2012 Annual Report

有利集團有限公司
Yau Lee Holdings Limited
(Incorporated in Bermuda with limited liability)
Stock Code: 0406

Contents

Corporate Information

Directors

Executive Directors

Wong Ip Kuen *(Chairman)*
Wong Tin Cheung *(Vice Chairman)*
Wong Wai Man
So Yau Chi (retired on 1 July 2011)
Sun Chun Wai
Tsang Chiu Kwan

Independent Non-Executive Directors

Chan, Bernard Charnwut
Wu King Cheong
Yeung Tsun Man, Eric

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

10th Floor, Tower 1
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Hong Kong

Websites: http://www.yaulee.com
http://www.irasia.com

Company Secretary

Chan Sai Yan (appointed on 11 April 2011 and resigned on 10 February 2012)
Lam Kwok Fan (appointed on 10 February 2012)

Principal Bankers

Nanyang Commercial Bank, Limited
BNP Paribas Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of Tokyo-Mitsubishi UFJ, Ltd. Hong Kong Branch

Auditor

PricewaterhouseCoopers

Solicitors

Gallant Y.T. Ho & Co.
T. H. Koo & Associates

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Ltd.
Room No. 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Chairman's Statement

Results for the Year

On behalf of the Board, I am pleased to report that the Group reached a turnover of HK$4,665 million, a record high achieved from healthy growths in all our core business segments.

The Group's construction business grew in both local and overseas markets and reached HK$2,604 million, representing an increase of 33% over 2011. On building material trading, turnover surged by 10 folds as a result of strong market demands met by the expanded production capacity in Huizhou new factory. Electrical and mechanical installation business, another major contributor also achieved a moderate growth of 9% derived mainly from businesses in Mainland China. Gross profits for the year was HK$249 million compared with HK$207 million in 2011. Despite the rising construction costs, the Group managed to maintain gross profits percentage comparable to that of last year.

In view of the flourishing market development, the Group expanded strategically the operation team. Growth in operation scale coupled with soaring staff costs resulted from manpower shortage in the industry caused a year-on-year increase of 21% in running expenses. Increased business volume required additional funding and therefore more finance costs were incurred. Net profit attributable to shareholders was HK$35,554,000 as compared to profits of HK$71,945,000 for last year. The reduction was primarily due to drop in non-recurring fair value gain of investment properties and an unrealized loss on interest rate hedging instruments.

The basic earning per share for the year was HK8.12 cents compared to HK16.42 cents of last year. Net asset value attributable to equity holders of the Company as at 31 March 2012 was HK$1,422 million (2011: HK$1,387 million), equivalent to HK$3.25 (2011: HK$3.17) per share based on 438,053,600 ordinary shares in issue.

Dividend

In the Board meeting held on 26 June 2012, the Directors recommended the payment of a final dividend of HK2.28 cents (2011: HK2.28 cents) per share for the year ended 31 March 2012. Subject to the equity holders' approval at the forthcoming Annual General Meeting, the dividend will be paid on 25 September 2012 to equity holders whose names appear on the Company's register of members on 5 September 2012.

Closure of register of members

The register of members of the Company will be closed from 23 August 2012 (Thursday) to 28 August 2012 (Tuesday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting ("AGM") of the Company.

In order to qualify for attendance to the AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 22 August 2012 (Wednesday).

The register of members of the Company will be closed again from 3 September 2012 (Monday) to 5 September 2012 (Wednesday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK2.28 cents per share for the year ended 31 March 2012, following the approval at the AGM of the Company.

Chairman's Statement

In order to qualify for the final dividend, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 31 August 2012 (Friday).

Review of Operations

Building construction, renovation and maintenance

The segment reported revenue of HK$2,604,024,000, representing an increase of 33% year-on-year. The growth was mainly attributable to increases in renovation and maintenance businesses in Hong Kong and building construction business in Singapore, which surged by 51% and 175% respectively. Construction segment result also improved considerably, taking into account our share of profits of jointly controlled entities. Surging building materials costs and soaring wages resulted from severe shortage in skill labor impacted our profitability in the year and would remain our biggest challenges in years ahead. The Group would continue implementing measures to control costs and enhance operation efficiency.

During the year, the Group has been focusing on completing the good amounts of contracts secured last year. In line with the programme, a few major contracts would be completed next year. The Group therefore took part actively again in tendering since last quarter to replenish the order book. The Group secured 5 major contracts worth HK$1,231,000,000 and completed 7 contracts totalled HK$873,000,000. Total value of contracts in hand as at 31 March 2012 reached at HK$5,423,000,000. Subsequent to the year end and up to the date of this report, a contract amounting to HK$1,196,000,000 has been awarded to the Group. The Group's capabilities in innovative and green construction design and technologies were evident in some of the current projects. Our Excelicrete™, an environment-friendly concrete design and production system, was launched and adopted in public sector projects, signifying its entry to the flourishing public sector. The Group's solid foundation of conventional construction experience coupled with the innovative design and technologies would enhance our competitiveness in coming numerous tendering opportunities.

Quality, safety and environmental protection are always the priorities and core values for the Group. Our commitments in maintaining high standard of core values receive continuous recognitions from customers and the industry. During the year, the Group received more than 40 awards which include:

1. Gold Award of Best Refurbishment and Maintenance Contractor
2. Silver Award for Building Sites (Public Sector) in Construction Industry Safety Award Scheme
3. Silver Award of Green Management Award (Corporation) in Hong Kong Green Awards
4. The Mirror's 1st Outstanding Corporate Social Responsibility Award

Besides, the Group believes that continuous improvement and up-trend working method are the keys to maintain the Group's competitiveness in the market and the secret to quality products and services. Thus, the Group has committed relentlessly to research and the development of innovative building methods. During the year, our Singapore construction team was presented with the below awards in recognition of our efforts towards innovations and improvement.

1. BCA Awards 2012 – Construction Productivity Award (Best Practices and Innovations) Gold for Construction cycle planning with enhanced installation method for precast components and application of large panel formwork
2. BCA Awards 2012 – Construction Productivity Award (Best Practices and Innovations) Gold for VHSmart™ – An integrated system for Construction management and Productivity Analysis using Biometric Attendance

Electrical and mechanical installation

The electrical and mechanical installation segment reported a mild but sustainable growth in revenue. The segment revenue was HK$1,729,039,000, up by 9% from HK$1,581,137,000 in 2011. With good amount of contracts intakes in 2010, amount of projects completed during the year in both Hong Kong and Mainland China increased. In China, we focus on premium commercial projects. Our capability and proven track records are valued by customers in this market segment. Turnover recorded in Mainland China was up by 33% in the year. REC Green Technologies Company Limited, a subsidiary established in 2011 focusing on green innovations completed its first energy optimization engineering project in the Group's hotel development in Sheung Wan. The innovative design and system brought to the hotel Platinum accreditations awarded by Leadership in Energy and Environmental Design ("LEED") and Hong Kong BEAM Society. Meanwhile, the company developed and launched a series of environmental improvements products which were well received by customers.

During the year, demands in Hong Kong remained strong but the opportunities in Mainland China and Macau dwindled particularly in first half of the year. Contracts secured in Mainland China halved down which made the contract intakes fell to HK$1,053,000,000. As at 31 March 2012, total contracts in hand for this segment was HK$3,618,000,000.

Though turnover crept up, profits of the segment declined to HK$21,469,000 (2011: HK$28,949,000) because certain overseas projects achieved exceptionally good profits in 2011 which were not recurring in nature.

Building materials trading

The Group's competence in prefabrication gained it two sizeable contracts supplying precast materials for public housing developments. With the construction of production lines in Huizhou new factory completed during the year, the Group's capacity in precast supply expanded substantially. Segment turnover increased by 10 times year-on-year.

Property investment and development

Revenue, being rental income of the Group's investment properties, was HK$1,892,000 (2011: HK$1,536,000) for the year. The amount increased because rentals were adjusted up when leases were renewed. During the year, one of the investment properties started redevelopment and was reclassified to property under development for sale. Such transfer caused a drop in segment profit to HK$37,771,000 in this year (2011: HK$51,894,000).

Chairman's Statement

Others

The Group's other businesses include computer software development and architectural and engineering services developed to strengthen the competitiveness of the Group's construction businesses by providing total solutions and better project management services to customers. These services not only facilitate business management but also help to build up our brand in the industry. During the year, one of our software programs won a construction productivity innovative prize in Singapore. The recognition would benefit our development in the region.

Business Prospects

The Group is located in markets that are continuing to grow and offering good opportunities for our construction, mechanical and electrical installation, renovation and maintenance services. Despite global economy is stagnant, the Group's core markets which are Hong Kong, Macau and Singapore remain robust. In Hong Kong, the commencement of "Ten Major Infrastructures" and the more ambitious housing policy bring enormous opportunities to the construction industry. Outlook for public housing building, the Group's core market, is bright. The restart of Home Ownership Scheme confirmed in Chief Executive Year 2011/12 Policy Address and acceleration of construction of public rental housing provide abundant opportunities to the industry. The Group's solid track record coupled with the reputation and capability in green initiatives construction would facilitate its expansion in the market.

In Macau, gaming industry regains momentum and is growing at an extraordinary rate since 2011. Most market players if not all expedite their development in the region. With our strong expertise and excellent reputation developed in construction projects of large-scale resort and hotel in past years, the Group would benefit from the flourishing market.

In Singapore, the Group grows steadily at a healthy pace. The Group's highly integrated business model and commitments to quality and innovation gain recognitions and opportunities in both private and public sectors. The Group would expand strategically to seize more opportunities in the region.

While pursuing businesses actively, the Group also strives for reasonable margins. In response to rising materials and labour costs driven by the tremendous market demands, the Group would continue carrying out strategic measures like increasing usage of prefabrication, developing construction initiatives in design and technology for higher productivity, and reduction in demands for manpower.

Apart from conventional construction businesses, the Group would also explore actively construction related businesses. REC, the Group's mechanical and electrical arm, has completed a large-scale energy optimization engineering project in the Group's hotel development in the year. This comprehensive green solution achieved three renowned recognitions, namely LEED Platinum Certification, Hong Kong BEAM Plus Platinum Grade and Green Building Award 2012-Merit Award. There have been robust demands in both public and private markets to uplift constructions to recognized environmental protection standards. The Group will endeavor to transfer this proven business model to a major driver of business growth.

Precast, a solution to both rising construction costs and building quality, is also an area to grow and develop. With the production yard of Huizhou new factory largely completed, the Group raised greatly on output, efficiency and quality. The expanded design and moulding division would put more efforts on automation and innovative construction technology that would help the Group in up-keeping competitiveness as well as profitability. Besides, the expanded capacity enables the Group to grasp the continuous rising demands from other contractors who are forced to adopt more off-site construction to resolve manpower shortage problems. Precast manufacturing, our another core competency, boosts the Group's market share and edges in the industry. Besides, the production trial run of Starfon progressed according to plan. Outputs were supplied to the Group's Hotel in Sheung Wan. Next, it will be officially launched to oversea markets. Upon the completion of installation of second production line later this year, the Group can promote to both local and oversea markets.

Property development projects of the Group progress according to the plan. Construction of Holiday Inn Express Hong Kong Soho has been completed subsequent to the year end and is targeted to open in third quarter of the year. The hotel is a showcase of the Group's commitment and capability in environmental protection solution. At the time of writing, the hotel already achieved LEED Platinum Certificate, Hong Kong BEAM Plus Platinum Qualification, and Green Building Award 2012-Merit award and is applying another two well-recognized green construction qualifications. The hotel is a demonstration of the Group's strategy of attaining good return to the shareholders while fulfilling the duties of a responsible corporate citizen.

Foundation works of the property in To Kwa Wan is about to commence and scheduled completion is slated to be end of 2014. The property is located within walking distance of the future Ma Tau Wai Station of Shatin to Central Link. With the construction of Shatin to Central Link approved recently, property market in neighborhood became active. A few luxury residential developments were launched, all recorded good sales. Besides, several residential redevelopments are in pipeline. The Group believes the property would bring excellent return to shareholders.

The Group's another property in Kwun Tong is also situated in a very promising district. The Chief Executive has announced in Year 2011/12 Policy Address a plan for a new CBD (Central Business District) at East Kowloon aiming to provide up to 4 million square meters of Grade A office space in the area. The Group will keep close eyes on the development of the district and establish a development plan which gives maximized return.

The economic uncertainties will linger in coming year. The deteriorating EURO debt crisis drags down global economic recovery. Recent fiscal easing measures implemented by Mainland China Government reveal a dismal view on economic outlook. In face of complex market situations, the Group will remain vigilant and prepare itself for any challenges. The Group has clear direction and growth strategies. To strive for long term return to both shareholders and community, the Group will stay focus as a total solution contractor with innovative mindset and commitment to sustainable construction.

On behalf of the board, I would like to thank the management team and all our staff for their hard work and dedication over the years.

By order of the Board

Wong Ip Kuen
Chairman

Hong Kong, 26 June 2012

Management Discussion and Analysis

Financial position

Our sources of liquidity include cash and cash equivalents, cash from operation and banking facilities granted to the Group. At balance sheet date the Group retained HK$570,027,000 in cash on hand (2011: HK$428,230,000) and had undrawn banking facilities of approximately HK$587 million (2011: HK$901 million). The current ratio remained steady at around 1.46 whilst it was 1.50 in 2011.

Borrowings was HK$1,369,548,000 as at 31 March 2012 (2011: HK$809,260,000) which are secured by the Group's properties, certain deposits and financial assets at fair value through profit or loss. Bank borrowings increased for payments of development costs of the hotel and the new factory in Huizhou. The maturity profile of the debt has remained relatively long term in nature. The amount of bank loans and other facilities fall due beyond 1 year was HK$755,715,000.

All the bank borrowings are arranged on a floating rate basis. To alleviate partly the Group's exposure to interest rate fluctuations, we had arranged some interest rate hedging instruments aiming to keep the interest costs at a controlled range. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangement when appropriate.

With its cash and available banking facilities, the Group has sufficient resources to meet foreseeable funding needs for its operation and capital expenditure.

Human resources

As at 31 March 2012, the Group employed approximately 3,900 (2011: 3,100) employees. There are approximately 2,100 (2011: 1,850) employees in Hong Kong, Macau and Singapore and 1,800 (2011: 1,250) in Mainland China. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned.

Summary of Contracts

Movement of incomplete contracts

For the year ended 31 March 2012

Contract value

	31 March 2011 HK$'million	Contracts Secured HK$'million	Contracts Completed HK$'million	31 March 2012 HK$'million
Building construction, renovation and maintenance	5,065	1,231	(873)	5,423
Electrical and mechanical installation	3,849	1,053	(1,284)	3,618
Less: Inter-segment contracts	(353)	(31)	–	(384)
	8,561	2,253	(2,157)	8,657

The above contract value as at 31 March 2012 did not include two contracts of jointly controlled entities with HK$3,196,000,000 in total value.

