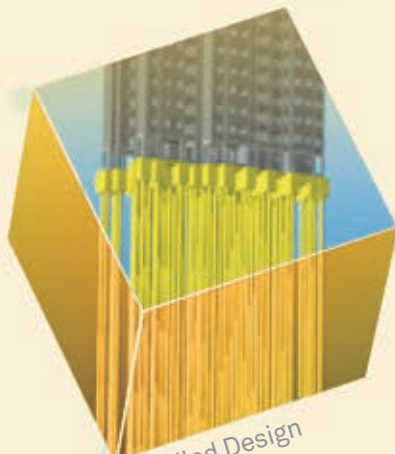




有利集團有限公司
Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 0406

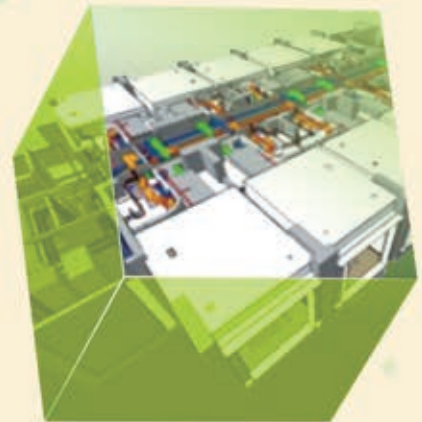
Annual
Report
2016



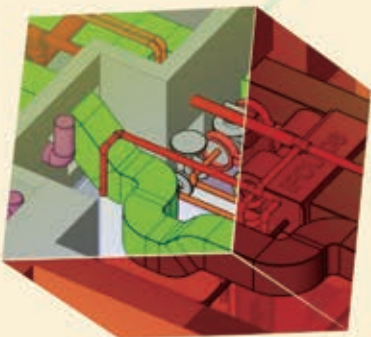
Detailed Design



Land Options/Design Alternatives



Lean Construction



As-Built BIM for Building Lifecycle

Be **Green**
Be **Lean**
Be **BIM**



This annual report is printed on environmentally friendly paper



Contents

Corporate information	2
Chairman's statement	3
Management discussion and analysis	11
Summary of contracts	12
Biographical details of directors and senior management	21
Report of the directors	28
Corporate governance report	33
Corporate social responsibility report	39
Awards and accolades	53
Independent auditor's report	62
Consolidated income statement	64
Consolidated statement of comprehensive income	65
Consolidated balance sheet	66
Consolidated statement of changes in equity	68
Consolidated cash flow statement	69
Notes to the consolidated financial statements	71
List of investment properties	145
Five year financial summary	146

Corporate Information

Board of Directors

Executive Directors

Wong Ip Kuen (*Chairman*)
Wong Tin Cheung (*Vice Chairman*)
Wong Wai Man
Sun Chun Wai

Independent Non-Executive Directors

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

Audit Committee

Yeung Tsun Man, Eric (*Chairman*)
Chan, Bernard Charnwut
Wu King Cheong

Remuneration Committee

Chan, Bernard Charnwut (*Chairman*)
Wong Tin Cheung
Wu King Cheong
Yeung Tsun Man, Eric

Nomination Committee

Wu King Cheong (*Chairman*)
Chan, Bernard Charnwut
Yeung Tsun Man, Eric

Corporate Governance Committee

Chan, Bernard Charnwut (*Chairman*)
Wong Tin Cheung
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

Lam Kwok Fan

Principal Bankers

Nanyang Commercial Bank, Limited
BNP Paribas Hong Kong Branch
The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

Independent 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

Dear Shareholders,

On behalf of the Board of Directors, I hereby report the annual performance of Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2016 to all the shareholders.

Results for the Year

Last year was an exceptionally challenging year because of the "excess lead in water" incident which posed one-off impacts on earnings and made the yearly result not satisfactory. Nonetheless, the exceptional loss which accounted for the year's losses was a one-off event and our operational strength still holds. We are glad that we have overcome the challenge from the excess lead in water incident and moved on in even better shape.

In financial year 2015/16, the Group reported HK\$7,450 million in revenue, representing a decrease of 21% compared to last year. The decrease mostly related to the completion of two sizeable projects in Macau, namely Studio City and Galaxy Macau which reported a drop in revenue of HK\$2,017 million or 61% year on year. Thanks to the solid order book and the good amount of maintenance contracts secured and accomplished by the joint efforts from the maintenance and E&M teams during the year, our businesses in Hong Kong were comparable to last year despite we were suspended from tendering new public housing projects of the Hong Kong Housing Authority ("Housing Authority") temporarily. On prefabrication business, the removal of Longhua factory during the year caused very minor impact on the business. In fact, the segment turnover increased by 27% year on year. The team's well planning and execution of the task were highly appreciated.

The Group recorded a gross profits of HK\$219 million, representing a decrease of HK\$237 million which was primarily due to the costs expended for measures carried out during the year on a good will basis in response to requests from the Housing Authority for the incident of leaded solder jointing materials being used in the plumbing system in some of the public rental housing estates the works of which were undertaken by us as main contractor and the provisions for estimated expenses to be expended for the replacement of related water pipes. We had expended around HK\$89 million in the year and expect to spend another HK\$143 million in coming years to complete the replacement. In addition to the drop in Macau business which inevitably lower our gross profits, we made losses in two Singapore building contracts due to costs overruns for some key construction materials and upsurge in manpower costs caused by labour shortage and rising government levies. However, the drop in gross profits of Macau and Singapore projects was largely offset by a gain of HK\$72 million, being net proceed of cash compensation received from the early termination of the lease of Longhua factory, deducting incurred removal costs and tax provision. Actually, the compensation comprised cash which was booked in this year, and entitlement of properties upon completion in future which is yet to be booked on account. These properties entitlement was valued at RMB250 million at the time of agreement but current value should have increased quite substantially given the house prices in Shenzhen surged in 2015. This substantial unrealized gain shall enhance our return significantly upon receipt.

Chairman's Statement

Operating expenses were HK\$468 million, up by HK\$42 million or 10%. Major increase was the sales commission of HK\$11 million paid for the residential development L•Harbour 18 and increase in exchange loss of HK\$16 million. With stringent costs control measures, we managed to keep the recurring expenses steady despite business operation costs in general keep increasing.

Other than the costs in relation to the excess lead in water incident, there was also foreign currency asset revaluation exchange loss of HK\$22 million, mostly related to RMB assets. We reported a consolidated net loss of HK\$156 million mainly due to these non-recurring items that we were unable to offset fully. Losses per share for the year was HK36.38 cents, compared with a profit per share of HK17.36 cents last year. Net asset value attributable to equity holders of the Company as at 31 March 2016 was HK\$1,402 million (2015: HK\$1,596 million), equivalent to HK\$3.20 (2015: HK\$3.64) per share based on 438,053,600 ordinary shares in issue.

Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 March 2016 (2015: interim dividend of HK1.00 cent per share and final dividend of HK2.38 cents per share).

