Ching Lee Holdings Limited
正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3728

2021

Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

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

Independent non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Tsui Wing Tak (*Certified Public Accountants)*

AUTHORISED REPRESENTATIVES

Mr. Ng Choi Wah
Mr. Lui Yiu Wing

INDEPENDENT AUDITOR

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

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

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

COMPANY WEBSITE

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

STOCK CODE

3728

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Ching Lee Holdings Limited (our "**Company**", together with our subsidiaries, our "**Group**"), I have the pleasure to present to you the annual results for the year ended 31 March 2021.

OVERVIEW

During the year, although the Group was affected by the COVID-19 pandemic ("**COVID-19**") and there has been delay in the Group's ongoing projects and new projects, the foundations of our core business remain robust since we still capture business opportunities with potential construction projects from our long established customers network. However, the keen market competition drives down our profit margin.

FINANCIAL RESULTS

Hong Kong economy experienced unprecedented challenges due to the COVID-19 pandemic since January 2020. Affected by the local economic downturn and unstable environment, the total revenue of the Group decreased by approximately HK$84.5 million or 8.5% from approximately HK$993.3 million for the year ended 31 March 2020 to approximately HK$908.8 million for the year ended 31 March 2021. In general, the slight decrease in revenue was due to the decrease from repair, maintenance, alteration and addition for an existing structure works services and substructure building works services amount to approximately HK$169.5 million and HK$6.1 million respectively. The decrease was offset by the increase in superstructure building works services of approximately HK$91.1 million. Basic earnings per share for the year ended 31 March 2021 was HK1.14 cents as compared with HK1.20 cents per share for the year ended 31 March 2020.

FORWARD

Looking forward, we still expect certain downward pressure on the overall economy in Hong Kong due to the COVID-19 pandemic. However, the Group is still confident about the industrial outlook and the prospects of the construction market in Hong Kong. The Group will continuously focus on its core businesses in providing (i) substructure building works services, (ii) superstructure building works services, and (iii) repair, maintenance, alteration and addition for an existing structure works as a main contractor in Hong Kong; and, at the same time, explore new opportunities as well as new merger and acquisition targets that will benefit the shareholders as a whole.

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

APPRECIATION

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

By Order of the Board
Ng Choi Wah
Chairman

Hong Kong, 23 June 2021

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

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

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

The Group's revenue for the year ended 31 March 2021 was recorded at approximately HK$908.8 million which represented a slight decrease of approximately HK$84.5 million or 8.5% from approximately HK$993.3 million for the year ended 31 March 2020.

	Year ended 31 March		Increase/
	2021	2020	(Decrease)
	HK$'000	HK$'000	%
Substructure building work services	**24,792**	30,936	(19.9%)
Superstructure building work services	**749,831**	658,663	13.8%
RMAA work services	**134,186**	303,736	(55.8%)
	908,809	993,335	(8.5%)

(i) Substructure building works services

For the year ended 31 March 2021, revenue recorded in this segment amounted to approximately HK$24.8 million (2020: approximately HK$30.9 million). The decrease by approximately HK$6.1 million was mainly due to less substructure building work projects were engaged with revenue recognised during the year ended 31 March 2021.

(ii) Superstructure building works services

For the year ended 31 March 2021, revenue recorded in this segment amounted to approximately HK$749.8 million (2020: approximately HK$658.7 million). The increase by approximately HK$91.1 million was mainly due to more milestone recognitions by projects were reached and the commencement of four superstructure building work projects during the year ended 31 March 2021.

(iii) RMAA works services

For the year ended 31 March 2021, revenue recorded in this segment amounted to approximately HK$134.2 million (2020: approximately HK$303.7 million). The decrease by approximately HK$169.5 million was mainly due to less milestone recognitions of RMAA projects when compared to the year ended 31 March 2020.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2021 recorded at approximately HK$908.8 million which represented a slight decrease of approximately HK$84.5 million or 8.5% from approximately HK$993.3 million for the year ended 31 March 2020. The decrease in total was mainly due to a decrease from RMAA works services and substructure building works services amount to approximately HK$169.5 million and HK$6.1 million respectively. The decrease was offset by the increase in superstructure building works services of approximately HK$91.1 million.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately HK$19.4 million or 24.0%, from approximately HK$80.7 million for the year ended 31 March 2020 to approximately HK$61.3 million for the year ended 31 March 2021. During the year ended 31 March 2021, the gross profit margin was approximately 6.7%, which is slightly lower than the gross profit margin of prior year of approximately 8.1%.

Other Income and Gains, net

Other income and gains, net increased by approximately HK$7.9 million or 464.7% from approximately HK$1.7 million for the year ended 31 March 2020 to approximately HK$9.6 million for the year ended 31 March 2021. The increase was mainly due to the HKSAR Government wage subsidies of approximately HK$7.9 million for the support of Hong Kong's economy.

Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by approximately HK$5.6 million or 9.4% from approximately HK$59.3 million for the year ended 31 March 2020 to approximately HK$53.7 million for the year ended 31 March 2021.

Administrative and other operating expenses mainly consist of staff cost (including salaries, allowances, other benefits and contribution to defined contribution retirement plan), legal & professional fee, business development cost, donations, depreciation and others. The decrease was mainly attributable by (i) the decrease in consultancy fee of approximately HK$2.2 million, (ii) the decrease in entertainment expenses of approximately HK$1.3 million, (iii) the decrease in legal and professional fee of approximately HK$1.0 million and (iv) the decrease in donation and others of approximately HK$1.1 million.

Finance Costs

Finance costs decreased by approximately HK$4.3 million or 46.2% from approximately HK$9.3 million for the year ended 31 March 2020 to approximately HK$5.0 million for the year ended 31 March 2021, which was mainly due to a decrease in average bank borrowings during the year ended 31 March 2021.

Income Tax

Income tax decreased by approximately HK$1.1 million or 45.8% from approximately HK$2.4 million for the year ended 31 March 2020 to approximately HK$1.3 million for the year ended 31 March 2021.

Management Discussion and Analysis

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

Profit and total comprehensive income for the year attributable to the owners of the Company decreased by approximately HK$0.7 million or 5.7% from approximately HK$12.2 million for the year ended 31 March 2020 to approximately HK$11.5 million for the year ended 31 March 2021.

Such decrease was primarily attributable to the net effect of (i) the decrease in gross profit of approximately HK$19.4 million, (ii) the increase in other income and gains, net of approximately HK$7.9 million, (iii) the decrease in administrative and other operating expenses incurred by the Group of approximately HK$5.6 million and (iv) the decrease in finance costs of approximately HK$4.3 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group had total assets of approximately HK$423.9 million, which is financed by total liabilities and shareholders' equity of approximately HK$298.0 million and HK$125.9 million, respectively. The Group's current ratio remained stable at approximately 1.2 at 31 March 2020 and 31 March 2021.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2021 was approximately 74.1% (31 March 2020: approximately 130.8%), which is calculated based on the total lease liabilities and total bank borrowings divided by total equity as at the respective reporting date.

CONTINGENT LIABILITIES

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

COMMITMENTS

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

CHARGES ON GROUP ASSETS

Assets with a carrying value of approximately HK$73.9 million were pledged as securities for the Group's banking facilities.

SEGMENT INFORMATION

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

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 March 2021.

TREASURY POLICY

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

Management Discussion and Analysis

CAPITAL STRUCTURE

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

As at 31 March 2021, the Company's issue share capital was HK$10,130,000 and the number of its issued ordinary share was 1,013,000,000 of HK$0.01 each.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have plans for material investments or capital assets during the year ended 31 March 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2021, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group employed a total of 120 employees (31 March 2020: 146 employees). The staff costs of our Group (including salaries, allowances, other benefits and contribution to defined contribution retirement plan) for the year ended 31 March 2021 were approximately HK$70.4 million (For the year ended 2020: approximately HK$82.8 million).

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

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries and investment in associate, the Group did not hold any significant investments during the year ended 31 March 2021.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

USE OF PROCEEDS

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

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

The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, which is (i) approximately 40.1% of the net proceeds, representing approximately HK$17.0 million to reserve more capital to satisfy our potential customers' requirement for surety bond, (ii) approximately 24.8% of the net proceeds, representing approximately HK$10.5 million to expand our workforce, and arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses, (iii) approximately 7.7% of the net proceeds, representing approximately HK$3.3 million to acquire machinery, (iv) approximately 17.4% of the net proceeds, representing approximately HK$7.4 million to reduce our gearing ratio, and (v) approximately 10% of the net proceeds, representing approximately HK$4.3 million for working capital and other general corporate purposes. As at 19 June 2018, the Company has announced to revise the remaining unutilized net proceeds of $16.3 million from "To reserve more capital to satisfy our potential customers' requirement for surety bond" to "To invest in property development projects".

A table shows the actual use of the net proceeds from 19 June 2018 up to 31 March 2020 and 31 March 2021 and the Unutilised Net Proceeds as at 31 March 2020 and 31 March 2021.

	Revised allocation of unutilised amount as at 19 June 2018 HK$ million	**Actual use of Net Proceeds up to 31 March 2020** HK$ million	**Unutilised Net Proceeds as at 31 March 2020** HK$ million	**Revised allocation of unutilised amount as at 4 September 2020** HK$ million	**Actual use of Net Proceeds up to 31 March 2021** HK$ million	**Unutilised Net Proceeds as at 31 March 2021** HK$ million
To invest in property development project	16.3	2.9	13.4	–	–	–
Working capital (Note)	–	–	–	13.4	13.4	–
	16.3	2.9	13.4	13.4	13.4	–

Note: The Group kept searching for feasible property development opportunities in order to fully utilise the remaining net proceeds and generate a promising profit to the Group since 19 June 2018 and approximately HK$2.9 million was utilised. In view of the lack of the feasible opportunities and recent business environment in Hong Kong, the Board of directors has resolved to change the use of Unutilised Net Proceeds of approximately HK$13.4 million as working capital to support the ordinary operation of the Group in order to provide buffer for the Group to commence the new projects and further cope with the future economic uncertainty in Hong Kong, which was fully utilise by 31 March 2021.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. NG Choi Wah, aged 55, 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 Limited, Ching Lee Engineering Limited and Ching Lee Foundation Limited. He has over 29 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 Limited.

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

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

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

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

Mr. LUI Yiu Wing, aged 49, 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 Limited and Ching Lee Engineering Limited. He has over 17 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 Limited. He was then promoted to senior project manager in October 2012.

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

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

Biographical Details of Directors and Senior Management

Mr. LAM Ka Fai, aged 48, 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 Limited and is currently responsible for overseeing the operational management of our Group. Mr. Lam is also a director of Ching Lee Construction Limited and Ching Lee Engineering Limited. He has over 20 years of experience in the building works industry. In January 2014, he became a member of the Chartered Institute of Building and a chartered building engineer of the Chartered Association of Building Engineers, in the United Kingdom.

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

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

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

Independent Non-executive Directors

Dr. WAI Wing Hong, Onyx, aged 60, 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 retired from his position as a professor in the Department of Civil and Environmental Engineering of The Hong Kong Polytechnic University in September 2020 and is currently reemployed by the same university as a senior research fellow. He joined the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) as a lecturer in October 1992.

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 member of the Advisory Panel on Coastal Engineering, Civil Engineering and Development Department, Hong Kong Government. 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 Hydrology".

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

Biographical Details of Directors and Senior Management

Mr. TONG Hin Sum Paul, aged 83, was appointed as an independent non-executive Director on 10 March 2016. He is also a member of the audit and nomination committees of our Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

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

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

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

Mr. CHAU Kam Wing Donald, aged 58, 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 30 years of experience in audit, tax and financial management. Mr. Chau is an executive director of Winox Holdings Limited (stock code: 6838), the issued shares of which is listed on the Stock Exchange, since March 2011. He is also an Independent Non-executive Director of 康達國際環保有限公司 (Kangda International Environmental Company Limited) (Stock code: 6136) since April 2019, China Water Affairs Group Limited (stock code: 855) since March 2007, Eco-Tek Holdings Limited (stock code: 8169) since March 2008, Carpenter Tan Holdings Limited (stock code: 837) since November 2009, 浙江長安仁恒科技股份有限公司 (Zhejiang Chang'an Renheng Technology Co., Ltd.*) (stock code: 8139) since May 2014 till May 2019, the issued shares of which are listed on the Stock Exchange. From November 2009 to June 2015, Mr. Chau was also an independent non-executive director of 浙江世寶股份有限公司 (Zhejiang Shibao Company Limited*) (Hong Kong stock code: 1057 and Shenzhen stock code: 2703), the issued shares of which are listed on the Stock Exchange and Shenzhen Stock Exchange.