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2012

Contracts	Commencement date	Completion date
District Term Contract for the Maintenance and Vacant Flat Refurbishment for Property Service Administration Unit/Kowloon West & Hong Kong (2009/2012)	April 2009	March 2012
Construction of Public Rental Housing at Shek Kip Mei Estate Phase 2	June 2009	March 2012
District Term Contract for the Maintenance and Vacant Flat Refurbishment for Property Service Administration Unit/Kowloon East (2009/2012)	April 2010	March 2012
Design and Build for Staging and Receiving Facility – Lantau Island	July 2010	June 2011
Fitting Out Works for Interim Reprovision of the Government Offices at the Existing Kwun Tong District Branch Offices Building	September 2011	February 2012

Summary of Contracts

Building construction, renovation and maintenance segment *(Continued)*

Contracts secured in prior year and in progress during the year ended 31 March 2012

Contracts	Commencement date
District Term Contract for the Maintenance and Vacant Flat Refurbishment for Property Service Administration Unit/Kwai Chung & Tsuen Wan (2009/2012)	May 2009
Redevelopment of Lower Ngau Tau Kok Estate Phase 1	July 2009
Term Contract for the Design and Construction of Fitting-Out Works to Buildings and Lands and Other Properties which The Architectural Services Department is Responsible	July 2009
Hamilton Scotts Road Condominium Development Package S02 – Structural Works, Plumbing and Sanitary Works in Singapore	January 2010
Term Contracts for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible	April 2010
Maintenance, Improvement and Vacant Flat Refurbishment for Ma On Shan, Shatin (North) and Tseung Kwan O (1) District 2010/2013	May 2010
Construction Works – Lantau Island	July 2010
The Greenwich and Greenwich Village in Singapore	November 2010
Part A: Building Works At Sembawang Neighbourhood 4 Contracts 10 (Total: 432 Dwelling Units); Part B: Contingency Works in Singapore	December 2010
New Extension to Canossa Hospital (Caritas) at No.1 Old Peak Road	January 2011
Construction Works – Lantau Island	February 2011
Venetian Macao Resort Hotel Phase 5 & 6 – Podium Paradise Gardens Fit-Out	February 2011
Venetian Macao Resort Hotel Phase 5 & 6 – Sheraton Entry and P6 Family Friendly Route Fit-Out	April 2011
Venetian Macao Resort Hotel Phase 5 & 6 – Podium P5 & P6 Casino Screens	April 2011

Building construction, renovation and maintenance segment *(Continued)*

Contracts secured in current year and in progress during the year ended 31 March 2012

Contracts	Commencement date
Maggie's Cancer Caring Centre (Phase III) – Tuen Mun Hospital Main Contract	May 2011
Maintenance, Improvement and Vacant Flat Refurbishment for Wong Tai Sin, Tsing Yi, Tsuen Wan and Island (1) 2011/2014	July 2011
Part A: Building Works at Sembawang Neighbourhood 5 Contracts 1B (Total: 578 Dwelling Units); Part B: Contingency Works in Singapore	September 2011
District Term Contract for the Maintenance and Vacant Flat Refurbishment for Property Service Administration Unit/Kwai Chung (1) (2012/2015)	May 2012

Contract secured subsequent to the year end and up to the date of this report

Contract	Commencement date
"My Home Purchase Plan" Project at Tsing Luk Street, Tsing Yi, TYTL 138	May 2012

Contract secured by a jointly controlled entity in prior year and in progress during the year ended 31 March 2012

Contract	Commencement date
The Integrated Contract for Construction of Public Rental Housing Development at Kai Tak Site 1B at Kowloon (60% effective interest by the Group)	November 2009

Summary of Contracts

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2012

Contracts	Commencement date	Completion date
Housing Authority Electrical Installation for Construction of Redevelopment of Shatin Pass Estate	August 2007	April 2011
Electrical & MVAC Installation for Phase 2 at TSWTL No.24 Area 33 Tin Shui Wai	November 2007	April 2011
Maintenance Services for Central Plants at West Rail Line, East Rail Line, Airport and Tung Chung Line	May 2008	March 2012
Residential Development at Ap Lei Chau Inland Lot No. 129 – Plumbing System	April 2009	April 2011
The Proposed Residential Development at Hung Shui Kiu, Lot No.2064 in DD121	August 2009	May 2011
The Construction of Second Secondary School at Development near Choi Wan Road & Jordan Valley	November 2009	June 2011
Galaxy Resort & Casino in Cotai City Macau	January 2010	May 2011
Supply and Installation of an Additional Combined Heat and Power Generating set at Shek Wu Hui Sewage Treatment works	June 2010	October 2011
Combined Building Services Installation for Building C Entertainment Annex at Galaxy Resort & Casino in Cotai City, Macau	January 2011	December 2011

Electrical and mechanical installation segment *(Continued)*

Contracts secured in prior years and in progress during the year ended 31 March 2012

Contracts	Commencement date
Shanghai IFC Boiler System	June 2007
Shanghai IFC North Tower – Electrical Installation	December 2007
Shanghai IFC North Tower – HVAC Installation	December 2007
Guangzhou Taikoo Hui HVAC System Supply and Installation	June 2008
Construction of Public Rental Housing at Shek Kip Mei Estate Phase 5	July 2009
Fitting-Out works to Building & Lands & Other Properties for which the Architectural Services Department is Responsible (HK Island & Outlying Island)*	July 2009
Sewage Interception Scheme in Kowloon City	July 2009
Tai Wai Maintenance Centre Property Development Phase 3 at STTL No.529	July 2009
The Proposed Residential Development at Ma On Shan Area 77, STTL No.548	August 2009
Mechanical Ventilation and Air Conditioning Installation for New Academic Building, Institute for Advanced Study and Residential Accommodation for The Hong Kong University of Science and Technology	December 2009
Shanghai Lux China Mixed-Use Project	April 2010
Term Contract for the Alterations, Additions, Maintenance & Repair of Electrical & Air Conditioning Installations at Architectural Services Department in the Designated Contract Area of Central, Peak and Mid-Levels*	April 2010

* Inter-segment contracts

Summary of Contracts

Electrical and mechanical installation segment *(Continued)*

Contracts secured in prior years and in progress during the year ended 31 March 2012 (Continued)

Contracts	Commencement date
Mechanical Ventilation and Air Conditioning Installation for the Construction of Proposed Residential Development at 2A Seymour Road, Hong Kong	April 2010
Biennial Term Contract for the Maintenance & Repair of Fire Services Installations in Hong Kong Island	April 2010
Supply and Installation of MVAC and Electrical Works for New Commercial Building No. 414 Kwun Tong Road, Kwun Tong	June 2010
E & M Sub-Contract Works for Improvement Works at Sha Tin Station	June 2010
Electrical, MVAC, Fire Services and Plumbing & Drainage Installations – Lantau Island*	July 2010
Supply and Installation of Mechanical and Electrical Equipment at Salt Water Supply for North West New Territories	July 2010
Electrical Installations Term Maintenance Contract for Shopping Centres, Carparks, Markets & Cook-Food Stalls at Ma On Shan, Tseung Kwan O, Kowloon East & Hong Kong Island Districts	July 2010
Retrofitting Works for Existing Sludge Dewatering Centrifuges at Stonecutters Island Sewage Treatment Work	July 2010
Podium Fire Services Wet Installation at Macau Cotai, Parcel 5 & 6	September 2010
Sub-Contract for MVAC, Electrical, Fire Services and Plumbing & Drainage Installation for Hotel Development at Jervois Street, Sheung Wan, Hong Kong*	September 2010
Electrical and ELV Installation for Canossa Hospital (Caritas) at No.1 Old Peak Road, Hong Kong*	January 2011
Supply and Installation of a Combined Heat and Power Generator Set at Shatin Sewage Treatment Works	February 2011

* Inter-segment contracts

Electrical and mechanical installation segment *(Continued)*

Contracts secured in current year and in progress during the year ended 31 March 2012

Contracts	Commencement date
Electrical, HVAC, Fire Services and Plumbing & Drainage Installation – Lantau Island*	April 2011
Electrical and Mechanical Renovation Works at Shanghai Novel Plaza	April 2011
Maintenance Services for Central Environmental Control System Plants at Various Premises	May 2011
24-Month Contract for the Operation & Maintenance of Air-Conditioning Installations at New Territories Region	May 2011
24-Month Contract for the Operation & Maintenance of Air-Conditioning Installations at Hong Kong Region	May 2011
Supply, Delivery, Installation, Testing and Commissioning of E&M Equipment for Sewage Pumping Station PS1A at Kai Tak Airport	July 2011
Electrical and ELV System Installation for Proposed Residential Development at No.1 Sai Wan Terrace Hong Kong	August 2011
Electrical Installation for the Proposed Residential Development at TMTL 422, Tsing Lung Road, Area 58 Siu Lam, Tuen Mun	August 2011
Electrical, HVAC, Fire Services and Plumbing & Drainage Systems Installation for Parcel 2 Level 2 Paiza Gaming & Parcel 1 Golden Fish High Limit at Venetian Cotai, Macau	September 2011
Supply and Installation of Electrical and Mechanical Equipment at Chinese University Sewage Pumping Station	September 2011
Supply & Installation of Mechanical & Electrical Equipment for a Pumping Station & 2 Reservoirs Bowen Drive Salt Water Pumping Station & Service Reservoir & Magazine Gap Road Salt Water Service Reservoir	January 2012
Building Services Installation Works Direct Contract for the Renovation of Guest Rooms, Corridors & Lift Lobbies at 8/F to 10/F (Phase 2) and 5/F to 7/F (Phase 3) at the Intercontinental Grand Stanford Hong Kong	March 2012

* Inter-segment contracts

Summary of Contracts

Electrical and mechanical installation segment *(Continued)*

Contracts secured subsequent to the year end and up to the date of this report

Contracts	Commencement date
Construction of Water Supply System to Housing Development at Anderson Road-E&M Works for Sau Mau Ping Fresh Water Pumping Station	April 2012
Fire Services (Wet) Installation for Congress Expansion and Link Bridge Venetian Macao in Cotai, Macau – Parcel 5 & 6	April 2012
Electrical Installation for Congress Expansion Venetian Macao in Cotai, Macau – Parcel 5 & 6	April 2012
Supply and Installation of Intermediate Booster Electrochlorination Plant at Salt Water Supply for Northwest New Territories	May 2012
Electrical, ELV and MVAC Installation for "My Home Purchase Plan" Project at Tsing Luk Street, Tsing Yi*	May 2012
Electrical, ELV and MVAC Installation for Proposed Residential Development at 106-114 Kwok Shui Road, Tsuen Wan	May 2012
Electrical, ELV and MVAC Installation for URA Development at Lai Chi Kok Road Yee Kuk Street	May 2012
Supply and Installation of Electrical and Mechanical Equipment for Four Sewage Pumping Stations at the North and Tai Po Districts, N.T.	Jun 2012

* Inter-segment contracts

Contract secured by a jointly controlled entity in current year and in progress during the year ended 31 March 2012

Contract	Commencement date
Design and Construction of Trade and Industry Tower in Kai Tak Development Area (50% effective interest by the Group)	March 2012

Biographical Details of Directors and Senior Management

Executive directors

Mr. Wong Ip Kuen

aged 76, is the Chairman of the Group. Mr. Wong has over 50 years of experience in the building construction industry of Hong Kong. He is responsible for the overall strategic development and management of the Group. Mr. Wong is the father of Ir. Wong Tin Cheung and Ms. Wong Wai Man.

Ir. Wong Tin Cheung, JP

aged 48, has been with Yau Lee Group for 24 years. He is the Vice Chairman of the Group, undertaking the posts of Managing Director of Yau Lee Construction Company Limited and Yau Lee Wah Concrete Precast Products Company Limited, Vice Chairman of REC Engineering Company Limited, Chief Executive Officer of VHSoft Technologies Company Limited, Director of Yau Lee Hing Materials Manufacturing Limited and Director of REC Green Technologies Company Limited.

Ir. Wong is responsible for formulating the Group's overall strategic planning and overseeing business development as well as investment strategy. Ir. Wong is committed to the research and development of green building technologies and green building materials manufacturing, precast construction technologies and develop the technologies in automation for mould manufacturing, energy efficient electrical and mechanical systems and the use of renewable energy to fulfil the global carbon reduction needs.

Ir. Wong holds a Bachelor Degree in Civil Engineering from the University of Southampton, Master Degree in Foundation Engineering from the University of Birmingham, Master Degree in Business Administration from the Chinese University of Hong Kong and Bachelor Degree in Religious Studies from the Holy Spirit Seminary College of Theology & Philosophy. He is a Member of the Hong Kong Institution of Engineers and a Fellow of both the Chartered Institute of Building and the Institute of Civil Engineers (United Kingdom). In 2009, he was conferred a Honorary Fellow by the Vocational Training Council and a Honorary Fellow by the University of Central Lancashire in recognition of his contributions.

In public services, Ir. Wong is appointed as the Chairman of the Occupational Safety and Health Council and the Hong Kong Green Building Council, a Member of Construction Industry Council, a Member of the Antiquities Advisory Board, a Member of the Land and Development Advisory Committee, a Member of MPF Industry Schemes Committee, a Member of Vocational Training Council, as well as a Member of the Panel on Promoting Testing and Certification Services in Construction Materials Trade under the Hong Kong Council for Testing and Certification. In the past, Ir. Wong served as the President of the Hong Kong Construction Association and the President of the International Federation of Asia and West Pacific Contractors' Associations and the Chairman of Pneumoconiosis Compensation Fund Board.

Ir. Wong was an elected member of the 2006 Election Committee Subsection (Real Estate & Construction) and is currently a member of Guizhou Province Committee of the Chinese People's Political Consultative Conference. Ir. Wong has since 2008 been appointed and served as Justice of the Peace (JP) by the Government of the HKSAR for recognition of his outstanding contributions made to society.

In academic fields, Ir. Wong has been appointed as an Adjunct Professor in the Department of Civil Engineering in the University of Hong Kong starting in September 2010, the Chairman of Divisional Advisory Committee for Division of Building Science and Technology of the City University of Hong Kong, an Adjunct Professor in the Department of Building and Real Estate of the Hong Kong Polytechnic University as well as a Member of the Advisory Committee on Building and Real Estate in the Hong Kong Polytechnic University. He was awarded the "2001 Hong Kong Outstanding Young Digi Persons Award" and the "Bauhinia Cup Outstanding Entrepreneur Award 2002" presented by the Hong Kong Polytechnic University.

Ir. Wong is the son of Mr. Wong Ip Kuen and brother of Ms. Wong Wai Man.

Biographical Details of Directors and Senior Management

Ms. Wong Wai Man

aged 45, has been appointed as an Executive Director of the Company since 2008, after working with different entities in the Group since 2003. Ms. Wong is the daughter of Mr. Wong Ip Kuen and sister of Ir. Wong Tin Cheung.

She is also Director of various companies which carry out primary business of the Group, namely Yau Lee Construction Company Limited, Yau Lee Wah Concrete Precast Products Company Limited, Yau Lee Hing Materials Manufacturing Limited, Yau Lee Curtain Wall and Steel Works Limited, REC Engineering Company Limited, REC Green Technologies Company Limited, Ming Hop Company Limited, Yau Lee Development Company Limited, Yau Lee Innovative Technology Limited, VHSoft Technologies Company Limited, InnoVision Architects & Engineers Limited, Leena Theme Painting Limited, as well as the Managing Director of Yau Lee Construction (Macau) Company Limited and Yau Lee Construction (Singapore) Pte. Ltd.

Ms. Wong is responsible for formulating the Group's strategic planning, overseeing corporate business development, reviewing and improving the internal management systems, actively participating in deeds of fulfilling and discharging corporate social responsibility and over all management of construction projects in Hong Kong, together with the expansion and implementation of the regional and overseas markets namely Macau, Singapore and United Arab Emirates as well as being the chief of the Group's investment projects and green technologies. Under the leadership of Ms. Wong, Yau Lee has excelled into a green integrated corporation.

Ms. Wong holds a Bachelor Degree in Design with First Class Honours from the De Montfort University, a Master Degree in Design from the Royal College of Art in the U.K., an Executive Master Degree in Business Administration and another Master Degree in Philosophy both awarded by the Chinese University of Hong Kong.

Mr. Sun Chun Wai

aged 51, earned a Bachelor Degree in Britain. He joined the Group in 1992 to manage the Group's property development, construction works, manufacturing and trading of building materials, and development and marketing of computer software in Mainland China. Mr. Sun was appointed as an Executive Director of the Company in 1994 and is responsible for the Group's business management and development in Mainland China.

Mr. Tsang Chiu Kwan, JP

aged 65, joined REC Engineering Company Limited ("REC") from 1988 to 2007 and re-joined in July 2008. REC became a wholly owned subsidiary of the Company since 2008. Mr. Tsang was appointed as an executive director of the Company in 2010. Mr. Tsang is responsible for overall strategic planning, management and direction of REC. He is a fellow member of Hong Kong Institution of Engineers and Institution of Engineering and Technology. He graduated with a Bachelor Degree in Electrical Engineering from The University of Hong Kong in 1970.

Mr. Tsang is a member of management committee for Voluntary Subcontractor Registration Scheme under the Construction Industry Council. In the past, he has served as Chairman of The Hong Kong Federation of Electrical and Mechanical Contractors Limited, and currently the President of The Hong Kong Electrical & Mechanical Contractors' Association, and was a member of the Construction Advisory Board of the Government of the HKSAR. Mr. Tsang has also served on a number of non-construction related non-government organisations in Hong Kong.

Independent non-executive directors

Mr. Chan, Bernard Charnwut

aged 47, has been an Independent Non-Executive Director of the Company since 2000. He is a graduate of Pomona College in California, the United States of America ("USA") and he holds the positions of Executive Director and President of Asia Financial Holdings Limited and Asia Insurance Company Limited. Mr. Chan is a Hong Kong Deputy to the National People's Congress of the People's Republic of China and a former member of Hong Kong's Executive and Legislative Councils. He is Chairman of the Antiquities Advisory Board, the Advisory Committee on Revitalizing Historical Buildings and the Council for Sustainable Development. He is a Non-Executive Director of City e-Solutions Limited and New Heritage Holdings Limited, an Independent Non-Executive Director of each of Chen Hsong Holdings Limited and China Resources Enterprise Limited, all of which are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). In addition, he is also an Advisor of the Bangkok Bank (Hong Kong Branch), the Chairman of Hong Kong-Thailand Business Council, the Vice Chairperson of The Hong Kong Council of Social Service and a Trustee of the Pomona College, California, USA.