Review of Operations

Building construction, renovation and maintenance

The segment reported yearly external revenue of HK\$5,497 million, representing a reduction of 26%. The decrease mostly related to the completion of a sizeable project in Macau. As to the local market, the segment delivered a steady turnover on a comparable basis. Despite we were temporarily restricted from tendering Housing Authority's new public housing projects, we swiftly seized opportunities from institutional customers and renovation and maintenance market. During the year, the segment won a construction project and a number of maintenance and fitting-out projects with a total value of HK\$3,490 million.

The renovation and maintenance businesses have been developing satisfactorily in past few years. The turnover grew more than double since Year 2010. Coupled with the E&M team's strong engineering expertise and services, the division developed an integrated work process which maximizes the performance and efficiency. In Year 2015, the division won 14 prizes. The proven track record of outstanding performance helped the division to secure two maintenance contracts, totalled HK\$1,330 million from Education Bureau, a new customer which offers steady business opportunities. We shall penetrate the segment further for a strategic business growth.

Impacts on the Group caused by the incident of the use of leaded solder materials in the solder joints in some of the public rental housing estates were much clearer. In term of business, we were suspended temporarily from tendering the Housing Authority's new public housing projects. Thanks to the high level of contracts on hand brought forward from prior years, impact on yearly turnover of Hong Kong segment was modest. In term of profits, the yearly result was adversely impacted. Costs of around HK\$89 million was incurred during the year to carry out some rectification measures on a goodwill basis and a provision of HK\$143 million was accrued for estimated future costs for replacement of related water pipes. As such, the segment result turned from a profit to a loss of HK\$229 million. As to the construction management, we did in-depth reviews of the operation processes and control systems and implemented measures to ensure the compliance of new regulatory requirements.

The building market in Hong Kong is still booming but the competitions are keen too. We set ourselves apart from competitions by way of innovations, pioneering construction technologies and expertise across entire project life cycle. We have started to develop and employ 5D Building Information Modeling ("BIM") and virtual construction technologies since 2013. Our solution offerings extend a wide spectrum across the full life cycle of management, for example, BIM consultancy and training, 3D laser scanning, Geospatial Information System ("GIS") and Drone reconnaissance and surveillance services and assets and facilities management solutions. Our BIM centers in Hong Kong and Mainland China support group projects as well as provide services to customers. BIM consultancy services contracts awarded during the year included a Kowloon Property Company Limited's residential development, a MTR station project, a Henderson Land's office development, just to name a few. Besides, the business development in Singapore and Malaysia progressed smoothly. In Singapore, we were awarded BIM consultancy and training services contracts from LendLease, a multinational property and infrastructure company. And we won a Gold Award of BCA BIM Award 2016 initiated by Singapore Housing & Development Board. In Malaysia, we reached three very big local developers and obtained BIM consultancy services contracts for their development projects.

Our innovative prowess has been becoming an essential factor for winning jobs. During the year, we were awarded a pre-construction consultancy service contract from a renowned hospital for its landmark project. It is a very unique and complex project. The design and planning team is a global team formed by world class professionals from different disciplines. We were pleased and honored to take part in it. Our technical excellence and innovative solutions impressed the client and we are now negotiating the construction and project management contracts of it.

Contracts in hand as at 31 March 2016 was HK\$17,350 million, reduced by 20% year on year. Contracts secured in the year was HK\$3,490 million, representing an increase of 31% year on year. Though we had not tendered for Housing Authority's new public housing projects in the year, we obtained a fine amount of new orders from other segments. Now, the tender suspension has been uplifted. We anticipate more contracts would be secured in next year.

Chairman's Statement

Electrical and mechanical installation

The segment revenue was HK\$1,801 million, representing a decrease of 22% year on year. The drop in revenue was primarily due to the completion of major projects in Macau. Comparing to last year, work done in Macau in this year has been dropped by HK\$470 million. Gross profit was HK\$130 million, up 8% from last year, albeit the drop in revenue. The major difference was the absence of loss recorded last year for a joint venture project. Total operating expenses reduced by HK\$2 million or 2% year on year. With a higher gross profits and lower operating expenses, the segment profits grew by HK\$14 million.

Revenue from green businesses was not yet significant as compared to the Group's turnover but it made good progress. Revenue from Intelligent Fan Coil Unit – iFCU™ grew by more than 50%. It is getting well known in the market particularly to the hotel operators. Numbers of repeated orders from existing hotelier customers are growing and there are a lot of inquiries from new customers. We enhanced the product further by launching a mobile application iFCU™ Apps (iOS & Android) which enables users to monitor and control the facilities via mobile devices. The easy and instant access features are excellent for facilities management of large complex, such as Millennium City 5, a Grade-A commercial premise which is one of our customers. The product is also well recognized in China. It was accredited and listed in the China's "Public institutions energy and water saving technologies and products reference list 2015". The official accreditation for sure helps to raise our exposure and the marketing of the product. We believe sales would grow exponentially in near future.

Besides, the business development of Energy Optimization Solution (EOS) is encouraging too. We completed some key EOS projects last year, one of which was an energy saving program for a Government department headquarter. Our outstanding performance in this project was widely noted and we were invited to share the case in various workshops and seminars. The solid proven track records brought us numerous opportunities. We were just awarded another EOS project for North Point Government Offices and there were over 10 projects from both public and private sectors in the pipeline.

The Hong Kong Government stated the plan to cut down energy intensity by 40 per cent by 2025, known as "Energy Saving Plan for Hong Kong's Built Environment 2015-2025+". The city's commercial buildings, being the biggest contributors of energy consumption in town, are being actively advised to undertake relevant initiatives towards achieving the goal set by the government. We saw huge market potentials for our retro-commissioning business, a service and solution to find the opportunities and to refine or tune the performance of existing buildings, adding capital value, lowering the energy costs, and improving comfort conditions for the occupants. As it is an effective tool to provide quick paybacks in energy savings, the market demand for it is increasing and the trend is up. It shall be another sustainable and fast growing business.

New contract intakes in the year were HK\$1,740 million, up by 13% year on year. We secured good amounts of new contracts in Hong Kong which offset fully the fall short in new business from Macau. With more manpower return from Macau to Hong Kong, we will have more resources to bid and serve the local market which is still filled with abundant opportunities. Work on hand was HK\$5,947 million as at year end which underpins a good level of revenue for next year.

Building materials supply

The segment delivered good revenue at HK\$534 million, a 27% rise as compared to prior year, albeit a period of business interruption because of factory removal. Thanks to the superb planning and execution by the team, the Longhua factory removal was smooth and the operation was least interrupted. Now, the production is centralized in Huizhou factory which benefits overall profitability in future through more effective management and costs savings from avoidance of duplication of facilities and manpower.