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

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

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. TSE Henry Lai Han, aged 56, joined our Group in August 2013 and is currently a project director. He is responsible for overseeing the overall operational management of our Group, in particular, on foundation works and contract administration.

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

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

Mr. LEE Tsz Yuen, aged 42, joined our Group in March 2007 and is currently a contract manager. He is responsible for overseeing the operations of sub-vetting and quantity surveying.

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

Entities	Position	Duration
Diamond Term Limited	Surveyor	May 2003–February 2006
Diamond Term Decoration Limited	Quantity surveyor	March 2006–September 2006
WH Interior Design & Contracting Co. Limited	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.

Ms. WONG Hoi Lun, aged 47, is a safety officer of our Group. She joined our Group in September 2013.

Ms. Wong has over 10 years of experience in construction safety industry. She is responsible for implementing the safety management system in our Group.

Ms. Wong obtained her Higher Diploma in Building Services Engineering from Hong Kong Technical College in 1997, she received her diploma in Occupational Health and Safety from The Open University of Hong Kong in 2002. She is a registered safety officer and registered safety auditor under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations, and the Factories and Industrial Undertakings (Safety Management) Regulation respectively.

Biographical Details of Directors and Senior Management

Mr. NG Ho Nam, aged 32, is an electrical and mechanical manager of our Group. He joined our Group in October 2015.

Mr. H.N. Ng has about 9 years of experience in building and engineering industry. From February 2010 to September 2012, he was an assistant engineer at Telemax Environmental and Energy Management Limited. He was primarily responsible for providing design of building services installation for building projects. He then joined Hsin Chong Construction (Engineering) Limited as a building services engineer from October 2012 to September 2015, in which he had gained experience in managing and coordinating a team to handle building projects.

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

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

Entities	Position	Duration
Telemax Environmental and Energy Management Limited	Assistant Building Services Engineer	February 2010–September 2012
Hsin Chong Construction (Engineering) Limited	Building Services Engineer	October 2012–September 2015
Ching Lee Engineering Limited	Building Services Coordinator	October 2015–May 2020
Ching Lee Engineering Limited	Electrical and mechanical manager	June 2020–present

COMPANY SECRETARY

Mr. Tsui Wing Tak, aged 39, was appointed by the Board as the company secretary of the Company on 14 August 2017. Mr. Tsui has more than 15 years of experience in the accounting and corporate field. Mr. Tsui has been the Chief Executive Officer of AE Majoris Advisory Company Limited which is principally engaged in the provision of corporate advisory services, since January 2012. He was the Company Secretary of Noble House (China) Holdings Limited (now known as Zhonghua Gas Holdings Limited) (stock code: 8246), a company listed on GEM Board of the Stock Exchange, 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 the Executive Director of Tree Holdings Limited (stock code: 8395), a company listed on the GEM Board of the Stock Exchange, since 6 September 2016. Mr. Tsui was a Non-Executive Director of CCT Land Holdings Limited (stock code: 261), a company listed on the Main Board of the Stock Exchange, from January 2017 to April 2018. Mr. Tsui has been the Non-Executive Director and Company Secretary of Jiu Zun Digital Interactive Entertainment Group Holdings Limited (stock code: 1961), a company listed on the Main Board of the Stock Exchange, since 17 March 2020.

Biographical Details of Directors and Senior Management

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

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

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

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

COMPLIANCE OFFICER

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

AUTHORISED REPRESENTATIVES

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

Corporate Governance Report

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICE

Pursuant to the code provision A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

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

In the opinion of the Board, the Company has complied with the principles and code provisions in the CG as set out in Appendix 14 to the Listing Rules with the exception for code provision A.2.1 as disclosed above for the year ended 31 March 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

All the directors have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code for the year ended 31 March 2021 and up to the date of this report.

BOARD OF DIRECTORS

Composition

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

Executive Directors

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

Independent non-executive Directors

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

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

Corporate Governance Report

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

FUNCTIONS OF THE BOARD AND MANAGEMENT

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

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

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

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our Executive Directors has entered into a service contract with our Company on 10 March 2016 and we signed letters of appointment with each of our Independent non-executive Directors on the same day. The service contracts with our Executive Directors are for an initial term of three years commencing from 29 March 2016 and can be terminated by either party giving not less than three months' notice in writing. The letter of appointment with each of our Independent non-executive Directors are for one year until 31 March 2021 commencing from 1 April 2020 and can be terminated by either party giving not less than one month's notice in writing.

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

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

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

Corporate Governance Report

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

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

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

	Attendance Record of Meetings held during the Year				
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Number of total meetings	4	2	1	1	1
Mr. Ng Choi Wah	4/4	N/A	1/1	1/1	1/1
Mr. Lui Yiu Wing	4/4	N/A	N/A	N/A	1/1
Mr. Lam Ka Fai	4/4	N/A	N/A	N/A	1/1
Dr. Wai Wing Hong Onyx	4/4	2/2	1/1	1/1	1/1
Mr. Tong Hin Sum Paul	4/4	2/2	1/1	N/A	1/1
Mr. Chau Kam Wing Donald	4/4	2/2	N/A	1/1	1/1

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

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

BOARD COMMITTEE

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

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

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

Audit Committee

The Audit Committee currently consists of all three of our Independent non-executive Directors, namely Dr. Wai Wing Hong Onyx, Mr. Tong Hin Sum Paul and Mr. Chau Kam Wing Donald. Mr. Chau Kam Wing Donald who has the appropriate accounting and financial related management expertise, is the chairman of the Audit Committee. The primary duties of our Audit Committee are (i) to make recommendations to our Board on the appointment and removal of external auditors, (ii) to review the financial statements and material advice in respect of financial reporting process of our Group and (iii) to oversee the internal control systems of our Group. The Committee's authority and duties are set out in written terms of reference which are posted on the websites of the Company and the Stock Exchange.

The Company has established an audit committee with the written terms of reference in compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules. The Group's consolidated financial statements for the year ended 31 March 2021 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2021 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The Remuneration Committee currently consists of an Executive Director, namely Mr. Ng, and two of our Independent non-executive Directors, namely Dr. Wai Wing Hong Onyx and Mr. Chau Kam Wing Donald. Dr. Wai Wing Hong Onyx is the chairman of our Remuneration Committee. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2021. The primary duties of our Remuneration Committee are (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) to review and approve other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review and approve performance-based remuneration and to establish a formal and transparent procedure for developing policy in relation to remuneration. The Committee's authority and duties are set out in written terms of reference which are posted on the websites of the Company and the Stock Exchange.

Remuneration of directors and senior management

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

Nomination Committee

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

Board Diversity Policy

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

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

NOMINATION POLICY

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

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

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

- Reputation for integrity;
- Accomplishment, experience and reputation in the business and industry;

- Commitment in respect of available time and relevant interest;

- Compliance with the criteria of independence, in case for the appointment of an independent non-executive director, as prescribed under Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange;

- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and

- Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate.

The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 March 2021, there was no change in the composition of the Board.

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

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

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for the year ended 31 March 2021 to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's financial statements for the year ended 31 March 2021 set out in this annual report.

AUDITORS' REMUNERATION

For the year ended 31 March 2021, the remuneration paid or payable to BDO Limited and its affiliate companies in respect of audit and non-audit services provided is set out below:

Services rendered	**Remuneration paid/payable** HK$'000
Audit services	1,080
Non-audit services	58
	1,138

INTERNAL CONTROLS AND RISK ASSESSMENT

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

The Board considered the internal controls system of the Group to be adequate and effective for the year ended 31 March 2021. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 31 March 2021.

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

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

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

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

COMPANY SECRETARY

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

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

During the year ended 31 March 2021, the Company Secretary of the Company had confirmed that he had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

HANDLING INSIDE INFORMATION

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

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

SHAREHOLDERS' RIGHT

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

Procedures and right for shareholders to convene EGM

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

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

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

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

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

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

Right to put enquiries to the Board

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

Procedures for shareholders to put forward proposals at shareholders' meetings

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

For the year ended 31 March 2021, there had been no significant change in the Company's constitutional documents.

Environmental, Social and Governance Report

SECTION A: ENVIRONMENTAL

The Group is committed to leading by example, inspiring others to strive for environmental sustainability, and minimizing our environmental impacts from operations. We have implemented eco-friendly measures to reduce carbon and emission footprints in our business operations. To present a comprehensive emission overview, we compared the emission figures and relevant intensities from 1 April 2020 to 31 March 2021 (the "**Reporting Year**" or "**FY2020/21**") to financial year ended 31 March 2020 (the "**Previous Financial Year**" or "**FY2019/20**"). The intensities in this section were calculated per number of facilities[1].

The Group dedicated efforts to preserving natural habitats within and around project boundaries. In addition to paying attention to environmental compliance on our project sites, the Group is also committed to taking steps to reduce our impacts on the environment. Since 2009, the Group has adopted the ISO 14001:2015 Environmental Management System into our operations and continually improve our ability to efficiently identify, minimize, prevent and manage our impacts on the environment. The Group incorporate environmental protection and soil and water conservation measures when conducting project feasibility study to minimize the potential environmental impacts during the construction, develop pollution control program and implementation plans during the preparation of construction, assigns designated personnel at each construction site to perform regular inspection in order to ensure all sub-contractors strictly follow the Group's environmental policies in the course of project constructions and avoid any illegal behavior that might bring significant impacts on the environment.

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

Emissions

Air Pollutants Emission

During the Reporting Year, the material pollutants came from the usage of gasoline and diesel oil in the stationery machines and automobiles, which causes air emissions, including sulphur oxides ("**SO_x**"), nitrogen oxides ("**NO_x**") and particulate matter ("**PM**"). Total weight of air emission amounted to 197.92 kg (FY2019/20: 223.42 kg[2]), which was approximately 12.37 kg per facility (FY2019/20: 15.96 kg per facility), with a decrease of approximately 11.4% in the total emission weight compared to the Previous Financial Year. The decrease was mainly due to the change of using purchased electricity from the electricity provider in some of the construction sites, instead of using diesel-based electricity generators during the Reporting Year.

The Group has implemented an environmental policy to reduce the air pollutant emissions. All machineries and vehicles were under frequent and regular checks and maintenance to ensure no energy inefficiency occurred and reduce fuel consumption and exhaust air emission due to parts failures. Besides, for transportation logistics, our drivers are required to plan the route ahead with the shortest distance and follow the statutory requirement of HKSAR to prohibit idling of automobile engines to reduce unnecessary consumption of fuel.

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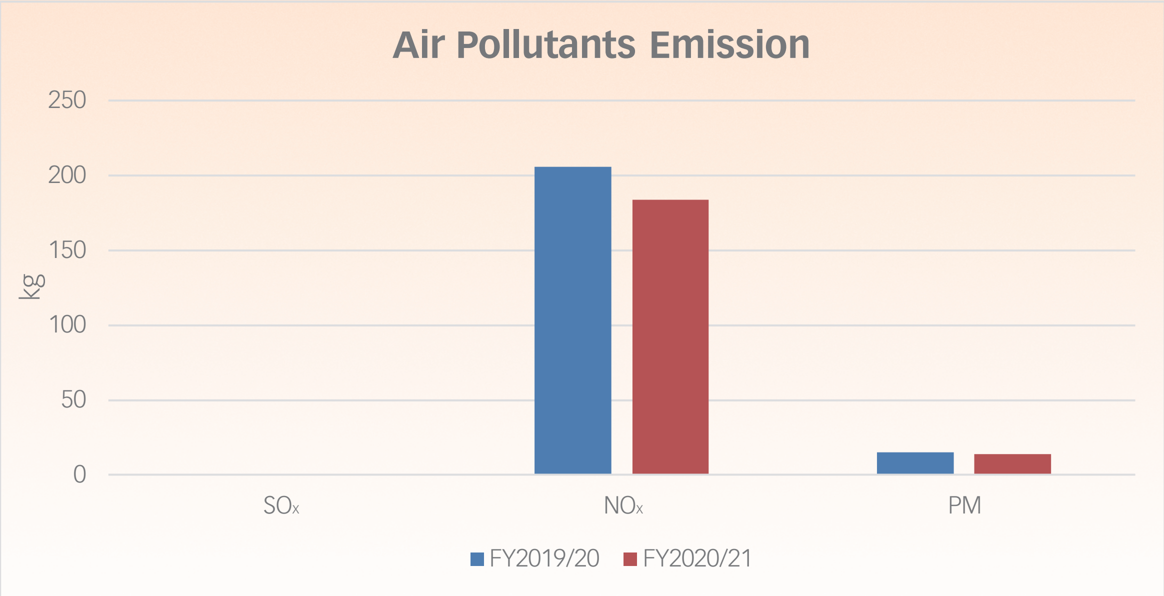
[1] During the Reporting Year, there were 15 project sites (FY2019/20: 13) and a headquarter located in Hong Kong, with a total of 16 facilities include in the calculation of intensities.

