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**Ching Lee Holdings Limited**

**正利控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code on GEM: 8318)**

**(Stock Code on Main Board: 3728)**

**TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET  
TO THE MAIN BOARD OF THE STOCK EXCHANGE OF  
HONG KONG LIMITED**

**Financial adviser**

**SUNWAH KINGSWAY**

**新華滙富**

**Kingsway Capital Limited**

Reference is made to the announcement issued by the Company dated 16 May 2017 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A of the Main Board Listing Rules.

On 16 May 2017, a formal application was made by the Company to the Stock Exchange for the listing of, and permission to deal in, (i) 1,000,000,000 Shares in issue; and (ii) any Shares which may fall to be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme, by way of transfer to listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing has been granted by the Stock Exchange on 8 September 2017. The last day of dealings in the Shares on GEM (Stock code: 8318) will be on Friday, 15 September 2017. Dealings in the Shares on the Main Board (Stock code: 3728) will commence at 9:00 a.m. on Monday, 18 September 2017.

The Board confirms that as at the date of this announcement, all pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares, which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change is proposed to be made to the English and Chinese stock short names of the Company, the share certificate, the board lot size which is 20,000 Shares each, the trading currency of the Shares which is in Hong Kong dollars, and the share registrar and transfer office of the Company in Hong Kong which is Tricor Investor Services Limited, following the Transfer of Listing.

**Warning: The Company's share price and trading volume had been extremely volatile since its Listing on GEM. The Company is unaware of any reason for the volatility and it may be volatile in the future.**

## **TRANSFER OF LISTING**

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The Board is pleased to announce that the approval-in-principle for the Transfer of Listing has been granted by the Stock Exchange on 8 September 2017. The last day of dealings in the Shares (Stock code: 8318) on GEM will be on Friday, 15 September 2017. It is expected that dealings in the Shares on the Main Board (stock code: 3728) will commence at 9:00 a.m. on Monday, 18 September 2017.

The Board confirms that as at the date of this announcement, all pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have, insofar as applicable, been fulfilled in relation to the Company and the securities of the Company.

## **DEALINGS IN THE SHARES ON MAIN BOARD**

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 29 March 2016, the date on which the Shares were first listed on GEM. Subject to continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8318) will be on Friday, 15 September 2017. Dealings in the Shares on the Main Board (Stock code: 3728) will commence at 9:00 a.m. on Monday, 18 September 2017.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares, which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change is proposed to be made to the English and Chinese stock short names of the Company, the share certificate, the board lot size which is 20,000 Shares each, the trading currency of the Shares which is in Hong Kong dollars, and the share registrar and transfer office of the Company in Hong Kong which is Tricor Investor Services Limited, following the Transfer of Listing.

## **COMPLIANCE OF LISTING RULES**

The Company does not have any material non-compliance incident or breach of listing rules since the Listing on GEM.

## **REASONS FOR THE TRANSFER OF LISTING**

The Company has been listed on GEM since 29 March 2016. The Company is an investment holding company. The Group provides (i) substructure building work services; (ii) superstructure building work services; and (iii) RMAA work as a main contractor in Hong Kong.

The Board believes that the Proposed Transfer of Listing will enhance the corporate profile of our Company and improve the trading liquidity of the Shares and recognitions by potential investors. The Board is also of the view that the Proposed Transfer of Listing, if successful, is beneficial to the future growth and development of our Group and is in the overall interests of our Company and the Shareholders.

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme on 10 March 2016 pursuant on which the Company may grant options to individuals including any full-time or part-time employee of the Company or any member of the Group, including any Director, advisor, consultant or any subsidiaries of the Company, as incentives or rewards for the contribution to the Group. As at the date of this announcement, no option has been granted or outstanding under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 100,000,000 Shares.

The Share Option Scheme will remain valid and effective following the Transfer of Listing to the Main Board and will be implemented in full compliance with the requirements under Chapter 17 of the Main Board Listing Rules. Following the Transfer of Listing, (i) the Shares issued and to be issued upon exercise of options, which have been granted under the Share Option Scheme; and (ii) the Shares to be issued upon exercise of options, which may be granted under the Share Option Scheme, will be listed on the Main Board.

As at the date of this announcement, save for the options that may be granted under the Share Option Scheme, the Company does not have any other options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

## **GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted to the Directors to allot and issue new Shares and repurchase Shares by the Shareholders on 28 June 2017 will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company; or
- (b) the expiration of the period within which the next annual general meeting of the Company as required by its Articles of Association or any applicable law of the Cayman Islands to be held; or
- (c) the revocation or variation of such authority by an ordinary resolution of Shareholders in general meeting.

## **UNDERTAKING BY OUR CONTROLLING SHAREHOLDERS**

Each of our Controlling Shareholders has undertaken to the Company and the Stock Exchange that he/she/it shall not, in the period of 12 months commencing on the date of the Transfer of Listing, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which he/she/it is the beneficial owner.

## **PUBLIC FLOAT**

The Directors confirm that no less than 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the Latest Practicable Date. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

## **PUBLICATION OF RESULTS**

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial years, respectively. The Directors are of the view that potential investors and Shareholders will continue to have access to relevant information of the Company following the reporting requirements under the Main Board Listing Rules.

## **COMPETING INTEREST**

At the time of the listing of the Shares on GEM, Kingle Limited, Strong Knight Limited, Able Vantage Guesthouse Company Limited and Ching Wah Engineering Limited (previously known as Ching Lee Engineering Limited) (the “**Excluded Companies**”) were excluded from the Group in order to streamline the core business of the Group.

Up to the Latest Practicable Date, each of the Excluded Companies remains clearly delineated from and not competing directly or indirectly with the Group.

### **Kingle Limited**

Kingle Limited is a company incorporated under the laws of Hong Kong on 8 July 1980 with limited liability, which is owned as to 10% by Mr. Ng and 90% by an Independent Third Party as at the Latest Practicable Date. Up to the Latest Practicable Date, Kingle Limited currently has no operation and is expected to continue to be dormant, and does not hold any licence to conduct building construction works in Hong Kong. The principal activities of Kingle Limited and those of our Group are dissimilar. Hence, Kingle Limited remains clearly delineated from and not competing directly or indirectly with the Group.

### **Strong Knight Limited**

Strong Knight Limited (“**Strong Knight**”) is a company incorporated under the laws of Hong Kong on 8 February 2010 with limited liability and is wholly-owned by Mr. Ng as at the Latest Practicable Date. Strong Knight is an investment holding company which does not have any other business or operation and remains clearly delineated from and not competing directly or indirectly with the Group.

### **Able Vantage Guesthouse Company Limited**

Able Vantage Guesthouse Company Limited (“**Able Vantage**”) is a company incorporated under the laws of Hong Kong on 1 February 2013 with limited liability and wholly-owned by Mr. Ng as at the Latest Practicable Date. Able Vantage engages in the operation and management of guesthouses in Hong Kong. As the business of Able Vantage is different from that of our Group, Able Vantage remains clearly delineated from and not competing directly or indirectly with the Group.

### **Ching Wah Engineering Limited**

Ching Wah Engineering Limited (“**Ching Wah**”) is a company incorporated under the laws of Macau on 28 March 2007 with limited liability and is owned as to 96% by Mr. Ng and as to 4% by Ms. Cheung Yuk Sheung, spouse of Mr. Ng as at the Latest Practicable Date.

Ching Wah has obtained and still holds a construction licence which permits it to perform construction works in Macau but has no operation and been dormant since its incorporation. As our Group only holds licences to conduct building construction works in Hong Kong and thereby will only engage in the provision of building construction services in Hong Kong, Ching Wah falls outside the business model of our Group and therefore was not included in our Group.

As at the Latest Practicable Date, none of the controlling shareholders of the Company or the Directors or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09 (10) of the Main Board Listing Rules.

## **SUMMARY OF THE GROUP'S BUSINESS**

### **Principal business**

The Group provides (i) substructure building work services; (ii) superstructure building work services; and (iii) RMAA work as a main contractor in Hong Kong. The Shares were listed on GEM since 29 March 2016.

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. During the Track Record Period, 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 church, educational, residential, and commercial buildings, while the scope of our RMAA works consisted of improvement, fitting-out works, renovation works, restoration works and external works.

### **Business model**

During the Track Record Period, we undertook projects mainly in the private sector. We acted as the main contractor in all our projects during the Track Record Period and up to the Latest Practicable Date and delegated works to our subcontractors under supervision and management by our project team. Our role as a main contractor generally includes overall project management and supervision of works conducted by our subcontractors to ensure their conformity to contractual specification and that projects are completed on time and within budget.

During the Track Record Period, our projects were mainly awarded by way of tendering. Among the 21 projects we have completed during the Track Record Period and 11 on-going projects as at the Latest Practicable Date, 31 projects were awarded by way of tendering. The remaining three projects were awarded by submitting quotations to our customers in selecting against other candidate main contractors. The aggregate expected contract sum of on-going jobs as at the Latest Practicable Date amounted to approximately HK\$1,497.4 million.

#### *Invitation to tender and preparation of tender*

For both public and private sector projects, our business opportunities mainly arise from the invitation to tender from our customers or their consultants. We do not review the tender notices published in the newspaper or government websites in practice.

In general, the invitation to tender is by way of letter. When the employers intend to engage a main contractor for a construction project, they would issue invitation to tender to numerous candidate main contractors. We adopt a cost-plus pricing model for setting our tender price. We estimate the cost by considering direct labour cost, subcontracting cost, construction material cost and insurance cost. A preliminary assessed project cost would be provided to our executive Directors to consider. Our executive Directors would also determine the mark-up margin. Depending on the complexity and scale of the project, it generally takes around two to five weeks for us to prepare and make a tender submission. Our executive Directors must approve and sign the tender submission before it is made.



Furthermore, we usually submit tenders when we received the invitation to tenders in both public and private sectors. This approach in submission of tenders enable us to keep our presence in the market to explore every opportunities to secure new projects, maintain customers' relationship, and keep ourselves abreast of the latest market requirements and pricings, which are considered to be useful in preparing similar tenders in future.