The piece of land acquired last year is under construction. We expect the production capacity would be increased by more than 40% upon completion. The expansion enables us to grasp the increasing market demands on precast products and to develop further throughout the entire supply chain. Actually, we established a new production line for curtain walling system last year. We shall explore further along the entire construction cycle for new business development.

As reported in interim report, the lengthy negotiation of the relocation of Longhua factory was finally reached. A compensation comprised a cash payment of RMB100 million and entitlements of a total construction area of 10,000 m² in the new residential properties to be constructed in the area with an agreed monetary value of RMB250 million was reached. The cash compensation after deducting removal costs incurred in the year and tax provision was reflected on account but the entitlement of properties upon completion is yet to be recorded. Refer to the recent residential properties transactions in the related area, house prices surged by over 50% since the date of our factory removal agreement. It represents a substantial potential increase in return upon realization in future. Other than this unrealized gain in properties, value of our newly acquired office in Shenzhen also rose by roughly RMB19 million or 23% in nine months, though the Shenzhen office is recorded at depreciated cost. Our China operation possesses tremendous asset value to be unleashed and reflected.

Property investment and development and hotel operations

Tourism numbers fell last year for the first time in more than a decade. According to the statistics from Tourism Commission, number of overnight visitors dropped by around 4% in 2015 year on year and average hotel occupancy rate fell 4% to 86%. Hong Kong's tourism industry has entered a consolidation period after a decade of growth. Our hotel's performance dropped under the current economic sentiment. Benefited from multinational customers and the good location, we achieved 90% occupancy rate but room rate dropped somewhat more as a result of stiff price competition. Annual revenue fell by 16% to HK\$97 million. We succeeded in raising the operation efficiency and saved operation costs by 17% but could not fully offset impact from reduction in revenue. Nonetheless, the business remains profitable and contributes steady cash flow to the Group.

L•Harbour 18, our residential development was completed and handed over to buyers in November 2015. Sales of HK\$378 million were reflected this year. There are still 17 residential units and 12 carparks kept on hand which are recorded at costs on book now. We estimated potential sales value of these on-hand flats are above HK\$190 million, reference to the offer prices and last transaction of the development. As to the shop floors, we hold them as investment properties for leasing purpose. The property market is now soft and the price is on a downward trend. We intend to keep the unsold units and would not rush for sales. We think the demands for both commercial and residential properties in the area shall be up later when the Shatin to Central Link is completed and open.



Chairman's Statement

Outlook

The building market in Hong Kong is still buoyant. The directions and goals set out in the Long Term Housing Strategy Annual Progress Report 2015 announced by Government and the hospital development plan worth HK\$200 billion for next ten years reflect good and continuing market potentials. We think the real challenges are the keen competitions and the ongoing rise in labor costs. We will continue to focus firmly on our strategy of generating sustained growth in profitability and efficiency through innovative solutions and stringent costs controls.

While we are positive about the local market, the industry outlook in the two oversea markets, Macau and Singapore, appear to be challenging. In Macau, gaming revenue continues its year-on-year decline. Investments in new mega integrated resort developments are largely scaled down. We see the business opportunities have been shifted from mega new-built projects to on-going renovation and improvements works. The stiff competitions between hoteliers and the attempts towards more on leisure and MICE guests would lead to recurring renovation and improvement works. Our sound track records and expertise particularly in gypsum reinforced products which are widely applied in hotel fit-out shall be the edges in winning a share of these long term businesses. That being said, we would restructure the operation in the territory to a lean and efficient team that would maintain the profitability in light of the foreseeable change in volume of works.

In Singapore, there seems to be a general consensus that growth prospect will be challenging in near term. Prices and sales volume of residential properties are showing a downward trend. Outlook for commercial and industrial buildings are subdued too. It is noted that developers appear to be winding down their construction activities to tackle the problem. There is no doubt that competition for construction tenders would be more intense. Instead of competing on prices which may lead to bigger risk in future, we think it is the right time to consolidate our business there by rightsizing the operation and focus on projects that our competence on innovative and green construction would count. Singapore Government has a clear vision of having a future-ready built environment. For example, it mandated BIM e-submission for building projects greater than 5,000 m². It sets out Green Building Masterplan which aims to "green" 80% of Singapore's building by the year 2030. According to the recent statistics, only 25% of the buildings have met the new standard. Market potentials for our green and innovative construction technologies are enormous in the country.

Besides, we will invest relentlessly in innovative construction technologies. Global Virtual Design and Construction Limited ("GVDC"), our BIM services and technological solutions arm, is constantly developing and delivering new virtual design and construction technologies such as laser scanning and drone technology to improve operational efficiency and project management.

Apart from virtual construction technologies, we see mobile solutions coupled with cloud services are keys to future success. GVDC is partnering with ESRI Hong Kong, China, a global GIS provider, together with VHSOFT Technologies Company Limited, our group IT arm, focusing on construction mobility solutions, to jointly develop an integrated mobile platform for construction and building management with the enhanced capability with BIM and GIS information. The instant, highly efficient and accessibility of both BIM and GIS features drive and lead the overall productivity and completeness of data management to fulfill Full Building Life Cycle Management through a holistic Virtual Design and Construction approach to help our customers streamline processes and reduce costs to best achieve their goals.

Chairman's Statement

Apart from advanced mobility platform, our group also promotes Open BIM concept and Green Building Design in the construction industry. By partnering with a European leading technology company GRAPHISOFT, GVDC will develop an Add-On Module for OpenBIM Software – ARCHICAD to execute all 6 chapters (Site Aspects, Energy Use, Indoor Environmental Quality, Materials Aspects, Water Use, Innovations and Additions) of the Hong Kong BEAM Plus environmental assessment scheme to drive and lead the integration of both Green Building Design and BIM-enabled quality assurance and quality checking process to enhance overall productivity and completeness throughout the entire Building Life Cycle.

Also, Yau Lee has recently entered strategic partnership with an US based innovative smart internet of things (IoT) services provider, to jointly research and develop Smart Plug Outlet, a smart and wireless technology, integrated with (IoT) cloud that facilitates property owners and building users to monitor, learn and reduce the energy usages through personalization and insights generated from BigData from (IoT) cloud platform. We are keen to advocate the advancement of smart city development in the community through delivering innovative solutions.

We aim to be at the forefront of innovations in our industry by bringing in leading edge technologies which shall bring greater value to customers and the Group.

On prefabrication business, our competitiveness is further enhanced by process automations and expanded facilities. There shall be business growth from both the Group and external customers. Due to the factory removal, the business development of China market slowed down last year. We now look at it again and prepare to tender for the precast supply of a Shenzhen residential development project owned by a renowned State-Owned enterprise. We would devise appropriate development strategies, taking a long term perspective on the market's potential.





Chairman's Statement

General outlook for both local and global economic growth remains subdued. It is clear that the near term shall be challenging. The Group will remain committed to its strategies of staying focus on its core competencies and differentiating ourselves through unique solutions. By doing so, we will raise customers' satisfaction and ensure sustainable growth and profitability.