[2] Adjustment had been made on the total weight of air emission for the year ended 31 March 2020 in this Report when compared with the same figures in the Previous Financial Year's ESG report. This is due to the estimation method of the air emission has been updated.



Greenhouse Gases Emission

The Group operation of machineries and vehicles directly contribute to the emission of greenhouse gases, which is the main culprit of global warming. Alongside the direct emission sources, there are also several indirect emission sources noted as the purchase of electricity from electricity providers[3], electricity used in producing freshwater[4], sewage[5] processing and paper waste disposal at landfills. During the Reporting Year, the amount of total greenhouse gas emission was approximately 1,082.30 tonnes (FY2019/20: 1,003.42 tonnes[6]), which was approximately 67.64 tonnes per facility (FY2019/20: 71.67 tonnes per facility). Compared to the last year emissions, the total amount of greenhouse gas emission increased by approximately 7.9%, with a decrease of approximately 5.6% in the relevant intensity. The reason of the increase was due to the change of using purchased electricity from the electricity provider in some of the construction sites, instead of using diesel-based electricity generators during the Reporting Year. With respect of this reason, the total direct greenhouse gases emission from stationery combustion sources (i.e. the electricity generators) decreased from 526.63 tonnes to 407.75 tonnes, with a decrease of approximately 22.6% compared to last year. However, the total indirect greenhouse gases emission from electricity purchased have increased from 388.78 tonnes to 578.39 tonnes, with a significant increase of approximately 48.8% compared to Previous Financial Year.

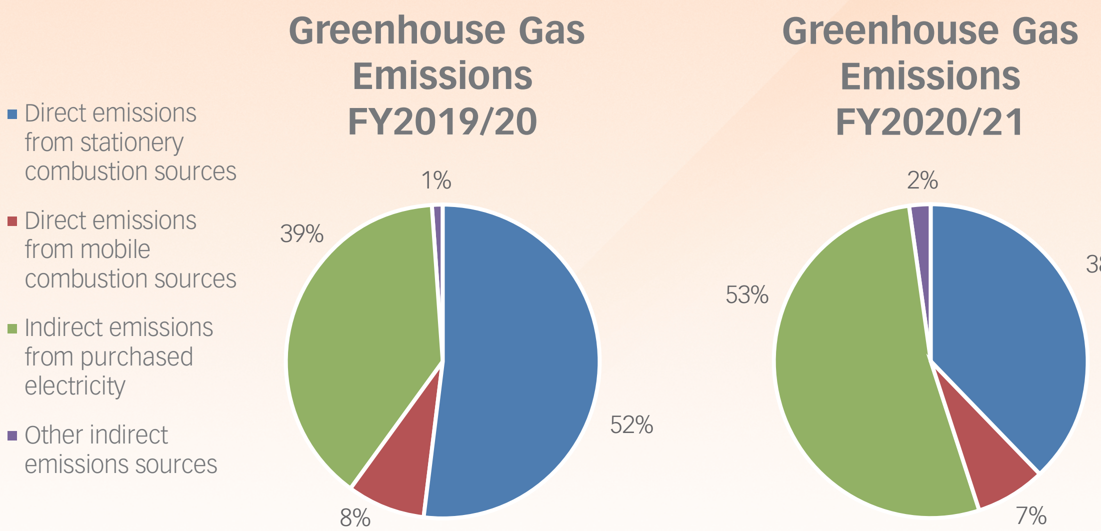
The above two effects resulted the aforementioned 7.9% increase in the total greenhouse gas emissions compared to the Previous Financial Year. The change in proportion of respective emission sources was illustrated in below charts. The Group will continue to monitor the carbon footprints during our business operations in order to reduce the adverse impact on environment.

3 The latest carbon emission factors announced in the Sustainability Report 2019/20 issued by CLP Holdings Limited and HK Electric Investments Limited were 0.57 $kgCO_2e/kWh$ and 0.71 $kgCO_2e/kWh$ respectively.

4 The latest unit electricity consumption factor of freshwater processing announced in the Annual Report 2019/20 issued by Hong Kong Water Supply Department was 0.596 kWh/m^3.

5 The latest unit electricity consumption factor of sewage processing announced in the Sustainability Report 2019/20 issued by Hong Kong Drainage Services Department was 0.29 kWh/m^3.

6 Adjustment had been made on the total weight of greenhouse gas for the year ended 31 March 2020 in this Report when compared with the same figures in the Previous Financial Year's ESG report. This is due to the estimation method of the greenhouse gas has been updated.



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

Waste Management

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

As the Group's operations focus on the provisions of construction and consulting services, there was no hazardous waste being involved during the Reporting Year. The non-hazardous waste produced by the Group was mainly the construction waste, including both inert and non-inert waste, and paper waste. The construction waste will be handled by the approved sanitary service providers to dispose at landfills as well as recycling for further usage. We follow the "Construction Waste Disposal Charging Scheme" by the Environment Protection Department to responsible for the wastes generated from construction project and implement waste control and recycling measures to reduce unnecessary wastes generated.

Total weight of non-hazardous waste disposed during the Reporting Year was recorded as 32,937 tonnes (2020: 19,546 tonnes), with an intensity of 2,058.54 tonnes per facility (2020: 1,396.14 tonnes per facility). Compared to the Previous Financial Year, there was an increase of approximately 68.5% in terms of the amount of non-hazardous waste disposed. In addition, there was an approximately 47.4% increase on the relevant intensity. During the Reporting Year, number of site clearance were undertaken on several completed projects and the foundation works at the St. Stephen College project involved excavation and site formation which also generated huge amount of non-hazardous wastes, resulting in the significant increase of the non-hazardous waste disposed.

We encouraged reuse of single side printed paper. Recycling bins are also placed in construction sites to collect recyclable wastes. In addition, the inert wastes would be centralized in the specified areas in the construction sites for the sake of easy monitoring and handling. The Group will continue to strive for whittling down the waste produced and hence further reduce the negative impact on the environment.

In addition to the waste reduction measures implemented on the construction site, the Group also implemented the following waste reduction measures in the office to reduce the environmental impact of the group's operations at all levels:

- Set up microwaves in the office and encourage employees to bring their own lunch and reduce ordering takeaway food;
- Reduce the use of disposable consumables, such as food packaging boxes, paper cups, paper plates, plastic bags, etc.;
- Encourage employees to use environmental friendly shopping bags, water bottles and metal tableware instead of disposable product;
- Employees should use electronic communication as far as possible, do not print out the documents unless necessary.

Sewage Treatment

The Group highlights the significance on the sewage water management to control the water pollution. Sewage management system was established at project site. Sewage was centrally collected and placed for purification. The clean water after purification will be reuse on the construction process. The Group targets to minimize the water pollution to the lowest level, as well as enhance the water consumption efficiency. By this means, the greenhouse gas emissions level could be reduced in the foreseeable future.

Besides, as the sewage outlets at the construction sites have not installed with any meters to record the amount of sewage discharged, the sewage discharged of the Group has not disclosed in the Report. The Group has always abided by the "Water Pollution Control Ordinance" and other applicable laws and regulations, we obtained the sewage discharge permit from the Environment Protection Department before commencing any construction projects, and it is forbidden to pour any chemicals or hazardous substances into the sewage system to prevent any secondary pollution on the environment.

Use of Resources

The resources used by the Group for its business operation are mainly gasoline, diesel oil, electricity, water and paper. The Group has been committed to becoming a resource-saving and environmental-friendly enterprise to promote environmental protection. We have been working actively to reduce our usage of resources, as well as our emissions.

Electricity Consumption

The electricity consumed in the Group's office and construction sites was one of the major contributors to the greenhouse gas footprint. During the Reporting Year, the total units of electricity purchased from electricity providers was 1,006.48 MWh (FY2019/20: 627.06 MWh), with an intensity of 62.90 MWh per facility (FY2019/20: 44.79 MWh per facility). Compared to the Previous Financial Year, the electricity purchased from electricity providers significantly increased by approximately 60.51%, with an increase of approximately 40.44% in the relevant intensity. The significant increase was mainly due to the change of using purchased electricity at the later stage of some projects, instead of using diesel-based generators to produce electricity.

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

Water Consumption

Since water is one of the most precious resources in the world, cherishing water consumption is the fundamental target of the Group. The Group had always encouraged the reduction on unnecessary water consumption. During the Reporting Year, the total units of water consumed was 17,891.89 cubic metres (FY2019/20: 15,257.00 cubic metres), in which the water consumption intensity was 1,118.24 cubic metres per facility (FY2019/20: 1,089.79 cubic metres per facility). Compared with Previous Financial Year, the total consumption level increased by approximately 17.27%, with approximately 2.61% decrease in the relevant intensity. The increase in total consumption level was mainly due to the number of construction sites has increased compared with Previous Financial Year.

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

Packaging Materials

As the Group providing construction work services to customers, no packaging material consumption can be identified during the Reporting Year.

Fuel consumption

The Group's fuel consumption mainly attributed to the operations of machineries at construction sites and automobiles. During the Reporting Year, for machinery usage including the electricity generators aforementioned, the total consumption of fuels amounted to 155,986.00 liters of diesel oil (FY2019/20: 201,465.00 liters). During the Reporting Year, for automobiles usage including private cars and crane truck, the total consumption of fuels amounted to 8,176.59 liters of unleaded petrol (FY2019/20: 8,084.95 liters) and 18,329.77 liters of diesel oil (FY2019/20: 21,100.40[7] liters) respectively. As aforementioned in previous sections, due to the less amount of using diesel-based generator in some projects, the consumption of diesel oil in the generator has decreased by approximately 22.6%.

[7] Adjustment had been made on the total consumption of fuel for the year ended 31 March 2020 in this Report when compared with the same figures in the Previous Financial Year's ESG report. This is due to the estimation method of the fuel consumption has been updated.

The Environmental and Natural Resources

The Group believes that corporate development should not come at the expense of the environment. Stakeholders continue to increase their attention on ESG aspects, the Group also actively refers to international standards to establish our ESG strategy and policy. At the same time, we also regularly monitor the performance of various ESG areas and makes timely optimization and improvement plans. With our well-established governance structure, team of experienced employees and professional subcontractors, we definitely be able to greatly reduce the Group's potential negative effects to the environment.

By integrating environmental consideration into our business strategies, we aim to be an environmentally sustainable enterprise. In the coming years, we would continue promoting greenhouse gas emission reduction, energy and water resource conservation and efficient use of natural resources. We would also refer to the guidelines of the international environmental management system to enhance our internal environmental management system and make it more comprehensive, that can save various natural resources and costs, and also can further reduce the environmental impact from business operations. The Group believes that not only can raising environmental awareness and reinforcing the positive behavioral changes bring benefits to our financial situation, but also to the future generations.

SECTION B: SOCIAL

Employment

It is gratifying to receive recognition for our contribution and achievement from customers. The Group takes pride in the dedication and the effort by our employees, and hence aims to grow with the employees and groom our employees into future leaders. The Group considers our employees as our valuable assets and strives to provide a nondiscrimination, equal, harmonious and safe workplace, we want our employees to feel that they are contributing to our purpose and believe that the organization supports them. As such, the Group advocates equal opportunity and adopt employee-oriented approach in attracting, developing and retaining the best people to support our business development.

Employees Benefits

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

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

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

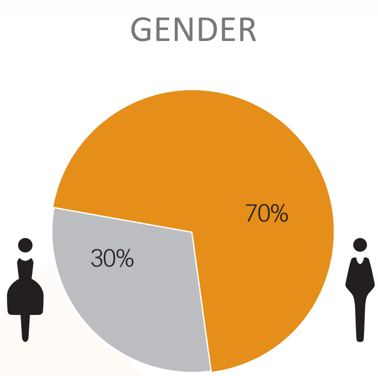
The Group strictly abides with the "Employment Ordinance (Chapter 57 of the Laws of Hong Kong)", the "Mandatory Provident Fund Schemes Ordinance (Chapter 485)" and other relevant laws and regulations which cover all employment protection and benefits. During the reporting period, the Group did not involve in any confirmed violations that are related to employment and have significant impact on the Group.

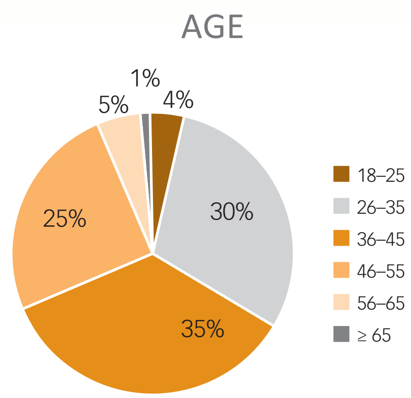
Our Employees

To meet the future challenges of our business, we believe we must continue to attract qualified applicants who share our vision and values. We hire people base on experience, expertise and values, regardless of race, color, creed, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age or sexual orientation. We formulate equal opportunities and diversity policies for all employees. As of 31 March 2021, the male-to-female ratio was approximately 7:3, for a total of 120 employees (FY2019/20: 146 employees). Among our 120 employees, there were 78, 29 and 13 front-line staff, middle management staff and top management staff respectively.