Mr. Wu King Cheong

aged 60, has been an Independent Non-Executive Director of the Company since 1994. Mr. Wu is a Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an Executive Director of Lee Cheong Gold Dealers Limited. He is also an Independent Non-Executive Director of Henderson Land Development Company Limited, Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and Hong Kong Ferry (Holdings) Company Limited, all of which are companies listed in Hong Kong.

Dr. Yeung Tsun Man, Eric

aged 66, has been an Independent Non-Executive Director of the Company since 1993. Dr. Yeung is Director and Vice President of Perfekta Enterprises Limited, a toy manufacturing company. He holds directorships of companies in Hong Kong, Macau, Mainland China, USA and Australia, which are engaged in electronics, trading and agricultural businesses. He is a Standing Committee Member of the National Committee, The Chinese People's Political Consultative Conference, an Executive Committee Council Member of the Hong Kong Management Association, the Chairman of Macau Productivity and Technology Transfer Centre, a Member of World Presidents' Organisation. He was awarded the Medal of Merit by the Macau Government in 1994, Commander of the Order of Merit by the Government of Portugal in 1998, the Medal of Professional Merit by the Macau SAR Government in 2001 and Gold Lotus Medal of Honor by the Macau SAR Government in 2010. He is also listed in "The Marquis Who's Who in the World" and "The International Who's Who of Professionals".

Senior management#

Ms. Lam Kwok Fan, Chief Financial Officer and Company Secretary

aged 46, holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. She is a practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. She has over 20 years of experience in auditing, accounting, and finance and company secretarial field. Prior to joining the Company, she has worked for one of the big four international audit firms and has held senior finance positions in international bank and large corporation.

In alphabetical order

Biographical Details of Directors and Senior Management

Mr. Lee Shiu Ming, Deputy General Manager (Engineering)

aged 55, joined the Group in 1987. He has held various posts within the Group namely, Quality Control Engineer, Research, Design and Development Manager and Project Manager before promotion to the present position in 2010. He has over 30 years working experience, particularly in the precast construction technology. He holds a Higher Diploma in Structural Engineering and a Master Degree in Business Administration (Total Quality Management). He is a Chartered Engineer in UK and a Corporate Member of the Institution of Structural Engineers. He is also a Corporate Member of the Hong Kong Institution of Engineers and a Registered Professional Engineers (Structural). He has been appointed as an Adjunct Associate Professor in the Department of Civil and Structural Engineering of The Hong Kong Polytechnic University. Recently, he is also appointed by Buildings Department as a member of the Technical Committee for the Code of Practice for Precast Concrete Construction for two years up to February 2014.

Mr. Lok Tat Hong Howard, Executive Director of REC Engineering Company Limited

aged 58, joined REC Engineering Company Limited in 1988 as Senior Manager of the Electrical Installation Department and was appointed as Executive Director in 2007. Over the years, he has been involved in the Hong Kong and Macau operations, and he is responsible for the China operation from 2009 onward.

He holds a Bachelor of Applied Science Degree in Electrical Engineering from University of Ottawa. He is a fellow member of the Hong Kong Institution of Engineers, fellow member of the Chartered Institution of Building Services Engineers and member of the Institution of Engineering and Technology. Currently he is the President of the Hong Kong Electrical Contractor's Association, Vice-chairman of the VTC Electrical and Mechanical Services Training Board, and member of the Electrical Safety Advisory Committee.

Mr. So Ho Man, Chief Quantity Surveyor

aged 47, joined the Group in 2010. Mr. So is a Professional Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors, a Member of The Chartered Institute of Building, a Member of The Hong Kong Institute of Construction Managers and also a Registered Professional Surveyor (Quantity Surveying). He holds a Bachelor of Science Honours Degree in Quantity Surveying of The University of Greenwich (UK), a Master Degree in Business Administration (Construction and Real Estate) of The University of Reading (UK) and a Postgraduate Diploma in Project Management of The College of Estate Management (UK). He has over 22 years of experience in quantity surveying and is responsible for contractual matters of Yau Lee Construction Company Limited.

Ms. Tang Wai Chun, Chief Quantity Surveyor

aged 55, joined the Group in 1993. Ms. Tang is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors, Member of the Chartered Institute of Arbitrators and Registered Professional Surveyor (Quantity Surveying). She is also a Certified General Contractor in Construction in the state of Florida, the USA. She holds a Bachelor Degree in Quantity Surveying. She has over 30 years of experience in litigation, arbitration, mediation, quantity surveying, project management and subcontracting business in civil, building, maintenance & repair and fitting-out works in Hong Kong, Macau, the United Kingdom, Central America and the USA. She has been the chairperson and member of the Course Advisory Committee on Measurement Technician Programme and Course Advisory Committee on Certificate in Quantity Measurement of the Construction Industry Council Training Academy from 2002 to 2004 and from 2004 to 2012 respectively. She is responsible for quantity surveying management, contract and disputes resolution advisory of Yau Lee Construction Company Limited.

Mr. Wong Chi Leung, General Manager (Yau Lee Wah Concrete Precast)

aged 53, joined the Group in 1997. Mr. Wong holds a Higher Diploma in Civil Engineering from the Hong Kong Polytechnic, a Master Degree in Civil Engineering (Structural) from the University of New South Wales, Australia. Mr. Wong is a Charter Engineer and a Corporate Member of the Hong Kong Institution of Engineer. He is now the General Manager of Yau Lee Wah Concrete Precast Products Company Limited, one of the subsidiaries of the group. He has been focused on the development of precast concrete construction technology for the group and the operation of precast production plants in China.

Site management

Project Directors#

* Chan Yuk
* Cheung Yu Wai
* Lam Lap Wa
* Lau Wai Foo
* Man Tin Hung
* Ngan Siu Tak
* Wong Kwok Keung

Project Managers#

* Chan Chi Wa
* Ho Chi Man
* Lee Kam Sang
* Li She Chuen
* Wu Yuk Cheung

Head office management

Department Heads#

*	Cheung Man Ching	Legal Advisor
*	Kwan Man Ho	Machinery and Logistics Department
*	Lam Chan Sing	Health and Safety Department
*	Poon Wai Hing	Administration Department
*	Wong Ko Yin	Tender and Planning Department
*	Wong Sik Yan	Information Technology Department
*	Yu Chi Kin	Quality Department
*	Yu Kwok Yan	Tender and Purchase Department

In alphabetical order

Biographical Details of Directors and Senior Management

Subsidiaries management

InnoVision Architects & Engineers Limited

*	Lau Hon Chi	Assistant Director

Ming Hop Company Limited#

*	Ng Hak Ming	Contract Manager
*	Wong Lai Ying	Assistant General Manager

REC Engineering Company Limited#

*	Chan Chi Ming, Antonio	Executive Director
*	Lok Tat Hong, Howard	Executive Director
*	Wai Yip Kin	Executive Director

VHSoft Technologies Company Limited

*	Mak Yiu Kau, Hubert	Chief Operating Officer

Yau Lee Building Construction and Decoration Company Limited

*	Ho Chi Fai	Project Director

Yau Lee Construction (Singapore) Pte. Ltd.#

*	Goh Hock Chai	Director
*	Wong Ming Tak	Commercial Director

Yau Lee Curtain Wall and Steel Works Limited

*	Lee Shiu Ming	Head

Yau Lee Wah Concrete Precast Products Limited

*	Wong Chi Leung	General Manager

In alphabetical order

Report of the Directors

The Directors submit their report together with the audited financial statements of the Company and the Group for the year ended 31 March 2012.

Principal activities and segment analysis

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials trading, property investment and development, and hotel operations. In addition, the Group is engaged in other activities which mainly include computer software development and architectural and engineering services.

An analysis of the Group's performance for the year by business segments is set out in Note 5 to the financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 36.

In the Board meeting held on 26 June 2012, the directors recommend the payment of a final dividend of HK2.28 cents (2011: HK2.28 cents) per share, totalling approximately HK$9,988,000 (2011: HK$9,988,000) for the year ended 31 March 2012.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 35 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$496,000 (2011: HK$1,183,000).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the financial statements.

Investment properties

Details of the principal properties held for investment purposes are set out on page 107 of this annual report.

Distributable reserves

At 31 March 2012, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK$994,520,000 (2011: HK$1,004,088,000).

Report of the Directors

Share capital

Details of the share capital of the Company are set out in Note 34 to the financial statements.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws of Bermuda.

Five year financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 108.

Purchase, sale or redemption of shares

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold the Company's listed securities during the year ended 31 March 2012.

Directors

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

Executive Directors

Mr. Wong Ip Kuen *(Chairman)*
Ir. Wong Tin Cheung *(Vice Chairman)*
Ms. Wong Wai Man
Mr. So Yau Chi (retired on 1 July 2011)
Mr. Sun Chun Wai
Mr. Tsang Chiu Kwan

Independent Non-Executive Directors

Mr. Chan, Bernard Charnwut
Mr. Wu King Cheong
Dr. Yeung Tsun Man, Eric

In accordance with the Company's bye-laws, Ir. Wong Tin Cheung, Mr. Wu King Cheong and Dr. Yeung Tsun Man, Eric retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Group which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation

At the date of this report, the interests of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Shares of HK$0.2 each in the Company

	Number of shares held (long position)	
Director	**Corporate interest**	**Percentage**
Mr. Wong Ip Kuen	260,659,599	59.50%

The shares referred to above are registered in the name of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 29,980,000 shares. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Investment Company Limited and Billion Goal Holdings Limited. All Fine Investment Company Limited and Billion Goal Holdings Limited are incorporated in the Cook Islands and the British Virgin Islands respectively. Mr. Wong Ip Kuen is a director of both All Fine Investment Company Limited and Billion Goal Holdings Limited.

During the year, none of the Directors and chief executives (including their spouses and minor children) had any interests in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

At no time during the year was the Company, its subsidiaries, its associates or its jointly controlled entities a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Substantial shareholders' interests and short positions in shares, underlying shares of the company

At 31 March 2012, the register of substantial shareholders maintained under Section 336 of the SFO showed that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– five largest suppliers	9%
– the largest supplier	2%
Sales	
– five largest customers	47%
– the largest customer	25%

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 any interests in the major suppliers or customers noted above.

Connected transactions

Significant related party transactions entered into by the Group during the year ended 31 March 2012, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") are disclosed in Note 40 to the financial statements.

Continuing Obligations Under Chapter 13 of the Listing Rules – Banking Facility with Covenant Relating to Specific Performance of the Controlling Shareholder

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors of the Company reported the following loan facility which entered during the year and included a condition relating to specific performance of the controlling shareholder of the Company.

On 22 November 2011, a wholly-owned subsidiary of the Company was granted a term loan facility in the aggregate sum of HK$207,500,000 to be repaid in 48 months from the date of the facility agreement or 6 months from the date of the occupation permit issued by the Hong Kong Building Authority in respect of an entire new building, whichever shall be the earlier. The facility is for the purpose of construction of a new building, which is in part financed or refinanced by the facility.

Pursuant to the facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, ceases to beneficially own 50 per cent or more of the entire issued voting share capital of the Company.

On 24 November 2011, four wholly-owned subsidiaries of the Company, as borrowers entered into a loan facility agreement with a bank in Hong Kong for an uncommitted revolving loan facility in the sum of HK$21,000,000 and a foreign exchange contract facility on unadvised and uncommitted basis.

Pursuant to the loan facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family, in aggregate hold less than 40 per cent of the equity interest and voting shares of the Company.

On 27 March 2012, two wholly-owned subsidiaries of the Company entered into a loan facility agreement with a bank in Hong Kong in respect of general banking facilities of up to an aggregate amount of HK$50,000,000 on uncommitted basis.

Pursuant to the facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his direct family members, hold less than 40 per cent of the equity interest of the Company and do not maintain control over the management of the Company.

On 29 March 2012, a wholly-owned subsidiary of the Company entered into a term loan facility of up to HK$475,000,000 with a bank in Hong Kong for the exclusive purpose of refinancing an existing indebtedness between the subsidiary and the bank. The loan shall be repaid by twenty consecutive semi-annual installments with the first repayment date falls on six months after the date of the loan agreement.

Pursuant to the facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family members, hold directly or indirectly less than 40 per cent of the equity interest and voting shares of the Company.

As at 31 March 2012 and up to the date of this report, there are no breach of the covenants.

Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

Report of the Directors

Corporate governance

The Company's Corporate Governance Report is set out on pages 29 to 33.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Ip Kuen
Chairman

Hong Kong, 26 June 2012

Corporate Governance Report

The Board believes that corporate governance is fundamental to corporate long term success and the enhancement of shareholder value. The Company has adopted the principles and practices of the Code on Corporate Governance Practice (the "Code") as set out in the Appendix 14 of the Listing Rules. The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders through prudent management, investment and treasury policies.

The Board of Directors

During the year, the Board of Directors of the Company comprises five Executive Directors and three Independent Non-Executive Directors, whose personal biographies are set out on pages 17 to 19 of this report.

The Company forms its Board of Directors based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required experience and management expertise. In order to balance the power between the Executive Directors and Independent Non-Executive Directors, the Company appointed three qualified candidates to become its Independent Non-Executive Directors to ensure the independence of the policy making process of the Board and protect the interests of its shareholders. The Company has received confirmations of independence from each of the Independent Non-Executive Directors. The Company considers them to be independent.

The responsibilities of the Chairman and the Vice Chairman of the Company are properly defined and separated. The Chairman is responsible for leading the Board of Directors to ensure effective operation of the Board and compliance with corporate governance requirements. The Vice Chairman is responsible for the day-to-day operation of the Company and implementation of the development strategy adopted by the Board of Directors. The Chairman is the father of the Vice Chairman.

The Directors delegate day-to-day operation of the business of the Group to the management of relevant subsidiaries or divisions.

The Directors held regular meetings during the year to discuss the overall development strategy, operations and financial reporting of the Company. The matters resolved and considered by the Directors include overall development strategies, major acquisitions and disposals, annual and interim results, dividend policy, proposed appointment and re-election of directors, appointment of auditor and other operational and financial matters relating to the Company. Notice convening each regular Board meeting was sent at least 14 days in advance, and reasonable notice would be given for other Board meetings. The agenda, accompanied by the relevant documents of the Board meeting were sent to each Director with sufficient period in advance to enable each Director to fully understand the matters to be discussed and make an informed opinion. Each Director had the right to seek independent professional advice in furtherance of his duties at the expense of the Company.

During the year, four board meetings were held. The attendance of the Directors at the meetings of the Board and its respective committees is as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Wong Ip Kuen	4/4	N/A	N/A	N/A
Ir. Wong Tin Cheung	4/4	N/A	1/1	N/A
Ms. Wong Wai Man	4/4	N/A	N/A	N/A
Mr. So Yau Chi (retired on 1 July 2011)	2/2	N/A	N/A	N/A
Mr. Sun Chun Wai	3/4	N/A	N/A	N/A
Mr. Tsang Chiu Kwan	4/4	N/A	N/A	N/A
Mr. Chan, Bernard Charnwut	3/4	2/2	1/1	1/1
Mr. Wu King Cheong	4/4	2/2	1/1	1/1
Dr. Yeung Tsun Man, Eric	4/4	2/2	1/1	1/1

Committees of the board

In accordance with the Code, the Board has established Audit, Remuneration, Nomination and Corporate Governance Committees, each with defined terms of reference and is chaired by an Independent Non-Executive Director. The duties of the four committees are as follows:

Audit Committee

The Audit Committee was established in April 1999 and comprises wholly of Independent Non-Executive Directors. The Board is satisfied that the current mix of experience of the committee members facilitates an effective functioning of their roles. The members of the committee are:

Dr. Yeung Tsun Man, Eric – Chairman of the Committee
Mr. Chan, Bernard Charnwut
Mr. Wu King Cheong

The Auditor Committee is responsible for monitoring the integrity of the financial statements of the Company, reviewing the Company's risk management process and system and overseeing the relationships between the Company and its external auditors.

During the year ended 31 March 2012, the Audit Committee held two meetings to review the results, the accounting principles and practices adopted by the Company and discuss with senior management and external auditors on the matters arising from audits and the effectiveness of the Company's internal control and risk management system. The record of attendance of the members is listed above.