Our long term growth is underpinned by a strong and dedicated team. I would like to extend my deep appreciation and heartfelt thank you to the colleagues who worked diligently and professionally in the recent crisis. Your dedication and professionalism were impressive and were highly appreciated. Besides, I am also thankful for the supports and trusts given to us by the business partners and customers during the difficult period. Those were really encouraging and meant a lot to us. Last but not least, I have to thank our shareholders for their continuous supports. We pledge that we will continue to focus all our efforts on improving our performance in coming years.

By order of the Board

Wong Ip Kuen

Chairman

Hong Kong, 23 June 2016

Management Discussion and Analysis

Financial Position

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 31 March 2016, the Group's total cash and bank balances was HK\$639 million (2015: HK\$1,236 million) and total borrowings decreased to HK\$2,189 million (2015: HK\$2,451 million). The decrease in total cash and bank balances was largely due to the repayment of property loan in relation to the residential development L•Harbour 18, the purchase of two offices in China and the capital investment in the construction of new factory facilities on the newly acquired piece of land in Huizhou. The current ratio (total current assets: total current liabilities) as at 31 March 2016 was 1.2 (2015: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK\$749 million (2015: HK\$851 million). With prudent financial management policy in place, the Group considers the financial position as sound and healthy with sufficient liquidity.

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 swaps aiming to keep the interest costs at a controllable range. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangements when appropriate. As at 31 March 2016, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$4,034 million (2015: HK\$4,546 million), of which HK\$2,600 million (2015: HK\$3,086 million) had been utilised. The Group considers it has sufficient committed and unutilised banking facilities to meet its current business operation, property development requirement and capital expenditure.

Human Resources

As at 31 March 2016, the Group had approximately 3,500 (2015: 4,100) employees. There are approximately 2,500 (2015: 3,000) employees in Hong Kong, Macau and Singapore and 1,000 (2015: 1,100) in Mainland China. Yau Lee aims to be a good and attractive employer as we understand people are key to long-term success. The Group offers competitive remuneration packages and employees are rewarded on a performance related basis. The Group also invests substantially on training and staff development. We promote continuing learning and help the professional and personal development of our employees.

Summary of Contracts

Movement of incomplete contracts

For the year ended 31 March 2016

Contract value

	31 March 2015 <i>HK\$'million</i>	Contracts Secured <i>HK\$'million</i>	Completed <i>HK\$'million</i>	31 March 2016 <i>HK\$'million</i>
Building construction, renovation and maintenance	21,717	3,490	(7,857)	17,350
Electrical and mechanical installation	6,439	1,740	(2,232)	5,947
Building materials supply	1,511	485	(452)	1,544
Computer software development and architectural and engineering services	34	5	(15)	24
Less: Inter-segment contracts	(3,054)	(583)	771	(2,866)
	26,647	5,137	(9,785)	21,999

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2016

Contracts

“My Home Purchase Plan” Project at Tsing Luk Street, Tsing Yi, TYTL 138

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kowloon West and Hong Kong (3) 2012/2015

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kowloon West and Hong Kong (4) 2012/2015

Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is Responsible (Hong Kong Island and Outlying Islands)

Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3

Renovation Works to Canossa Hospital (Caritas)

Conversion of Chai Wan Factory Estate to Public Rental Housing and Demolition of Block 1, 2, 3, 12 and a school in Pak Tin Estate

Building construction, renovation and maintenance segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2016

Contracts

Construction of Public Rental Housing Development at Anderson Road Site E Phase 1 and 2

Building Works at Kallang Whampoa Contract 50A in Singapore

Construction of The Integrated Contract for Construction of Public Rental Housing Development at Anderson Road Sites A and B Phase 1 and 2

Building Works at Choa Chu Kang Neighbourhood 8 Contract 9 & 10 in Singapore

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin and Sai Kung (3) 2013/2016

Design and Construction of Yau Ma Tei Specialist Clinic at Queen Elizabeth Hospital

Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is Responsible (Designated Contract Area: Kowloon and New Territories)

Term Contract 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 (Designated Contract Area: Central, Peak and Mid-levels)

Term Contract 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 (Designated Contract Area: Wan Chai (South) and Wan Chai (North))

Building Works at Punggol East Contract 39B in Singapore

Design and Construction of Hotel Reception and Public Circulation Fit Out at Venetian Parcel 3, Cotai, Macau

Building Works for Park Hotel at Rangoon Road in Singapore

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin and Sai Kung Region (2) 2015/2017

Podium Retail Wall Fit Out in Venetian Parcel 3, Cotai, Macau

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in current year

Contracts

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kwai Chung (1) 2015/2018

Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the ASD is Responsible (Hong Kong Island and Outlying Island)

Design and Construction of Kwun Tong Staff Quarters at 4 Tseung Kwan O Road, Kowloon

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kowloon West and Hong Kong (3) 2015/2018

Term Contract for the Alterations, Additions, Maintenance and Repair of Aided schools, Buildings and Lands and Other Properties for which the Education Bureau is Responsible (Designated contract Area: Central & Western, Wan Chai, Eastern and Southern)

Term Contract for the Alterations, Additions, Maintenance and Repair of Aided schools, Buildings and Lands and Other Properties for which the Education Bureau is Responsible (Designated contract Area: Wong Tai Sin, Kwun Tong and Sai Kung)

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

Contract

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin and Sai Kung Region (3) 2016/2019

Contract secured by a joint operation in prior years and completed during the year ended 31 March 2016

Contract

Studio City at Cotai, Macau (40% effective interest by the Group)

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2016

Contracts

Mechanical Ventilation and Air Conditioning Installation for the Construction of Proposed Residential Development at 2A Seymour Road, Hong Kong

Maintenance Services for Central Environmental Control System Plants at Various Premises

Supply, Delivery, Installation, Testing and Commissioning of E & M Equipment for Sewage Pumping Station PS1A at Kai Tak Airport

Construction of Water Supply System to Housing Development at Anderson Road – E & M Works for Sau Mau Ping Fresh Water Pumping Station

Electrical, ELV and MVAC Installation for “My Home Purchase Plan” Project at Tsing Luk Street, Tsing Yi*

Electrical, ELV and MVAC Installation for Proposed Residential Development at 106-114 Kwok Shui Road, Tsuen Wan

Shatin to Central Link Modification Works – E & M Installation Works at Pat Heung Depot

Electrical Installation for Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3*

Plumbing Installation Works for Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3*

HVAC System Installation for Galaxy Resort & Casino Phase 2 in Cotai City, Macau

Electrical Services System Installation for Galaxy Resort & Casino Phase 2 in Cotai City, Macau

Supply and Installation of MVAC Works (Phase 2) (Renovation Works) at Discovery Park Shopping Mall

Electrical, Fire Services & Water Pump, Plumbing and Drainage and MVAC Installation for the Proposed Residential Development at 18 Chi Kiang Street, Tokwawan, Kowloon*

* 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 2016

Contracts

Electrical, ELV and MVAC Installation for URA Development at Lai Chi Kok Road Yee Kuk Street

Supply and Installation of Electrical and Mechanical Equipment for Four Sewage Pumping Stations at North and Tai Po Districts, N.T.