Employees Work-life Balance

The Group strives for the work-life balance of employees, providing them five working days per week with 8 working hours every day. Overtime compensation hours and pays are in line with the local laws and regulations. Employees are entitled to 7 to 14 days of annual leave according to their job positions. To foster harmonious work culture, we also organise employees activities regularly, such as friendly football matches.





The aforementioned employee benefit and the harmonious working environment contribute to the healthy monthly average turnover rate of approximately 3.2% (FY2019/20: 1.8%). With respect of gender, the monthly average turnover rate of male staff and female staff were approximately 3.2% (2020: 1.6%) and approximately 3.1% (FY2019/20: 3.1%) respectively.

Health and Safety

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

During the Report Year, the number of reported cases of work injury was 14, with a total of 653 working hours lost. There were no fatal cases reported during the Reporting Year. All the injured employees were given sick leave to ensure sufficient rest for recovery. They were also compensated accordingly and adequately by either the sub-contractor concerned, our Group or insurance company. The Group has purchased sufficient employees' compensation insurance and group medical insurance that cover all its employees under different projects, while maintaining a list of effective insurance to keep track of all the insurances. This helps to ensure adequate coverage of the employees' compensation and make necessary updates in a timely manner to safeguard the interests of all our employees. In the meantime, the Group maintains a work injury register to keep track of all reported cases of work injury, ensuring that all cases are attended to appropriately.

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

The Group also maintains healthy and safe environment in the construction sites. Similar to the practice in Head Office, emergency drills on sites will be arranged by Project Manager and Construction Manager, with fire exit plans posted around project sites. There are registered ambulance men in every construction site to guide emergency team for first aid work. For every project site, there are assigned at least one Safety Officer and one Safety Supervisor to monitor the safety issue and handle emergency incidents if any. The Safety Officer and Supervisor also check the wearing of labor supplies of the workers to ensure they are equipped with appropriate safety equipment. In order to ensure the high safety standard, frequent detailed safety inspections and equipment tests are conducted in sites. If there are any dissatisfactions or violations on the safety policies, Safety Improvement Notice with warnings and administrative penalties will be sent to the responsible subcontractors. The Group also maintains a Safety Card Renewal Checklist in order to monitor the qualifications of the subcontractor workers during the construction process. If any of those safety cards are nearly expired, the Safety officer of the site is responsible to urge the relevant workers for renewal. Besides, site safety reports are prepared regularly to ensure that all these measures have been implemented appropriately, while helping the management to stay alert of the safety condition of all construction sites and manage the potential hazards at sites.

In addition, safety induction trainings and regular safety trainings are provided to our staff and the subcontracted workers to help them familiarize with the machine operations and site safety guidelines. Posters are also posted at our construction sites to remind workers of the safety protocols and potential hazards.

The Group follows strictly to the Section 15 of the "Employees' Compensation Ordinance" to report any accident to the Commissioner for Labor. The Group also strictly complied with others relevant health and safety laws and regulations, such as the local fire services regulations, to provide a safe work environment to its employees by protecting them from occupational hazards. We will continue to strive for a safe and healthy work environment for our employees and subcontracted workers.

Environmental, Social and Governance Report

Although the outbreak of coronavirus ("**COVID-19**") has drastically disrupted the society and economy of our main operating location (Hong Kong), the Group has timely implemented numbers of preventive measures to ensure the control over projects progress and health and safety of our employees are well controlled and protected. We provided anti-epidemic supplies (such as masks, alcohol based hand rub for our employees, applied social distancing to avoid any possible infection event, measured body temperature and recorded personal health status for employees daily, performed sterilisation at the operating area,etc. Besides, all our employees and also the subcontractor's workers are required to perform a COVID-19 testing every week to identify the suspected case prior to any worsening on epidemic. We also encouraged our employees to take the COVID-19 vaccine and hoping that the epidemic in Hong Kong to be disappear as soon as possible. During the Reporting Year, except for a short while of idle after the Chinese New Year when the outbreak just spread to Hong Kong, there were no suspension of project, nor any confirmed case found at our project sites and offices.

Development and Training

Empowering employees is of our number one priority. Not only do we aim at sharpening the skills set and knowledge of our employees, but also eager to shape our every single employee into future leaders. During the Reporting Year, our employees, including front-line staff, middle management and top management, received a total number of approximately 640 hours of training. The proportion of employees joining training courses this year was at around 53%, with an average of 10 hours per each trained staff, consisting of 48 males and 16 females with 35 front-line staff, 21 middle-management staff and 8 top management staff.

Alongside our internal staff, we also provide one hour induction training course on safety and health to every new subcontracting worker in construction sites. The induction training focuses on the safety standards in the sites, the guidelines when emergency events occur and the environmental protection requirements regarding pollutant-handling. Specific safety training courses will also be provided to workers on occasional basis. During the Reporting Year, the Group has provided 390 hours of safety training and 250 hours of construction site workers training.

For every six months, the Safety Officers will evaluate the safety performance of each internal staff and subcontracting worker to see if they need to retake any safety training. Apart from safety training, advanced training, such as Building Information Modelling Course, is also provided to the management to equip them with the necessary skills and knowledge in the industry, while our clerical staff are also engaged in external continuous development and training.

Labor Standards

With reference to the relevant law and regulations in Hong Kong and the principles of United Nations Global Compact, we adopted strict procedures to safeguard human rights. No employee is paid less than the minimum wage specified by the government regulations. In addition, monthly salary payments and mandatory provident fund scheme payments are made on time. We are delighted to announce that we have not encountered major risks in human rights matters so far. The Group guarantees that no employee is made to work against his/her will, or work as forced labor, or subject to coercion related to work. Recruitment of child labor is strictly prohibited as stated in the Staff Handbook. The Human Resources Department will verify the actual age of the applicants by checking their identification documents upon recruitment process. Through the whistle-blowing mechanism, employees are able to voice out injustice they face. For any reported cases, the Management will investigate into the case immediately, and take further follow-up actions if necessary.

Supply Chain Management

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

As a construction and building work provider, the Group recognizes the importance of subcontractors and suppliers. It is crucial to ensure that all the subcontractors and suppliers comply with both statutory and contractual requirements regarding site, materials and equipment safety. The Group selects reputable and reliable subcontractors and suppliers to provide high quality, reasonably priced and sustainable products and services. The Group has a transparent and independent procurement process with the goal of promoting competitiveness, which also serves the interests of our shareholders and other stakeholders. The Group expects to establish a vertically integrated supply chain management system by integrating procurement resources, promoting supplier screening and management mechanisms, and proactively providing comprehensive solutions to meet customer needs.

In this regard, a list of approved subcontractors and suppliers has been established and reviewed regularly. As of 31 March 2021, we worked with 431 approved subcontractors and 551 approved suppliers. Regular appraisals are conducted semi-annually, by the representatives of Site Quality Assurance. Updates and eliminations will be made to the approved list if any suppliers or subcontractors are not up to our required standards. If there are any amendments made to the safety and health requirements, the Purchasing Manager will proactively notice the subcontractors and suppliers for alerting them about the new updates.

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

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

Product Responsibility

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

Noise Control

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

Dust Control

For the sake of minimizing the negative effects of dust produced, tight control is implemented by the Group. Frequent watering and cleaning, covering construction waste by canvas and using over 2.4 meters barriers effectively reduce the impacts of suspended dust. Besides, the transportation of construction wastes was properly covered to prevent any dust pollution.

Chemicals Control

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

Quality Assurance

The Group gives the highest priority to safety, we take a proactive role in ensuring the safety of construction workers with an aim to achieve zero safety incidents at every construction site. As mentioned in the *Health and Safety* section, for every project site, there are assigned at least one Safety Officer and one Safety Supervisor to monitor the safety issue and handle emergency incidents if any. In order to ensure the high safety standard, frequent detailed safety inspections and equipment tests are conducted in sites. If there are any dissatisfactions or violations on the safety policies, Safety Improvement Notice with warnings and administrative penalties will be sent to the responsible subcontractors. As of these safety inspection and monitoring procedures, the Group is confident that the service quality is of the best-in-kind.

The Group also conducts regular project site visit to ensure project progress and quality. Site progress reports are prepared regularly for various sites which keep track of the statutory form submission, site progress, schedule of works in the coming weeks, site safety, complaint received, and instruction received from architects and engineers. By this means, we can ensure that all aspects of the project are up to standard and that project plans are being executed in timely manner.

Customer Privacy

The Group believes that trust is one of the key elements of our success, on top of providing professional and quality services to our valued customers, we also attach great importance to protecting their privacy. The Group has established the internal policy on handling customers' information, which stipulated the procedures for collecting, transferring, using, and keeping customer property. All employees strictly follow the Group's policy and Code of Conduct and require handling all types of customer information confidentially with integrity.

During the Reporting Year, we have not received any complaint from our customers. We will continue to place the quality and safety of our products and services at top priority, so as to deliver the best to our customers.

Relevant Laws and Regulations

Actively identifying compliance issues and remediating the findings of investigations can prevent problems from escalating. Therefore, we keep a close eye on the updates of "Buildings Ordinance", "Construction Industry Council Ordinance" and other relevant regulations to revise our policies and operations accordingly to prevent any malpractice. In addition, the Group strictly complied with the relevant laws and regulations relating to health and safety, advertising, labeling and privacy matters relating to services provided and methods of redress.

Anti-corruption

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

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

(b) Always act honestly and impartially;

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

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

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

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

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

Whistleblowing Procedures

The Group values and welcomes our employees to report any suspected malpractices through various channels, i.e. emails, website, in person. The management will take immediate action to investigate on the issue and take follow-up actions if necessary. It is the Group's core values for reminding its employees to uphold their integrity and professionalism as aforementioned.

Community Investment

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

During the Reporting Year, the Group has donated HK$998,670 to Twinkle Stars to sponsoring students to pursue higher education. Our area of contribution of the reporting year mainly covers education. Apart from monetary contribution, the Group's employees continuously delivering medical supplies to local communities in light of the outbreak of coronavirus. During the Reporting Year, 5 of our employees have participated in community services with a total of 45 hours of service.

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

Report of Directors

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

The Group will continue to monitor the construction process in order to ensure that it does not have a significant adverse effect on the environment and that the Group's environmental protection measures are adequate to ensure compliance with all applicable current regulations. As at 31 March 2021, no significant administrative sanctions, penalties or punishments have been imposed upon us for the violation of any environmental laws or regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER PARTIES

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

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

DONATIONS

Charitable and other donations made by the Group during the year ended 31 March 2021 amounted to approximately HK$0.9 million (31 March 2020: HK$1.8 million).

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENTS

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

RESULTS AND DIVIDEND

The board of directors declared an interim dividend of HK$0.0035 per share (2020: HK$0.003 per share), which was paid during the year.

The board of directors proposed a final dividend of HK$0.003 per share in cash. The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company. The proposed final dividend is expected to be distributed on Thursday, 23 September 2021 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 8 September 2021.

DIVIDEND POLICY

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

SHARE CAPITAL

As at 31 March 2021, the Company's issued share capital was HK$10,130,000 and the number of its issued ordinary shares was 1,013,000,000 of HK$0.01 each.

Details of movements in the share capital during the year are set out in Note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 March 2021 are set out in note 27 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

Report of Directors

DIRECTORS' SERVICE CONTRACTS

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

Each of the independent non-executive Directors was appointed by the Company for a term of one year from 1 April 2020 and can be terminated by either party giving not less than one month's notice in writing.

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

During the year ended 31 March 2021, details of the significant related party transactions undertaken in the normal course of business are set out in the Note 30 to the consolidated financial statements, and none of which constitutes a disclosable connected transaction as defined under the Listing Rules.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

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

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

COMPETING BUSINESS AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2021.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

EMOLUMENT POLICY

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

RETIREMENT BENEFITS PLANS

The Group contributes to defined contribution retirement schemes which are available to all employees. For forfeited contributions that are not vest fully, if any, may be used to reduce the existing level of contributions. At 31 March 2021, there were no forfeited contributions available to reduce future obligations (2020: Nil). The Group does not have defined benefit plans.

