, at a price of HK\$0.283 per share for a total cash consideration (before share issue expenses) of approximately HK\$56,600,000; and
- (ii) after the share premium account of the Company being credited as a result of the placing of the Company, an amount of HK\$7,999,999 standing to the credit of the share premium account of the Company was applied in paying up in full at par 799,999,900 shares to be allotted and issued to JT Glory Limited.
- (d) During the year, the Company adopted a share option scheme on 10 March 2016 (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 Chapter 23 of the GEM 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 Listing (i.e. a total of 100,000,000 shares). Moreover, the total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Scheme, shall not exceed 1% of the shares in issue in any 12-month period up to the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

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

As at 31 March 2016, no share option has been granted since the adoption of the Scheme and there was no share option outstanding.

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26. RESERVES

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

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
Adjustments arising from the reorganisation	32,676	–	32,676
Issue of shares under placing (Note 25(c))	54,600	–	54,600
Capitalisation issue (Note 25(c))	(8,000)	–	(8,000)
Share issue expenses	(5,781)	–	(5,781)
Dividend declared (Note 13)	–	(36,445)	(36,445)
Profit and total comprehensive income for the year	–	36,923	36,923
At 31 March 2016	73,495	478	73,973

Notes to the Consolidated Financial Statements

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27. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2016 HK\$'000
Non-current assets		
Investments in subsidiaries		32,676
Current assets		
Amounts due from subsidiaries		81,270
Current liabilities		
Other payables		29,973
Net current assets		51,297
Net assets		83,973
Capital and reserves		
Share capital	25	10,000
Reserves	26	73,973
Total equity		83,973

Approved and authorised for issue by the board of directors on 21 June 2016.

Mr. Ng Choi Wah
Executive Director

Mr. Lui Yiu Wing
Executive Director

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28. OPERATING LEASE COMMITMENTS

Operating leases — The Group as lessee

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

	2016 HK\$'000	2015 HK\$'000
Within one year	594	1,131
Later than one year and not more than five years	306	247
	900	1,378

29. INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid-up capital	Effective interest attributable to the Group		Principal activities
				2016	2015	
Ching Lee Group Limited	BVI/16 November 2015/Limited liability company	Hong Kong	500 shares of US\$500	100%	N/A	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%	Dormant
Ching Lee Construction Limited (Note)	Hong Kong/26 May 2003/Limited liability company	Hong Kong	10,000 shares of HK\$10,000	100%	65%	Property holding
Right Lucky Limited	Hong Kong/25 August 2005/Limited liability company	Hong Kong	1 share of HK\$1	100%	100%	Property holding

Note: As at 31 March 2015, Mr. Ng, a director of the Company, held 65% of the equity interest of Ching Lee Construction Limited. Upon the acquisition of remaining 35% equity interest of Ching Lee Construction Limited from the non-controlling shareholders by Mr. Ng on 15 December 2015, and the subsequent acquisition of the entire 100% equity interest of Ching Lee Construction Limited from Mr. Ng by Ching Lee Group Limited on 15 December 2015 as part of the Reorganisation in the preparation for the Listing, the Company's equity interest in Ching Lee Construction increased from 65% to 100%.

Notes to the Consolidated Financial Statements

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30. RELATED PARTY TRANSACTIONS

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

- (a) During the year ended 31 March 2015, certain office premises of the Group were leased from a director and a company controlled by him at nil consideration and certain leasehold land and buildings of the Group were provided as staff quarter to a director.
- (b) During the year ended 31 March 2016, the Group acquired certain leasehold land and buildings from a director and a related company for which a director of the Company is the beneficial owner, in the aggregate amount of HK\$6,211,000 and HK\$11,806,000 respectively. The Group also disposed of certain leasehold land and building to the above related company at a consideration of HK\$16,300,000, resulting a gain on disposal of HK\$12,227,000 recognised in the profit or loss.
- (c) During the year ended 31 March 2016, the Group disposed of its entire interest in a 10%-owned associate to a director of the Company, at a consideration of HK\$755,000.
- (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.

31. GUARANTEES

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

	2016 HK\$'000	2015 HK\$'000
Aggregate value of the surety bonds issued in favour of customers	50,575	38,340

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 2015 and 2016.

As at 31 March 2015, certain surety bonds were secured by personal guarantees of the directors of a subsidiary and corporate guarantee of a related company. As at 31 March 2016, the Group's surety bonds were secured by the Company's corporate guarantee.

32. LITIGATIONS

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

Notes to the Consolidated Financial Statements

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33. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

During the year ended 31 March 2015, the Group entered into finance lease arrangements in respect of acquisition of property, plant and equipment with a total capital value at the inception of leases of HK\$4,759,000.