Design and Construction of Fitting Out Works to Buildings and Lands and Other Properties at Hong Kong Island and Outlying Islands*

Air-Conditioning and Mechanical Ventilation Installation Works for Construction of Public Rental Housing Development at Sha Tin Area 52 Phase 2

E & M Package Sub-Contract for Discovery Park Shopping Mall Renovation Works

HVAC & Medical Gas Installation for Redevelopment of Block E Building and Additions & Alterations Works at Block D Building in the Hong Kong Baptist Hospital

Plumbing & Drainage Installation for Lot No. 1199 in DD217 Pak Kong, Sai Kung

M & E Installation for the Renovation Works of Typical Guestroom of Grand Hyatt Hong Kong

Electrical, ACMV, Fire Services and Water Pump, Plumbing and Drainage Installation for Construction of Public Rental Housing Development at Anderson Road Sites A & B Phase 1 & 2*

Electrical Term Maintenance Contract (T & Y Region) 2013/2016 for Housing Authority Estates, Areas & Buildings

Electrical Term Maintenance Contract (KC Region) 2013/2016 for Housing Authority Estates, Areas & Buildings

Electrical Works, Environmental Control System and Fire Services System Sub-Contract Works at Shatin to Central Link – Diamond Hill Station

Design & Construction (Electrical, MVAC, Fire Services, Plumbing & Drainage Installations) at Yaumatei Specialist Clinic at Queen Elizabeth Hospital*

Podium Fire Services Installation at Venetian Cotai Limited – Parcel 3 at Cotai, Macau

Water Supply and Fire Services Term Maintenance Contract 2014/15 to 2016/17 (KE Region) for Housing Authority Estates, Areas and Buildings

* Inter-segment contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2016 (continued)

Contracts

Supply, Delivery, Installation, Testing & Commissioning of Electrical & Mechanical Work for 2 Nos. of Sewage Pumping Station (NPS & PS2) at Kai Tak Development – Stage 4 Infrastructure at Former North Apron Area

Maintenance Services of Central Environmental Control System Plants for MTR Corporation Limited

Supply & Installation of Electrical & MVAC Installation for the Proposed Residential Development at Lot No.11120, Hung Hom, Kowloon

Term Contract for Design & Construction of Fitting-Out Works to Buildings & Lands & Other Properties for which the Architectural Services Department is Responsible (Kowloon and New Territories)*

Electrical, ELV & MVAC Installation for The Urban Renewal Project at Un Chau Street/Hing Wah Street/Fuk Wing Street (K22) at Sham Shui Po

Electrical Installation for Office Development at Heung Yip Road, Wong Chuk Hang, Hong Kong

Renovation Works at Canossa Hospital (Caritas) No. 1 Old Peak Road, Hong Kong*

Fire Service Installation for the Proposed Residential Development at Clear Water Bay, Sai Kung, Lot No. 898 in D.D. 227

Electrical Installation for The Construction of Public Rental Housing Development at Ex-Yuen Long Estate

MVAC Installation for the Proposed Residential Development at 2 Castle Road, Hong Kong

Electrical and ELV Installation at Discovery Park Shopping Mall (Phase 3 & 4)

Term Contract for the Maintenance of Electrical and Mechanical Installations at Tuen Mun Children and Juvenile Home (New Territories Region)

Term Contract for the Maintenance & Repair of, Alteration & Addition to, Fire Services Installations for General Engineering Services Division Venues of Electrical & Mechanical Services Department in Kowloon and New Territories for The Government of HKSAR

Maintenance Services of Environmental Control System of Ventilation System for MTR Corporation Limited

Term Contract (2014/2017) for the Supply, Installation and Maintenance of Refuse Handling Systems at Housing Authority Buildings

* 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 2016 (continued)

Contracts

Provision of Electrical and Mechanical Equipment at Tuen Mun Area 54 Sewage Pumping Station

Electrical Installation for the Construction of Public Rental Housing Development at Tuen Mun Area 54 Site 2 Phase 1&2

Electrical Installation for Conversion of Chai Wan Factory Estate to Public Rental Housing*

HVAC Installation for the Hotel Development Inland Lot No. 9020 at North Point Estate Lane

Plumbing & Drainage Installation for the Proposed Residential Development at No. 23 Babington Path, Hong Kong

Term Contract for the Alterations, Additions, Maintenance and Repair of Electrical & Air-Conditioning Installations Works to Buildings & Lands & Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Wan Chai (South) and Wan Chai (North))*

Term Contract for the Alterations, Additions, Maintenance and Repair of Electrical & Air-Conditioning Installations Works to Buildings & Lands & Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Central, Peak and Mid-Levels)*

Building Services Installation Contract for the Renovation Works to High Zone Floors at 27/F to 36/F of Grand Hyatt Hong Kong

Term Contract for Maintenance of Room Air Conditioners Venues of the Hong Kong Police Force for The Government of HKSAR

Fire Services Installation Works for Tower 5B Apart-Hotel and Podium for Venetian Orient Limited - Sands Cotai Central Macau

* Inter-segment contracts

Electrical and mechanical installation segment (continued)

Contracts secured in current year

Contracts

Electrical Installation for the Construction of Public Rental Housing Development at Ex-Kwai Chung Police Married Quarters

New World Centre Remodeling Project at Salisbury Road, Tsim Sha Tsui, Kowloon

Provision of Electrical and Mechanical Facilities for Eight Sewage Pumping Stations in the North and Tai Po Districts, N.T.

Electrical Installation for the Construction of Public Housing at Cheung Sha Wan Wholesale Food Market Site 3 and Site 5 Phase 1&2

Fire Services and Water Pump Installation for the Construction of Public Housing at Cheung Sha Wan Wholesale Food Market Site 3 and Site 5 Phase 1&2

Construction of a School for Social Development for Girls at Choi Hing Road, Kwun Tong, Kowloon

Electrical, Mechanical Ventilation and ELV Installation Works for the Proposed Residential Development at STTL No. 574, Lok Wo Sha, Ma On Shan, N.T.

Plumbing and Drainage Installation Works for the Proposed Residential Development at STTL No. 574, Lok Wo Sha, Ma On Shan, N.T.

Proposed Residential Development at STTL No. 581, Yiu Sha Road, Whitehead, Ma On Shan, Sha Tin, N.T.