Remuneration Committee

The Remuneration Committee was established in April 2005 and comprises four Directors, three of whom are Independent Non-Executive Directors. The Remuneration Committee is responsible for reviewing and advising on the remuneration packages (including non-monetary benefits, retirement benefits and share option scheme) for all Directors and some senior management, who are not on the Board. The Remuneration Committee met once during the year ended 31 March 2012 and the record of attendance of the members is listed on page 30. The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are posted on the Company's website. The members of the Remuneration Committee are:

Mr. Chan, Bernard Charnwut – Chairman of the Committee
Ir. Wong Tin Cheung
Mr. Wu King Cheong
Dr. Yeung Tsun Man, Eric

Nomination Committee

The Nomination Committee was established in April 2005 and comprises three Independent Non-Executive Directors. The terms of reference of the Nomination Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The Nomination Committee is responsible for formulating nomination policy for consideration by the Board. It makes recommendations to the Board on the appointments or re-appointments of directors and succession planning for directors. The Nomination Committee met once during the year ended 31 March 2012 and the record of attendance of the members is listed on page 30. The members of the Nomination Committee are:

Mr. Wu King Cheong – Chairman of the Committee
Mr. Chan, Bernard Charnwut
Dr. Yeung Tsun Man, Eric

Corporate Governance Committee

The Corporate Governance Committee was established in January 2012 and comprises four Directors, three of whom are Independent Non-Executive Directors. The terms of reference of the committee were formulated in accordance with the requirement of the Code and are posted on the Company's website. The committee is responsible for monitoring, reviewing and enhancing the corporate governance of the Company. It assists the Board in performing the corporate governance duties as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In accordance with the terms of reference of the Corporate Governance Committee, the committee shall meet not less than one time a year to consider corporate governance issues. In addition to reviewing the result of the internal control review conducted by an external auditor, the committee meets with the auditor to discuss the matters arising from the review and makes recommendations to the Board. The members of the Corporate Governance Committee are:

Mr. Chan, Bernard Charnwut – Chairman of the Committee
Ir. Wong Tin Cheung
Mr. Wu King Cheong
Dr. Yeung Tsun Man, Eric

Auditor's remuneration

The Company engaged PricewaterhouseCoopers as the Company's external auditor. For the year ended 31 March 2012, PricewaterhouseCoopers provided the following services to the Group:

	2012 HK$'000	2011 HK$'000
Audit services	**3,822**	3,486
Taxation services	**749**	454
	4,571	3,940

Directors' responsibilities for financial statements

The Directors of the Company acknowledged their responsibility for the preparation of consolidated financial statements that give a true and fair view of the state of affairs of the Group and of the Group's results and cash flows during the year. The Directors are responsible for keeping of appropriate accounting records that reasonably and accurately disclose the financial position of the Company from time to time. In preparing the financial statements for the year ended 31 March 2012, appropriate accounting policies are selected and applied consistently by the Directors who made careful and reasonable judgements and estimates, and prepared the financial statements on an on-going basis.

The independent auditor's report, which contains the statement of the external auditor about its reporting responsibilities on the Company's financial statements, is set out on pages 34 to 35 of this annual report.

Internal control

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day business operation. The system is designed to manage, rather than eliminate the risk of failure to achieve our business goals and provide a reasonable, as opposed to an absolute assurance in this respect.

The Board appointed an international accounting firm, Baker Tilly Hong Kong, to conduct a review of the internal control system of the Group for the year ended 31 March 2012, including financial, operational and compliance controls as well as the Group's risk management process. The results of the internal control review were submitted to the Corporate Governance Committee for their consideration. The Corporate Governance Committee has reviewed the results of the internal control review and is satisfied that the Group's system of internal controls is sound and adequate. As part of the process of the annual review, the Board has performed evaluation of the Group's accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of staff of the function, and their training programmes and budget.

The Board will continue to review and improve the Group's internal control system, taking into account the prevailing regulatory requirements, the interests of shareholders, and the Group's business growth and development.

Directors' and employees' securities transactions

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions of the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2012.

Compliance with Listing Rules

In the opinion of the Directors, the Company has complied with the requirements of the Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2012 except for the Code provision A.2.1 which requires the roles of chairman and chief executive officer be separated and not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. However, the roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Wong Ip Kuen. The current structure will enable the Company to make and facilitate the implementation of decisions promptly and efficiently.

Communication with shareholders

The Board endeavours to maintain an on-going dialogue with shareholders. All Directors are encouraged to attend the general meetings to have personal communication with shareholders. In annual general meeting ("AGM"), Chairman of the Board and the Chairman of each committee are required to attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

The Company's AGM and extraordinary general meeting provide good opportunities for shareholders to air their views and ask Directors and management questions regarding the Company. Separate resolutions are required at general meetings on each distinct issue. Each shareholder is permitted to appoint one or more proxies to attend and vote in his stead.

Information relating to the Company's financial results, corporate details, notifiable transactions and major events are disseminated through publication of interim and annual report, announcements, circulars, press release and newsletters. These publications can also be obtained from the Company's website (www.yaulee.com).

The Company is offering options to the shareholders to receive corporate communications of the Company by electronic means or in printed form. The Board believes that electronic means of communication will increase the efficiency of communication between the Company and the shareholders. We will continue to enhance the Company's website as a channel of communication with shareholders.

The Board has established a shareholders communication policy which is posted on the Company's website. The policy is reviewed on a regular basis by the Board to ensure its effectiveness.

Voting by poll

The Company supports the principal of voting by poll as stipulated under Rule 13.39(4) of the Listing Rules. Accordingly, the resolutions proposed at the AGM will also be taken by poll. A poll results announcement will be made by the Company after the AGM in accordance with Rule 13.39(5) of the Listing Rules.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF YAU LEE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yau Lee Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 106, which comprise the consolidated and Company balance sheets as at 31 March 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 June 2012

Consolidated Income Statement

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	5	**4,664,581**	3,573,181
Cost of sales	7	**(4,415,399)**	(3,365,786)
Gross profit		**249,182**	207,395
Other income and gains	6	**74,301**	84,373
Distribution costs	7	**(19,791)**	(13,260)
Administrative expenses	7	**(237,486)**	(200,394)
Other operating expenses	7	**(6,473)**	(4,177)
Operating profit		**59,733**	73,937
Finance costs	9	**(33,506)**	(8,101)
Share of profit of associates	21	**281**	112
Share of profit of jointly controlled entities	22	**23,077**	20,384
Profit before income tax		**49,585**	86,332
Income tax expense	10	**(12,864)**	(14,981)
Profit for the year		**36,721**	71,351
Attributable to:			
Equity holders of the Company	11	**35,554**	71,945
Non-controlling interests		**1,167**	(594)
		36,721	71,351
Dividend	12	**9,988**	9,988
Earnings per share (basic and diluted)	13	**8.12 cents**	16.42 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	2012 **HK$'000**	2011 HK$'000
Profit for the year	**36,721**	71,351
Other comprehensive income:		
Currency translation differences	**8,678**	18,296
Total comprehensive income for the year	**45,399**	89,647
Attributable to:		
Equity holders of the Company	**44,327**	90,241
Non-controlling interests	**1,072**	(594)
Total comprehensive income for the year	**45,399**	89,647

Balance Sheets

As at 31 March 2012

	Notes	2012 Group HK$'000	2012 Company HK$'000	2011 Group HK$'000	2011 Company HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**923,271**	**–**	688,318	–
Investment properties	16	**265,557**	**–**	368,069	–
Leasehold land and land use rights	17	**60,897**	**–**	60,209	–
Intangible assets	19	**17,790**	**–**	18,846	–
Goodwill	19	**15,905**	**–**	15,905	–
Subsidiaries	20	**–**	**571,615**	–	571,615
Associates	21	**1,479**	**–**	1,654	–
Jointly controlled entities	22	**16,468**	**–**	11,342	–
Deferred income tax assets	32	**9,727**	**–**	14,699	–
Other non-current assets	23	**182,666**	**–**	98,302	–
		1,493,760	**571,615**	1,277,344	571,615
Current assets					
Cash and bank balances	25	**570,027**	**7,537**	428,230	2,214
Trade debtors, net	26(a)	**544,401**	**–**	543,037	–
Prepayments, deposits and other receivables	24, 26(b)	**307,723**	**306**	246,253	306
Inventories	27	**73,696**	**–**	57,123	–
Prepaid income tax		**634**	**630**	115	–
Due from customers on construction contracts	28	**448,373**	**–**	388,154	–
Financial assets at fair value through profit or loss	29	**44,021**	**18,931**	43,919	18,886
Derivative financial assets	30	**–**	**–**	2,069	–
Property under development for sale	18	**347,810**	**–**	–	–
Due from associates, net	21	**458**	**–**	–	–
Due from subsidiaries	20	**–**	**1,097,393**	–	1,116,313
Due from jointly controlled entities	22	**5,077**	**–**	31,203	–
		2,342,220	**1,124,797**	1,740,103	1,137,719
Total assets		**3,835,980**	**1,696,412**	3,017,447	1,709,334
EQUITY					
Share capital	34	**87,611**	**87,611**	87,611	87,611
Other reserves	35	**447,110**	**414,135**	438,337	414,135
Retained profits					
Proposed final dividend	35	**9,988**	**9,988**	9,988	9,988
Others	35	**877,120**	**984,532**	851,554	994,100
Attributable to equity holders of the Company		**1,421,829**	**1,496,266**	1,387,490	1,505,834
Non-controlling interests		**1,072**	**–**	–	–
Total equity		**1,422,901**	**1,496,266**	1,387,490	1,505,834

	Note	2012 Group HK$'000	2012 Company HK$'000	2011 Group HK$'000	2011 Company HK$'000
LIABILITIES					
Non-current liabilities					
Long-term borrowings	31	**755,715**	**–**	437,086	–
Deferred income tax liabilities	32	**26,885**	**–**	21,946	–
Retention payables		**29,741**	**–**	9,218	–
		812,341	**–**	468,250	–
Current liabilities					
Short-term bank loans	31	**578,734**	**30,000**	353,012	30,000
Current portion of long-term borrowings	31	**35,099**	**–**	19,162	–
Derivative financial liabilities	30	**21,785**	**–**	1,317	–
Payables to suppliers and subcontractors	33	**335,850**	**–**	273,046	–
Accruals, retention payables and other liabilities		**244,221**	**1,113**	199,600	808
Income tax payable		**3,778**	**–**	15,019	–
Obligation in respect of jointly controlled entities	22	**1,252**	**–**	1,203	–
Due to customers on construction contracts	28	**373,019**	**–**	291,108	–
Due to subsidiaries	20	**–**	**169,033**	–	172,692
Due to jointly controlled entities	22	**7,000**	**–**	8,240	–
		1,600,738	**200,146**	1,161,707	203,500
Total liabilities		**2,413,079**	**200,146**	1,629,957	203,500
Total equity and liabilities		**3,835,980**	**1,696,412**	3,017,447	1,709,334
Net current assets		**741,482**	**924,651**	578,396	934,219
Total assets less current liabilities		**2,235,242**	**1,496,266**	1,855,740	1,505,834

Wong Ip Kuen
Director

Wong Tin Cheung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Currency translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2011	**87,611**	**413,776**	**359**	**24,202**	**861,542**	**1,387,490**	**–**	**1,387,490**
Comprehensive income:								
Profit for the year	**–**	**–**	**–**	**–**	**35,554**	**35,554**	**1,167**	**36,721**
Other comprehensive income:								
Currency translation differences	**–**	**–**	**–**	**8,773**	**–**	**8,773**	**(95)**	**8,678**
2011 final dividend	**–**	**–**	**–**	**–**	**(9,988)**	**(9,988)**	**–**	**(9,988)**
As at 31 March 2012	**87,611**	**413,776**	**359**	**32,975**	**887,108**	**1,421,829**	**1,072**	**1,422,901**
As at 1 April 2010	87,611	413,776	359	5,906	795,204	1,302,856	594	1,303,450
Comprehensive income:								
Profit/(loss) for the year	–	–	–	–	71,945	71,945	(594)	71,351
Other comprehensive income:								
Currency translation differences	–	–	–	18,296	–	18,296	–	18,296
2010 final dividend	–	–	–	–	(5,607)	(5,607)	–	(5,607)
As at 31 March 2011	87,611	413,776	359	24,202	861,542	1,387,490	–	1,387,490

Consolidated Cash Flow Statement

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Net cash from/(used in) operations	36(a)	**122,768**	(170,397)
Hong Kong profits tax paid		**(1,413)**	(105)
Overseas tax paid		**(13,533)**	(14,476)
Net cash from/(used in) operating activities		**107,822**	(184,978)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(262,956)**	(144,733)
Additions to prepayments and deposits of plant and equipment		**(43,382)**	(47,353)
Additions to investment properties	16	**(202,735)**	(12,355)
Dividend received from a jointly controlled entity		**–**	2,040
Realised gain on derivative financial assets/liabilities, net		**–**	5,769
Realised gain on financial assets at fair value through profit or loss, net		**244**	122
Additions to financial assets at fair value through profit or loss		**–**	(48,272)
Proceeds from disposal of property, plant and equipment		**1,411**	1,497
Dividend received from investments		**296**	76
Interest received		**1,779**	8,306
Net cash used in investing activities		**(505,343)**	(234,903)
Cash flows from financing activities	36(b)		
Repayment of long-term bank loans		**(14,597)**	(1,592)
Drawdown of long-term bank loans		**352,052**	141,844
Increase in short-term bank loans, net		**225,773**	152,876
(Increase)/decrease in restricted deposits		**(10,885)**	34,843
Capital element of finance lease payments		**(6,630)**	(6,605)
Interest element of finance lease payments		**(66)**	(91)
Realised loss on derivative financial liabilities, net		**(282)**	–
Dividend paid		**(9,988)**	(5,607)
Interest paid		**(9,372)**	(4,976)
Net cash from financing activities		**526,005**	310,692
Increase/(decrease) in cash and cash equivalents		**128,484**	(109,189)
Cash and cash equivalents at beginning of year		**319,522**	423,079
Exchange gains on cash and cash equivalents		**2,428**	5,632
Cash and cash equivalents at end of year		**450,434**	319,522
Analysis of cash and cash equivalents	25(b)		
Cash and bank balances		**338,453**	290,754
Time deposits		**111,981**	28,768
		450,434	319,522

Notes to the Financial Statements

1 General information

Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials trading, property investment and development, and hotel operations. The Group is also engaged in other activities which mainly include computer software development and architectural and engineering services.

The Company is a limited liability company incorporated in Bermuda on 25 June 1991. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK").

These financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 26 June 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Other than as disclosed in Notes 2(k), (l) and (n), areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Revised standards, amendments to standards and interpretations that are effective in the year

The following revised standards, amendments to standards and interpretations have been published that are effective for the accounting period of the Group beginning on 1 April 2011 and are relevant to the Group's operations:

– HKAS 24 (revised)	Related Party Disclosures
– HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
– HKFRSs Amendments	Improvements to HKFRSs 2010

The adoption of these revised standards, amendments to standards and interpretations have no significant impact on the Group's financial statements.

(ii) New and revised standards, amendments to standards that are not yet effective and have not been early adopted by the Group

The following new and revised standards and amendments to standards have been published and are mandatory for the accounting periods of the Group beginning on or after 1 April 2012 that the Group has not early adopted:

– Amendments to HKAS 1 (revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
– HKAS 12 (amendment)	Deferred Tax: Recovery of Underlying Assets
– HKAS 19 (2011)	Employee Benefits
– HKAS 27 (2011)	Separate Financial Statements
– HKAS 28 (2011)	Investments in Associates and Joint Ventures
– HKAS 32 (amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
– HKFRS 7 (amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets
– HKFRS 7 (amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
– HKFRS 7 (amendment)	Financial Instruments: Disclosures – Mandatory Effective date of HKFRS 9 and Transitional Disclosure
– HKFRS 9	Financial Instruments
– HKFRS 10	Consolidated Financial Statements
– HKFRS 11	Joint Arrangements
– HKFRS 12	Disclosure of Interests in Other Entities
– HKFRS 13	Fair Value Measurement

The Group will adopt the above new and revised standards and amendments to standards as and when they become effective. The Group has already commenced an assessment of the impact to the Group but is not yet in a position to state whether they would have significant impact on its results of operations and financial position.

2 Summary of significant accounting policies *(Continued)*

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is acquired by the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment (Note 2(l)). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2 Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(iv) Jointly controlled entities

Jointly controlled entities are entities which operate under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for by the equity method of accounting. The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of any accumulated impairment loss) on acquisition.

The Group's share of the net liabilities of jointly controlled entities will be recognised only to the extent that the Group has incurred legal or constructive obligations to made payments on behalf of the jointly controlled entities.

(v) Partial disposal

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

2 Summary of significant accounting policies *(Continued)*

(c) Investment properties *(Continued)*

After initial recognition, investment property is carried at fair value, representing market value determined by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by an independent firm of qualified property valuers. Gains or losses in fair values of investment property are recognised in the consolidated income statement as part of “Other income and gains” or “Other operating expenses” respectively.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property. Others, including contingent rent payments, are not recognised in the consolidated financial statements.

Subsequent expenditure is charged to the asset’s carrying amount 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. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale in the future, the property is transferred to property under development for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

(d) Property, plant and equipment

Buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is 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 charged to the consolidated income statement during the financial period in which they are incurred.

Direct and indirect costs relating to the construction in progress, including borrowing costs during the construction period are capitalised as the costs of the assets.