#### *Tender selection*

After tender submission, we would attend interview with our customer, respond to our customer's queries and/or negotiate with our customer about the price and/or contract terms, which are responsible by our executive Directors. If we are selected by our customer to "win" the contract, a letter of acceptance would be issued to us. The tender selection process generally takes around one to two months.

The following table sets out the details for the tenders we submitted and the relevant success rate during the Track Record Period and up to Latest Practicable Date based on our internal records:

	<b>Year ended 31 March</b>			<b>From 1 April 2017 to Latest Practicable Date</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	
The number of tenders submitted	41	45	57	15
The number of successful tenders	4	7	8	1
Success rate (%)	9.8	15.6	14.0	6.7

Given the positive trends and opportunities in the industry as set out in the section headed "Industry overview" of the Prospectus, the number of tenders received and submitted increased year by year during the Track Record Period. The success rate of attaining engagement of projects tendered is dependent on a few factors, such as the number of invitation of tendering quotation in each year, the tender quotation offers submitted by the Group's competitors in each project and the relationship of the Group and the customers.

The overall success rate of tendering for the year ended 31 March 2015, 2016 and 2017 were approximately 9.8%, 15.6% and 14.0% respectively. The higher overall success rate of tendering for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was mainly due to the increase in the number of successful tenders from 4 to 7. The Directors consider that such increase indicates the recognition of the quality of our services from the customers with established relationship. Among the successful tenders for the year ended 31 March 2016, there were 3 tenders awarded by the customers with established relationship, including a project of superstructure building works services for a building located at Portland Street and two projects of RMAA works services for commercial centres located at Tuen Mun and Tin Shui Wai. For details of the established relationship with the

relevant customers, please refer to the paragraph headed “We have established relationships with our top five customers” under the section of “Business — our competitive strengths” in the Prospectus.

The lower overall success rate of tendering for the year ended 31 March 2017 as compared to the year ended 31 March 2016 was mainly due to the increase in the number of tenders submitted during the year ended 31 March 2017. Our Group generally prepare and submit tenders in response to all tender invitations from our new and potential customers. The tender invitations received by the Group increased during the year ended 31 March 2017 as the Directors consider that our Group’s corporate image and reputation have been enhanced as well as our position has been further strengthened in the market after listing. The number of the contracts awarded to our Group by tendering increased from 7 for the year ended 31 March 2016 to 8 for the year ended 31 March 2017. With the increase in the number of tenders submitted for the year ended 31 March 2017, the overall success rate of tendering decreased from approximately 15.6% to 14.0%.

The following two tables set forth our success rates by segment and by public and private sectors during the Track Record Period and up to the Latest Practicable Date based on our internal records:

	Year ended 31 March						From 1 April 2017 to Latest Practicable Date					
	2015			2016			2017					
	<i>Number of tender submissions</i>	<i>Number of successful tenders</i>	<i>Success rate (%)</i>	<i>Number of tender submissions</i>	<i>Number of successful tenders</i>	<i>Success rate (%)</i>	<i>Number of tender submissions</i>	<i>Number of successful tenders</i>	<i>Success rate (%)</i>	<i>Number of tender submissions</i>	<i>Number of successful tenders</i>	<i>Success rate (%)</i>
Substructure building works services	9	0	0.0	17	2	11.8	13	0	0.0	2	0	0.0
Superstructure building works services	7	2	28.6	4	1	25.0	16	6	37.5	5	0	0.0
RMAA works services	25	2	8.0	24	4	16.7	28	2	7.1	8	1	12.5

	Year ended 31 March						From 1 April 2017 to Latest Practicable Date					
	2015			2016			2017					
	<i>Number of tender submissions</i>	<i>Number of successful tenders</i>	<i>Success rate (%)</i>	<i>Number of tender submissions</i>	<i>Number of successful tenders</i>	<i>Success rate (%)</i>	<i>Number of tender submissions</i>	<i>Number of successful tenders</i>	<i>Success rate (%)</i>	<i>Number of tender submissions</i>	<i>Number of successful tenders</i>	<i>Success rate (%)</i>
Public sector	1	0	0.0	3	0	0.0	0	0	0.0	1	0	0.0
Private sector	40	4	10.0	42	7	16.7	57	8	14.0	14	1	7.1

We recorded relatively low tender success rates as to RMAA works services for the years ended 31 March 2015 and 31 March 2017 at approximately 8.0% and 7.1% respectively, and no successful tenders as to substructure building works services for the years ended 31 March 2015 and 31 March 2017. Our Directors believe that the Group has more competitive advantages within the superstructure building work services segment which leads to a better tender success rate during the Track Record Period in the superstructure building works services segment comparing to the other two segments. Also, we recorded no successful tenders as to public sector projects during the Track Record Period. It is because, as previously disclosed, we generally prepare and submit tenders in response to all tender invitations from our new and potential customers, in order to explore and utilise every opportunity to secure new projects for our Group, maintain customers’ relationship and



increase our opportunity to work with new customers. Also, all projects undertaken since 1 April 2015 were in the private sector (instead of both public and private sector). The main reason is the tender notices of projects in the public sectors are mainly published through newspapers and government websites resulting in less tender invitations that can be received. During the Track Record Period, we only received and submitted four tender submissions for the public sector. However, going forward, should there be any future projects in the public or private sector that suitable for the Group with invitations to tender, we will submit our tenders for such projects accordingly.

#### *Project implementation*

Once we are awarded with a project, we will form a project team which is responsible to handle the project assigned to it to ensure the works are in conformity to the contractual specifications and the project is completed on time and within budget. It is also responsible for perusing the specifications set out in the contract and if necessary, apply to the relevant Government departments to obtain the requisite permits and approvals in relation to air pollution, waste disposal, noise pollution and others pursuant to environmental protection requirements before commencement of the construction works. We would also confirm our engagement with our subcontractors after we are awarded with a project.

The construction materials that we purchased are mainly concrete and steel. We procure the same from local distributors in Hong Kong for our subcontractors to carry out the works. We do not keep any construction materials as inventory because they are procured on a project-by-project basis in accordance with the specifications.

For those subcontractors that we need to provide them machineries, we either provide them our own machineries or machineries leased from our suppliers (as agreed and included in the subcontract price). During the Track Record Period, the machineries we leased from our suppliers include generators, cranes and air compressors.

We are also required to take out the employees' compensation insurance, contractor's all risks and third party liability insurance, insurance for the construction plant and equipment brought onto the site for the contract.

#### *Surety bond*

We are generally required to at our own cost obtain the guarantee of a licensed bank or insurance company in Hong Kong to be jointly and severally bound with us to our customer in a specified sum for the due performance of the contract under the terms of a bond in a specified format. The surety bond is generally released upon the practical completion. The surety bonds provided by our Group during the Track Record Period are generally in an amount not exceeding 4% of the contract sum.

The following tables set out our on-going projects as at the Latest Practicable Date:

Customer	Sector	Type	Commencement Date	Expected date of substantial completion	Expected Contract Sum HK\$'000	Accumulated revenue recognised up to 30 June 2017 HK\$'000	Outstanding contract sum as at 30 June 2017 HK\$'000	Further revenue to be recognised since 1 July 2017 up to 31 March 2018 HK\$'000	Further revenue to be recognised after 31 March 2018 HK\$'000
<b>Superstructure building works services</b>									
A private developer in Hong Kong	Private	Superstructure building works for a proposed residential development located at Shanghai Street, Kowloon, Hong Kong	November 2015	June 2017 <i>(Note)</i>	98,330	90,330	8,000	8,000	—
A private developer in Hong Kong	Private	Superstructure building works for a residential development located at Happy Valley, Hong Kong	August 2016	March 2018	89,549	50,706	38,843	38,843	—
A private developer in Hong Kong	Private	Superstructure works for proposed residential development located at Kwai Chung, Hong Kong	October 2016	July 2018	209,725	63,345	146,380	108,588	37,792
A private developer in Hong Kong	Private	Superstructure building works of a commercial complex located at Nathan Road, Mongkok, Hong Kong	October 2016	October 2017	311,000	166,342	144,658	144,658	—
A private developer in Hong Kong	Private	Superstructure building works for a proposed composite redevelopment located at Argyle Street and Reclamation Street, Hong Kong	November 2016	March 2018	124,820	27,604	97,216	97,216	—
A private developer in Hong Kong	Private	Superstructure building works of a proposed residential re-development located at Kowloon City, Hong Kong	April 2017	September 2018	201,860	3,675	198,185	50,459	147,726
A private developer in Hong Kong	Private	Superstructure building works of a proposed residential re-development located at Kowloon Tong, Hong Kong	May 2017	April 2018	67,380	2,498	64,882	60,017	4,865
A school in Hong Kong	Private	Superstructure building works for a school located at Repulse Bay, Hong Kong	June 2017	August 2018	228,110	6,405	221,705	93,705	128,000
Subtotal					<u>1,330,774</u>	<u>410,905</u>	<u>919,869</u>	<u>601,486</u>	<u>318,383</u>
<b>RMAA building works services</b>									
A private developer in Hong Kong	Private	RMAA works for a commercial centre located at Tuen Mun, New Territories, Hong Kong	August 2015	April 2017 <i>(Note)</i>	53,646	49,405	4,241	4,241	—
A school in Hong Kong	Private	RMAA works for sloping repairing of a collage located at Stanley, Hong Kong	November 2016	September 2017	7,138	5,281	1,857	1,857	—
A private developer in Hong Kong	Private	RMAA works for an industrial building located at Castle Peak Road, Hong Kong	Not yet commenced	August 2018	105,880	—	105,880	48,867	57,013
Subtotal					<u>166,664</u>	<u>54,686</u>	<u>111,978</u>	<u>54,965</u>	<u>57,013</u>
Total					<u>1,497,438</u>	<u>465,591</u>	<u>1,031,847</u>	<u>656,451</u>	<u>375,396</u>

*Note:* Substantial works were performed before June 2017 which are subject to final certification of works performed.