Term Contract for the Design & Construction of Fitting-Out Works to Buildings & Lands & Other Properties for which the Architectural Services Department is Responsible (Hong Kong Island and Outlying Islands)*

MVAC Installation for New World Centre Remodelling Project (H3) at Tsim Sha Tsui, Kowloon

Electrical Fitting-out Installation for New World Centre Remodelling Project (H3) at Tsim Sha Tsui, Kowloon

Electrical Installation for the Office Development at NKIL 6311, Kowloon Bay, Kowloon

Design and Construction of Kwun Tong Staff Quarters at 4 Tseung Kwan O Road, Kowloon*

* Inter-Segment contracts



Summary of Contracts

Electrical and mechanical installation segment (continued)

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

Contract

Triennial Term Contract for Maintenance of Lift & Ramp Systems at Ferry Piers

Contract secured by a joint operation in prior years and in progress during the year ended 31 March 2016

Contract

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

Biographical Details of Directors and Senior Management

Executive directors

Mr. Wong Ip Kuen

aged 80, is the Chairman of the Group. Mr. Wong has over 60 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, BBS, JP

aged 52, has been with Yau Lee Group for 28 years. He is the Vice Chairman of the Company, undertaking the posts of Managing Director of Yau Lee Construction 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 the technologies in automation for mould manufacturing, energy efficient electrical and mechanical systems and the use of renewable energy to fulfill 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 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. Recently, he was admitted as Fellow of the Hong Kong Institution of Engineers in March 2015.

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

In academic fields, Ir. Wong has been appointed as an Adjunct Professor in the Department of Civil Engineering in the University of Hong Kong. In collaboration with academic and practitioner, Ir. Wong has been appointed as the Chairman of the Department Advisory Committee in the Department of Mechanical Engineering in the Hong Kong Polytechnic University and the Chairman of the Building & Construction Group of CIBIC in the City University of Hong Kong, the Management Committee of the Centre for Innovation in Construction and Infrastructure Development (CICID) as well as the Advisory Committee of the Department of Civil Engineering both in the University of Hong Kong.

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.

Biographical Details of Directors and Senior Management

Ir. Wong is currently a Member of Guizhou Province Committee of the Chinese People's Political Consultative Conference. Ir. Wong was appointed and served as Justice of the Peace (JP) in 2008 and awarded the Bronze Bauhinia Star (BBS) by the Government of the HKSAR in the year of 2013 for recognition of his outstanding contributions made to Construction Industry.

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

Ms. Wong Wai Man

aged 49, has been appointed as an Executive Director of the Company since 2008, after working with different entities in the Group since 2003.

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 Green Energy Solutions Company Limited, Yau Lee Hotel Limited, Yau Lee Innovative Technology Limited, VHSoft Technologies Company Limited, InnoVision Architects & Engineers Limited and Leena Theme Painting Limited; Founder & CEO of Global Virtual Design & Construction Limited; as well as the Managing Director of Yau Lee Construction (Macau) Company Limited, Yau Lee Construction (Singapore) Pte. Ltd., REC Engineering (Singapore) Pte. Ltd., REC Green Technologies (Singapore) Pte. Ltd. and REC Green Energy Solutions (Singapore) Pte. Ltd.

Ms. Wong leads the Group's integrated business sectors and plays a pivotal role in formulating overall strategic planning. With over a decade of entrepreneurial experience, she oversees corporate business development, management of construction projects in Hong Kong, together with the expansion of regional and overseas markets, implementation of full lifecycle management and Virtual Design & Construction. From building construction, IT solutions, MEP Services, architecture & engineering, energy optimization solutions, precast and low carbon building materials, curtain wall & steel works, to investment, property and hotel development. Ms. Wong is driven by her passion for combining technology, innovation and science with sustainable ecosystem in Energy & Environmental Systems, Water Sustainability, Nanotechnology & Digital Fabrication, Artificial Intelligence, Coding, Networks & Computing Systems, Cyber Security as well as E-health, Wellness & Biotechnology. Under her leadership, Yau Lee has grown to be an award winning, forward-thinking, green company on a global scale.

Ms. Wong is also the Chairperson of Next Generation Leadership Council, Exponential Advisory Board Member of Singularity University, Board Member of Virtual Builder and Advisory Board Member of Center for Integrated Facility Engineering (CIFE) at Stanford University.

Ms. Wong holds a Bachelor Degree in Design from the De Montfort University, a Master Degree in Design from the Royal College of Art in the UK, and Executive Master Degree in Business Administration, Master Degree in Philosophy both awarded by the Chinese University of Hong Kong and an executive programme in technology from the Singularity University in the US.

Ms. Wong is the daughter of Mr. Wong Ip Kuen and sister of Ir. Wong Tin Cheung.

Mr. Sun Chun Wai

aged 55, earned a Bachelor Degree in Britain. He joined the Group in 1992 to manage the Group's property development, construction works, manufacturing and supply 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.

Biographical Details of Directors and Senior Management

Independent non-executive directors

Mr. Chan, Bernard Charnwut

aged 51, has been an Independent Non-Executive Director of the Company since 2000. He is a graduate of Pomona College in California, 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 Member of Hong Kong's Executive Council. He is Chairman of the Committee on Reduction of Salt & Sugar in Food and the Steering Committee on Restored Landfill Revitalisation Funding Scheme. He is a Non-Executive Director of City e-Solutions Limited, and an Independent Non-Executive Director of Chen Hsong Holdings Limited and China Resources Beer (Holdings) 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 (China) Company Limited, the Chairman of Hong Kong-Thailand Business Council, the Chairperson of The Hong Kong Council of Social Service and a Trustee of the Pomona College, California, USA.

Mr. Wu King Cheong

aged 64, 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 70, 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[#]

Mr. Au Kam Fai Eric, Commercial Director

aged 62, joined the Group in 2014 as a Contracts Advisor and was appointed as Commercial Director in 2016. Mr. Au is a Fellow Member of the Hong Kong Institute of Surveyors and also a Registered Professional Surveyor (Quantity Surveying). He holds a Law Degree and a Master Degree in Arbitration & Dispute Resolution. He has been the chairman of the Quantity Surveying Division of the Hong Kong Institute of Surveyors (1994/1995). Before joining the Group, Mr. Au has over 37 years of experience in quantity surveying and has been appointed as Expert Witness in respect of the valuation of variations and assessment of claims for a number of arbitration and litigation cases. He has an in-depth working knowledge of contract administration and construction law and of the various standard forms of contract, methods of measurement, specifications and other related documentation. He also has substantial experience in dealing with additional costs/loss & expenses/damages claims and the causes and effects of delays to construction works. Mr. Au is now responsible for managing both the contractual and commercial matters of the projects handled by the Group.

[#] In alphabetical order

Biographical Details of Directors and Senior Management

Mr. Chan Chi Ming Antonio, Executive Director of REC Engineering Company Limited

aged 54, joined the Group in 1996 as a Building Services Project Manager and became Building Services Manager in 2002. He was appointed as Executive Director in 2008 upon successful acquisition of REC Engineering Company Limited as part of the Group. He is responsible for the Hong Kong and Singapore operation. Under the directions of the Board of Directors, he successfully leads his team to achieve triple platinum international green awards plus Three Star Rating awarded by China Green Building Design Label in the Group's hotel development – Holiday Inn Express Hong Kong SoHo.