2 Summary of significant accounting policies *(Continued)*

(d) Property, plant and equipment *(Continued)*

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Lease term
Buildings	20-50 years
Leasehold improvements	4 years
Plant and machinery	5-10 years
Furniture, fixtures and office equipment	3-5 years
Motor vehicles	4-5 years
Construction in progress	–

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(l)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income and gains" and "Other operating expenses" respectively in the consolidated income statement.

(e) Goodwill

Goodwill is tested for impairment annually and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(f) Leasehold land and land use rights

Leasehold land and land use rights represent non-refundable rental payments for lease of land. The up-front payments are amortised over the lease term in accordance with the pattern of benefit provides or on a straight line basis over the period of the lease. The amortisation of the leasehold land and land use rights is capitalised under the relevant assets when the properties on the land are under construction. In all other cases, the amortisation is recognised in the consolidated income statement.

2 Summary of significant accounting policies *(Continued)*

(g) Intangible assets

Intangible assets represent the customer relationships acquired in a business combination, which are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the client relationships of 20 years.

(h) Leases

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in the long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets held under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases net of any incentives received from the lessors are charged to the consolidated income statement on a straight-line basis over the period of lease.

(i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

2 Summary of significant accounting policies *(Continued)*

(i) Financial assets *(Continued)*

(iii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of "other income and gains" when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2(n).

(j) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. However, as the Group does not designate its hedging instruments, all changes in the fair value of these derivative instruments are recognised in the consolidated income statement.

2 Summary of significant accounting policies *(Continued)*

(k) Inventories

Inventories comprise building materials and spare parts for sale and are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out (FIFO) basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Construction contracts in progress

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, revenue is recognised over the period of the contract. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

The Group presents as an asset the gross amount due from customers on construction contracts for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within "Trade and other receivables".

The Group presents as a liability the gross amount due to customers on construction contracts for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2 Summary of significant accounting policies *(Continued)*

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the consolidated income statement within "Administrative expenses". Subsequent recoveries of amounts previously written off are credited against "Administrative expenses" in the consolidated income statement.

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2 Summary of significant accounting policies *(Continued)*

(q) Borrowings *(Continued)*

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(r) Payables to suppliers and subcontractors

Payables to suppliers and subcontractors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except for deferred income tax liability where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies *(Continued)*

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are accounted for on the accrued basis and are charged to the consolidated income statement during the financial period in which they are incurred.

2 Summary of significant accounting policies *(Continued)*

(w) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit obligations

The Group operates defined contribution schemes which are available to all employees. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the consolidated income statement as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Bonus entitlements

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonuses are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2 Summary of significant accounting policies *(Continued)*

(x) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue, cost incurred or to be incurred in respect of a transaction can be reliably measured, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold are retained, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all the contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Contract revenue

To the extent that the outcome of the contract can be estimated reliably, revenue from construction contracts is recognised using the percentage of completion method, measured by reference to the percentage of work performed to date as a percentage of total contract value. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

(ii) Sale of building materials

Sale of building materials is recognised when significant risks and rewards of ownership of the goods have been transferred to customers that is upon delivery of the goods to customers.

(iii) Operating lease rental income

Operating lease rental income is recognised on a straight-line basis over the terms of the respective leases.

2 Summary of significant accounting policies *(Continued)*

(x) Revenue recognition *(Continued)*

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

(y) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within "Other income and gains" or "Other operating expenses". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other income and gains" or "Other operating expenses".

(iii) Group companies

The results and financial position of all the Group entities (none of which operate in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2 Summary of significant accounting policies *(Continued)*

(y) Foreign currency translation *(Continued)*

(iii) Group companies (Continued)

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company (the "Executive Directors") that make strategic decisions.

(aa) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividend is approved by the Company's shareholders and Directors.

(ab) Impairment of financial assets carried at amortised cost

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 Summary of significant accounting policies *(Continued)*

(ab) Impairment of financial assets carried at amortised cost *(Continued)*

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 Summary of significant accounting policies *(Continued)*

(ac) Property under development for sale

Property under development for sale comprises leasehold land, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. Property under development for sale is stated at lower of cost and net realisable value.

Upon completion, completed properties for pre-determined sale purpose are classified as "Completed properties held for sale".

Property under development for sale is classified as current assets as the construction period of the relevant property development project is expected to be completed within the normal operating cycle and is intended for sale.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme 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 Group's management under the supervision of the Audit Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Audit Committee provides guidance for overall risk management.

(i) Market risk

(a) Price risk

The Group's investment securities are exposed to price risk as they are classified as financial assets at fair value through profit or loss. The Group manages its price risk arising in investment securities, through maintaining diversified investments. The price risk is being monitored regularly.

3 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Market risk (Continued)

(a) Price risk *(Continued)*

Had the price of these investments increased/decreased by 5% with all other variables held constant, post-tax profit would have been HK$1,838,000 (2011: HK$1,834,000) higher/lower.

(b) Foreign currency risk

The Group mainly operates in Hong Kong, Macau, Singapore and Mainland China. However, the transactions of the group companies are predominantly conducted in the functional currency of the respective group entities. Therefore, the Group is not significantly exposed to foreign currency risk. Although the group companies hold cash and bank balances in currencies other than in their functional currencies, the exposure to foreign currency risk is not significant.

(c) Cash flow interest rate risk

The Group's exposure to interest rate risk mainly arises from its borrowings, obligations under finance lease and interest bearing cash deposits.

The Group's borrowings, obligations under finance lease and cash deposits issued at variable rates expose the Group to cash flow interest rate risk. During 2011 and 2012, the Group's borrowings, obligations under finance lease and cash deposits were mainly denominated in Hong Kong dollars, Renminbi and Singapore dollars.

The Group manages its exposure to interest rate risk by maintaining borrowings and obligations under finance lease at a low level.

Had interest rates been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK$5,872,000 (2011: HK$4,442,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and obligations under finance lease net of higher/lower interest income on cash deposits.

3 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises mainly from trade debtors, other receivables, amounts due from associates, subsidiaries and jointly controlled entities, deposits with banks, as well as credit exposure to customers. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, the management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment is made for the irrecoverable amounts.

The Group has no significant credit risk regarding deposits with banks as these are held with high-credit-quality financial institutions, substantially comprising the Group's principal bankers.

(iii) Liquidity risk

In order to maintain flexibility in funding, the Group has credit facilities available from various banks. The Group has bank borrowings as at 31 March 2012 and 2011 to finance its operations.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at 31 March 2012, the Group held cash and bank deposits of HK$570,027,000 (2011: HK$428,230,000) and other current assets of HK$1,772,193,000 (2011: HK$1,311,873,000) that are expected to generate cash inflows in the next twelve months for managing liquidity risk.

3 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk (Continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	After 5 years HK$'000
Group				
At 31 March 2012				
Short-term bank loans and interest thereon	**594,284**	**–**	**–**	**–**
Long-term borrowings and interest thereon	**53,896**	**138,143**	**276,874**	**430,062**
Derivative financial liabilities	**–**	**–**	**21,785**	**–**
Payables to suppliers and subcontractors	**335,850**	**–**	**–**	**–**
Accruals, retention payables and other liabilities	**244,221**	**29,741**	**–**	**–**
Due to jointly controlled entities	**7,000**	**–**	**–**	**–**
At 31 March 2011				
Short-term bank loans and interest thereon	358,789	–	–	–
Long-term borrowings and interest thereon	25,673	337,873	81,924	25,228
Derivative financial liabilities	1,317	–	–	–
Payables to suppliers and subcontractors	273,046	–	–	–
Accruals, retention payables and other liabilities	199,600	9,218	–	–
Due to jointly controlled entities	8,240	–	–	–

3 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk (Continued)

	Less than 1 year HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000	**After 5 years** HK$'000
Company				
At 31 March 2012				
Short-term bank loans and interest thereon	**30,915**	**–**	**–**	**–**
Accruals and other liabilities	**1,113**	**–**	**–**	**–**
Due to subsidiaries	**169,033**	**–**	**–**	**–**
At 31 March 2011				
Short-term bank loans and interest thereon	30,483	–	–	–
Accruals and other liabilities	808	–	–	–
Due to subsidiaries	172,692	–	–	–

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and bank balances.

3 Financial risk management *(Continued)*

(b) Capital risk management *(Continued)*

The Group's strategy is to maintain a gearing ratio at a minimal level. The gearing ratios at 31 March 2012 and 2011 were as follows:

	2012 HK$'000	2011 HK$'000
Total borrowings (Note 31)	**(1,369,548)**	(809,260)
Add: Cash and bank balances (Note 25)	**570,027**	428,230
Net debt	**(799,521)**	(381,030)
Total equity	**1,422,901**	1,387,490
Gearing ratio	**0.56**	0.27

The net debt position resulted primarily from normal operating and investing activities of the Group which include the acquisition of property, plant and equipment, investment properties and property under development for sale (Notes 15, 16 and 18) during the year.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

3 Financial risk management *(Continued)*

(c) Fair value estimation *(Continued)*

The following table represents the Group's financial assets and liabilities measured at fair value:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2012				
Financial assets at fair value through profit or loss	**–**	**44,021**	**–**	**44,021**
Derivative financial liabilities	**–**	**(21,785)**	**–**	**(21,785)**
At 31 March 2011				
Financial assets at fair value through profit or loss	–	43,919	–	43,919
Derivative financial assets	–	2,069	–	2,069
Derivative financial liabilities	–	(1,317)	–	(1,317)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

The carrying values of the Group's other financial assets and liabilities approximate their fair values.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works (including electrical and mechanical installation) as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(b) Estimation of foreseeable losses in respect of construction works

The Group's management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by management on the basis of quotations provided by the major contractors, suppliers and vendors involved, and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that will subject to significant variances and impact the amount of provision of foreseeable losses of construction contracts include the changes in estimations or the actual costs incurred for materials, staff costs, the amount of variation orders and claims as compared to management's budget.

(c) Investment properties

The fair values of investment properties are determined by independent valuers on an open market value basis. In making the judgements, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date. These estimates are compared to actual market data.

(d) Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for the related depreciation charges of its property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different from previous estimates, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4 Critical accounting estimates and judgements *(Continued)*

(e) Income taxes

The Group is mainly subject to income taxes in Hong Kong, Macau, Singapore and Mainland China. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax asset, which principally relates to tax losses of certain subsidiaries, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(f) Provision for property under development for sale

The Group assesses the carrying amount of property under development for sale according to its recoverable amount based on the realisability of the property, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(g) Provision for impairment of trade debtors

The policy of provision for impairment of trade debtors of the Group is based on the evaluation of the recoverability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counterparty. If the financial conditions of counterparty of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required.

5 Revenue and segment information

The Group is principally engaged in contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials trading, property investment and development, and hotel operations.

	2012 HK$'000	2011 HK$'000
Revenue		
Contracting of building construction, plumbing, renovation, maintenance and fitting-out projects	**2,604,024**	1,950,609
Electrical and mechanical installation	**1,729,039**	1,581,137
Building materials trading	**317,975**	28,711
Property investment and development	**1,892**	1,536
Hotel operations	**–**	–
Others	**11,651**	11,188
	4,664,581	3,573,181

The chief operating decision makers have been identified as the Executive Directors. In accordance with the Group's internal financial reporting provided to the Executive Directors, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are as follows:

- Construction – Contracting of building construction, plumbing, renovation, maintenance and fitting-out projects
- Electrical and mechanical installation - Provision of electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services
- Building materials trading - Trading of construction and building materials
- Property investment and development
- Hotel operations

Other operations of the Group mainly comprise computer software development and architectural and engineering services which are not of a sufficient size to be reported separately.

5 Revenue and segment information *(Continued)*

	Construction HK$'000	Electrical and mechanical installation HK$'000	Building materials trading HK$'000	Property investment and development HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2012							
Total sales	2,689,134	1,952,351	384,439	1,892	–	35,230	5,063,046
Inter-segment sales	(85,110)	(223,312)	(66,464)	–	–	(23,579)	(398,465)
External sales	2,604,024	1,729,039	317,975	1,892	–	11,651	4,664,581
Segment results	(5,737)	21,469	14,393	37,771	(2,408)	(5,917)	59,571
Unallocated income							162
Operating profit							59,733
Finance costs							(33,506)
Share of profit of associates	–	281	–	–	–	–	281
Share of profit/(loss) of jointly controlled entities	23,126	–	(49)	–	–	–	23,077
Profit before income tax							49,585
Income tax expense							(12,864)
Profit for the year							36,721
Segment assets	1,185,515	570,419	729,573	621,041	621,909	49,659	3,778,116
Interests in associates	–	1,454	–	–	–	25	1,479
Interests in jointly controlled entities	16,468	–	–	–	–	–	16,468
Unallocated assets							39,917
Total assets							3,835,980
Segment liabilities	(492,054)	(432,579)	(68,555)	(1,801)	(454)	(2,522)	(997,965)
Bank borrowings							(1,363,091)
Obligation in respect of jointly controlled entities	–	–	(1,252)	–	–	–	(1,252)
Unallocated liabilities							(50,771)
Total liabilities							(2,413,079)
Capital expenditure	14,544	2,209	122,355	205,544	177,532	134	522,318
Depreciation	15,117	3,267	25,191	–	7	1,632	45,214
Amortisation of leasehold land and land use rights	56	–	1,349	–	–	–	1,405
Amortisation of intangible assets	–	1,056	–	–	–	–	1,056
Fair value gain on investment properties, net	–	–	–	(39,193)	–	–	(39,193)
Other non-cash expenses, net							21,683

5 Revenue and segment information *(Continued)*

	Construction HK$'000	Electrical and mechanical installation HK$'000	Building materials trading HK$'000	Property investment and development HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2011							
Total sales	1,965,783	1,677,335	244,482	1,536	–	32,992	3,922,128
Inter-segment sales	(15,174)	(96,198)	(215,771)	–	–	(21,804)	(348,947)
External sales	1,950,609	1,581,137	28,711	1,536	–	11,188	3,573,181
Segment results	(18,250)	28,949	12,757	51,894	(1,061)	(1,725)	72,564
Unallocated income							1,373
Operating profit							73,937
Finance costs							(8,101)
Share of profit of associates	–	112	–	–	–	–	112
Share of profit/(loss) of jointly controlled entities	20,408	–	(24)	–	–	–	20,384
Profit before income tax							86,332
Income tax expense							(14,981)
Profit for the year							71,351
Segment assets	1,170,252	454,875	474,758	369,353	442,297	54,496	2,966,031
Interests in associates	–	1,629	–	–	–	25	1,654
Interests in jointly controlled entities	11,342	–	–	–	–	–	11,342
Unallocated assets							38,420
Total assets							3,017,447
Segment liabilities	(393,534)	(352,089)	(49,879)	(1,308)	(1,947)	(2,266)	(801,023)
Bank borrowings							(803,986)
Obligation in respect of jointly controlled entities	–	–	(1,203)	–	–	–	(1,203)
Unallocated liabilities							(23,745)
Total liabilities							(1,629,957)
Capital expenditure	15,125	1,408	167,541	12,355	62,311	298	259,038
Depreciation	14,255	3,090	11,233	–	–	1,678	30,256
Amortisation of leasehold land and land use rights	56	–	1,292	–	–	–	1,348
Amortisation of intangible assets	–	1,056	–	–	–	–	1,056
Fair value gain on investment properties, net	–	–	–	(53,180)	–	–	(53,180)
Other non-cash expenses, net							782

6 Other income and gains

	2012 HK$'000	2011 HK$'000
Other income		
Dividend income from investments	**296**	76
Bank interest income	**1,779**	1,838
Interest income from subcontractors	**9,330**	6,468
Management service income from a jointly controlled entity	**1,673**	1,831
Write back of provision for impairment on an amount due from an associate	**–**	2,812
Sundry income	**8,519**	7,737
	21,597	20,762
Other gains		
Gain on disposal of property, plant and equipment, net	**–**	210
Fair value gain on investment properties, net	**39,193**	53,180
Gain on financial assets at fair value through profit or loss	**366**	147
Gain on derivative financial assets	**1,981**	7,996
Exchange gain, net	**11,164**	2,078
	52,704	63,611
	74,301	84,373

7 Expenses by nature

	2012 HK$'000	2011 HK$'000
Cost of construction	**3,573,652**	2,793,457
Cost of inventories sold	**295,868**	157,097
Staff costs (excluding directors' emoluments)	**594,935**	474,674
Directors' emoluments (Note 8)	**17,976**	18,594
Depreciation		
Owned property, plant and equipment	**42,635**	26,140
Leased property, plant and equipment	**2,579**	4,116
	45,214	30,256
Operating lease rentals of		
Land and buildings	**11,439**	9,902
Other equipment	**57,115**	40,190
	68,554	50,092
Amortisation of leasehold land and land use rights	**1,405**	1,348
Less: Capitalised in construction in progress	**–**	(1,292)
	1,405	56
Amortisation of intangible assets	**1,056**	1,056
Write off/(write back) of impaired receivables, net	**597**	(2,011)
Auditor's remuneration	**3,884**	3,506
Loss on disposal of property, plant and equipment, net	**3,545**	–
Loss on deregistration of subsidiaries, net	**–**	1,793
Direct operating expenses arising from investment properties		
– Generate rental income	**243**	242
– Not generate rental income	**42**	57
Distribution costs	**19,791**	13,260
Others	**52,387**	41,488
Total cost of sales, distribution costs, administrative and other operating expenses	**4,679,149**	3,583,617