For the three years ended 31 March 2017, the Group's largest customer accounted for approximately 20.4%, 19.2%, and 30.1% respectively of our revenues for the three years ended 31 March 2017. Our five largest customers, which were mainly private developers in Hong Kong, together accounted for approximately 75.4%, 74.2%, and 69.0% respectively of our revenues for the three years ended 31 March 2017.

### For the year ended 31 March 2015

Customers	Background	Services provided by our Group	Approximate % of our total revenue	Years of business relationship as at Latest Practicable Date
Customer A	Subsidiaries of a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, which is a constituent stock of Morgan Stanley Capital International China Index. A substantial shareholder of which is a state-owned enterprise. The principal activities of such subsidiaries include property development in Hong Kong.	Superstructure building construction works services of residential development	20.4%	3
Customer B	An Anglican church in Hong Kong founded in 1904	Superstructure building construction works services of church	17.7%	5
Customer C	A private developer incorporated in Hong Kong in 2010, which mainly engages in property development in Hong Kong.	Superstructure building construction works services of residential development	14.2%	3
Customer D	A subsidiary of Hong Kong Sanatorium & Hospital, which was established in Hong Kong in 2011 with the intention to establish a proton therapy centre in Hong Kong.	Substructure building construction works services of hospital	12.7%	3
Customer E	A private developer incorporated in the British Virgin Islands, which mainly engages in property development in Hong Kong.	Superstructure building construction works services of residential development	10.4%	5

### For the year ended 31 March 2016

Customers	Background	Services provided by our Group	Approximate % of our total revenue	Years of business relationship as at Latest Practicable Date
Customer C	A private developer incorporated in Hong Kong in 2010, which mainly engages in property development in Hong Kong.	Superstructure building construction works services of residential development	19.2%	3
Customer A	Subsidiaries of a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, which is a constituent stock of Morgan Stanley Capital International China Index. A substantial shareholder of which is a state-owned enterprise. The principal activities of such subsidiaries include property development in Hong Kong.	Superstructure building construction works services of residential development	18.1%	3
Customer E	A private developer incorporated in the British Virgin Islands, which mainly engages in property development in Hong Kong.	Superstructure building construction works services of residential development	13.4%	5
Customer F	A private developer incorporated in Hong Kong in 2011, which mainly engages in property development in Hong Kong.	Superstructure building construction works services of residential development	12.5%	4
Customer G	A school situated in the Stanley peninsula providing education service in Hong Kong, which was founded in 1938.	Superstructure building construction works services of school	11.0%	2

## For the year ended 31 March 2017

Customers	Background	Services provided by our Group	Approximate % of our revenue	Years of business relationship as at Latest Practicable Date
Customer H	A subsidiary of a Real Estate Investment Trusts listed on the Main Board of the Stock Exchange of Hong Kong Limited and is a constituent of the Hang Seng Index. Its portfolio consists of retail facilities, fresh markets, car parks and offices across Hong Kong, Beijing and Shanghai.	RMAA works of commercial building	30.1%	6
Customer I	A private developer incorporated in Hong Kong in 2011, which mainly engages in property development in Hong Kong.	Superstructure building construction works services of residential development	13.2%	2
Customer A	Subsidiaries of a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, which is a constituent stock of Morgan Stanley Capital International China Index. A substantial shareholder of which is a state-owned enterprise. The principal activities of such subsidiaries include property development in Hong Kong.	Superstructure building construction works services of residential development	9.9%	3
Customer G	A school situated in the Stanley peninsula providing education service in Hong Kong, which was founded in 1938.	Superstructure building construction works services of school	8.8%	2
Customer J	A private developer incorporated in Hong Kong in 2013, which mainly engages in property development in Hong Kong.	Superstructure building construction works services of residential development	7.0%	1

For the three years ended 31 March 2017, the Group's largest subcontractor accounted for approximately 19.2%, 11.0%, and 6.2% respectively of the total cost of services of the Group for the three years ended 31 March 2017. Our five largest subcontractors together accounted for approximately 46.4%, 33.6%, and 29.1% respectively of the total subcontracting costs of the Group for the three years ended 31 March 2017.

For the three years ended 31 March 2017, the Group's largest supplier accounted for approximately 13.4 %, 18.7%, and 5.3% respectively of the total cost of services of the Group for the three years ended 31 March 2017. Our five largest suppliers together accounted for approximately 40.9%, 39.1%, and 19.1% respectively of the total purchase of the Group for the three years ended 31 March 2017.

### Material risks associated with the Group's business

***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.***

All of our revenue during the Track Record Period was derived from providing (i) substructure building works services; (ii) superstructure building works services; and (iii) RMAA works services, in Hong Kong, and our engagements with customers were on a project basis and non-recurring in nature. We did not enter into any long term agreement or master service agreement with our customers as at the Latest Practicable Date. After completion of the projects, our customers are not obliged to engage us again in subsequent projects. We have to undergo the tendering process for every new project.

We cannot assure you that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue. Our operations and financial results would hence be adversely affected.

***Our historical growth rate, revenue and profit margin may not be indicative of our future growth rate, revenue and profit margin***

For each of the three years ended 31 March 2017, our revenue was approximately HK\$377.4 million, HK\$475.5 million and HK\$579.8 million, respectively. For the same periods, our profit and total comprehensive income was approximately HK\$18.5 million, HK\$21.1 million and HK\$25.5 million respectively. For each of the three years ended 31 March 2017, our gross profit was approximately HK\$48.8 million, HK\$61.1 million and HK\$75.6 million, respectively, whereas our gross profit margin for the same periods was approximately 12.9%, 12.8% and 13.0%, respectively. There is an inherent risk in using such historical financial information of us to project or estimate our financial performance in the future, as they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, deterioration in the market conditions of the construction main contracting industry in Hong Kong, intensification of competition among main contractors, aggravation in labour shortage, and other unforeseen factors such as adverse weather and geological conditions, which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects.

There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

***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***

We rely on our suppliers for stable and timely delivery of quality concrete, steel and other construction materials. For each of the three years ended 31 March 2017, our total purchase cost of concrete, steel and other construction materials amounted to approximately HK\$116.6 million, HK\$127.8 million and HK\$144.3 million, respectively representing approximately 35.5%, 30.8% and 28.6% of our total direct costs, respectively.

If there is any shortage of concrete, steel and other construction materials, or material delay in delivery by our suppliers, we may fail to complete our projects on time or at all. As a result, we may be required to pay liquidated damages or other penalties to our customers. We cannot guarantee that we would be able to identify suitable alternative sources of supply with acceptable quality and price.

Further, even if we could do so, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our business reputation and financial results may be adversely affected.

If there is any deterioration in the quality of concrete, steel and other construction materials from our suppliers, and we are unable to identify suitable alternative sources, the progress and quality of our works could be materially and adversely affected, thereby damaging our business reputation and adversely affecting our financial results.

## LEGAL COMPLIANCE

As at the Latest Practicable Date and save as disclosed in this paragraph, no member of our Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

### *Criminal litigations as at the Latest Practicable Date*

Nature of the charge	Date(s) of the incident	Defendant	Status
<p>1. Ching Lee Engineering was charged for, being a registered specialist contractor (site formation works) directly concerned with the building works, namely, excavation and lateral support works at a construction site, carried out such building works in such manner as was likely to cause a risk of injury to persons or damage to property contrary to section 40(2B)(b) of the Buildings Ordinance.</p>	<p>Between 6 November 2014 and 17 November 2014 (both dates inclusive)</p>	<p>Ching Lee Engineering</p>	<p>The court hearing held on 7 January 2016 was the first mention hearing. The trial hearing was held from 12 June 2017 to 7 July 2017 and has been adjourned to 25 September 2017.</p>
<p>The background information on the criminal litigation is detailed further in the Prospectus.</p>			<p>As advised by our legal advisers as to the Building Ordinance matters, they are unable to advise on the merits of the case or the chance of Ching Lee Engineering's acquittal with any degree of certainty at this stage and it is difficult at this stage to estimate the possible outflow of economic benefits.</p>
			<p>As advised by our legal advisers as to the Buildings Ordinance matters, the maximum penalty upon conviction is a fine of HK\$1,000,000 and imprisonment for three years.</p>
			<p>According to the experience of our legal advisers as to the Buildings Ordinance matters and the case law, they have not come across any case in which the maximum penalty was imposed for offences committed under the Buildings Ordinance. Our legal advisers as to the Buildings Ordinance matters are of the view that it is not likely that the maximum fine will be imposed or any sentence of imprisonment would be ordered against the director or officers of Ching Lee Engineering having regard to the nature of the present charge.</p>

As at the Latest Practicable Date and save as disclosed above, there was no material litigations which took place during the Track Record Period and up to the Latest Practicable Date.



## WORK SAFETY

Risks of accidents and injuries to workers in construction sites are inherent. We have implemented occupational health and safety measures for our employees and the employees of our subcontractors. For details of these measures, please refer to the paragraph headed “Occupational health and safety measures” under the section of “Business” in the Prospectus.

We maintain an internal record of our work injuries. For each of the calendar years 2014, 2015, 2016 and from 1 January 2017 to the Latest Practicable Date, we recorded nil, nil, three and one work injuries of our employees, respectively, of which two claims in calendar year 2016 have been settled with a total amount of HK\$55,166.7, in which HK\$53,862.7 was settled by our insurer and HK\$1,304 was settled by us as expenses. The remaining unsettled claim in calendar year 2016 and from 1 January 2017 to Latest Practicable Date are currently being handled by our insurer with a majority of which the quantum are yet to be assessed.

Further, for each of the calendar years 2014, 2015, 2016 and from 1 January 2017 to the Latest Practicable Date, we recorded seven, 11, 18 and 10 work injuries of our subcontractors’ employees, respectively. Five claims in calendar year 2014 have been settled with a total amount of HK\$813,040.8 in which HK\$807,324.8 was settled by our insurer and/or the respective subcontractor and HK\$5,716.0 was settled by us as expenses. Nine claims in calendar year 2015 have been settled with a total amount of HK\$590,907.3 in which HK\$553,665.3 was settled by our insurer and/or the respective subcontractor and HK\$37,242.0 was settled by us as expenses. Four claims in calendar year 2016 have been settled with a total amount of HK\$113,277.3 and the said amounts were fully settled by our insurer and/or the respective subcontractor. The remaining unsettled claims in calendar years 2014, 2015, 2016 and from 1 January 2017 to Latest Practicable Date are currently being handled by our insurer with a majority of which the quantum are yet to be assessed, which is mainly due to inadequate information provided by the injured employees of the subcontractors.