For the year ended 31 March 2016, the Company declared a special dividend amounted to HK\$36,445,000 (2015: interim dividend of HK\$5,550,000 declared by a group entity to its then shareholder, Mr. Ng) to its then shareholder, JT Glory Limited for which, Mr. Ng is the beneficial owner who is also a director and shareholder of the Company. The amount was fully set off against the amounts due with Mr. Ng and related companies for which Mr. Ng is also a director and shareholder.

During the year ended 31 March 2016, the consideration for acquisition of certain leasehold land and buildings from a director and a related company in the aggregate amount of HK\$6,211,000 and HK\$11,806,000 respectively, was settled through the current accounts with the director and the related company respectively.

During the year ended 31 March 2016, the consideration for the disposal of certain leasehold land and building to a related company of HK\$16,300,000 was settled through the current account with the related company.

34. CAPITAL COMMITMENT

As at 31 March 2015 and 2016, the Group did not have any significant capital commitment.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2016 HK\$'000	2015 HK\$'000
Financial assets		
<i>Loans and receivables at amortised costs</i>		
— Trade and other receivables	64,756	70,906
— Pledged deposits	13,790	14,259
— Amounts due from related companies	—	15,831
— Amount due from a director	—	32,727
— Pledged bank deposit	—	1,007
— Bank balances and cash	71,147	5,874
Financial liabilities		
<i>Financial liabilities at amortised costs</i>		
— Trade and other payables	127,824	61,807
— Amount due to a director	—	2,858
— Obligations under finance leases	—	5,962
— Bank borrowings, secured	14,611	56,354

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

Notes to the Consolidated Financial Statements

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36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

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

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

(a) Credit risk

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

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from customers of contract work, pledged deposits, pledged bank deposit, amounts due from related companies and a director, 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 trade and other receivables, it is the Group's policy to only deal with creditworthy counterparties. In order to minimise credit risk, management has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from the counterparties.

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

The Group provides guarantees in respect of the surety bonds issued in favour of several customers. As at 31 March 2015 and 2016, the maximum exposure to credit risk of guarantees issued by the Group represented the maximum amount the Group could be required to pay if the guarantees were called on, which are disclosed in Note 31. Management considers it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

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

Notes to the Consolidated Financial Statements

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36. 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 2015 and 2016 bore interest at floating rates. Details of bank loans are disclosed in Note 24.

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

Sensitivity analysis

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

	Increase/(decrease) in profit for the year and retained profits	
	2016 HK\$'000	2015 HK\$'000
Changes in interest rate		
+1%	(146)	(564)
-1%	146	564

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.

Notes to the Consolidated Financial Statements

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36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

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

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

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
At 31 March 2016						
Trade and other payables	127,824	127,824	127,824	-	-	-
Bank loans subject to repayment on demand clause	14,611	14,611	14,611	-	-	-
	142,435	142,435	142,435	-	-	-

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36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	Carrying amount HK\$'000	Total contractual undiscouted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
At 31 March 2015						
Trade and other payables	61,807	61,807	61,807	-	-	-
Bank loans subject to repayment on demand clause	56,354	56,354	56,354	-	-	-
Amount due to a director	2,858	2,858	2,858	-	-	-
Obligations under finance leases	5,962	6,260	3,388	2,434	438	-
	126,981	127,279	124,407	2,434	438	-

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

	Carrying amount HK\$'000	Total contractual undiscouted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
Bank loans subject to repayment on demand clause						
As at 31 March 2016	14,611	15,736	7,725	2,057	3,137	2,817
As at 31 March 2015	56,354	57,632	39,066	5,376	9,206	3,984

Notes to the Consolidated Financial Statements

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36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(d) Capital management

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

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

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

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

	2016 HK\$'000	2015 HK\$'000
Bank borrowings, secured	14,611	56,354
Obligations under finance leases	–	5,962
Total debts	14,611	62,316
Total equity	55,595	20,105
Gearing ratio	26%	310%

Financial Summary

For the three years ended 31 March 2014, 2015 and 2016

RESULTS

	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	475,474	377,356	200,183
Profit before taxation	26,270	22,813	11,354
Income tax expense	(5,154)	(4,335)	(1,934)
Profit and total comprehensive income for the year	21,116	18,478	9,420

ASSETS AND LIABILITIES

	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	230,296	183,946	116,802
Total liabilities	(174,701)	(163,841)	(109,625)
Net assets	55,595	20,105	7,177

Note:

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

No financial statements of the Group for the years ended 31 March 2013 and 2012 have been published.

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

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