DISCLOSURE OF INTEREST

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

As at 31 March 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of Securities and Futures Ordinance ("**SFO**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**"), are set out below:

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

Name of our Directors/ chief executive	Number of ordinary shares held	Interests in Share Option (Note 2)	Total	Approximate percentage of shareholding interests in our Company (%) (Note 3)
Executive Directors				
Mr. Ng Choi Wah	702,120,000 (Note 1)	10,000,000	712,120,000	70.30%
Mr. Lui Yiu Wing	900,000	3,000,000	3,900,000	0.38%
Mr. Lam Ka Fai	–	3,000,000	3,000,000	0.30%
Independent non-executive Directors				
Dr. Wai Wing Hong Onyx	–	1,000,000	1,000,000	0.10%
Mr. Tong Hin Sum Paul	–	1,000,000	1,000,000	0.10%
Mr. Chau Kam Wing Donald	–	1,000,000	1,000,000	0.10%
Chief executive				
Mr. Tse Lai Han Henry	–	6,000,000	6,000,000	0.59%

Note 1: 645,000,000 Shares are registered in the name of JT Glory Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Ng. Under the SFO, Mr. Ng is deemed to be interested in all Shares held by JT Glory Limited. Another 57,120,000 shares are owned by Mr. Ng through the Bank directly.

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

Note 3: These percentages were compiled based on the total number of issued shares (i.e. 1,013,000,000) as at 31 March 2021.

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

As at 31 March 2021, there is no short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO).

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

So far as the Directors are aware, as at 31 March 2021, other than the director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Position in shares of the Company

Name	Capacity/ Nature of interest	Number of Ordinary Shares held	Interests in share option (Note 3)	Approximate percentage of shareholding interests in our Company (Note 4)
Mr. Ng	Interest in a controlled corporation	645,000,000	–	63.67%
	Beneficial owner	57,120,000	10,000,000	6.63%
JT Glory Limited	Beneficial owner	645,000,000 (Note 1)	–	63.67%
Ms. Cheung Yuk Sheung ("**Ms. Cheung**")	Interest of spouse	702,120,000 (Note 2)	–	69.31%
	Beneficial owner	–	2,500,000	0.25%

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

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

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

Note 4: These percentages were compiled based on the total number of issued shares (i.e. 1,013,000,000) as at 31 March 2021.

Short positions in shares of the Company

As at 31 March 2021, there is no short positions of every person, other than a director and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2021, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

	Percentage of revenue
— The largest customer	16.6%
— The total of the five largest customers	58.8%

For the year ended 31 March 2021, the percentages of cost of services attributable to the Group's major suppliers and subcontractors are set out below:

Cost of services

	Percentage of total purchase
— The largest supplier	13.1%
— The total of the five largest suppliers	48.5%

	Percentage of total subcontracting cost
— The largest subcontractor	9.0%
— The total of the five largest subcontractors	31.8%

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

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2021, the Group had not entered into any connected transactions or continuing connected transactions that are not exempted under Rule 14A.73 of the Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 10 March 2016. On 21 November 2017, the Group announced the granting of a total of 32,500,000 share options to selected employees and directors under the Share Option Scheme. The exercise price of the granted options is HK$0.40 per share. No share options were exercised or forfeited during the year ended 31 March 2021. Details of accounting policies adopted for the share options are described in Note 26 to the consolidated financial statements.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Participants

The Board may, at its discretion, invite any Eligible Persons to take up Options.

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of all the Shares in issue as at the Date of Listing (i.e. a total of 100,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this report).

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

(e) Term of subscription of Shares upon exercise of the options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

(f) Minimum period for which an option must be held before it can be exercised

The Board may in its absolute discretion set a minimum period for which an option must be held before an option can be exercised.

(g) Time of acceptance and the amount payable on acceptance of the option

An offer for the grant of options must be accepted within twenty eight days from the date on which the option is granted. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(h) Basis for Determination the Exercise Price

The exercise price for any share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee (in the letter containing the offer of the grant of the option) and shall not be less than the highest of:

(i) the closing price per Share as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(ii) the average closing price per Share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share at the date of grant.

(i) The Remaining Life of the Scheme

Approximately 6 years (expiring on 20 November 2027).

On 21 November 2017, the Group announced the granting of a total of 32,500,000 share options to selected employee and directors under the Share Option Scheme. The exercise price of the granted options is HK$0.40 per share. No share options were exercised or forfeited during the year ended 31 March 2021. Details of accounting policies adopted for the share options are described in Note 26 to the consolidated financial statements.

Details of the share options under the Share Option Scheme during the year ended 31 March 2021 were as follows:

Name	Date of Grant	Exercisable period	Exercise price of share option	Outstanding as at 1 April 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31 March 2021	Approximate percentage of the issued shares of the Company
Mr. Ng Choi Wah	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	10,000,000	–	–	–	–	10,000,000	0.99%
Mr. Lui Yiu Wing	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	3,000,000	–	–	–	–	3,000,000	0.30%
Mr. Lam Ka Fai	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	3,000,000	–	–	–	–	3,000,000	0.30%
Mr. Tse Lai Han Henry	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	6,000,000	–	–	–	–	6,000,000	0.59%
Dr. Wai Wing Hong Onyx	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	1,000,000	–	–	–	–	1,000,000	0.10%
Mr. Tong Hin Sum Paul	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	1,000,000	–	–	–	–	1,000,000	0.10%
Mr. Chau Kam Wing Donald	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	1,000,000	–	–	–	–	1,000,000	0.10%
Ms. Cheung Yuk Sheung	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	2,500,000	–	–	–	–	2,500,000	0.25%
Other senior management and employees	21 November 2017	21 November 2018 to 20 November 2027	HK$0.40 per share	5,000,000	–	–	–	–	5,000,000	0.49%

Report of Directors

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 16 to 24 of this report.

AUDITOR

BDO Limited was appointed by the Directors as the auditor of the Company. BDO Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 March 2021 have been audited by BDO Limited.

By Order of the Board
Ng Choi Wah
Chairman

Hong Kong, 23 June 2021

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Ching Lee Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 53 to 115, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Recognition of revenue from construction contracts

The Group is engaged in provision of construction and consultancy works and project management services in Hong Kong (the "Construction Works"). The Group recognised revenue on provision of the Construction Works of approximately HK$908,809,000 for the year ended 31 March 2021. The Group's revenue from Construction Works is recognised over time using the input method of which the progress towards satisfaction of the performance obligations is measured based on the Group's inputs incurred up to the year end as a percentage of total estimated inputs for each contracts.

As disclosed in Note 5 to the consolidated financial statements, the management prepared budgeted contract cost and profit margin on the basis of quotations, from time to time, provided by the subcontractors or suppliers of contract materials involved. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews and revisions of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such estimate may have impact on the revenue and profit recognised in each period.

We have identified recognition of revenue from construction contracts as a key audit matter because of its significance to the Group's consolidated financial statements and involvement of significant management estimates in determining estimated outcomes of the construction contracts and value of works completed.

Refer to summary of significant accounting policies in Note 4(j), critical accounting estimates and judgements in Note 5(i) and disclosure of revenue in Note 7 in notes to the consolidated financial statements.

Our response:

Our principal procedures in relation to the recognition of revenue from construction contracts included:

- Obtaining an understanding from management and project managers about how the approved budgets were prepared and the progress towards complete satisfaction of the performance obligations was determined;

- Agreeing the contract sum and variation orders, if any, to respective signed contracts and correspondence with customers, on a sample basis;

- Checking the estimated budgeted contract costs against underlying contracts, quotations, and payment certificates from subcontractors or suppliers, on a sample basis. Obtain understanding on significant revisions of estimated budgeted contract costs, if any;

- Assessing the accuracy of the actual costs incurred for the year by inspecting signed contracts, invoices from subcontractors and suppliers, payment evidences such as payment certificates, on sample basis; and

- Assessing the reliability of the approved budgeted contract costs by comparing to the actual costs against on completed contracts, on a sample basis.

Impairment assessment on trade and other receivables and contact assets

As at 31 March 2021, the Group had trade and other receivables and contract assets, amounting to HK$51,025,000 and HK$213,145,000, respectively, net of expected credit losses ("ECL") of HK$134,000 and HK$445,000, respectively, which were significant to the Group's consolidated financial statements.

The measurement of impairment on the Group's trade and other receivables and contract assets under the ECL approach was estimated by management through the application of judgements and use of highly subjective assumptions. Management uses the simplified approach to calculate ECLs for trade receivables and contract assets and the general approach to calculate ECLs for other receivables. As disclosed in Note 36(a) to the consolidated financial statements, management estimates the amount of loss allowance for trade and other receivables and contract assets based on the credit risk of receivables, repayment history, subsequent settlements after the end of the reporting period and management's industrial knowledge and experience. The impact of current economic factors and forward-looking factors specific to the debtors were also considered in management's assessment of the likelihood of recovery on receivables and contract assets.

We have identified impairment assessment on trade and other receivables and contract assets as a key audit matter because of its significance to the Group's consolidated financial statements and due to considerable amount of judgement being required and high level of estimation uncertainty involved in conducting impairment assessment as mentioned in the forgoing paragraphs.

Refer to summary of significant accounting policies in Note 4(h), critical accounting estimates and judgements in Note 5(ii), disclosure of trade and other receivables and contract assets in Notes 19 and 20(i) and impairment under ECL model in Note 36(a) in notes to the consolidated financial statements.

Our response:

Our principal procedures in relation to the impairment assessment on trade and other receivables and contact assets included:

- Understanding the processes and controls on how the management estimates the credit loss allowance for trade and other receivables and contract assets;
- Evaluating the methodologies, inputs and assumptions used by management in their impairment assessment and their calculation of the impairment allowance under the ECL approach;
- Testing the accuracy of information used by the management to assess ECL including ageing analysis as at 31 March 2021, on a sample basis, by comparing individual items in the analysis with the relevant contracts, invoices on progress payments of contract work and other supporting evidences;
- Challenging management's basis and judgement in determining credit loss allowance on trade and other receivables and contract assets as at 31 March 2021, including reasonableness of loss given default rates, discount rates and the estimation of loss rates for debtors that are assessed individually etc.; and
- Testing subsequent settlements on a sample basis by inspecting supporting documents in relation to cash receipt subsequent to the end of the reporting period.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Pak Tak Lun
Practising Certificate Number: P06170

Hong Kong, 23 June 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	7	**908,809**	993,335
Cost of revenue		**(847,477)**	(912,674)
Gross profit		**61,332**	80,661
Other income and gains, net	8	**9,554**	1,711
Administrative and other operating expenses		**(53,722)**	(59,272)
Expected credit loss on financial assets		**(885)**	(1,000)
Finance costs	10	**(5,003)**	(9,314)
Share of results of an associate		**1,530**	1,830
Profit before income tax	9	**12,806**	14,616
Income tax	11	**(1,268)**	(2,446)
Profit and total comprehensive income for the year		**11,538**	12,170
Earnings per share:			
— Basic and Diluted (HK cents)	14	**1.14**	1.20

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	15	**39,126**	41,271
Intangible asset	16	**790**	790
Interest in an associate	17	**14,670**	14,940
Financial assets at fair value through profit or loss	18	**7,344**	4,560
Rental deposits	19	**123**	144
Deferred tax assets	11	**281**	–
Total non-current assets		**62,334**	61,705
Current assets			
Trade and other receivables	19	**50,902**	93,183
Contract assets	20	**213,145**	266,729
Amount due from an associate	17	**12,439**	14,916
Financial assets at fair value through profit or loss	18	**–**	2,784
Taxation recoverable		**1,315**	421
Pledged bank deposits	21	**25,209**	25,053
Bank balances and cash		**58,549**	56,591
Total current assets		**361,559**	459,677
Current liabilities			
Trade and other payables	22	**201,596**	237,718
Contract liabilities	20	**3,068**	4,211
Lease liabilities	23	**2,055**	2,271
Bank borrowings, secured	24	**89,531**	152,437
Provision of taxation		**–**	43
Total current liabilities		**296,250**	396,680
Net current assets		**65,309**	62,997
Total assets less current liabilities		**127,643**	124,702

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	23	**1,707**	3,544
Deferred tax liabilities	11	**–**	175
Total non-current liabilities		**1,707**	3,719
Net assets		**125,936**	120,983
Capital and reserves			
Share capital	25	**10,130**	10,130
Reserves	27	**115,806**	110,853
Total equity		**125,936**	120,983

Approved and authorised for issue by the board of directors on 23 June 2021.