Pursuant to section 15(1A) of the Employees’ Compensation Ordinance (Chapter 282 of the laws of Hong Kong), notice of any accident which results in the total or partial incapacity of the employee shall be given to the Commissioner for Labour by the employer. All the aforesaid work injuries had been reported to the Commissioner for Labour. We are also required, as main contractor, to cover our projects with sufficient employees’ compensation insurance and contractor’s all risks insurance. Insurance coverage of contractor’s all risks insurance for each project should be determined based on the contract documents of the relevant project. Hence, all works accidents are, to different extents according to relevant insurance policies, covered by insurance and are reported to insurance companies for medical claims. For details, please refer to the paragraph headed “Insurance” under the section of “Business” in the Prospectus.

Our Directors confirm that our Group has insurance coverage for its liabilities resulting from all these incidents and notice of all incidents about the work injuries have been given to the insurers as at the Latest Practicable Date and therefore are of the view that such claims as mentioned above have no material adverse impact on the operation or financial position or business of our Group.

A table showing our Group's lost time injuries frequency rates ("LTIFRs") is set out below:

For the calendar year 2014	9.84
For the calendar year 2015	6.84
For the calendar year 2016	5.72
For the period from 1 January 2017 to Latest Practicable Date (both days inclusive)	4.80

*Notes:*

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFR is calculated as multiplying the number of lost time injuries of our Group happened in the calendar year by 1,000,000 and then dividing by the number of hours worked by the workers over that calendar year.
2. The number of working days of construction site workers for each of the calendar years 2014, 2015 and 2016, and the period from 1 January 2017 to the Latest Practicable Date (both days inclusive) were approximately 300, 301, 301 and 300 respectively. It is assumed that the working hour of each worker is nine hours per day.

The following table sets out the comparison of the accident rate per 1,000 workers and fatality rate per 1,000 workers of our Group against the relevant construction industry average rates in Hong Kong:

	<b>Construction industry average rate</b> <i>(Note 1)</i>	<b>Our Group's rate</b> <i>(Note 2)</i>
<b>For the calendar year 2014</b>		
Accident rate per 1,000 workers	41.9	26.68
Fatality rate per 1,000 workers	0.242	—
<b>For the calendar year 2015</b>		
Accident rate per 1,000 workers	39.1	20.37
Fatality rate per 1,000 workers	0.200	—
<b>For the calendar year 2016</b>		
Accident rate per 1,000 workers	34.5	15.45
Fatality rate per 1,000 workers	0.093	—
<b>For the period from 1 January 2017 to the Latest Practicable Date (both days inclusive)</b>		
Accident rate per 1,000 workers	Not yet announced	12.96
Fatality rate per 1,000 workers	Not yet announced	—

*Notes:*

1. The figures are from the Occupational Safety and Health Statistics 2016 (August 2017) by Occupational Safety and Health Branch, Labour Department.
2. Our Group's injury rate is calculated with reference to the definition of injury rate under the Occupational Safety and Health Statistics 2016 (August 2017) by Occupational Safety and Health Branch, Labour Department, which is the number of work injuries resulting in total or partial incapacity of employees of our Group and our subcontractors, divided by the monthly average number of construction site employees, during a calendar year. The monthly average number of construction site workers includes employees of our Group and our subcontractors and is determined by the construction site attendance reports we have uploaded to the registrar of construction workers pursuant to the Construction Workers Registration Ordinance (Chapter 583 of the laws of Hong Kong).

For each of the calendar years from 2014 to 2016, and the period from 1 January 2017 to the Latest Practicable Date (both days inclusive), we recorded no fatal injuries for our projects and so the fatality rates of our projects were lower than the construction industry average rates in Hong Kong. The Group's accident rate and fatality rate were lower than construction industry average rate as we have implemented occupational health and safety measures for our employees and the employees of our subcontractors.

## SUMMARY OF THE GROUP'S FINANCIAL PERFORMANCE

The following table sets forth the selected financial information of the Group for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017:

	2015	2016	2017	Three months ended	
				30 June	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	377,356	475,474	579,849	136,189	191,538
Cost of revenue	<u>(328,560)</u>	<u>(414,382)</u>	<u>(504,285)</u>	<u>(119,719)</u>	<u>(170,192)</u>
Gross profit	48,796	61,092	75,564	16,470	21,346
Other income and gains	830	12,644	183	12	14
Administrative and other operating expenses	(25,113)	(45,861)	(43,891)	(8,607)	(12,297)
Finance costs	<u>(1,700)</u>	<u>(1,605)</u>	<u>(712)</u>	<u>(106)</u>	<u>(546)</u>
<b>Profit before income tax</b>	22,813	26,270	31,144	7,769	8,517
Income tax	<u>(4,335)</u>	<u>(5,154)</u>	<u>(5,693)</u>	<u>(1,324)</u>	<u>(1,522)</u>
<b>Profit and total comprehensive income for the year</b>	<u>18,478</u>	<u>21,116</u>	<u>25,451</u>	<u>6,445</u>	<u>6,995</u>
Earnings per share:					
—Basic (HK cents)	<u>2.31</u>	<u>2.63</u>	<u>2.55</u>	<u>0.64</u>	<u>0.70</u>
—Diluted (HK cents)	<u>2.31</u>	<u>2.63</u>	<u>2.55</u>	<u>0.64</u>	<u>0.70</u>

## KEY FINANCIAL INFORMATION

The following table sets forth the selected financial information of the Group for the years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2016 and 2017:

### Revenue

Our Group's revenue was derived from (1) substructure building works services; (2) superstructure building works services; and (3) RMAA works services in Hong Kong. Revenue derived from these principal activities comprises the followings:

	Year ended 31 March			Three months ended 30 June	
	2015 HK\$'000 (audited)	2016 HK\$'000 (audited)	2017 HK\$'000 (audited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Substructure building work services	131,520	88,106	55,094	27,565	2,411
Superstructure building work services	221,009	365,067	384,297	74,505	177,844
RMAA work services	<u>24,827</u>	<u>22,301</u>	<u>140,458</u>	<u>34,119</u>	<u>11,283</u>
	<u>377,356</u>	<u>475,474</u>	<u>579,849</u>	<u>136,189</u>	<u>191,538</u>

All our projects during the Track Record Period and up to the Latest Practicable Date were located in Hong Kong. We undertook projects in both public and private sectors. The following table sets forth the breakdown of our revenue by public and private sectors for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017:

	Year ended 31 March						Three months ended 30 June			
	2015 HK\$'000 (audited)	%	2016 HK\$'000 (audited)	%	2017 HK\$'000 (audited)	%	2016 HK\$'000 (unaudited)	%	2017 HK\$'000 (unaudited)	%
Private sector	376,401	99.7%	475,474	100%	579,849	100%	136,189	100%	191,538	100%
Public sector	<u>955</u>	<u>0.3%</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>377,356</u>	<u>100.0%</u>	<u>475,474</u>	<u>100%</u>	<u>579,849</u>	<u>100%</u>	<u>136,189</u>	<u>100%</u>	<u>191,538</u>	<u>100%</u>

## Gross Profit

	Year ended 31 March						Three months ended 30 June			
	2015		2016		2017		2016		2017	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	
	(audited)		(audited)	(audited)		(unaudited)		(unaudited)		
Substructure building works services	21,205	16.1%	10,883	12.3%	2,291	4.2%	4,039	14.7%	79	3.3%
Superstructure building works services	22,823	10.3%	50,065	13.7%	60,986	15.9%	7,812	10.5%	14,875	8.4%
RMAA works services	4,768	19.2%	144	0.6%	12,287	8.7%	4,619	13.5%	6,392	56.7%
	<u>48,796</u>	<u>12.9%</u>	<u>61,092</u>	<u>12.8%</u>	<u>75,564</u>	<u>13.0%</u>	<u>16,470</u>	<u>12.1%</u>	<u>21,346</u>	<u>11.1%</u>

### Key factors affecting our revenue and gross profit margin

*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 revenue and gross profit margin*

Our revenue depends on the market demand for (i) substructure building works services; (ii) superstructure building works services and (iii) RMAA works services. Market demand for our services is affected by the number and availability of building and RMAA works services in property market and other macroeconomic factors. We cannot assure that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue. Our revenue and gross profit margin would hence be adversely affected.

*Accuracy in the estimation of time and costs involved in projects when determining tender price*

We need to determine our tender price based on the cost estimate plus a certain mark-up margin. The actual amount of time and costs involved in completing a project may be adversely affected by many factors, including but not limited to, unexpected geological conditions in the underground of the work sites, unfavorable weather conditions, disputes with customers, suppliers, subcontractors and other project parties, difficulties in retaining necessary number of workers with requisite skills, receipt of variation orders from our customers, unexpected fluctuations in the market price of construction materials such as concrete, steel and other construction materials after the commencement of project, and other unforeseen circumstances. Any material inaccurate estimation in the time and costs involved in a project may adversely affect our revenue and gross profit margin.



### *Performance and availability of the subcontractors*

We subcontracted various parts of our projects to our subcontractors, who are Independent Third Parties, from time to time. There is no assurance that our subcontractors will always follow strictly all of our instructions. Outsourcing exposes our Group to the risks associated with non-performance, delay in project completion or quality issues concerning the works done by the Group's subcontractors. As a result, we may incur additional time or costs or be subject to liability under the relevant contracts between our Group and its customers for subcontractors' unsatisfactory performance. Such events could impact upon our profitability, financial performance and reputation. Our subcontractors may not always be readily available whenever we need to engage them. Notwithstanding our proven working relationship with our subcontractors, there is no assurance that we would be able to maintain such relationships in the future. In addition, there is no assurance that we will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our revenue and gross profit margin may also be adversely affected.