He graduated from Portsmouth University of UK with a Bachelor Degree in Electrical and Electronic Engineering. He also holds a Master of Science Degree in Fire Safety Engineering from University of Central Lancashire of UK and an Executive Master of Business Administration degree from the Chinese University of Hong Kong.

He is a Chartered Engineer of UK, a Fellow Member of the Hong Kong Institution of Engineers ("HKIE"), a Member of the Institution of Engineering and Technology, a Member of the Institution of Fire Engineers and a Member of the European Federation of Engineers. In addition, he is also a Registered Professional Engineer as well as a BEAM Professional. Currently he is the Chairman of Hong Kong Air Conditioning and Refrigeration Association, Council Member of Hong Kong Federation of Electrical and Mechanical Contractors Limited, Vice President of Hong Kong Energy Conservation Association, Chairman of Building Services Division 2016/2017 of the HKIE, a Member of Fire Services Statutory Advisory Group and Ventilation Installation Liaison Group to Fire Services Department and a Committee Member of the Industrial Liaison Group to the SCOPE of City University of Hong Kong. He is also appointed as a Director of Hong Kong Green Building Council at the beginning of 2014.

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

aged 50, joined the Group in 2012. She 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, 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.

Mr. Lee Shiu Ming, General Manager

aged 59, joined the Group in 1987. He has held various posts within the Group namely, Quality Control Engineer, Research, Design and Development Manager, Project Manager and Deputy General Manager (Engineering) before promotion to the present position in 2016. 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 Fellow 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. He is also appointed by Buildings Department to continue as a Member of the Technical Committee for the Code of Practice for Precast Concrete Construction up to February 2017. He is currently serving as a Vice-Chairman in Building Committee of Hong Kong Construction Association.

Biographical Details of Directors and Senior Management

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

aged 62, 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 onwards.

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 Life President of the Hong Kong Electrical Contractors' Association, Chairman of the Hong Kong Federation of Electrical and Mechanical Contractors Limited.

Ms. Tang Wai Chun, Chief Quantity Surveyor

aged 59, 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, Society of Construction Law Hong Kong 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 2014 respectively. She is responsible for quantity surveying management, contract and disputes resolution advisory of Yau Lee Construction Company Limited.

Mr. Wai Yip Kin, Executive Director of REC Engineering Company Limited

aged 57, joined REC Engineering Company Limited in 1986 as Assistant Engineer of the Electrical Installation Department and was appointed as Executive Director in 2011. Over the years, he has been involved in the Hong Kong and Macau operations.

He holds a Bachelor of Science Degree in Electrical and Electronic Engineering from University of Brighton, a Master of Science Degree in Nuclear Reactor Science and Engineering from Queen Mary College, University of London.

He is a Member of the Hong Kong Institution of Engineers and the Institution of Engineering and Technology. Currently he is the Chairman of the Hong Kong Electrical Contractors' Association, Council Member of The Hong Kong Federation of Electrical and Mechanical Contractors Limited, Council Member of The Hong Kong E&M Contractors' Association Limited, Member of the Electrical and Mechanical Services Training Board and Committee on Technologist Training of the Vocational Training Council, Member of the Electrical Safety Advisory Committee and Member of the Electrical & Mechanical Services Industry Training Advisory Committee of the Qualifications Framework.

Mr. Wong Chi Leung, General Manager of Yau Lee Wah Concrete Precast Products Company Limited

aged 57, 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 Chartered Engineer and a Corporate Member of the Hong Kong Institution of Engineers. 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.

Biographical Details of Directors and Senior Management

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
- Chiang Kin Ming
- Ho Chi Man
- Lee Kam Sang
- 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 |
| • Lee Chi Kin | Building Services Department |
| • Wong Ko Yin | Tender and Planning Department |
| • Wong Sik Yan | Information Technology Department |
| • Yu Chi Kin | Quality Department |
| • Yu Kwok Yan | Tender Department |

In alphabetical order

Biographical Details of Directors and Senior Management

Subsidiaries management

VHSoft Technologies Company Limited

- Mak Yiu Kau, Hubert Chief Operating Officer

Yau Lee Building Construction and Decoration Company Limited

- Ho Chi Fai General Manager (BR)

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 Company Limited

- Wong Chi Leung General Manager

In alphabetical order

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2016.

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 supply, 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 consolidated financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 64.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2016 (2015: interim dividend of HK1.00 cent per share and final dividend of HK2.38 cents per share).

Closure of register of members

The register of members of the Company will be closed from 17 August 2016 (Wednesday) to 22 August 2016 (Monday) (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”).

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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 16 August 2016 (Tuesday).

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$245,000 (2015: HK\$430,000).

Principal properties

Details of the principal properties held for investment purposes are set out on page 145 of this annual report.

Distributable reserves

At 31 March 2016, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK\$938,538,000 (2015: HK\$952,022,000).

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 146 of this annual report.

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 2016.

Directors

The Directors of the Company 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. Sun Chun Wai

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 and the Corporate Governance Code (the "Code") under the Rules Governing The Listing of Securities on The SEHK ("Listing Rules"), Ms. Wong Wai Man and Mr. Chan, Bernard Charnwut retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming AGM 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.

Report of the Directors

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

Director	Number of shares held (long position)	
	Corporate interest	Percentage
Mr. Wong Ip Kuen	263,426,599	60.14%

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 32,747,000 shares of the Company. 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, its joint ventures or joint operations 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 2016, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows 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 | 10% |
| – the largest supplier | 3% |

Sales

- | | |
|--------------------------|-----|
| – five largest customers | 70% |
| – the largest customer | 29% |

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 2016, which do not constitute connected transactions under the Listing Rules are disclosed in Note 41 to the consolidated financial statements.

Report of the Directors

Continuing obligations under chapter 13 of the listing rules – Loan agreements with covenants 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 facilities which included a condition relating to specific performance of the controlling shareholder 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 instalments 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% of the equity interest and voting shares of the Company.

On 12 October 2012, a wholly-owned subsidiary of the Company entered into a term loan facility of up to HK\$300,000,000 with a bank in Hong Kong for exclusive purpose of financing the general working capital requirements of the subsidiary. The loan shall be repaid by ten consecutive semi-annual instalments 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% of the equity interest and voting shares of the Company.

As at 31 March 2016 and up to the date of this report, there is 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.

Corporate governance

The Company's Corporate Governance Report is set out on pages 33 to 38.

Independent auditor

The consolidated 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, 23 June 2016

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 as set out in the Appendix 14 of 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 four Executive Directors and three Independent Non-Executive Directors, whose personal biographies are set out on pages 21 to 23 of this annual 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.