8 Directors' and senior management's emoluments

(a) The remuneration of the Directors for the year ended 31 March 2012 and 31 March 2011 is set out below:

Name	Fees	Salaries	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012					
Mr. Wong Ip Kuen	**–**	**6,240**	**650**	**288**	**7,178**
Ir. Wong Tin Cheung	**–**	**2,600**	**600**	**120**	**3,320**
Ms. Wong Wai Man	**–**	**1,950**	**400**	**90**	**2,440**
Mr. So Yau Chi	**–**	**360**	**–**	**18**	**378**
Mr. Sun Chun Wai	**–**	**1,105**	**330**	**51**	**1,486**
Mr. Tsang Chiu Kwan	**–**	**2,081**	**289**	**12**	**2,382**
Mr. Chan, Bernard Charnwut	**264**	**–**	**–**	**–**	**264**
Mr. Wu King Cheong	**264**	**–**	**–**	**–**	**264**
Dr. Yeung Tsun Man, Eric	**264**	**–**	**–**	**–**	**264**
	792	**14,336**	**2,269**	**579**	**17,976**
2011					
Mr. Wong Ip Kuen	–	5,940	600	275	6,815
Ir. Wong Tin Cheung	–	2,400	550	111	3,061
Ms. Wong Wai Man	–	1,750	350	81	2,181
Mr. So Yau Chi	–	1,823	250	72	2,145
Mr. Sun Chun Wai	–	1,055	300	49	1,404
Mr. Tsang Chiu Kwan	–	2,081	104	11	2,196
Mr. Chan, Bernard Charnwut	264	–	–	–	264
Mr. Wu King Cheong	264	–	–	–	264
Dr. Yeung Tsun Man, Eric	264	–	–	–	264
	792	15,049	2,154	599	18,594

8 Directors' and senior management's emoluments *(Continued)*

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2011: five) Directors whose emoluments are reflected in the analysis above. The emoluments paid and payable to the remaining one highest-paid individual in 2012 were as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries	**1,689**	–
Bonuses	**80**	–
Retirement benefits	**138**	–
	1,907	–

The emoluments fell within the following bands:

	Number of individuals **2012**	2011
HK$1,500,001-HK$2,000,000	**1**	–

(c) During the years ended 31 March 2012 and 2011, no emoluments have been paid by the Group to the Directors or the five highest-paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors waived or has agreed to waive any emoluments.

9 Finance costs

	2012 HK$'000	2011 HK$'000
Interest on overdrafts and short-term bank loans	**11,741**	6,206
Interest on long-term bank loans repayable within five years	**5,947**	3,731
Interest on long-term bank loans repayable after five years	**2,123**	1,277
Interest element of finance lease payments	**291**	410
Total borrowing costs incurred	**20,102**	11,624
Less: Classified as cost of construction	**(2,958)**	(1,899)
Capitalised in construction in progress	**(4,912)**	(2,875)
Capitalised in investment properties and property under development for sale	**(2,794)**	(1,783)
	9,438	5,067
Loss on financial assets at fair value through profit or loss	**21**	1,005
Loss on derivative financial liabilities	**24,047**	2,029
	33,506	8,101

10 Income tax expense

	2012 HK$'000	2011 HK$'000
Hong Kong profits tax provision for the year	**136**	116
Overseas tax provision for the year	**2,078**	11,784
Under/(over)-provision in prior years	**795**	(1,345)
Deferred income tax relating to the origination and reversal of temporary differences (Note 32)	**9,855**	4,426
	12,864	14,981

Hong Kong profits tax was calculated at 16.5% (2011:16.5%) on the estimated assessable profits for the year.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

10 Income tax expense *(Continued)*

The tax charge on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

	2012 **HK$'000**	2011 HK$'000
Profit before income tax	**49,585**	86,332
Share of profit of associates and jointly controlled entities	**(23,358)**	(20,496)
	26,227	65,836
Calculated at a taxation rate of 16.5% (2011: 16.5%)	**4,327**	10,863
Effect of different tax rates in other countries	**(598)**	(3,961)
Income not subject to taxation	**(2,632)**	(4,350)
Expenses not deductible for taxation purposes	**6,645**	5,075
Temporary differences not recognised	**(1,159)**	2,020
Tax losses not recognised	**7,750**	12,296
Tax losses recognised	**(744)**	(1,466)
Utilisation of previously unrecognised tax losses	**(4,566)**	(4,134)
Under/(over)-provision in prior years	**795**	(1,345)
Utilisation of recognised tax losses in respect of a jointly controlled entity	**3,044**	–
Others	**2**	(17)
Income tax expense	**12,864**	14,981

11 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$420,000 (2011: HK$4,604,000).

12 Dividend

In the Board meeting held on 26 June 2012, the Directors recommended the payment of a final dividend at HK2.28 cents (2011: HK2.28 cents) per share, totalling HK$9,988,000 (2011: HK$9,988,000) for the year ended 31 March 2012.

13 Earnings per share (basic and diluted)

The calculation of earnings per share is based on:

	2012 HK$'000	2011 HK$'000
Net profit attributable to the equity holders of the Company	**35,554**	71,945

	2012	2011
Weighted average number of shares in issue during the year	**438,053,600**	438,053,600

Diluted earnings per share for the years ended 31 March 2012 and 2011 are not presented as there are no potential dilutive shares in issue during the years.

14 Staff costs (excluding directors' emoluments)

	2012 HK$'000	2011 HK$'000
Salaries, wages and bonuses	**561,485**	451,543
Unutilised annual leave	**2,749**	1,135
Long service payments and pension costs		
– defined contribution scheme	**26,381**	21,019
Termination benefits	**4,320**	977
	594,935	474,674

15 Property, plant and equipment

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Group								
At 31 March 2010								
Cost	412,378	48,283	6,243	157,769	78,401	43,286	14,413	760,773
Accumulated depreciation	(15,392)	(19,173)	(5,878)	(103,401)	(63,072)	(28,496)	–	(235,412)
Net book value	396,986	29,110	365	54,368	15,329	14,790	14,413	525,361
Year ended 31 March 2011								
Opening net book value	396,986	29,110	365	54,368	15,329	14,790	14,413	525,361
Additions	–	–	17	16,152	7,564	5,932	158,639	188,304
Disposals	–	(194)	–	(860)	(150)	(83)	–	(1,287)
Depreciation	(865)	(1,719)	(168)	(16,565)	(6,481)	(4,458)	–	(30,256)
Currency translation differences	–	703	23	2,849	199	160	2,262	6,196
Closing net book value	396,121	27,900	237	55,944	16,461	16,341	175,314	688,318
At 31 March 2011								
Cost	412,378	49,155	6,328	176,093	84,937	47,503	175,314	951,708
Accumulated depreciation	(16,257)	(21,255)	(6,091)	(120,149)	(68,476)	(31,162)	–	(263,390)
Net book value	396,121	27,900	237	55,944	16,461	16,341	175,314	688,318
Year ended 31 March 2012								
Opening net book value	**396,121**	**27,900**	**237**	**55,944**	**16,461**	**16,341**	**175,314**	**688,318**
Additions	**–**	**1,254**	**–**	**46,302**	**8,176**	**3,490**	**219,144**	**278,366**
Disposals	**–**	**–**	**–**	**(4,761)**	**(141)**	**(54)**	**–**	**(4,956)**
Depreciation	**(865)**	**(3,274)**	**(151)**	**(26,671)**	**(7,247)**	**(7,006)**	**–**	**(45,214)**
Transfer	**–**	**58,399**	**–**	**46,614**	**–**	**–**	**(105,013)**	**–**
Currency translation differences	**–**	**1,600**	**1**	**2,432**	**75**	**135**	**2,514**	**6,757**
Closing net book value	**395,256**	**85,879**	**87**	**119,860**	**17,324**	**12,906**	**291,959**	**923,271**
At 31 March 2012								
Cost	**412,378**	**110,985**	**6,342**	**226,296**	**83,861**	**53,333**	**291,959**	**1,185,154**
Accumulated depreciation	**(17,122)**	**(25,106)**	**(6,255)**	**(106,436)**	**(66,537)**	**(40,427)**	**–**	**(261,883)**
Net book value	**395,256**	**85,879**	**87**	**119,860**	**17,324**	**12,906**	**291,959**	**923,271**

15 Property, plant and equipment *(Continued)*

Analysis of land

	Group 2012 HK$'000	2011 HK$'000
In Hong Kong, held on		
Leases expiring from 10 to 50 years	**29,940**	30,805
Leases expiring over 50 years	**365,316**	365,316
	395,256	396,121

(a) The land in No. 77-85 Jervois Street, Hong Kong is currently under construction to be redeveloped into a hotel building operating under the Holiday Inn Express brand name. The construction cost incurred is classified as "Construction in progress".

(b) The net book value of property, plant and equipment held under finance lease obligations comprises:

	Group 2012 HK$'000	2011 HK$'000
Plant and machinery	**7,540**	1,746
Motor vehicles	**2,171**	8,314
	9,711	10,060

(c) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK$650,851,000 (2011: HK$399,817,000) (Notes 31 and 37(e)).

16 Investment properties

	Group 2012 HK$'000	2011 HK$'000
Beginning of year	**368,069**	299,370
Additions	**202,735**	12,355
Fair value gain on investment properties, net	**39,193**	53,180
Currency translation differences	**560**	3,164
Transfer to property under development for sale (Note 18)	**(345,000)**	–
End of year	**265,557**	368,069
In Hong Kong, held on		
Leases expiring from 10 to 50 years	**222,000**	328,000
Leases expiring over 50 years	**5,000**	4,850
	227,000	332,850
Outside Hong Kong, held on		
Leases expiring over 50 years	**38,557**	35,219
	265,557	368,069

(a) Investment properties situated in Hong Kong were valued as at 31 March 2012 by Savills Valuation and Professional Services Limited, an independent firm of qualified property valuers, for the purpose of inclusion in the Group's annual report.

(b) Investment properties situated in Singapore were valued as at 31 March 2012 by Savills (Singapore) Pte. Ltd., an independent firm of qualified property valuers, for the purpose of inclusion in the Group's annual report.

(c) Investment properties amounting to HK$260,557,000 (2011: HK$363,219,000) are pledged as security for the bank loans of the Group (Notes 31 and 37(e)).

17 Leasehold land and land use rights

	Group 2012 HK$'000	2011 HK$'000
Beginning of year	**60,209**	59,018
Amortisation	**(1,405)**	(1,348)
Currency translation differences	**2,093**	2,539
End of year	**60,897**	60,209
Outside Hong Kong, held on		
Leases expiring from 10 to 50 years	**2,029**	2,085
Leases expiring over 50 years	**58,868**	58,124
	60,897	60,209

The land use right in Huizhou, Mainland is currently under construction of production plants for manufacturing building materials. The cost of construction of the project has been included under "Construction in progress" as disclosed in Note 15.

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments. Leasehold land and land use rights with total net book values of HK$2,029,000 (2011: HK$2,085,000) were pledged as security for the Group's banking facilities (Note 37(e)).

18 Property under development for sale

	Group 2012 HK$'000	2011 HK$'000
Beginning of year	**–**	–
Transfer from investment properties (Note 16)	**345,000**	–
Additions	**2,810**	–
End of year	**347,810**	–

Upon the change of intention to redevelop for sale after completion, the property was transferred from "Investment properties" to property under development for sale based on the valuation at date of transfer performed by Centaline Surveyors Limited, an independent firm of qualified property valuer.

18 Property under development for sale *(Continued)*

	Group 2012 HK$'000	2011 HK$'000
In Hong Kong, held on		
Leases expiring from 10 to 50 years	**347,810**	–

Property under development for sale amounting to HK$347,810,000 (2011: Nil) are pledged as security for the bank loans of the Group (Notes 31 and 37(e)).

19 Goodwill and intangible assets

Group

	Goodwill HK$'000	**Intangible assets** HK$'000	**Total** HK$'000
Year ended 31 March 2011			
Opening net book value	15,905	19,902	35,807
Amortisation	–	(1,056)	(1,056)
Closing net book value	15,905	18,846	34,751
At 31 March 2011			
Cost	15,905	21,837	37,742
Accumulated amortisation	–	(2,991)	(2,991)
Net book value	15,905	18,846	34,751
Year ended 31 March 2012			
Opening net book value	**15,905**	**18,846**	**34,751**
Amortisation	**–**	**(1,056)**	**(1,056)**
Closing net book value	**15,905**	**17,790**	**33,695**
At 31 March 2012			
Cost	**15,905**	**21,837**	**37,742**
Accumulated amortisation	**–**	**(4,047)**	**(4,047)**
Net book value	**15,905**	**17,790**	**33,695**

19 Goodwill and intangible assets *(Continued)*

(a) Goodwill is allocated to REC's cash generating units ("CGUs") identified according to operating segments.

For impairment assessment of goodwill, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections prepared based on financial budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates which do not exceed the long-term average growth rate in which the CGU operates.

Key assumptions used in value-in-use calculations include:

(i) gross margin ranging from 5% to 6% per annum (2011: 5% to 6%);

(ii) growth rate ranging from 1% to 2% per annum (2011: 1% to 2%); and

(iii) discount rate of 9% per annum (2011: 9%).

Management determined budgeted gross margin based on past performance and the expectations for the market development.

(b) Intangible assets relate substantially to the customer relationships held by REC. The Group has entered into agreements to deliver electrical and mechanical engineering services to long-term customers, including various government departments and major players in the construction industry, and expect to continue having business with these long-term customers in the future.

20 Subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**326,615**	326,615
Advances to subsidiaries	**245,000**	245,000
	571,615	571,615
Due from subsidiaries	**1,097,393**	1,116,313
Due to subsidiaries	**169,033**	172,692

20 Subsidiaries *(Continued)*

The advances to subsidiaries are unsecured and not repayable within the next twelve months from the balance sheet date. Included in the advances to subsidiaries are an amount of HK$165,000,000 (2011: HK$165,000,000) which bears interest at Hong Kong Inter Bank Offer Rate ("HIBOR") plus 1.5% per annum and other advances to subsidiaries are interest free. The amounts due from and to subsidiaries are unsecured, interest free, and have no fixed terms of repayment.