### *Timing of projects and stage of completion of projects*

Our 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. As such, our revenue is dependent on the percentage of completion of each project. Hence, the number of contracts and progress of each contract we undertake in any period will affect our revenue and gross profit margin recognised for each period.

## **Material fluctuations**

### *The three months ended 30 June 2017 compared to the three months ended 30 June 2016*

#### **Revenue**

##### *Substructure building work services*

For the three months ended 30 June 2017, revenue recorded in this segment amounted to approximately HK\$2.4 million (2016: HK\$27.6 million) representing the remaining work of a project in Tung Chau Street. The decrease by approximately HK\$25.2 million was mainly due to the completion or substantial completion of jobs on excavation and lateral support works located in A Kung Ngam and substructure works in Shelley Street during the year ended 31 March 2017, which contributed approximately HK\$25.3 million to the revenue of the Group for the three months ended 30 June 2016.

##### *Superstructure building work services*

For the three months ended 30 June 2017, revenue recorded in this segment amounted to approximately HK\$177.8 million (2016: HK\$74.5 million). The increase by approximately HK\$103.3 million was mainly due to the commencement of six superstructure building works projects on a proposed composite redevelopment located at Argyle Street and Reclamation Street, a proposed residential development located at Kwai Chung, a commercial complex located in Nathan Road, a proposed residential re-development located at Kowloon City, a proposed residential re-development located at Kowloon Tong and a

school located at Repulse Bay, which altogether contributed approximately HK\$151.4 million to our revenue for the three months ended 30 June 2017, as well as the substantial completion of two superstructure projects on a proposed residential development at Shanghai Street and superstructure building works for a residential development located at Happy Valley, which altogether contributed approximately HK\$26.4 million for the same financial period. The increase was partially offset by a decrease in revenue of approximately HK\$64.3 million from the substantial completion of six superstructure projects, particularly three of the six projects on works at proposed redevelopment of teaching block for a school in Stanley, proposed composite development in Portland Street and proposed residential development at Prince Edward Road.

#### *RMAA work services*

For the three months ended 30 June 2017, revenue recorded in this segment amounted to approximately HK\$11.3 million (2016: HK\$34.1 million). The decrease by approximately HK\$22.8 million was mainly due to a decrease of approximately HK\$33.7 million from the completion or substantial completion of three RMAA projects on asset enhancement works located at Tuen Mun, renovation work of Minden Avenue located at Tsim Sha Tsui and conversion works of a Shopping Centre located in Yuen Long. The decrease was partially offset by an increase in revenue from variation works of a commercial center in Tuen Mun and a shopping center located in Yuen Long, which altogether contributed approximately HK\$8.5 million to our revenue for the three months ended 30 June 2017, as well as the commencement of three new RMAA projects, mainly on works for show flat and sale office of a proposed residential redevelopment located at Kai Tak Road, which altogether contributed approximately HK\$2.2 million to the revenue of the Group during the same financial period.

#### **Gross Profit and Gross Profit Margin**

Our gross profit increased by approximately HK\$4.8 million or 29.1%, from approximately HK\$16.5 million for the three months ended 30 June 2016 to approximately HK\$21.3 million for the three months ended 30 June 2017. During the three months ended 30 June 2017, the gross profit margin was approximately 11.1%, which is close to the gross profit margin of the three months ended 30 June 2016 of approximately 12.1%.

#### *Substructure building works services*

The gross profit margin for substructure building works services dropped to approximately 3.3% for the three months ended 30 June 2017 from approximately 14.7% for the three months ended 30 June 2016. Such decrease was mainly due to the completion or substantial completion of jobs on excavation and lateral support works located in A Kung Ngam and substructure works in Shelley Street during the year ended 31 March 2017. Hence, all the substructure revenue for the three months ended 30 June 2017 was contributed by the project located in Tung Chau Street which has a relatively lower gross profit margin due to establishment of business relationship with a new customer.

### *Superstructure building work services*

The gross profit margin for superstructure building work services decreased to approximately 8.4% for the three months ended 30 June 2017 from approximately 10.5% for the three months ended 30 June 2016. Such decrease was mainly due to the four superstructure building work services projects awarded in the second half of year ended 31 March 2017 with lower gross profit margin due to the intensification of competition among main contractors and establishment of business relationship with new customers, which altogether contributed approximately HK\$13.3 million to the gross profit of the Group during the three months ended 30 June 2017. Hence, the gross profit margin was decreased to 8.4% for the three months ended 30 June 2017.

### *RMAA work services*

The gross profit margin for RMAA work services increased to approximately 56.7% for the three months ended 30 June 2017 from approximately 13.5% for the three months ended 30 June 2016. Such increase was mainly due to the revenue from variation works of a commercial center in Tuen Mun and a shopping center located in Yuen Long were completed and confirmed in May 2017. Revenue for these variation works amounted to approximately to HK\$8.4 million agreed and received from customers during the three months ended 30 June 2017 and related cost of these variation works amounted approximately HK\$1.8 million were incurred and recognised during the three months ended 30 June 2017. These variation works were negotiated and agreed between the Group and the customers separately from the original main contracts, which resulted in higher gross profit margin during the three months ended 30 June 2017.

### *Other material fluctuations*

Administrative and other operating expenses increased by approximately HK\$3.7 million or approximately 43.0% from approximately HK\$8.6 million for the three months ended 30 June 2016 to approximately HK\$12.3 million for the three months ended 30 June 2017. The significant increase was mainly due to the increase in legal and professional fees of approximately HK\$2.3 million which mainly consist of HK\$1.8 million regarding the accrual of legal fee for an ongoing litigation and the increase in entertainment and motor car expenses of approximately HK\$0.8 million.

### *The year ended 31 March 2017 compared to the year ended 31 March 2016*

## **Revenue**

### *Substructure building works services*

For the year ended 31 March 2017, revenue recorded in this segment amounted to approximately HK\$55.1 million (2016: HK\$88.1 million). The decrease by approximately HK\$33.0 million was mainly due to the completion or substantial completion of jobs on excavation and lateral support works located in A Kung Ngam and substructure works in Shelley Street during the year ended 31 March 2016, which contributed approximately HK\$44.5 million to the revenue of the Group during the same financial year. The decrease was partly offset by an increase in revenue of approximately HK\$8.8 million from a substructure project located in Tung Chau Street, for which substantial portion of works had been performed for the year ended 31 March 2017.

### *Superstructure building work services*

For the year ended 31 March 2017, revenue recorded in this segment amounted to approximately HK\$384.3 million (2016: HK\$365.1 million). The increase by approximately HK\$19.2 million was mainly due to the commencement of four superstructure projects on superstructure building works of a commercial complex located in Nathan Road, superstructure works for proposed residential development located at Kwai Chung, superstructure building works for a residential development located at Happy Valley and superstructure building works for a proposed composite redevelopment located at Argyle Street and Reclamation Street, which altogether amounted to approximately HK\$144.7 million, as well as the substantial completion of two superstructure projects on a proposed residential development at Shanghai Street and Nam Cheong Street during the year ended 31 March 2017, which altogether amounted to approximately HK\$67.3 million for the same financial year. In addition, revenue from variation works of to a church located at Tsim Sha Tsui amounted to approximately HK\$7.2 million was confirmed and received from customer. The increase was partially offset by a decrease in revenue of approximately HK\$199.4 million from the completion or substantial completion of six superstructure projects, mainly on works at proposed commercial development in Tsim Sha Tsu and proposed residential development in Stanley, during the year ended 31 March 2016.

### *RMAA work services*

For the year ended 31 March 2017, revenue recorded in this segment amounted to approximately HK\$140.5 million (2016: HK\$22.3 million). The increase by approximately HK\$118.2 million was mainly due to an increase of approximately HK\$28.7 million from the completion or substantial completion of two RMAA projects, mainly on asset enhancement works located at Tuen Mun and renovation work of Minden Avenue located at Tsim Sha Tsui, and the commencement of three new RMAA projects, mainly on conversion works of a Shopping Centre located in Yuen Long and works for sloping repairing of a college located at Stanley, which altogether contributed approximately HK\$87.0 million to the revenue of the Group during the year ended 31 March 2017.

### **Gross Profit and Gross Profit Margin**

Our gross profit increased by approximately HK\$14.5 million or 23.7%, from approximately HK\$61.1 million for the year ended 31 March 2016 to approximately HK\$75.6 million for the year ended 31 March 2017. During the year ended 31 March 2017, the gross profit margin was approximately 13.0%, which is close to the gross profit margin of prior year of approximately 12.8%.

### *Substructure building works services*

The gross profit margin for substructure building works services dropped to approximately 4.2% for the year ended 31 March 2017 from approximately 12.3% for the year ended 31 March 2016. Such decrease was mainly due to reduction in overall revenue in this segment while depreciation charges to the property, plant and equipment remained unchanged.

### *Superstructure building work services*

The gross profit margin for superstructure building work services increased to approximately 15.9% for the year ended 31 March 2017 from approximately 13.7% for the year ended 31 March 2016. Such increase was mainly due to the additional variation works to a church located at Tsim Sha Tsui completed and confirmed during the year ended 31 March 2017. Revenue for these variation works amounted to approximately HK\$7.2 million agreed and received from customer during the year ended 31 March 2017 and related cost of these variation works amounted to approximately HK\$5.4 million were incurred and recognised during the year ended 31 March 2017, which resulted in a relatively high gross profit margin at approximately 25.2% for this project. These variation works were negotiated and agreed between the Group and the customer separately from the original main contract of the church, which resulted in a higher gross profit margin in the year ended 31 March 2017.

The Group had been awarded four superstructure building work services projects in the second half of year ended 31 March 2017 with lower gross profit margin ranged from 5.4% to 12.5% due to the intensification of competition among main contractors and establishment of business relationship with new customers in which substantial portion of related works will be completed during the year ending 31 March 2018, which may lower the gross profit margin for the year ending 31 March 2018.