Mr. Ng Choi Wah
Executive Director

Mr. Lui Yiu Wing
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

		Reserves				
	Share capital HK$'000	**Share premium** HK$'000	**Merger reserve** HK$'000 (Note (a))	**Share option reserve** HK$'000 (Note (b))	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2019	10,130	78,435	(28,965)	5,060	47,192	111,852
Profit and total comprehensive income for the year	–	–	–	–	12,170	12,170
Dividend declared and paid (Note 13)	–	–	–	–	(3,039)	(3,039)
At 31 March 2020 and 1 April 2020	10,130	78,435	(28,965)	5,060	56,323	120,983
Profit and total comprehensive income for the year	–	–	–	–	11,538	11,538
Dividend declared and paid (Note 13)	–	–	–	–	(6,585)	(6,585)
At 31 March 2021	**10,130**	**78,435**	**(28,965)**	**5,060**	**61,276**	**125,936**

Notes:

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

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Operating activities			
Profit before income tax		**12,806**	14,616
Adjustments for:			
Changes in fair value of financial assets at fair value through profit or loss		**–**	(228)
Depreciation of property, plant and equipment		**7,783**	8,045
Expected credit loss on financial assets		**885**	1,000
Bank interest income		**(25)**	(104)
Finance costs		**5,003**	9,314
Share of results of an associate		**(1,530)**	(1,830)
Effect of lease modifications		**(21)**	–
Covid-19-related rent concessions		**(9)**	–
Operating profit before working capital changes		**24,892**	30,813
Decrease/(increase) in trade and other receivables		**42,168**	(15,949)
Decrease/(increase) in contract assets		**53,139**	(65,100)
(Decrease)/increase in contract liabilities		**(1,143)**	3,199
(Decrease)/increase in trade and other payables		**(36,122)**	103,766
Cash generated from operating activities		**82,934**	56,729
Income tax paid		**(2,661)**	(1,761)
Net cash generated from operating activities		**80,273**	54,968
Investing activities			
Increase in pledged bank deposits		**(156)**	(10,031)
Purchases of property, plant and equipment		**(5,308)**	(476)
Interest received		**25**	104
Dividend received from an associate		**1,800**	–
Decrease/(increase) in amount due from an associate		**2,171**	(2,010)
Net cash used in investing activities		**(1,468)**	(12,413)
Financing activities	33		
Proceeds from new bank borrowings		**509,104**	207,291
Repayments of bank borrowings		**(572,010)**	(247,292)
Repayment of principal portion of the lease liabilities		**(2,353)**	(2,707)
Interest paid on bank borrowings		**(4,637)**	(8,867)
Interest paid on lease liabilities		**(366)**	(447)
Dividend paid		**(6,585)**	(3,039)
Net cash used in financing activities		**(76,847)**	(55,061)
Net increase/(decrease) in cash and cash equivalents		**1,958**	(12,506)
Cash and cash equivalents at beginning of year		**56,591**	69,097
Cash and cash equivalents at end of year, representing bank balances and cash		**58,549**	56,591

1. GENERAL INFORMATION

Ching Lee Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 16 November 2015. Its shares are listed on Main Board of the Stock Exchange. The address of its registered office and principal place of business are disclosed in the corporate information section in the annual report.

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

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

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

(a) Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

Except for the above mentioned, the Group has not early applied any amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of amended HKFRS 16 are summarised below.

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

(a) Adoption of new or amended HKFRSs (Continued)

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (early adopted)

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The amendment extend the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

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

(b) New or amended HKFRSs that have been issued but are not yet effective

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

Amendments to HKAS 1 and Hong Kong Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current and Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Definition of Accounting Estimates[4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9 and Illustrative Examples accompanying HKFRS 16[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

4 Effective for annual period beginning on or after 1 January 2023

5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to Hong Kong Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Interpretation 21 Levies, the acquirer applies HK(IFRIC)-Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

(b) Subsidiaries

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates

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

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

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest it that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

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

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

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

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

Leasehold improvements	4 years
Furniture and equipment	4 years
Motor vehicles	4–5 years
Machineries	4 years

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

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

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

(e) Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other income and gains, rather than reducing the related expense.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases — the group as a lessee

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

Right-of-use assets

The right-of-use asset is initially recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases — the group as a lessee (Continued)

Lease liability

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

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed lease payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases — the group as a lessee (Continued)

Lease liability (Continued)

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies (see Note 2(a)), if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

Short-term leases

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

(g) Intangible assets (other than goodwill)

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments

(i) Financial assets

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

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, contract assets and financial assets measured at amortised cost. ECLs are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

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

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with the accounting policy set out in Note 4(h)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

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

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

(i) Cash and cash equivalents

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

(j) Recognition of revenue and other income

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Contract assets and liabilities

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

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

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

Contract costs

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

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

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

(c) the costs are expected to be recovered.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for taxable temporary differences arising on investments in subsidiaries and associates where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits

(i) Short-term employee benefits

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

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

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

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. For forfeited contributions that are not vest fully, if any, may be used to reduce the existing level of contributions.

(iii) Share-based payments

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

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

(iv) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of non-financial assets

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

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

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

(n) Provisions and contingent liabilities

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

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

(o) Related parties

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

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

(ii) has significant influence over the Company; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Related parties (Continued)

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

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

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

(p) Borrowing costs

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

(i) Construction contract

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

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

(ii) Impairment of trade and other receivables and contract assets

The Group makes allowance for impairment on trade and other receivables and contract assets based on assumptions about risk of default and ECL rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of the reporting period. The information about the ECLs on the Group's trade and other receivables and contract assets are disclosed in Note 36(a) to the consolidated financial statements.

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

Key sources of estimation uncertainty (Continued)

(iii) Impairment of non-financial assets

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

(iv) Fair value measurement of financial assets at FVTPL

The fair value assessment of financial assets at FVTPL that are measured at level 3 fair value hierarchy requires significant estimates, which include risk-free rates, expected volatility, relevant underlying financial projections, market information of recent transactions and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets. Further details of fair value measurement are disclosed in Note 35(b).

6. SEGMENT REPORTING

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

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

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

6. SEGMENT REPORTING (CONTINUED)

Information about major customers

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

	2021 HK$'000	2020 HK$'000
Customer I	**151,082**	99,416
Customer II	**101,917**	–
Customer III	**99,909**	120,012
Customer IV	**N/A[1]**	149,970
Customer V	**N/A[1]**	125,613
Customer VI	**N/A[1]**	116,188

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

7. REVENUE

Revenue, which is also the Group's turnover, represents construction work income. Revenue recognised from the principal activities during the year is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contract with customers by major services:		
Substructure building work services	**24,792**	30,936
Superstructure building work services	**749,831**	658,663
Repair, maintenance, alteration and addition services	**134,186**	303,736
	908,809	993,335

During the years, primary geographical market on the Group's revenue from contract with customers is Hong Kong.

During the years, all revenue from contract with customers are recognised over time.

As at 31 March 2021, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$950,148,000 (2020: HK$887,663,000). This amount represents revenue expected to be recognised in the future from partially-completed construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 12 months.

8. OTHER INCOME AND GAINS, NET

	2021 HK$'000	2020 HK$'000
Bank interest income	**25**	104
Government subsidies (Note)	**7,899**	300
Subsidies from an industry association in relation to provision of Construction Works	**631**	–
Consultancy income	**192**	156
Effect of lease modifications	**21**	–
COVID-19-related rent concessions	**9**	–
Insurance compensation	**–**	371
Changes in fair value of financial assets at FVTPL (Note 18)	**–**	228
Others	**777**	552
	9,554	1,711

Note: For the year ended 31 March 2021, the amount included government grants of HK$7,879,000 (2020: Nil) obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program as at 31 March 2021.

For the year ended 31 March 2020, various government subsidies have been granted to the Group as incentives for environmental protection. There are no unfulfilled conditions or contingencies attached to these government subsidies as at 31 March 2020.

9. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting) the following:

	2021 HK$'000	2020 HK$'000
Auditor's remuneration	**1,080**	1,080
Depreciation in respect of:		
— Owned assets	**3,088**	3,705
— Leased assets	**4,695**	4,340
	7,783	8,045
Employee benefit expenses (including directors' emoluments (Note 12))		
— Salaries, allowances and other benefits	**68,350**	80,038
— Contribution to defined contribution retirement plan	**2,003**	2,713
	70,353	82,751
Short-term leases expenses:		
— Buildings	**1,159**	1,724
— Equipment	**2,403**	4,053
Effect of lease modifications	**(21)**	–
Covid-19-related rent concessions	**(9)**	–

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	**4,637**	8,867
Interest on lease liabilities (Note 23)	**366**	447
	5,003	9,314

11. INCOME TAX AND DEFERRED TAX

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

	2021 HK$'000	2020 HK$'000
Current tax		
— Hong Kong Profits Tax	**1,939**	3,423
— Over-provision for prior years	**(215)**	(508)
Deferred tax	**(456)**	(469)
	1,268	2,446

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

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

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

	2021 HK$'000	2020 HK$'000
Profit before income tax	**12,806**	14,616
Tax calculated at tax rate of 16.5%	**2,113**	2,412
Tax effect of share of results of an associate	**(252)**	(302)
Tax effect of revenue not taxable for tax purposes	**(1,304)**	(63)
Tax effect of expenses not deductible for tax purposes	**785**	926
Tax effect of temporary differences not recognised	**316**	170
Over-provision for prior years	**(215)**	(508)
Income tax at concessionary rate	**(165)**	(165)
Tax relief for the year	**(10)**	(24)
	1,268	2,446

11. INCOME TAX AND DEFERRED TAX (CONTINUED)

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

	Accelerated tax depreciation HK$'000
At 1 April 2019	(644)
Credited to profit or loss	469
At 31 March 2020 and 1 April 2020	(175)
Credited to profit or loss	456
At 31 March 2021	281

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

(a) Directors' emoluments

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

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Year ended 31 March 2021					
Executive directors					
Mr. Ng Choi Wah ("Mr. Ng")	3,000	2,776	4,200	18	9,994
Mr. Lui Yiu Wing	1,236	–	1,030	18	2,284
Mr. Lam Ka Fai	1,068	–	806	18	1,892
Independent non-executive directors					
Mr. Wai Wing Hong Onyx	192	–	–	–	192
Mr. Tong Hin Sum Paul	192	–	–	–	192
Mr. Chau Kam Wing Donald	192	–	–	–	192
	5,880	2,776	6,036	54	14,746

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

(a) Directors' emoluments (Continued)

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

During the years ended 31 March 2021 and 2020, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the years ended 31 March 2021 and 2020.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included three (2020: three) directors and the following two (2020: two) non-director individuals whose emoluments are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and other benefits	**4,406**	3,684
Contribution to pension scheme	**36**	36
	4,442	3,720

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

	2021	2020
HK$1,500,001–HK$2,000,000	**–**	1
HK$2,000,001–HK$2,500,000	**2**	1

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

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

(c) Senior management's emoluments

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

	2021	2020
HK$Nil–HK$1,000,000	**2**	3
HK$1,000,001–HK$1,500,000	**1**	1
HK$2,000,001–HK$2,500,000	**1**	1

13. DIVIDEND

	2021 **HK$'000**	2020 HK$'000
Interim dividend declared and paid	**3,546**	3,039
Final dividend proposed	**3,039**	3,039

The board of directors declared an interim dividend of HK$0.0035 (2020: HK$0.003) per share, which was paid during the year. The board of directors proposed a final dividend of HK$0.003 (2020: HK$0.003) per share for the year ended 31 March 2021. The proposed final dividend for the year ended 31 March 2021 is subject to approval of the Company's shareholders at the forthcoming annual general meeting. The proposed final dividend for the year ended 31 March 2020 was approved by the Company's shareholders at the annual general meeting during the year.

14. EARNINGS PER SHARE

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

	2021 **HK$'000**	2020 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**11,538**	12,170

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,013,000,000**	1,013,000,000
Effect of dilutive potential ordinary shares:		
— Share options (Note)	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,013,000,000**	1,013,000,000

Note: For the years ended 31 March 2021 and 2020, basic earnings per share amount equals to dilutive earnings per share amount because the exercise price of the Company's share options was higher than the average market price for shares.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and equipment	Motor vehicles	Machineries	Right-of-use assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
As at 1 April 2019	937	2,543	1,995	21,386	43,419	70,280
Additions	–	229	247	–	5,658	6,134
Transfer	–	–	615	–	(615)	–
At 31 March 2020 and 1 April 2020	937	2,772	2,857	21,386	48,462	76,414
Additions	–	–	–	–	6,003	6,003
Transfer	–	–	380	–	(380)	–
Effect of lease modifications	–	–	–	–	(1,008)	(1,008)
At 31 March 2021	937	2,772	3,237	21,386	53,077	81,409
Accumulated depreciation						
As at 1 April 2019	786	1,317	1,830	16,196	6,969	27,098
Charge for the year	76	550	165	2,914	4,340	8,045
Transfer	–	–	334	–	(334)	–
At 31 March 2020 and 1 April 2020	862	1,867	2,329	19,110	10,975	35,143
Charge for the year	68	413	331	2,276	4,695	7,783
Transfer	–	–	380	–	(380)	–
Effect of lease modifications	–	–	–	–	(643)	(643)
At 31 March 2021	930	2,280	3,040	21,386	14,647	42,283
Net carrying value						
At 31 March 2021	7	492	197	–	38,430	39,126
At 31 March 2020	75	905	528	2,276	37,487	41,271

Note:

The right-of-use assets in relation to leasehold land and buildings are situated in Hong Kong as at 31 March 2021 and 2020, of which HK$26,200,000 (2020: HK$27,737,000) were pledged as securities for the bank facilities of the Group (Note 24).