The following is a list of the principal subsidiaries at 31 March 2012:

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/ issued share capital held by		
				Company	Subsidiaries	Group
Bellaglade Company Limited	Hong Kong	HK$2	Property holding	–	100%	100%
Best Ease Investment Limited	Hong Kong	HK$2	Property investment	–	100%	100%
Best Fortune Investment Limited	Hong Kong	HK$5,000,000	Property investment and development	–	100%	100%
City Hope Limited	The British Virgin Islands/ Hong Kong	US$10	Property investment	–	90%	90%
First Smart Investment Limited	Hong Kong	HK$2	Investment holding	–	100%	100%
Grace Top Investment Limited	Hong Kong	HK$1	Trading of computer software	–	100%	100%
Guangdong Yuean REC Mechanical and Electrical Engineering Company Limited	Mainland China	US$380,000	Engineering services	–	60%	60%
InnoVision Architects & Engineers Limited	Hong Kong	HK$1	Architectural and engineering services	–	100%	100%
Leena Theme Painting (Macau) Limited	Macau	MOP100,000	Theme painting	–	100%	100%
Leena Theme Painting Limited	Hong Kong	HK$1	Theme painting	–	100%	100%
Million Wealth Enterprises Limited	Hong Kong	HK$2	Property development	–	100%	100%
Ming Hop Company Limited	Hong Kong	HK$1,000,000	Trading of construction materials and execution of plumbing work	–	100%	100%
Nanjing Nanda VH Software Intelligence Company Limited	Mainland China	RMB1,500,000	Development and sale of computer software	–	70%	70%
REC (China) Company Limited	Hong Kong	HK$13,800,000	Electrical and mechanical engineering services and investment holding	–	100%	100%
REC Engineering Company Limited	Hong Kong	HK$50,000,000	Electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services and investment holding	100%	–	100%
REC Engineering Contracting Company Limited	Hong Kong	HK$2,000,000	Electrical and mechanical engineering services	–	100%	100%

20 Subsidiaries *(Continued)*

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/ issued share capital held by Company	Subsidiaries	Group
REC Green Technologies Company Limited	Hong Kong	HK$1	Trading and engineering services	–	100%	100%
REC Mechanical and Electrical Engineering (Shanghai) Company Limited	Mainland China	US$13,920,000	Engineering services	–	100%	100%
Right Motive Limited	Hong Kong	HK$6,000	Property holding	–	100%	100%
Solid Star Company Limited	Hong Kong	HK$2	Property holding	–	100%	100%
Steerers Engineering Limited	Hong Kong	HK$20	Engineering services	–	100%	100%
Tin Sing Chemical Engineers Limited	Hong Kong	HK$1,000,000	Water treatment services	–	100%	100%
Trendplot Investments Limited	Hong Kong	HK$2	Equipment leasing	–	100%	100%
Trinity Crown Limited	Hong Kong	HK$2	General trading	–	100%	100%
VHSoft I.P. Company Limited	Hong Kong	HK$2	Patent holding	–	100%	100%
VHSoft Technologies (Nanjing) Company Limited	Mainland China	US$500,000	Development and sale of construction equipment and computer software	–	100%	100%
VHSoft Technologies (Singapore) Pte. Ltd.	Singapore	S$10,000	Computer software development	–	100%	100%
VHSoft Technologies Company Limited	Hong Kong	HK$2	Computer software development	–	100%	100%
Yau Lee Building Construction and Decoration Company Limited	Hong Kong	HK$100,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Building Materials Trading Company Limited	Hong Kong	HK$2	Trading of building materials	–	100%	100%
Yau Lee Construction (Macau) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction (Singapore) Pte. Ltd.	Singapore	S$15,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction (UAE) Company Limited	Hong Kong	HK$2	Investment holding	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK$236,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Materials & Technology (B.V.I.) Limited	The British Virgin Islands/ Hong Kong	US$2	Investment holding	–	100%	100%
Yau Lee Construction Materials & Technology Limited	Hong Kong	HK$2	Sale of building materials and precast products	–	100%	100%
Yau Lee Construction Materials Limited	Hong Kong	HK$1	Trading of building materials	–	100%	100%
Yau Lee Curtain Wall and Steel Works (Macau) Limited	Macau	MOP100,000	Curtain wall installation	–	100%	100%

20 Subsidiaries *(Continued)*

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/ issued share capital held by Company	Subsidiaries	Group
Yau Lee Curtain Wall and Steel Works (Singapore) Pte. Ltd.	Singapore	S$50,000	Curtain wall installation	–	100%	100%
Yau Lee Curtain Wall and Steel Works Limited	Hong Kong	HK$2	Curtain wall installation	–	100%	100%
Yau Lee Development (Singapore) Pte. Ltd.	Singapore	S$50,000	Property and investment holding	–	100%	100%
Yau Lee Equipment Leasing Limited	Hong Kong	HK$2	Equipment leasing	–	100%	100%
Yau Lee Hing Materials Manufacturing (UAE) Limited	Hong Kong	HK$1	Trading of building materials	–	100%	100%
Yau Lee Hing Materials Manufacturing Limited	Hong Kong	HK$1	Trading of building materials	–	100%	100%
Yan Lee Hotel Limited	Hong Kong	HK$2	Hotel management	–	100%	100%
Yau Lee Innovative Technology Limited	Hong Kong	HK$2	Licensing of patent	–	100%	100%
Yau Lee Investment Limited	The Cook Islands/ Hong Kong	US$100	Investment holding	100%	–	100%
Yau Lee Management (UAE) Limited	Hong Kong	HK$2	Provision of management services	–	100%	100%
Yau Lee Materials Manufacturing Limited	Hong Kong	HK$1	Licensing of patent	–	100%	100%
Yau Lee Technology Limited	The British Virgin Islands/ Hong Kong	US$1	Investment holding, trading of construction equipment and development of computer control software	–	100%	100%
Yau Lee Wah Concrete Precast Products (Macau) Company Limited	Macau	MOP200,000	Sale of precast products	–	100%	100%
Yau Lee Wah Concrete Precast Products (Shenzhen) Company Limited	Mainland China	HK$21,000,000	Manufacturing of precast products	–	100%	100%
Yau Lee Wah Concrete Precast Products Company Limited	Hong Kong	HK$10,000,000	Sale of precast products	–	100%	100%
有利興建材(惠州)有限公司	Mainland China	HK$60,000,000	Manufacturing of building materials	–	100%	100%
有利華建材(惠州)有限公司	Mainland China	HK$120,000,000	Manufacturing of precast products and building materials	–	100%	100%
利華泰建材貿易(深圳)有限公司	Mainland China	HK$2,100,000	Trading of building materials	–	100%	100%
緯衡浩建科技(深圳)有限公司	Mainland China	HK$3,000,000	Computer software development	–	100%	100%

21 Associates

	2012 Group HK$'000	2012 Company HK$'000	2011 Group HK$'000	2011 Company HK$'000
Beginning of year	**1,654**	**–**	1,542	–
Share of profit	**281**	**–**	112	–
Dividend	**(456)**	**–**	–	–
End of year	**1,479**	**–**	1,654	–
Due from associates	**10,132**	**–**	9,674	–
Provision for impairment	**(9,674)**	**–**	(9,674)	–
Due from associates, net	**458**	**–**	–	–

(a) The following are the details of the principal associates at 31 March 2012 and 2011:

Name	Particulars of issued share capital	Place of incorporation	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	(Loss)/profit HK$'000	Interest held
2012							
Yau Lee Development Company Limited ("YLDC") (Note (b))	100 ordinary shares of HK$1 each	Hong Kong	**712**	**(24,009)**	**-**	**(23)**	**50%**
EYE Lighting (Hong Kong) Limited ("Eye Lighting") (Note (c))	2,000,000 ordinary shares of HK$1 each	Hong Kong	**6,229**	**(2,403)**	**8,351**	**741**	**38%**
2011							
Yau Lee Development Company Limited (Note (b))	100 ordinary shares of HK$1 each	Hong Kong	714	(23,987)	11,838	(5,056)	50%
EYE Lighting (Hong Kong) Limited (Note (c))	2,000,000 ordinary shares of HK$1 each	Hong Kong	6,279	(1,994)	5,032	294	38%

(b) YLDC was engaged in a residential and commercial property development project in Shunde, Mainland China ("Fuli Building") with Chinese parties. The Group did not recognise the loss of the associate for the year ended 31 March 2012 and 2011 as the Group's share of the accumulated losses exceeds its investment in YLDC.

(c) Eye Lighting is 38% owned by REC and it is engaged in the trading of electric bulbs, light fittings and related products.

(d) The amounts due from associates are unsecured, interest free and repayable on demand.

22 Jointly controlled entities

	2012 Group HK$'000	2012 Company HK$'000	2011 Group HK$'000	2011 Company HK$'000
Beginning of year	**10,139**	**–**	(7,934)	–
Share of profit	**23,077**	**–**	20,384	–
Dividend	**(18,000)**	**–**	(2,040)	–
Currency translation differences	**–**	**–**	(271)	–
End of year	**15,216**	**–**	10,139	–
Jointly controlled entities	**16,468**	**–**	11,342	–
Obligation in respect of jointly controlled entities	**(1,252)**	**–**	(1,203)	–
Due from jointly controlled entities (Note (h))	**5,077**	**–**	31,203	–
Due to jointly controlled entities (Note (h))	**(7,000)**	**–**	(8,240)	–

(a) The following is a list of the principal jointly controlled entities at 31 March 2012 and 2011:

Name	Particulars of registered/issued share capital	Place of incorporation/ establishment	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	(Loss)/ profit HK$'000	Effective interest
2012							
Yau Lee Formglas Limited ("YLFG") (Note (b))	HK$1,000,000	Hong Kong	**854**	**(6,113)**	**–**	**(81)**	**51%**
Yau Lee Formglas (Macau) Limited ("YLFM") (Note (c))	MOP200,000	Macau	**3,363**	**(559)**	**–**	**(15)**	**51%**
Hsin Chong-Yau Lee Joint Venture (Note (e))	N/A	Hong Kong	**19,700**	**(18,618)**	**12,528**	**6,152**	**50%**
Yau Lee-Hsin Chong Joint Venture (Note (f))	N/A	Hong Kong	**325,547**	**(306,077)**	**608,931**	**28,344**	**60%**
BYME-REC Joint Venture (Note (g))	N/A	Hong Kong	**–**	**–**	**–**	**–**	**50%**
Total			**349,464**	**(331,367)**	**621,459**	**34,400**	
The Group's share			**207,329**	**(196,358)**	**371,623**	**23,077**	
2011							
Yau Lee Formglas Limited (Note (b))	HK$1,000,000	Hong Kong	854	(6,032)	–	471	51%
Yau Lee Formglas (Macau) Limited (Note (c))	MOP200,000	Macau	3,470	(651)	–	(288)	51%
Yau Lee Formglas (Shenzhen) Limited ("YLFS") (Note (d))	HK$4,200,000	Mainland China	–*	–*	–*	(231)*	51%
Hsin Chong-Yau Lee Joint Venture (Note (e))	N/A	Hong Kong	39,349	(38,416)	129,976	18,550	50%
Yau Lee-Hsin Chong Joint Venture (Note (f))	N/A	Hong Kong	134,707	(118,581)	328,854	16,555	60%
Total			178,380	(163,680)	458,830	35,057	
The Group's share			102,704	(93,765)	262,300	20,384	

* up to the date of deregistration

22 Jointly controlled entities *(Continued)*

(b) YLFG is a joint venture with a Canadian party, and is engaged in investment holding of YLFM and YLFS, the principal activities of which are set out in Notes (c) and (d).

(c) YLFM is a wholly-owned subsidiary of YLFG, and is principally engaged in construction projects in Macau. The subsidiary remained inactive as at 31 March 2012.

(d) YLFS is a wholly-owned subsidiary of YLFG, and is principally engaged in manufacturing of glass reinforced gypsum products. The subsidiary was deregistered in last year.

(e) Hsin Chong-Yau Lee Joint Venture is an unincorporated joint venture operating in Hong Kong which holds a construction contract with a value of HK$1,654,000,000. The site work was completed on 23 April 2010.

(f) Yau Lee-Hsin Chong Joint Venture is an unincorporated joint venture operating in Hong Kong which holds a construction contract with a value of HK$2,896,000,000.

(g) BYME-REC Joint Venture is an unincorporated joint venture operating in Hong Kong which holds a construction contract with a value of HK$300,000,000.

(h) The amounts due from/(to) jointly controlled entities of the Group and the Company were unsecured, interest free and repayable on demand.

23 Other non-current assets

	Group	
	2012	2011
	HK$'000	HK$'000
Retention receivables (Note 28 and Note (a))	**203,088**	189,916
Loans to employees (Note 24)	**–**	448
Prepayments and deposits (Note (b))	**96,786**	58,379
	299,874	248,743
Less: Current portion of retention receivables (Note 26(a))	**(117,208)**	(150,109)
Current portion of loans to employees (Note 24)	**–**	(332)
	182,666	98,302

(a) Long-term retention receivables were carried at amortised cost using the effective interest method.

(b) The Group has committed to purchase two sets of machinery for the construction of production lines for producing environmentally friendly and high performance building materials which will serve both local and overseas markets.

The instalment payment for the machinery is classified as "Prepayments and deposits" while the payments for installed parts were transferred to "Property, plant and equipment" (Note 15).

24 Loans to employees

The Group provides housing loans to certain employees and the loans are secured by second mortgages of the related properties of the employees. The repayment period ranges from two to three years with interest at 1% below prime rate. All the loans to employees were repaid during the year ended 31 March 2012. As at 31 March 2011, amounts receivable within one year of HK$332,000 were included in prepayments, deposits and other receivables (Note 26(b)). Loans to employees approximate their fair values.

25 Cash and bank balances

	2012		2011	
	Group HK$'000	**Company HK$'000**	Group HK$'000	Company HK$'000
Cash and bank balances	**338,453**	**2,536**	290,754	2,214
Time deposits	**111,981**	**–**	28,768	–
Restricted deposits (Note a)	**119,593**	**5,001**	108,708	–
	570,027	**7,537**	428,230	2,214

(a) Restricted deposits are funds which are pledged as security for the banking facilities of the Group (Notes 31 and 37(a)).

(b) Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	2012		2011	
	Group HK$'000	**Company HK$'000**	Group HK$'000	Company HK$'000
Cash and bank balances	**338,453**	**2,536**	290,754	2,214
Time deposits	**111,981**	**–**	28,768	–
	450,434	**2,536**	319,522	2,214

25 Cash and bank balances *(Continued)*

(c) The Group's cash and bank balances are mainly denominated in the following currencies:

	2012		2011	
	Group HK$'000	**Company HK$'000**	Group HK$'000	Company HK$'000
Hong Kong dollars	**226,643**	**7,306**	194,779	2,055
Renminbi	**268,003**	**–**	192,259	–
Singapore dollars	**41,371**	**–**	19,517	–
Macau Patacas	**31,018**	**–**	17,570	–
United States dollars	**1,957**	**231**	1,561	159
Other currencies	**1,035**	**–**	2,544	–
	570,027	**7,537**	428,230	2,214

(d) Interest rates of time deposits and restricted deposits ranged from 0.01% to 3.10% (2011: 0.01% to 2.60%) per annum.

26 Trade and other receivables

(a) Trade debtors, net

	Group	
	2012 HK$'000	2011 HK$'000
Trade debtors	**429,874**	396,468
Retention receivables	**117,208**	150,109
Provision for impairment	**(2,681)**	(3,540)
	544,401	543,037

26 Trade and other receivables *(Continued)*

(a) Trade debtors, net *(Continued)*

The aging analysis of the trade debtors, net is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current	**491,862**	504,177
1-30 days	**22,966**	18,163
31-90 days	**14,774**	4,753
91-180 days	**2,959**	4,209
Over 180 days	**11,840**	11,735
	52,539	38,860
	544,401	543,037

Trade debtors are due 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2012, trade debtors of HK$52,539,000 (2011: HK$38,860,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

As at 31 March 2012, trade debtors of HK$2,681,000 (2011: HK$3,540,000) were impaired and fully provided for. The individually impaired receivables relate to customers who experienced unexpected difficult economic situations. All of these trade debtors were overdue by more than 180 days as at 31 March 2012 and 2011.

Movements of provision for impairment of trade debtors are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Beginning of year	**3,540**	11,669
Write back of impairment loss	**(775)**	(2,955)
Uncollectible amounts written off	**(84)**	(5,312)
Currency translation differences	**–**	138
End of year	**2,681**	3,540

26 Trade and other receivables *(Continued)*

(a) Trade debtors, net *(Continued)*

The Group's trade debtors balances are mainly denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	HK$'000
Hong Kong dollars	**388,191**	459,699
Singapore dollars	**76,744**	50,928
Renminbi	**33,782**	19,472
Macau Patacas	**45,684**	12,938
	544,401	543,037

(b) Prepayments, deposits and other receivables

	2012		2011	
	Group	**Company**	Group	Company
	HK$'000	**HK$'000**	HK$'000	HK$'000
Advances to subcontractors	**185,173**	**–**	138,367	–
Prepayments and deposits	**53,542**	**71**	51,507	71
Loans to employees	**–**	**–**	332	–
Other receivables	**69,008**	**235**	56,047	235
	307,723	**306**	246,253	306

The Group's prepayments, deposits and other receivables are mainly denominated in Hong Kong dollars and United States dollars. Included in advances to subcontractors are amounts of HK$133,051,000 (2011: HK$103,539,000) which bear interest ranging from 8.0% to 9.0% (2011: 8.0% to 9.0%) per annum. All other advances to subcontractors are interest free and have no fixed terms of repayment. None of the prepayments, deposits and other receivables have been impaired.

The Group does not hold any collateral as security for trade and other receivables.

27 Inventories

	Group 2012 HK$'000	Group 2011 HK$'000
Raw materials, at cost	**52,675**	47,496
Finished goods, at cost	**20,448**	9,112
Others, at cost	**573**	515
	73,696	57,123

28 Construction contracts in progress

	Group 2012 HK$'000	Group 2011 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	**20,899,186**	14,420,680
Progress billings to date	**(20,823,832)**	(14,323,634)
	75,354	97,046
Included in current assets/(liabilities) are the following:		
Due from customers on construction contracts	**448,373**	388,154
Due to customers on construction contracts	**(373,019)**	(291,108)
	75,354	97,046

Retention receivables from customers in respect of construction contracts in progress of HK$203,088,000 (2011: HK$189,916,000) are classified under other non-current assets and trade debtors, net (Notes 23 and 26(a)).

29 Financial assets at fair value through profit or loss

	2012 Group HK$'000	2012 Company HK$'000	2011 Group HK$'000	2011 Company HK$'000
Money market fund at fair value – unlisted	**44,021**	**18,931**	43,919	18,886

Financial assets at fair value through profit or loss of HK$42,020,000 (2011: HK$41,903,000) and HK$18,931,000 (2011: HK$18,886,000) were pledged as security for the Group's and Company's banking facilities (Notes 31 and 37(b)).