### *RMAA work services*

The gross profit margin of our projects depends on a number of factors, including but not limited to scope of work, technical complexity, geological conditions of the work sites, variation orders and/or work programme, and therefore varies from project to project. The gross profit margin for RMAA work services increased significantly to approximately 8.7% for the year ended 31 March 2017 (2016: approximately 0.6%). Such increase in gross profit margin was mainly due to additional costs incurred amounted to approximately HK\$1.4 million for additional works of a private sector project performed during the year ended 31 March 2016. The additional works performed were mainly related to unexpected recovery and maintenance defective works during the defect liability period at the Group's own cost in the year ended 31 March 2016. Accordingly, there was no corresponding revenue recognised for these additional works and hence a relatively low gross profit margin of approximately 0.6% for the year ended 31 March 2016.

The gross profit margin for RMAA work services for the year ended 31 March 2016 would restore to approximately 7.1% if the effect of the job with additional cost of approximately HK\$1.4 million was excluded, which would be slightly below the gross profit margin for the year ended 31 March 2017 of approximately 8.7%. Such increase was mainly due to the commencement of new jobs of conversion works of a Shopping Centre located in Yuen Long and works for show flat and sale office of a proposed Residential Redevelopment located at Kai Tak Road with higher gross profit margin because of the scale of work in commercial area in Yuen Long is relatively more sizeable and the material cost of show flat and sale office is comparatively lower for the two projects during the year ended 31 March 2017.



## **Profit for the Year Attributable to the Owners of the Company**

The Group's profit and total comprehensive income for the year ended 31 March 2017 amounted to approximately HK\$25.5 million (2016: approximately HK\$21.1 million). Such increase was mainly attributable to the increase in gross profit from superstructure building works services and RMAA works services segments, which was partly offset by the decrease in other income and gains of approximately HK\$12.5 million due to gain on disposal of a property of approximately HK\$12.1 million for the year ended 31 March 2016.

### **Net Profit Margin**

The Group's net profit margin for the year ended 31 March 2017 amounted to approximately 4.39% (2016: approximately 4.44%), which was relatively stable.

#### *Other material fluctuations*

Other Income and Gains decreased by approximately HK\$12.5 million or approximately 98.6% from approximately HK\$12.6 million for the year ended 31 March 2016 to approximately HK\$0.2 million for the year ended 31 March 2017. The significant decrease 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 decreased by approximately HK\$2.0 million or 4.3% from approximately HK\$45.9 million for the year ended 31 March 2016 to approximately HK\$43.9 million for the year ended 31 March 2017. Administrative expenses mainly consist of listing expenses, staff costs, depreciation, donation, consultancy fees and others. The decrease was attributable to (i) decrease in listing expenses of approximately HK\$9.1 million for services rendered by professional parties for the year ended 31 March 2016; (ii) increase in staff costs paid to directors and staff of approximately HK\$6.9 million due to increase in number of staff and salary level during the year; (iii) decrease in consultancy fees of approximately HK\$2.4 million; (iv) decrease in donation of approximately HK\$1.5 million; (v) increase in depreciation of approximately HK\$1.4 million and (vi) increase in others of approximately HK\$2.7 million.

*The year ended 31 March 2016 compared to the year ended 31 March 2015*

### **Revenue**

#### *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 on demolition & hoarding, site formation & foundation works located in Stanley, design & construction of foundation works located in Jardine's Bazaar 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 located in Tung Chau Street and approximately HK\$14.6 million from two substructure projects in in Shelley Street and A Kung Ngam for which substantial portion of works had been performed for the year ended 31 March 2016.



### *Superstructure building works service*

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 of proposed residential development at Shanghai Street and redevelopment of New Teaching Block in Stanley. In addition, a substantial portion of works of four superstructure projects, such as superstructure works on proposed composite development located in Mongkok, a proposed residential development in Jordan and a proposed residential development in Stanley, etc. for the year ended 31 March 2016 contributed to the increase in revenue by approximately HK\$197.0 million. The increase was partially offset by a decrease of approximately HK\$116.0 million from the completion/substantial completion substructure works of a church in Tsim Sha Tsui and a building in Tsing Tai Road during the year ended 31 March 2015.

### *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 on Yau Oi Market Block and Commercial Complex and alteration and addition works of building located in Tsim Sha Tsui during the year ended 31 March 2015. The decrease was partially offset by the commencement of two new RMAA projects on asset enhancement works located at Tuen Mun and renovation work of Minden Avenue located at Tsim Sha Tsui during the year ended 31 March 2016, which contributed to revenue of approximately HK\$21.7 million.

### **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%.

### *Substructure building works services*

The gross profit margin for substructure building works services dropped to approximately 12.3% for the year ended 31 March 2016, which slightly decrease from approximately 16.1% for the year ended 31 March 2015.

### *Superstructure building work services*

The gross profit margin for substructure building works services increased to approximately 13.7% for the year ended 31 March 2016, from approximately 10.3% for the year ended 31 March 2015. Such increase was mainly due to completion of a lower gross profit margin for the year ended 31 March 2015, which was awarded by a church located at Tsim Sha Tsui, which is a non-profit-marking organization.

### *RMAA work services*

The gross profit margin of our projects depends on a number of factors, including but not limited to scope of work, technical complexity, geological conditions of the work sites, variation orders and/or work programme, and therefore varies from project to project. The gross profit margin of RMAA works services decreased significantly to approximately 0.6% for the year ended 31 March 2016 (2015: approximately 19.2%). Such decrease in gross profit margin was mainly due to additional costs incurred amounted to approximately HK\$1.4 million for additional works of a private sector project performed during the year ended 31 March 2016. The additional works performed were mainly related to unexpected recovery and maintenance defective works during the defect liability period at the Group's own cost for the year ended 31 March 2016. Accordingly, there was no corresponding revenue recognised for these additional works and hence a relatively low gross profit margin of approximately 0.6% was recorded for the year ended 31 March 2016.

The gross profit margin for RMAA work services would restore to approximately 7.1% if the effect of the job with additional cost of approximately HK\$1.4 million was excluded, which would still be lower than the gross profit margin of approximately 19.2% for the year ended 31 March 2015. Such decrease was mainly due to the commencement of new jobs of asset enhancement works located at Tuen Mun and renovation work of Minden Avenue located at Tsim Sha Tsui with lower gross profit margin because of the intense competition of these two projects among other main contractors during the year ended 31 March 2016.

### **Profit 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.

### **Net Profit Margin**

The Group's net profit margin for the year ended 31 March 2016 amounted to approximately 4.44% (2015: approximately 4.90%), which was relatively stable.

### *Other material fluctuations*

Other Income and Gains increased by approximately HK\$11.8 million or approximately 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 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.

## CERTAIN OTHER FINANCIAL INFORMATION OF THE GROUP

### Net Current Assets

The following table sets out details of the Group's current assets and current liabilities as at each of the balance sheet dates indicated below:

	As at March 31			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
	(audited)	(audited)	(audited)	(unaudited)
<b>Current assets</b>				
Trade and other receivables	70,906	64,756	95,440	109,640
Pledged deposits	14,259	13,790	4,246	4,920
Amounts due from customers of contract work	11,547	43,724	78,855	140,841
Amounts due from related companies	15,831	–	–	–
Amount due from a director	32,727	–	–	–
Pledged bank deposit	1,007	–	25,001	25,023
Bank balances and cash	5,874	71,147	32,538	22,159
	<u>152,151</u>	<u>193,417</u>	<u>236,080</u>	<u>302,583</u>
Non-current asset held for sale	<u>4,600</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total current assets	<u>156,751</u>	<u>193,417</u>	<u>236,080</u>	<u>302,583</u>
<b>Current liabilities</b>				
Trade and other payables	61,807	127,824	161,510	177,880
Amounts due to customers of contract work	34,112	29,248	2,612	1,035
Amount due to a director	2,858	–	–	–
Obligation under finance lease	3,172	–	151	247
Bank borrowings, secured	56,354	14,611	35,867	77,415
Provision of taxation	1,949	2,203	690	2,384
Total current liabilities	<u>160,252</u>	<u>173,886</u>	<u>200,830</u>	<u>258,961</u>
<b>Net current (liabilities)/assets</b>	<u>(3,501)</u>	<u>19,531</u>	<u>35,250</u>	<u>43,622</u>

The Group had net current liabilities of approximately HK\$3.5 million as at 31 March 2015, and net current assets of approximately HK\$19.5 million, HK\$35.3 million and HK\$43.6 million as at 31 March 2016, 2017 and 30 June 2017 respectively.

The increase in our net current assets as at 30 June 2017 as compared to 31 March 2017 was mainly due to (i) the increase in trade and other receivables of approximately HK\$14.2 million, (ii) the increase in amounts due from customers of contract work of approximately HK\$62.0 million, which was partly offset by (i) the decrease in bank balance and cash of approximately HK\$10.4 million, (ii) increase in trade and other payables of approximately HK\$16.4 million, and (iii) increase in secured bank borrowings of approximately HK\$41.5 million.

The increase of our net current assets as at 31 March 2017 as compared to 31 March 2016 was mainly due to (i) the increase in trade and other receivables of approximately HK\$30.7 million, (ii) the increase in amounts due from customers of contract work of approximately HK\$35.1 million, (iii) the increase in pledged bank deposits of approximately HK\$15.0 million, (iv) the decrease in amounts due to customers of contract work of approximately HK\$26.6 million, and partly offset by (i) the decrease in bank balances and cash of approximately HK\$28.6 million, (ii) the increase in trade and other payables of approximately HK\$33.7 million, and (iii) the increase in bank borrowing, secured of approximately HK\$21.3 million.

The net current assets of the Group as at 31 March 2016 increased to approximately HK\$19.5 million (2015: net current liabilities approximately HK\$3.5 million). Our Group's net current liabilities as at 31 March 2015 were mainly due to bank borrowings classified as current liabilities due to 'repayable on demand' clauses in the relevant facility agreements. Such increase in net current assets was mainly contributed by the increase in bank balances and cash of the Group to approximately HK\$71.1 million in the year ended 31 March 2016 (2015: approximately HK\$5.9 million), which mainly due to the net proceeds received from listing and decrease in bank borrowings to approximately HK\$14.6 million (2015: approximately HK\$56.4 million), which mainly due to repayments bank loans made in March 2016. The increase in net current assets was net off with the decrease in net amounts due from related companies and a director to HK\$ nil as at 31 March 2016 (2015: approximately HK\$45.7 million), which mainly due to full repayment of net amounts due from related companies and a director upon listing and increase in trade and other payables, which were mainly caused by several superstructure projects completed near the financial year end of 31 March 2016 and were not due for settlement as at 31 March 2016.