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group as lessee

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

The Group has lease contracts for various items of buildings and motor vehicles used in its operations. Leases of owned land and buildings generally have remaining lease terms of 17 years, buildings generally have lease terms between 2 to 3 years and motor vehicles generally have lease terms of 4 years.

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

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

	Owned leasehold land and buildings HK$'000	Leased buildings HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 April 2019	33,715	740	1,995	36,450
Additions	–	2,330	3,328	5,658
Depreciation expense	(1,779)	(987)	(1,574)	(4,340)
Transfer	–	–	(281)	(281)
As at 31 March 2020 and 1 April 2020	31,936	2,083	3,468	37,487
Additions	5,308	695	–	6,003
Depreciation expense	(2,015)	(1,188)	(1,492)	(4,695)
Effect of lease modifications	–	(365)	–	(365)
As at 31 March 2021	35,229	1,225	1,976	38,430

16. INTANGIBLE ASSET

	Club membership HK$'000
Cost and carrying amount	
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	790

The intangible asset is not amortised for the years ended 31 March 2021 and 2020 as the club membership has no expiry date. The club membership is tested for impairment annually. As at 31 March 2021 and 2020, the directors have performed impairment review and are of the opinion that no impairment is recognised.

17. INTEREST IN AN ASSOCIATE

	2021 HK$'000	2020 HK$'000
Non-current:		
Interest in an associate, including goodwill	**14,670**	14,940

As at 31 March 2021 and 2020, the amount due from an associate is unsecured, interest-free and repayable on demand.

Movements in the expected credit loss in respect of amount due from an associate during the year are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of year	**–**	–
Expected credit loss recognised during the year	**306**	–
At end of year	**306**	–

Further details of the Group's credit policy and credit risk arising from amount due from an associate are set out in Note 36(a).

Details of the Group's associate are as follows:

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

During the year ended 31 March 2019, the Group entered into a share purchase agreement (the "Agreement") to acquire 30% equity interest in New Bright for consideration comprising HK$9,930,000 in cash and issue of 13,000,000 shares of the Company to the vendor. The transaction was completed during the year ended 31 March 2019.

Pursuant to the Agreement, the vendor undertook to the Group that if the accumulated net profit after income tax of New Bright for the years ended 31 March 2018, 2019 and 2020 was less than HK$30,000,000 but more than HK$21,000,000, the vendor should pay to the Group an amount to be calculated by a formula as stipulated in the Agreement (the "Profit Guarantee"). The Group had to account for the Profit Guarantee as contingent consideration. The fair value of the contingent consideration as at 31 March 2020 was assessed to be minimal with reference to valuation performed by an independent firm of professionally qualified valuers and the actual performance of New Bright. Accordingly, no Profit Guarantee was recognised as at 31 March 2020.

17. INTEREST IN AN ASSOCIATE (CONTINUED)

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

During the year ended 31 March 2021, the Group entered into a supplemental agreement (the "Supplemental Agreement") to prolong the put option arrangement with the vendor. Accordingly, a renewed put option was granted of which the Group has the right to require the vendor to purchase 30% equity interest in New Bright at a cash consideration of HK$15,000,000 if the accumulated net profit after income tax of New Bright for the years ended 31 March 2021, 2022 and 2023 is less than HK$15,000,000 (the "Renewed Put Option"). The fair value of the Renewed Put Option (Note 18) as at 31 March 2021 was estimated with reference to valuation performed by an independent firm of professionally qualified valuers using the Binomial Option Pricing Model.

Summarised financial information of the associate is as follows:

	2021 **HK$'000**	2020 HK$'000
Current assets	**37,055**	39,790
Non-current assets	**74**	112
Current liabilities	**(24,942)**	(26,816)
Net assets	**12,187**	13,086
Reconciliation to the Group's interest in an associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of an associate	**3,656**	3,926
Goodwill on acquisition	**11,014**	11,014
Carrying amount of the investment	**14,670**	14,940
Revenue	**48,844**	40,304
Profit before income tax	**5,885**	7,102
Income tax	**(785)**	(1,003)
Profit and total comprehensive income for the year	**5,100**	6,099

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **HK$'000**	2020 HK$'000
Non-current		
Unlisted equity investment (Note)		
At beginning of year	**4,560**	4,332
Change in fair value	**663**	228
At end of year	**5,223**	4,560
Derivative financial instrument		
Renewed Put Option (Note 17)		
At beginning of year	**–**	–
Prolongment of the Put Option reclassified from current	**2,121**	–
At end of year	**2,121**	–
Total non-current financial assets at FVTPL	**7,344**	4,560
Current		
Derivative financial instrument		
Put Option (Note 17)		
At beginning of year	**2,784**	2,784
Change in fair value	**(663)**	–
Reclassification to non-current	**(2,121)**	–
At end of year	**–**	2,784

Note:

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

During the year, the Put Option was prolonged to the Renewed Put Option. Please refer to Note 17 for detailed information.

For more detailed information in relation to the fair value measurement of the items above, please refer to Note 35(b).

19. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**29,703**	69,663
Deposits, prepayments and other receivables	**24,939**	27,147
Less: Expected credit loss	**(3,617)**	(3,483)
	21,322	23,664
	51,025	93,327
Less: Rental deposits under non-current assets	**(123)**	(144)
	50,902	93,183

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

	2021 HK$'000	2020 HK$'000
At beginning of year	**3,483**	2,483
Expected credit loss recognised during the year	**134**	1,000
At end of year	**3,617**	3,483

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

	2021 HK$'000	2020 HK$'000
Within 30 days	**26,078**	38,805
31–60 days	**3,625**	23,011
61–90 days	**–**	–
Over 90 days	**–**	7,847
	29,703	69,663

As at 31 March 2021, the Group's trade receivables of HK$22,512,000 (2020: HK$60,238,000) were pledged as securities for the bank facilities of the Group (Note 24).

Further details of the Group's credit policy and credit risk arising from trade and other receivables are set out in Note 36(a).

20. CONTRACT ASSETS AND CONTRACT LIABILITIES

(i) Contract assets

	2021 HK$'000	2020 HK$'000
Related to provision of Construction Works	**213,590**	266,729
Less: Expected credit loss	**(445)**	–
	213,145	266,729

The Group's contract assets represent the Group's right to consideration for construction works completed but not yet billed to customers at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is, when the Group issues progress billings to customers based on certified amount agreed with customer. All contract assets are expected to be recovered/settled within one to three years. As at 31 March 2021, the decrease (2020: increase) in contract assets was resulted from the decrease (2020: increase) in the provision of construction works at end of the year.

As at 31 March 2021, contract assets include retention receivables held by customers for construction works amounting to HK$102,877,000 (2020: HK$98,627,000). The Group typically agrees a one-year retention period for 5% to 10% of the contract sum, which is included in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection.

As at 31 March 2021, retention receivables of HK$50,753,000 (2020: HK$66,073,000) were expected to be recovered beyond twelve months after the end of the reporting period.

Further details of the Group's credit policy and credit risk arising from contract assets are set out in Note 36(a).

(ii) Contract liabilities

	2021 HK$'000	2020 HK$'000
Related to provision of Construction Works	**3,068**	4,211

As at 31 March 2021 and 2020, all contract liabilities are expected to be recognised as revenue within one year.

Movements in contract liabilities:

	2021 HK$'000	2020 HK$'000
At beginning of year	**4,211**	1,012
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(4,211)**	(1,012)
Increase in contract liabilities as a result of billing in advance of construction works	**3,068**	4,211
At end of year	**3,068**	4,211

21. PLEDGED BANK DEPOSITS

As at 31 March 2021 and 2020, pledged bank deposits were pledged to secure bank facilities of the Group (Note 24).

22. TRADE AND OTHER PAYABLES

	2021 **HK$'000**	2020 HK$'000
Trade payables (Note)	**129,416**	167,585
Retention payables	**59,731**	58,555
Other payables, accruals and deposits received	**12,449**	11,578
	201,596	237,718

Note: The credit period granted by suppliers and contractors is normally 30 to 60 days.

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

	2021 **HK$'000**	2020 HK$'000
Within 30 days	**75,555**	130,415
31–60 days	**27,897**	26,583
61–90 days	**12,489**	4,472
Over 90 days	**13,475**	6,115
	129,416	167,585

As at 31 March 2021, included in trade payables was an amount of approximately HK$9,910,000 (2020: HK$4,988,000) due to an associate which is repayable on credit term similar to those offered to the suppliers of the Group.

As at 31 March 2021, retention payables of HK$20,405,000 (2020: HK$3,346,000) were expected to be settled beyond twelve months after the end of the reporting period.

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

23. LEASE LIABILITIES

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

	2021 HK$'000	2020 HK$'000
At beginning of year	**5,815**	2,864
Additions	**695**	5,658
Interest expense	**366**	447
Lease payments	**(2,719)**	(3,154)
Effect of lease modifications	**(386)**	–
Covid-19-related rent concessions	**(9)**	–
At end of year	**3,762**	5,815

Note:

As disclosed in Note 2(a), the Group has received rent concessions in the form of rent forgiveness from lessors. The Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 March 2021 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK$9,000. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

Future lease payments are due as follows:

As at 31 March 2021	**Minimum lease payments HK$'000**	**Interest HK$'000**	**Present value HK$'000**
Not later than one year	**2,247**	**192**	**2,055**
Later than one year and not later than two years	**1,765**	**58**	**1,707**
	4,012	**250**	**3,762**

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

23. LEASE LIABILITIES (CONTINUED)

The present value of future lease payments are analysed as:

	2021 HK$'000	2020 HK$'000
Current liabilities	**2,055**	2,271
Non-current liabilities	**1,707**	3,544
	3,762	5,815
Aggregate undiscounted commitments for short-term leases	**154**	133

24. BANK BORROWINGS, SECURED

	2021 HK$'000	2020 HK$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
Bank loans subject to repayment on demand clause or repayable within one year (Note (a))		
— Bank loans due for repayment within one year	**87,285**	150,039
— Bank loans due for repayment after one year (Note (b))	**2,246**	2,398
	89,531	152,437

Notes:

(a) Bank loans are interest-bearing at floating rates. The interest rates of the Group's bank loans as at 31 March 2021 granted under banking facilities ranged from 2.39% to 4.75% (2020: 2.45% to 4.88%) per annum.

(b) The current liabilities as at 31 March 2021 and 2020 include such bank loans that are not scheduled to be repaid within one year after the end of the reporting periods. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

(c) As at 31 March 2021 and 2020, the banking facilities of the Group were secured by certain trade receivables (Note 19), certain right-of-use assets of the Group (Note 15), pledged bank deposits (Note 21) and corporate guarantee of the Company.

24. BANK BORROWINGS, SECURED (CONTINUED)

As at 31 March 2021 and 2020, the Group's bank borrowings were scheduled to be repaid as of the end of reporting period as follows:

	2021 **HK$'000**	2020 HK$'000
On demand or within one year	**87,285**	150,039
More than one year, but not exceeding two years	**156**	152
More than two years, but not exceeding five years	**490**	479
More than five years	**1,600**	1,767
	89,531	152,437

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

25. SHARE CAPITAL

The share capital as at 31 March 2021 and 2020 represented the issued share capital of the Company as detailed below:

	Number	**HK$'000**
Ordinary shares of HK$0.01 each		
Authorised		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	10,000,000,000	100,000
Issued and fully paid		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,013,000,000	10,130

26. SHARE OPTION SCHEME

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

The maximum number of shares in respect of which options may be granted under the Scheme shall not in aggregate exceed 10% of all the shares in issue as at the date of the Company's shares being listed on the GEM of the Stock Exchange (i.e. a total of 100,000,000 shares). Moreover, the total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Scheme, shall not exceed 1% of the shares in issue in any 12-month period up to the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

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

26. SHARE OPTION SCHEME (CONTINUED)

On 21 November 2017, 32,500,000 share options were granted with a vesting period of 1 year upon date of grant. As at 31 March 2021 and 2020, the Company had 32,500,000 share options outstanding under the Scheme.