30 Derivative financial assets/liabilities

	2012 Group Assets HK$'000	2012 Group Liabilities HK$'000	2011 Group Assets HK$'000	2011 Group Liabilities HK$'000
At fair value				
Foreign currency forward contracts (Note a)	**–**	**–**	2,069	1,317
Hong Kong dollars interest rate swap (Note b)	**–**	**21,785**	–	–
	–	**21,785**	2,069	1,317

(a) The Group entered into several foreign currency forward contracts to mitigate its exchange rate exposure in Renminbi arising from its Mainland China operations. These forward contracts were expired during the period from 9 May 2011 to 12 March 2012.

(b) During the year ended 31 March 2012, the Group entered into several interest rate swap agreements with banks at a total notional amount of HK$600,000,000. Under these agreements, the Group will pay fixed rate and receive floating rate plus credit margin, which mitigate its interest rate exposure arising from its operation. These swap agreements will take effect during the period from June 2012 to August 2012 and will expire 4 years later after the effective date.

31 Borrowings

	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
Non-current				
Obligations under finance lease	**2,965**	657	**–**	–
Long-term bank loans-secured	**752,750**	436,429	**–**	–
	755,715	437,086	**–**	–
Current				
Short-term bank loans-secured	**578,734**	353,012	**30,000**	30,000
Current portion of obligations under finance lease	**3,492**	4,617	**–**	–
Current portion of long-term bank loans-secured	**31,607**	14,545	**–**	–
	613,833	372,174	**30,000**	30,000
Total borrowings	**1,369,548**	809,260	**30,000**	30,000

31 Borrowings *(Continued)*

(a) The maturity of borrowings is as follows:

	Group				Company	
	Bank loans		Obligations under finance lease		Bank loans	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Within 1 year	**610,341**	367,557	**3,492**	4,617	**30,000**	30,000
Between 1 and 2 years	**120,156**	332,837	**1,013**	657	**–**	–
Between 2 and 5 years	**237,205**	78,898	**1,952**	–	**–**	–
After 5 years	**395,389**	24,694	**–**	–	**–**	–
	1,363,091	803,986	**6,457**	5,274	**30,000**	30,000

(b) The annual effective interest rates at the balance sheet date are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	%	%	**%**	%
Short-term bank loans	**2.7**	1.6	**3.0**	1.6
Long-term bank loans	**2.4**	1.4	**–**	–
Obligations under finance lease	**3.3**	2.6	**–**	–

(c) The carrying amounts of borrowings approximate their fair values.

(d) The borrowings are mainly denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	HK$'000
Hong Kong dollars	**1,317,614**	778,118
Singapore dollars	**21,200**	19,266
Renminbi	**30,734**	11,876
	1,369,548	809,260

(e) The bank borrowings are secured by certain property, plant and equipment, investment properties, property under development for sale, restricted deposits and financial assets at fair value through profit or loss of the Group (Notes 15, 16, 18, 25, 29 and 37).

31 Borrowings *(Continued)*

(f) The obligations under finance lease are as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
Within one year	**3,696**	4,747
In the second to fifth year	**3,176**	664
	6,872	5,411
Future finance charges on finance lease	**(415)**	(137)
Present value of obligations under finance lease	**6,457**	5,274

32 Deferred income tax

	Group 2012 HK$'000	Group 2011 HK$'000
Beginning of year	**7,247**	2,516
Charged to consolidated income statement (Note 10)	**9,855**	4,426
Currency translation differences	**56**	305
End of year	**17,158**	7,247

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred income tax (assets)/liabilities in respect of the following:

Group	Tax losses 2012 HK$'000	Tax losses 2011 HK$'000	Fair value gain of investment properties 2012 HK$'000	Fair value gain of investment properties 2011 HK$'000	Intangible assets 2012 HK$'000	Intangible assets 2011 HK$'000	Accelerated depreciation allowance 2012 HK$'000	Accelerated depreciation allowance 2011 HK$'000	Total 2012 HK$'000	Total 2011 HK$'000
Beginning of year	**(17,406)**	(11,879)	**15,563**	6,553	**2,989**	3,164	**6,101**	4,678	**7,247**	2,516
(Credited)/charged to consolidated income statement	**(14,253)**	(5,527)	**5,745**	8,945	**(174)**	(175)	**18,537**	1,183	**9,855**	4,426
Currency translation differences	**–**	–	**12**	65	**–**	–	**44**	240	**56**	305
End of year	**(31,659)**	(17,406)	**21,320**	15,563	**2,815**	2,989	**24,682**	6,101	**17,158**	7,247

32 Deferred income tax *(Continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2012	2011
	HK$'000	HK$'000
Deferred income tax assets		
Recoverable more than twelve months	**(7,782)**	(11,759)
Recoverable within twelve months	**(1,945)**	(2,940)
	(9,727)	(14,699)
Deferred income tax liabilities		
Payable or settle more than twelve months	**21,508**	17,557
Payable or settle within twelve months	**5,377**	4,389
	26,885	21,946

As at 31 March 2012, the Group has unrecognised tax losses of approximately HK$544,899,000 (2011: HK$569,090,000) to carry forward against future taxable income.

	Group	
	2012	2011
	HK$'000	HK$'000
With no expiry date	**473,027**	504,642
Expiring not later than one year	**4,626**	10,671
Expiring later than one year and not later than five years	**67,246**	53,777
	544,899	569,090

33 Payables to suppliers and subcontractors

The aging analysis of payables to suppliers and subcontractors is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current	**272,945**	234,582
1-30 days	**38,730**	14,970
31-90 days	**7,401**	5,912
91-180 days	**3,606**	6,773
Over 180 days	**13,168**	10,809
	335,850	273,046

The Group's payables to suppliers and subcontractors balances are mainly denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	HK$'000
Hong Kong dollars	**212,265**	207,506
Renminbi	**69,131**	37,711
Singapore dollars	**49,920**	15,191
Macau Patacas	**4,534**	12,457
Other currencies	**–**	181
	335,850	273,046

34 Share capital

	Number of shares		Amount	
	2012	2011	**2012**	2011
			HK$'000	HK$'000
Ordinary shares of HK$0.2 each				
Authorised:				
At beginning and end of the year	**1,000,000,000**	1,000,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning and end of the year	**438,053,600**	438,053,600	**87,611**	87,611

35 Other reserves and retained profits

	Other Reserves				
	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Total HK$'000	Retained profits HK$'000
Group					
At 1 April 2011	**413,776**	**359**	**24,202**	**438,337**	**861,542**
Profit for the year	**–**	**–**	**–**	**–**	**35,554**
2011 final dividend	**–**	**–**	**–**	**–**	**(9,988)**
Currency translation differences	**–**	**–**	**8,773**	**8,773**	**–**
At 31 March 2012	**413,776**	**359**	**32,975**	**447,110**	**887,108**
Representing:					
2012 final dividend proposed					**9,988**
Others					**877,120**
At 31 March 2012					**887,108**
At 1 April 2010	413,776	359	5,906	420,041	795,204
Profit for the year	–	–	–	–	71,945
2010 final dividend	–	–	–	–	(5,607)
Currency translation differences	–	–	18,296	18,296	–
At 31 March 2011	413,776	359	24,202	438,337	861,542
Representing:					
2011 final dividend proposed					9,988
Others					851,554
At 31 March 2011					861,542

35 Other reserves and retained profits *(Continued)*

	Other Reserves Share premium HK$'000	Capital redemption reserve HK$'000	Total HK$'000	Retained profits HK$'000
Company				
At 1 April 2011	**413,776**	**359**	**414,135**	**1,004,088**
Profit attributable to equity holders of the Company	**–**	**–**	**–**	**420**
2011 final dividend	**–**	**–**	**–**	**(9,988)**
At 31 March 2012	**413,776**	**359**	**414,135**	**994,520**
Representing:				
2012 final dividend proposed				**9,988**
Others				**984,532**
At 31 March 2012				**994,520**
At 1 April 2010	413,776	359	414,135	1,005,091
Profit attributable to equity holders of the Company	–	–	–	4,604
2010 final dividend	–	–	–	(5,607)
At 31 March 2011	413,776	359	414,135	1,004,088
Representing:				
2011 final dividend proposed				9,988
Others				994,100
At 31 March 2011				1,004,088

36 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to net cash from operations

	2012 HK$'000	2011 HK$'000
Operating profit	**59,733**	73,937
Interest income	**(11,109)**	(8,306)
Dividend income from investments	**(296)**	(76)
Loss/(gain) on disposal of property, plant and equipment, net	**3,545**	(210)
Fair value gain on investment properties, net	**(39,193)**	(53,180)
Amortisation of intangible assets	**1,056**	1,056
Amortisation of leasehold land and land use rights	**1,405**	1,348
Depreciation	**45,214**	30,256
Write off/(write back) of impaired receivables, net	**597**	(2,011)
Write back of provision for impairment on an amount due from an associate	**–**	(2,812)
Gain on derivative financial assets/liabilities, net	**(1,981)**	(5,967)
Exchange gain, net	**(9,140)**	–
(Gain)/loss on financial assets at fair value through profit or loss, net	**(366)**	858
Operating profit before working capital changes	**49,465**	34,893
(Increase)/decrease in retention receivables	**(46,073)**	1,168
Decrease in loans to employees	**116**	332
Increase in trade debtors, net	**(5,153)**	(97,767)
Increase in inventories	**(14,045)**	(16,914)
Increase in prepayments, deposits and other receivables	**(49,581)**	(109,089)
Increase in due from customers on construction contracts	**(59,862)**	(13,879)
Additions to property under development for sale	**(2,810)**	–
(Increase)/decrease in due from associates	**(2)**	11,465
Decrease in due from jointly controlled entities	**42,886**	26,777
Increase in payables to suppliers and subcontractors	**61,874**	7,344
Increase in accruals, retention payables and other liabilities	**44,080**	24,543
Increase/(decrease) in due to customers on construction contracts	**81,350**	(28,700)
Increase/(decrease) in long-term retention payables	**20,523**	(10,570)
Net cash from/(used in) operations	**122,768**	(170,397)

36 Notes to consolidated cash flow statement *(Continued)*

(b) Analysis of changes in financing during the year

	Share capital HK$'000	Share premium HK$'000	Non-controlling interests HK$'000	Obligations under finance lease HK$'000	Long-term bank loans HK$'000	Short-term bank loans HK$'000	Restricted deposits HK$'000
At 1 April 2011	**87,611**	**413,776**	**–**	**5,274**	**450,974**	**353,012**	**(108,708)**
Net cash (outflow)/inflow from financing activities	**–**	**–**	**–**	**(6,630)**	**337,455**	**225,773**	**(10,885)**
Unamortised prepaid loan arrangment fee	**–**	**–**	**–**	**–**	**(4,289)**	**–**	**–**
Share of profit by non-controlling interests	**–**	**–**	**1,167**	**–**	**–**	**–**	**–**
Inception of finance lease obligations (Note (c))	**–**	**–**	**–**	**7,813**	**–**	**–**	**–**
Currency translation differences	**–**	**–**	**(95)**	**–**	**217**	**(51)**	**–**
At 31 March 2012	**87,611**	**413,776**	**1,072**	**6,457**	**784,357**	**578,734**	**(119,593)**
At 1 April 2010	87,611	413,776	594	8,040	313,909	195,000	(143,551)
Net cash (outflow)/inflow from financing activities	–	–	–	(6,605)	140,252	152,876	34,843
Transfer from non-current portion to current portion	–	–	–	–	(5,136)	5,136	–
Share of loss by non-controlling interests	–	–	(594)	–	–	–	–
Inception of finance lease obligations (Note (c))	–	–	–	3,839	–	–	–
Currency translation differences	–	–	–	–	1,949	–	–
At 31 March 2011	87,611	413,776	–	5,274	450,974	353,012	(108,708)

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$7,813,000 (2011: HK$3,839,000).

37 Banking facilities

As at 31 March 2012, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$2,197,308,000 (2011: HK$2,019,642,000), of which HK$1,609,883,000 (2011: HK$1,119,174,000) had been utilised. These banking facilities are secured by the following:

(a) Restricted deposits of HK$119,593,000 (2011: HK$108,708,000) (Note 25);

(b) Financial assets at fair value through profit or loss of HK$42,020,000 (2011: HK$41,903,000) (Note 29);

(c) Guarantees of HK$2,172,933,000 (2011: HK$2,000,237,000) given by the Company;

(d) Trade receivables of certain construction contracts; and

(e) Property, plant and equipment of HK$650,851,000 (2011: HK$399,817,000), investment properties of HK$260,557,000 (2011: HK$363,219,000), leasehold land and land use rights of HK$2,029,000 (2011: HK$2,085,000) and property under development for sale of HK$347,810,000 (2011: Nil) (Notes 15, 16, 17 and 18).

38 Commitments and contingent liabilities

The Group had the following outstanding commitments and contingent liabilities:

(a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 31 March 2012, the Group had various liquidated damages claims on certain contracts for which the Group has filed extension of time claims with the customers. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

(b) During the year, the Group filed a statement of claims against a subcontractor of HK$10,000,000 in respect of the subcontractor's failure to perform contractual duties and for recovery of overpayment made to the subcontractor. The subcontractor raised a counterclaim against the Group in the sum of HK$10,000,000. The case is in the process of exchanging documents for proceedings. The Directors consider that no provision is presently required with respect to the case.

(c) The Group has provided performance bonds amounting to approximately HK$340,643,000 (2011: HK$424,327,000) in favour of the Group's customers.

(d) As at 31 March 2012, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of plant and equipment and setup of a factory in Mainland China of approximately HK$29,609,000 (2011: HK$83,524,000).

38 Commitments and contingent liabilities *(Continued)*

(e) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

	Group 2012 HK$'000	2011 HK$'000
Land and buildings		
Within one year	**8,111**	8,659
One year to five years	**11,574**	13,212
More than five years	**38,677**	40,029
	58,362	61,900

39 Future minimum rental payments receivable

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of its investment properties as follows:

	Group 2012 HK$'000	2011 HK$'000
Within one year	**1,366**	1,777
One year to five years	**1,293**	870
	2,659	2,647

40 Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group, except for those disclosed elsewhere in the accounts and as follows:

Key management compensation

Key management includes Directors (Executive and Independent Non-Executive Directors) of the Group. The compensation paid or payable to key management for employee services is shown below:

	Group 2012 HK$'000	2011 HK$'000
Salaries and fees	**15,128**	15,841
Discretionary bonuses	**2,269**	2,154
Pension costs-defined contribution scheme	**579**	599
	17,976	18,594

List of Investment Properties

Property	Location and lease term	Area	Existing use	Group's interest
1. 43-45 Tsun Yip Street, Kwun Tong, Kowloon	Kwun Tong Inland Lots Nos. 359 and 360 are each held under a Government Lease for a term which expired on 27 June 1997 and had been extended upon expiry to 30 June 2047	Approximate site area 9,169 sq. ft.	The property is currently vacant	100%
2. 40 Prinsep Street, Singapore, 188666	Lot No. 491K Town Subdivision 11 for a term of leasehold 99 years with effect from 1 March 1995	Approximate building floor area 4,306 sq. ft.	The property is currently leased out	100%
3. 10 Gopeng Street, #38-26 Icon, Singapore, 078878	Lot No. U2246A Town Subdivision 3 for a term of leasehold 99 years with effect from 29 January 2002	Approximate strata floor area 936 sq. ft.	The property is currently leased out	100%
4. Rear Portion of 4th Floor, 33 & 33A Pok Fu Lam Road, Sai Ying Pun Hong Kong	Remaining Portion of Inland Lot No. 5821 for a term of 999 years commencing on 30 June 1862	Approximate saleable area 654 sq. ft.	The property is currently leased out	90%

Five Year Financial Summary

Consolidated Results

For the year ended 31 March

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Revenue	1,624,944	3,413,878	3,462,014	3,573,181	**4,664,581**
Profit before income tax	367,279	16,338	68,820	86,332	**49,585**
Income tax credit/(expense)	55,078	(5,715)	(12,485)	(14,981)	**(12,864)**
Non-controlling interests	3	29	2	594	**(1,167)**
Profit attributable to shareholders	422,360	10,652	56,337	71,945	**35,554**

Consolidated assets and liabilities

As at 31 March

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Total assets	1,801,176	2,229,094	2,632,476	3,017,447	**3,835,980**
Total liabilities and non-controlling interests	(517,494)	(981,543)	(1,329,620)	(1,629,957)	**(2,414,151)**
Shareholders' equity	1,283,682	1,247,551	1,302,856	1,387,490	**1,421,829**

The above financial summary is extracted from the audited financial statements of the Group. The result for the year ended 31 March 2008 was presented according to continuing and discontinued operations in the financial statements pursuant to HKFRS 5. Accordingly, the result for the year ended 31 March 2008 within the above table includes both continuing and discontinued operations.