The Group also has available banking facilities to meet its potential needs for business expansion and development. The Group's total cash and cash equivalents as at 30 June 2017 amounted to approximately HK\$22.2 million and it has unutilised banking facilities of approximately HK\$8.7 million available for further drawdown should it have any further capital needs. The cash at banks together with the available banking facilities can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group. Taking into account our cash at banks, anticipated cash flow from our operating activities and unutilised banking facilities, our Directors are of the opinion that we have sufficient working capital to meet our financial obligations.

As at 30 June 2017, the shareholders' funds of the Group amounted to approximately HK\$88.0 million. Current assets amounted to approximately HK\$302.6 million, which mainly comprised of bank balances and cash of approximately HK\$22.2 million, amounts due from customers of contract work of approximately HK\$140.8 million and trade and other receivables of approximately HK\$109.6 million. Current liabilities amounted to approximately HK\$259.0 million mainly comprised of trade and other payables of approximately HK\$177.9 million and secured bank borrowings of approximately HK\$77.4 million. As at 30 June 2017, the liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was approximately 1.2 times (As at 31 March 2017: approximately 1.2 times, As at 31 March 2016: approximately 1.1 times).

### Trade and other receivables

The following table shows the Group's trade and other receivable and average trade receivable turnover days for the periods indicated:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(unaudited)
Trade receivables	38,420	12,807	38,452	44,018
Retention receivables	30,079	42,541	47,500	50,052
Deposits, prepayments and other receivables	<u>2,407</u>	<u>9,408</u>	<u>9,488</u>	<u>15,570</u>
	<u><u>70,906</u></u>	<u><u>64,756</u></u>	<u><u>95,440</u></u>	<u><u>109,640</u></u>

As at 31 March and 30 June 2017, retention receivables of HK\$25.5 million and HK\$34.3 million (2016: HK\$36.1 million) were expected to be recovered beyond twelve months after the end of the reporting period, respectively.

	<b>For the year ended 31 March</b>			<b>For the</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>three</b>
	(audited)	(audited)	(audited)	<b>months</b>
				<b>ended</b>
				<b>30 June</b>
				<b>2017</b>
				(unaudited)
Average trade receivable turnover days	29	20	16	19

The Group's average trade receivable turnover days has been improving. The trade receivable turnover days for the year ended 2015, 2016, 2017 and three months ended 30 June 2017 is approximately 29 days, 20 days, 16 days and 19 days respectively, which is consistent with the credit periods of days. As at the Latest Practicable Date, 100% and 96% of the trade receivables as at 31 March and 30 June 2017 were subsequently settled respectively.

## Amounts due from/(to) customers of contract work

The following table sets out the details of the amounts due from/to customers of contract works as at the end year of the Track Record period:

	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
	(audited)	(audited)	(audited)	(unaudited)
Costs incurred to date plus recognized profits	641,315	859,183	1,371,456	1,559,882
Less: Progress billings to date	<u>(663,880)</u>	<u>(844,707)</u>	<u>(1,295,213)</u>	<u>(1,420,076)</u>
	<u>(22,565)</u>	<u>14,476</u>	<u>76,243</u>	<u>139,806</u>
Amounts due from customers of contract work	11,547	43,724	78,855	140,841
Amounts due to customers of contract work	<u>(34,112)</u>	<u>(29,248)</u>	<u>(2,612)</u>	<u>(1,035)</u>
	<u>(22,565)</u>	<u>14,476</u>	<u>76,243</u>	<u>139,806</u>

The net amounts due to customers of contract work amounted to HK\$22.5 million as at 31 March 2015, and due from customers of contract work amounted HK\$14.5 million and HK\$76.2 million as at 31 March 2016 and 2017 respectively, and the increase was mainly due to the timing difference between our Group's billings of interim certificates to our customers and work performed by our Group and billings from our subcontractors such that the costs incurred plus recognized profit less recognized loss were more than our Group's project billings. The net amounts due from customers of contract work was increased from HK\$14.5 million as at 31 March 2016 to HK\$76.2 million as at 31 March 2017, which was mainly due to the two new projects located at Kwai Chung and Mongkok commenced during the year ended 31 March 2017. The net amounts due from customers of contract work was increased from HK\$76.2 million as at 31 March 2017 to HK\$139.8 million as at 30 June 2017, which was mainly due to substantial works performed for the three projects located at Happy Valley, Kwai Chung, and Northan Road during the three months ended 30 June 2017. Up to the Latest Practicable Date, approximately HK\$106.8 million among HK\$139.8 million was subsequently certified.



## Trade and other payables

The following table shows the Group's trade and other payables and average trade payables turnover days for the periods indicated:

	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
	(audited)	(audited)	(audited)	(unaudited)
Trade payables	42,873	98,545	115,212	140,910
Bills payables	<u>8,230</u>	<u>7,128</u>	<u>12,540</u>	<u>9,348</u>
	<u>51,103</u>	<u>105,673</u>	<u>127,752</u>	<u>150,258</u>
Other payables, accruals and deposits received	8,017	9,508	21,013	6,968
Retention payables	<u>2,687</u>	<u>12,643</u>	<u>12,745</u>	<u>20,654</u>
	<u>61,807</u>	<u>127,824</u>	<u>161,510</u>	<u>177,880</u>
				As at
				30 June
				2017
				(unaudited)
Average trade payables turnover days	<u>36</u>	<u>62</u>	<u>77</u>	<u>68</u>

Our turnover days of trade payables (comprising our payables to suppliers and payables to subcontractors) were approximately 36 days, 62 days, 77 days and 68 days as at 31 March 2015, 2016 and 2017 and 30 June 2017, respectively. Due to complexity of certain projects undertaken by the sub-contractor, it has taken us longer time to assess and agree on value of the additional work performed. As a result, the number of trade payable turnover day increased to 77 days for the year ended 31 March 2017.

Please refer to the annual reports of the Company for years ended 31 March 2016 and 2017, respectively for further details of the annual results and management discussion and analysis of the Group during the Track Record Period.

## 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 and estimated listing expenses in connection with the Listing, were approximately HK\$42.5 million. The actual figures was different from the estimated net proceeds of approximately HK\$39.0 million as set out in the Prospectus. As such, the proposed application of net proceeds as stated in the Prospectus has been adjusted according to the proposed percentage of utilisation as specified in the section headed "Future Plans and Use of Proceeds" of the Prospectus. As at 31 March 2017, the Group has used up approximately HK\$17.4 million of the net proceeds.

An analysis of the utilisation of the net proceeds from the date of Listing up to 31 March 2017 is set out below:

	<b>Proposed use of net proceeds up to 31 March 2017 HK\$ million</b>	<b>Actual use of net proceeds up to 31 March 2017 HK\$ million</b>
To reserve more capital to satisfy our potential customers' requirement for surety bond ( <i>Note 1</i> )	8.4	0.0
To expand our workforce, and arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses ( <i>Note 2</i> )	5.2	5.7
To acquire machinery	3.3	3.3
To reduce our gearing ratio	7.4	7.4
Working capital and other general corporate purposes	<u>2.1</u>	<u>1.0</u>
	<u><u>26.4</u></u>	<u><u>17.4</u></u>

*Note 1:* In view of the contract sum of the successful tendering, our Group is required to provide the surety bond issued by the insurance company or bank. After listing, our Group enhanced corporate image and reputation as well as further strength our position in the market. In view of the above, the Group is not required to pay the cash collateral of surety bonds for most projects awarded by employers since our Listing to 31 March 2017. However, there is no guarantee that we would not require to pay the cash collateral of surety bond in the future as it depends on the amount of surety bonds and market condition. A new project was awarded in April 2017 which the Group is required to pay the cash collateral of surety bond. The cash collateral of approximately HK\$0.7 million was paid in June 2017. Hence, there will be no changes in the planned use of proceeds for surety bond up to the Latest Practicable Date even though nil was used up to 31 March 2017.

*Note 2:* The actual use of proceeds to expand our workforce exceeded approximately HK\$0.5 million to the proposed use of net proceeds up to 31 March 2017 as the remuneration packages to the skilled and experienced labour is higher than expected in view of the increased market rate of labour cost.

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

With reference to the Company's clarification announcement dated 13 June 2017, the Company would like to clarify that there was an inadvertent typographical error in relation to the amount of net proceeds from the Listing used to acquire machinery as of 31 March 2017 in the Company's 2017 annual report that (i) the actual use of the net proceeds from the Listing Date up to 31 March 2017 of "To acquire machinery" should be HK\$3.3 million, instead of HK\$11.5 million; and (ii) the total actual use of net proceeds from the date of Listing (i.e. 29 March 2016) up to 31 March 2017 should be HK\$17.4 million, instead of HK\$25.6 million.

In view of such error, the Group has adopted enhanced internal control measure. A “Use of Proceeds Register” is prepared by the accounting clerk to record all utilization of proceeds and reviewed by the chief accountant on a monthly basis since July 2017.

Our independent internal control consultant, Baker Tilly Hong Kong Risk Assurance Limited (“**Baker Tilly**”) considered that the abovementioned additional internal control measure is adequate and effective to prevent the recurrence of the abovementioned typographical error in relation to the announcement of the Company.

## **BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT**

The Company discloses below the biographical information of each Director and senior management of the Company:

### **EXECUTIVE DIRECTORS**

**Mr. NG Choi Wah** (“**Mr. Ng**”), aged 51, 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.

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Ng was interested or deemed to be interested in 645,000,000 Shares or underlying Shares of the Company held through JT Glory Limited (representing 64.5% of the issued share capital of the Company) pursuant to Part XV of the SFO. JT Glory Limited is wholly-owned by Mr. Ng under the SFO. Mr. Ng is a Controlling Shareholder of the Company.