All outstanding share options are exercisable with exercise price of HK$0.40. The remaining contractual life of all outstanding share options was 6.6 years (2020: 7.6 years).

No share options were granted nor exercised during the years ended 31 March 2021 and 2020.

27. RESERVES

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

	Share premium HK$'000	**Share option reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2019	78,435	5,060	671	84,166
Profit and total comprehensive income for the year	–	–	2,748	2,748
Dividend declared and paid (Note 13)	–	–	(3,039)	(3,039)
At 31 March 2020 and 1 April 2020	**78,435**	**5,060**	**380**	**83,875**
Profit and total comprehensive income for the year	**–**	**–**	**7,335**	**7,335**
Dividend declared and paid (Note 13)	**–**	**–**	**(6,585)**	**(6,585)**
At 31 March 2021	**78,435**	**5,060**	**1,130**	**84,625**

28. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	**2021** **HK$'000**	2020 HK$'000
Non-current assets			
Investments in subsidiaries		**32,676**	32,676
Current assets			
Deposit and prepayment		**192**	254
Amounts due from subsidiaries		**61,531**	60,010
Bank balances and cash		**464**	1,065
Total current assets		**62,187**	61,329
Current liabilities			
Accruals		**108**	–
Net current assets		**62,079**	61,329
Net assets		**94,755**	94,005
Capital and reserves			
Share capital	25	**10,130**	10,130
Reserves	27	**84,625**	83,875
Total equity		**94,755**	94,005

Approved and authorised for issue by the board of directors on 23 June 2021.

Mr. Ng Choi Wah
Executive Director

Mr. Lui Yiu Wing
Executive Director

29. INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid-up capital	Effective interest attributable to the Group		Principal activities
				2021	2020	
Ching Lee Group Limited	BVI/16 November 2015/ Limited liability company	Hong Kong	500 shares of US$500	**100%**	100%	Investment holding
Ching Lee Engineering Limited	Hong Kong/27 November 1998/ Limited liability company	Hong Kong	3,700,000 shares of HK$3,700,000	**100%**	100%	Provision of construction and consultancy works and project management services in Hong Kong
Ching Lee Foundation Limited	Hong Kong/10 August 2007/ Limited liability company	Hong Kong	1,000 shares of HK$1,000	**100%**	100%	Investment holding
Ching Lee Construction Limited	Hong Kong/26 May 2003/ Limited liability company	Hong Kong	10,000 shares of HK$10,000	**100%**	100%	Property holding and provision of construction works in Hong Kong
Right Lucky Limited	Hong Kong/25 August 2005/ Limited liability company	Hong Kong	1 share of HK$1	**100%**	100%	Property holding
Ching Lee Enterprise Limited	BVI/16 March 2018/Limited liability company	Hong Kong	1 share of US$1	**100%**	100%	Investment holding

30. RELATED PARTY TRANSACTIONS

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

(a) During the year ended 31 March 2021, the Group paid subcontracting charges and lease payments of approximately HK$45,915,000 (2020: HK$29,782,000) and HK$Nil (2020: HK$266,000) respectively to New Bright, an associate of the Group.

(b) During the year ended 31 March 2021, the Group received consultancy income of approximately HK$192,000 (2020: HK$156,000) from New Bright, an associate of the Group.

(c) During the year ended 31 March 2021, the Group rented certain car parks from a director in the aggregate amount of HK$192,000 (2020: HK$192,000). The directors are of the opinion that the rent was determined with reference to market price.

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

31. GUARANTEES

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

	2021 HK$'000	2020 HK$'000
Aggregate value of the surety bonds issued in favour of customers	**68,338**	119,482

The directors are of the opinion that it is not probable that the insurance companies would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made as at 31 March 2021 and 2020.

As at 31 March 2021 and 2020, the Group's surety bonds were secured by the Company's corporate guarantee.

32. LITIGATION

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

33. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$695,000 (2020: HK$5,658,000) and HK$695,000 (2020: HK$5,658,000) respectively in respect of leasing arrangements for leased buildings and motor vehicles.

(b) Reconciliation of liabilities arising from financing activities

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

	Bank borrowings (Note 24) HK$'000	Lease liabilities (Note 23) HK$'000
At 1 April 2020	**152,437**	**5,815**
Changes from financing cash flows:		
Proceeds from new bank borrowings	**509,104**	**–**
Repayments of bank borrowings	**(572,010)**	**–**
Interest paid on bank borrowings	**(4,637)**	**–**
Lease payments	**–**	**(2,719)**
Total changes from financing cash flows	**(67,543)**	**(2,719)**
Other charges:		
Additions	**–**	**695**
Interest expenses	**4,637**	**366**
Effect of lease modifications	**–**	**(386)**
Covid-19-related rent concessions	**–**	**(9)**
Total other changes	**4,637**	**666**
At 31 March 2021	**89,531**	**3,762**

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

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

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

34. CAPITAL COMMITMENT

As at 31 March 2021 and 2020, the Group did not have any significant capital commitment.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised costs		
— Trade and other receivables	**34,504**	73,506
— Pledged bank deposits	**25,209**	25,053
— Bank balances and cash	**58,549**	56,591
— Amount due from an associate	**12,439**	14,916
Financial assets at FVTPL	**7,344**	7,344
Financial liabilities		
Financial liabilities at amortised costs		
— Trade and other payables	**201,596**	237,718
— Bank borrowings, secured	**89,531**	152,437
Lease liabilities	**3,762**	5,815

(a) Financial instruments not measured at fair value

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

(b) Financial instruments measured at fair value

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

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

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

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

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

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

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

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

	Notes	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
As at 31 March 2021					
Financial assets at FVTPL					
Unlisted equity investment	(i)	**–**	**–**	**5,223**	**5,223**
Renewed Put Option	(ii)	**–**	**–**	**2,121**	**2,121**
		–	**–**	**7,344**	**7,344**

	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2020					
Financial assets at FVTPL					
Unlisted equity investment	(i)	–	–	4,560	4,560
Put Option	(ii)	–	–	2,784	2,784
		–	–	7,344	7,344

There were no transfers between levels during the year.

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

There were no changes in valuation techniques during the year.

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

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

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

Financial assets	Fair value		Valuation technique(s)	Significant unobservable inputs to fair value	Sensitivity
	2021 HK$'000	2020 HK$'000			
(i) Unlisted equity investment	**5,223**	4,560	Cost Approach	Discount rate of 3.5% (2020: 3.5%)	If the discount rate is 1% higher/lower, while all other variables were held constant, the fair value would decrease by HK$140,000 and increase by HK$175,000 (2020: decrease by HK$315,000 and increase by HK$315,000) respectively.
(ii) Renewed Put Option (2020: Put Option)	**2,121**	2,784	Binomial Option Pricing Model	Volatility of 60.82% (2020: 42.35%)	If the volatility is 5% higher/lower, while all other variables were held constant, the fair value would increase by HK$133,000 and decrease by HK$138,000 (2020: increase by HK$460,000 and decrease by HK$451,000) respectively.
				Equity value of HK$16,199,000 (2020: HK$17,433,000)	If the equity value is 10% higher/lower, while all other variables were held constant, the fair value would decrease by HK$137,000 and increase by HK$150,000 (2020: decrease by HK$789,000 and increase by HK$1,030,000) respectively.

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

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

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

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

(a) Credit risk

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

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

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

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

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

As at 31 March 2021, the Group has concentration of credit risk as the top five trade debtors accounted for approximately 100% (2020: 91%) of the trade receivables. In view of their good payment records and long established relationships with the Group, management does not consider the Group's credit risk with the top five trade debtors to be significant.

Impairment under ECLs model

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

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

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

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

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Impairment under ECLs model (Continued)

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

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

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

(a) significant financial difficulty of the debtor;

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

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

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

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

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

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Impairment under ECLs model (Continued)

As at 31 March 2021, the ECL rates of trade receivables was assessed to be minimal. The directors of the Company believe that there is no loss allowance required for trade receivables as at 31 March 2021. The provision made against the gross amount of contract assets is as follows:

At 31 March 2021	ECL rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Collective assessment			
Current (not past due)	**0.21**	**213,590**	**445**

As at 31 March 2020, the ECL rates of trade receivables and contract assets were assessed to be minimal. The directors of the Company believe that there is no loss allowance required for trade receivables and contract assets as at 31 March 2020.

The movements in the expected credit loss in respect of trade receivables and contract assets are as follows:

	Trade receivables HK$'000	Contract assets HK$'000	Total HK$'000
Balance as at 1 April 2019, 31 March 2020 and 1 April 2020	–	–	–
Expected credit loss recognised during the year	–	445	445
Balance as at 31 March 2021	–	445	445

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and amount due from an associate based on historical settlement records and past experience as well as ECL assessment. As at 31 March 2021, included in other receivables was an amount of HK$3,483,000 (2020: HK$3,483,000) representing advanced payments to a subcontractor of the Group. The directors identified that the debtor is in financial difficulty and determined that the amount is credit-impaired. Accordingly, as at 31 March 2021, the accumulated lifetime expected credit loss of HK$3,483,000 (2020: HK$3,483,000) was recognised under Stage 3 of ECLs model. Save as disclosed above, the Group has considered that credit risk on other receivables and amount due from an associate has not increased significantly since initial recognition and has assessed the ECL rate under 12-month ECLs method based on the Group's assessment in the risk of default of the respective counterparties. As at 31 March 2020, the Group has assessed that the expected loss rates for other receivables and amount due from an associate were immaterial. Accordingly, no further loss allowance was recognised.

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Impairment under ECLs model (Continued)

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

	12-month ECLs Stage 1	Lifetime ECLs Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2021				
Other receivables	**4,935**	**–**	**3,483**	**8,418**
Amount due from an associate	**12,745**	**–**	**–**	**12,745**
At 31 March 2020				
Other receivables	3,843	–	3,483	7,326
Amount due from an associate	14,916	–	–	14,916

The movements in provision for impairment of other receivables and amount due from an associate are as follows:

	12-month ECLs			Lifetime ECLs			
	Other receivables (Note 19)	Amount due from an associate (Note 17)	Total	Other receivables (Note 19)	Amount due from an associate (Note 17)	Total	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2019	–	–	–	2,483	–	2,483	2,483
Impairment losses recognised	–	–	–	1,000	–	1,000	1,000
At 31 March 2020 and 1 April 2020	–	–	–	3,483	–	3,483	3,483
Impairment losses recognised	134	306	440	–	–	–	440
At 31 March 2021	134	306	440	3,483	–	3,483	3,923

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(b) Interest rate risk

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

All of the Group's bank borrowings as at 31 March 2021 and 2020 bore interest at floating rates. Details of bank loans are disclosed in Note 24.

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

Sensitivity analysis

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

	Increase/(decrease) in profit for the year and retained profits	
	2021	2020
	HK$'000	HK$'000
Changes in interest rate		
+1%	**(895)**	(1,524)
-1%	**895**	1,524

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

(c) Liquidity risk

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

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

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

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

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
At 31 March 2021				
Trade and other payables	**201,596**	**201,596**	**201,596**	**–**
Bank borrowings subject to repayment on demand clause	**89,531**	**89,531**	**89,531**	**–**
Lease liabilities	**3,762**	**4,012**	**2,247**	**1,765**
	294,889	**295,139**	**293,374**	**1,765**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
At 31 March 2020					
Trade and other payables	237,718	237,718	237,718	–	–
Bank borrowings subject to repayment on demand clause	152,437	152,437	152,437	–	–
Lease liabilities	5,815	6,400	2,619	2,058	1,723
	395,970	396,555	392,774	2,058	1,723

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

36. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Bank borrowings subject to repayment on demand clause						
As at 31 March 2021	**89,531**	**90,715**	**88,106**	**209**	**627**	**1,773**
As at 31 March 2020	152,437	154,106	151,260	211	632	2,003

(d) Capital management

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

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

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

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

	2021 HK$'000	2020 HK$'000
Bank borrowings, secured	**89,531**	152,437
Lease liabilities	**3,762**	5,815
Total debts	**93,293**	158,252
Total equity	**125,936**	120,983
Gearing ratio	**74%**	131%

37. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting date.

Financial Summary

RESULTS

	2021 **HK$'000**	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**908,809**	993,335	843,659	870,888	579,849
Profit before income tax	**12,806**	14,616	15,229	24,942	31,144
Income tax	**(1,268)**	(2,446)	(4,203)	(5,240)	(5,693)
Profit and total comprehensive income for the year	**11,538**	12,170	11,026	19,702	25,451

ASSETS AND LIABILITIES

	2021 **HK$'000**	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total assets	**423,893**	521,382	442,391	380,775	283,942
Total liabilities	**(297,957)**	(400,399)	(330,539)	(284,527)	(202,896)
Net assets	**125,936**	120,983	111,852	96,248	81,046