As at the date of this announcement, Ms. Cheung Yuk Sheung (“**Ms. Cheung**”), being the spouse of Mr. Ng, is deemed to be interested in the 645,000,000 Shares held by Mr. Ng pursuant to the SFO. Ms. Cheung is a Controlling Shareholder of the Company.

Save as disclosed above, Mr. Ng has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the service contract entered into by Mr. Ng on 10 March 2016 for an initial term of three years commenced from 29 March 2016, subject to retirement by rotation or re-election in accordance with the Articles of Association and the applicable listing rules, Mr. Ng is entitled to a bonus and an initial annual salary and allowance of HK\$1,920,000. For the year ended 31 March 2017, a sum of HK\$2,940,000 has been paid to Mr. Ng. The above emoluments of Mr. Ng have been determined with reference to his role and duties, performance and responsibilities as well as the prevailing market conditions and are subject to revision in future by the decision of the Board based on the recommendation of the Company’s remuneration committee.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. LUI Yiu Wing** (“**Mr. Lui**”), aged 45, 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.

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Lui was interested or deemed to be interested in 900,000 Shares or underlying Shares of the Company pursuant to Part XV of the SFO.

Save as disclosed above, Mr. Lui has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the service contract entered into by Mr. Lui on 10 March 2016 for an initial term of three years commenced from 29 March 2016, subject to retirement by rotation or re-election in accordance with the Articles of Association and the applicable listing rules, Mr. Lui is entitled to a bonus and an initial annual salary and allowance of HK\$840,000. For the year ended 31 March 2017, a sum of HK\$850,000 has been paid to Mr. Lui. The above emoluments of Mr. Lui have been determined with reference to his role and duties, performance and responsibilities as well as the prevailing market conditions and are subject to revision in future by the decision of the Board based on the recommendation of the Company's remuneration committee.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. LAM Ka Fai** (“**Mr. Lam**”), aged 44, 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.

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Lam was not interested or deemed to be interested in any Shares or underlying Shares of the Company pursuant to Part XV of the SFO.

Save as disclosed above, Mr. Lam has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the service contract entered into by Mr. Lam on 10 March 2016 for an initial term of three years commenced from 29 March 2016, subject to retirement by rotation or re-election in accordance with the Articles of Association and the applicable listing rules, Mr. Lam is entitled to a bonus and an initial annual salary and allowance of HK\$672,000. For the year ended 31 March 2017, a sum of HK\$672,000 has been paid to Mr. Lam. The above emoluments of Mr. Lam have been determined with reference to his role and duties, performance and responsibilities as well as the prevailing market conditions and are subject to revision in future by the decision of the Board based on the recommendation of the Company's remuneration committee.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Dr. WAI Wing Hong Onyx** (“**Dr. Wai**”), aged 56, 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”.

As far as the Directors are aware, as at the Latest Practicable Date, Dr. Wai was not interested or deemed to be interested in any Shares or underlying Shares of the Company pursuant to Part XV of the SFO.

Save as disclosed above, Dr. Wai has not held any other position within the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the service contract entered into by Dr. Wai commenced from 10 March 2016, subject to retirement by rotation or re-election in accordance with the Articles of Association and the applicable listing rules, the annual director’s fee for him is HK\$144,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.



**Mr. TONG Hin Sum Paul** (“**Mr. Tong**”), aged 79, 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.

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Tong was not interested or deemed to be interested in any Shares or underlying Shares of the Company pursuant to Part XV of the SFO.

Save as disclosed above, Mr. Tong has not held any other position within the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the service contract entered into by Mr. Tong commenced from 10 March 2016, subject to retirement by rotation or re-election in accordance with the Articles of Association and the applicable listing rules, the annual director’s fee for him is HK\$144,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. CHAU Kam Wing Donald** (“**Mr. Chau**”), aged 54, 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.

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Chau was not interested or deemed to be interested in any Shares or underlying Shares of the Company pursuant to Part XV of the SFO.

Save as disclosed above, Mr. Chau has not held any other position within the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the service contract entered into by Mr. Chau commenced from 10 March 2016, subject to retirement by rotation or re-election in accordance with the Articles of Association and the applicable listing rules, the annual director's fee for him is HK\$144,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

## **SENIOR MANAGEMENT**

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

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

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

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

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

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

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

**Mr. WONG Yee Ching** (“**Mr. Wong**”), aged 28, is a safety officer of our Group. He joined our Group in June 2013. Mr. Wong has about 4 years of experience in construction safety industry. He is responsible for implementing the safety management system in our Group.

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

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

<b>Position</b>	<b>Duration</b>
Safety Supervisor	June 2013–September 2014
Assistant Safety Officer	September 2014–February 2015
Safety Officer	February 2015–present

**Mr. LAW Chun Man** (“**Mr. Law**”), aged 34, joined our Group in October 2014 and is currently an electrical and mechanical manager. He is responsible for the day-to-day coordination and supervision of electrical and mechanical works of our Group.

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

**Mr. NG Ho Nam** (“**Mr. C.H. Ng**”), aged 29, is an building services coordinator of our Group. He joined our Group in October 2015.

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

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

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

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

## **COMPANY SECRETARY**

**Mr. Tsui Wing Tak** (“**Mr. Tsui**”), aged 35, was appointed as the company secretary of our Company on 14 August 2017. He is primarily responsible for the company secretarial matters of our Group.

Mr. Tsui has more than 11 years of experience in the accounting and corporate field. Mr. Tsui has been the chief executive officer of AE Majoris Advisory Company Limited, which is principally engaged in the provision of corporate advisory services, since January 2012. He has been the executive director of Tree Holdings Limited since March 2016 where he has been responsible for financial management. He was the company secretary of Noble House (China) Holdings Limited (now known as Northern New Energy Holdings Limited) (stock code: 8246), a company listed on the Growth Enterprise Market, from July 2013 to August 2014. From August 2004 to January 2012, Mr. Tsui worked in an international accounting firm in Hong Kong with his last position as a manager in auditing. Mr. Tsui has been a non-executive director of CCT Land Holdings Limited (stock code: 261), a company listed on the Main Board of the Stock Exchange, since January 2017. Mr. Tsui graduated from The Hong Kong University of Science and Technology with a degree of bachelor of business administration (honours) in accounting in November 2004. He was admitted as a certified public accountant and a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants in January 2009 and January 2012, respectively.

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

## **MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published and unaudited consolidated financial information of the Group were made up.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for viewing on the respective websites of the Company at [www.chingleeholdings.com](http://www.chingleeholdings.com) and of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk):

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Directors' report and the annual report of the Company for the financial year ended 31 March 2017;
- (c) the Directors' report and the annual report of the Company for the financial year ended 31 March 2016;
- (d) the first quarterly report of the Company for the three months ended 30 June 2017;
- (e) the circular of the Company dated 25 May 2017 in respect of the general mandates to issue and repurchase Shares, retirement of directors, re-election of Directors, re-appointment of auditors and notice of annual general meeting; and
- (f) a copy of each of the announcements and other corporate communications made by the Company as required under the GEM Listing Rules and the Main Board Listing Rules.

**Warning: The Company's share price and trading volume had been extremely volatile since its Listing on GEM. The Company is unaware of any reason for the volatility and it may be volatile in the future.**

## DEFINITIONS

In this announcement, the following definitions shall have the meanings set out below unless the context requires otherwise:

“Articles of Association”	the articles of association of the Company adopted on 10 March 2016 and as amended from time to time
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Ching Lee Construction”	Ching Lee Construction Limited (正利建築有限公司), being a company incorporated in Hong Kong with limited liability on 26 May 2003 and an indirect wholly-owned subsidiary of our Company
“Ching Lee Engineering”	Ching Lee Engineering Limited (正利工程有限公司) (previously known as Smart Gain Engineering Limited (正利工程有限公司)), being a company incorporated in Hong Kong with limited liability on 27 November 1998 and an indirect wholly-owned subsidiary of our Company
“Ching Lee Foundation”	Ching Lee Foundation Limited (正利地基有限公司), being a company incorporated in Hong Kong with limited liability on 10 August 2007 and an indirect wholly-owned subsidiary of our Company
“Company”	Ching Lee Holdings Limited, a company duly incorporated in the Cayman Islands with limited liability, whose shares are listed and traded on the Stock Exchange
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules, and in the context of the Company, means Mr. Ng Choi Wah, Ms. Cheung Yuk Sheung and JT Glory Limited
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China



“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any directors, chief executive or Substantial Shareholders of our Company, our subsidiaries or any of their respective close associates
“Inside Information Provisions”	the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the SFO
“Latest Practicable Date”	1 September 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement
“Listing”	The listing of our Shares on GEM
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Private sector projects”	private sector projects refer to projects commissioned by individuals, privately owned property development companies and commercial enterprises
“Prospectus”	the prospectus of the Company dated 29 March 2016
“Public sector projects”	public sector projects refer to projects commissioned by the Government (including the Development Bureau, Civil Engineering and Development Department, Drainage Services Department, Environmental Protection Department, Highways Department, Architectural Services Department, Water Services Department and Housing Authority), the MTR Corporation Limited and the Airport Authority
“RMAA”	RMAA refers to repair, maintenance, alteration and addition for an existing structure
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 10 March 2016

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	The three years ended 31 March 2017
“Transfer of Listing”	the proposed transfer of the listing of the Shares from GEM to Main Board pursuant to Chapter 9A of the Main Board Listing Rules
“%”	per cent.

By order of the Board  
**Ching Lee Holdings Limited**  
**Mr. NG Choi Wah**  
*Chairman*

Hong Kong, 8 September 2017

*As at the date of this announcement, the executive Directors are Mr. Ng Choi Wah, Mr. Lui Yiu Wing and Mr. Lam Ka Fai, and the independent non-executive Directors are Dr. Wai Wing Hong Onyx, Mr. Tong Hin Sum Paul and Mr. Chau Kam Wing Donald.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the Company’s website at [www.chingleeholdings.com](http://www.chingleeholdings.com).*