Corporate Governance Report

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

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	General Meeting
Mr. Wong Ip Kuen	4/4	N/A	N/A	N/A	N/A	1/1
Ir. Wong Tin Cheung	4/4	N/A	1/1	N/A	1/1	1/1
Ms. Wong Wai Man	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Sun Chun Wai	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Chan, Bernard Charnwut	4/4	2/2	1/1	1/1	1/1	1/1
Mr. Wu King Cheong	4/4	2/2	1/1	1/1	1/1	1/1
Dr. Yeung Tsun Man, Eric	4/4	2/2	1/1	1/1	1/1	0/1

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 three 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 Audit Committee are:

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

The Audit 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 independent auditor. The terms of reference of the Audit Committee are posted on the Company's website.

During the year ended 31 March 2016, 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 the independent auditor 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 2016 and the record of attendance of the members is listed on page 34. 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 2016 and the record of attendance of the members is listed on page 34. The members of the Nomination Committee are:

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

The Board believes that building a diverse and inclusive culture is integral to the success of the Group. A truly diverse Board will include and make good use of differences in the skill, regional and industry experience, background, race, gender and other qualities of directors.

In 2013, the Board formulated a Board Diversity Policy to set out the approach to achieve diversity on the Board of Directors of the Group. In determining the Board's composition, the Group will consider Board diversity in terms of, among other things, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee shall review this policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee shall consider the policy when they make recommendations to the Board on the appointment or re-appointments of directors.

Corporate Governance Report

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 Corporate Governance Committee were formulated in accordance with the requirements 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 Listing Rules.

In accordance with the terms of reference of the Corporate Governance Committee, the committee shall meet not less than once a year to consider corporate governance issues. In addition to reviewing the result of the internal control review, the committee meets with the independent auditor to discuss the matters arising from the review and makes recommendations to the Board. The Corporate Governance Committee met once during the year ended 31 March 2016 and the record of attendance of the members is listed on page 34. 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 independent auditor. For the year ended 31 March 2016, PricewaterhouseCoopers provided the following services to the Group:

	2016	2015
	HK\$'000	HK\$'000
Audit services	5,328	5,153
Non-audit services	825	792
	6,153	5,945

Directors' responsibilities for financial reporting

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 consolidated financial position of the Group from time to time. In preparing the consolidated financial statements for the year ended 31 March 2016, appropriate accounting policies are selected and applied consistently by the Directors who made careful and reasonable judgements and estimates, and prepared the consolidated financial statements on an on-going basis.

The independent auditor's report, which contains the statement of the independent auditor about its reporting responsibilities on the Company's consolidated financial statements, is set out on pages 62 to 63 of this annual report.

Risk management and internal control

The Company recognises that it is exposed to a number of risks, which is inherent in the industries that it operates in. The Board acknowledges that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining appropriate and effective risk management and internal control system. To achieve this, the Company has in place risk management system and internal control system to manage, rather than eliminate the risk of failure and provide a reasonable, as opposed to an absolute assurance in this respect.

Management formed a risk management committee to assess and manage the Company's principal risks including but not limited to compliance risks, financial risks, operational risks and strategic risks. It supports the Board in fulfilling its corporate governance and oversight responsibilities with the monitoring and review of the risk management framework and process of the Company. And it provides a confirmation to the Board via Audit Committee on the effectiveness of the system.

In addition, the Company has implemented internal control system to minimise the risks to which the Group is exposed to and used as a management tool for day-to-day business operation. 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 2016 including financial, operational and compliance controls, as well as the Group's risk management functions. The results of the internal control review were submitted to the Corporate Governance Committee for its consideration. The Corporate Governance Committee has reviewed the results of the internal control review and is satisfied that the Group's system of internal control 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, staff qualifications and experience, training programmes and budget of the function.

The Board will continue to review and improve the Group's risk management and 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 by 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 2016.

Corporate Governance Report

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 2016 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 enables 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 direct communication with shareholders. In the 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 independent 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 Group's and 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.

Corporate Social Responsibility Report

Yau Lee's principal areas of operation are in construction, electrical and mechanical installation, building materials supply, property investment and development and hotel operations. We have long embraced the belief of "to create a greener and better world". We aspire for quality and sustainability at every stage of the building life cycle and aim to create value for clients, employees, shareholders and the community. We are committed to act responsibly for people and the environment, both now and in the future.



We continue to strive to make a positive impact to our society by actively implementing Corporate Social Responsibility (CSR) principles into all activities. Again, Yau Lee received the Caring Company Award presented by The Hong Kong Council of Social Service, aims at promoting CSR through caring for the community, employees and the environment, in recognition of our good corporate citizenship. We carry the Caring Company Logo for more than 10 years.

Besides, Yau Lee was honored with "The 5th Outstanding Corporate Social Responsibility Award" by the Mirror Magazine in recognition of its commitment in CSR. "The 5th Outstanding Corporate Social Responsibility Award" is organised by the Mirror Magazine, aims at establishing a platform to enhance the communication and experience sharing among corporations. Its judging criteria include shareholder commitment, employee care, environmental protection, customer commitment, social concern and leadership.



Corporate Social Responsibility Report

WORKPLACE QUALITY

People are Yau Lee's most valuable assets. The Group treasures employees as they are the keys to drive the success and maintain the sustainability of the corporation. It invests constantly on good working conditions, improving occupational health and safety, training and development and a healthy living style.

Health and Safety

Yau Lee places a lot of importance on workplace health and safety and exercises its safety leadership role. As an accredited company, the Group strives not only to observe the standards but to surpass them. A team of highly professional staff are trained and dedicated to the enhancement of safety provisions and equipment as well as the development of innovative safety systems.

Occupational health and safety is the Group's top priority and is communicated relentlessly within the Group. The Group has a separate Health and Safety Department to provide trainings on occupational risk assessment, identify any actual or potential hazards and risks to individuals, monitor and review the safety management system, perform regular audits on safety and health matters and maintain emergency procedures.



*14th Hong Kong Occupational Safety & Health Award
Safety Performance Award – Construction*

Corporate Social Responsibility Report

Innovative Initiatives on Safety

The Group invests heavily and uses innovation and technology to drive for a safe and healthy working environment. Our innovation and creativity products won different awards including gold, silver, bronze and merit awards in various Safety Award organised by the Development Bureau, Labour Department and the Hong Kong Construction Association etc.. Some are highlighted as follows:

- Safety Interaction Training for Erect and Dismantle of Scaffold

It is an interactive system, built on the BIM construction message system, being developed for the purpose of work safety and training relating to high risk activities – dismantling and erecting of scaffolding.

The system offers interactive demonstration by which the users are well educated of the work details before commencement of works. Through the provision of virtual reality system, workers could familiarize themselves with the actual situation by projection, understand better of the procedures and, more importantly could identify and deter the cause of accident.

Besides, standardized work procedures aiming at eliminating potential hazards are endorsed and signed jointly by the frontline workers and senior management after the work flows have been fully assessed. This arrangement not only enhances the communication, but also bridges the trust between the involved parties. The overall safety awareness shall be raised.



Corporate Social Responsibility Report

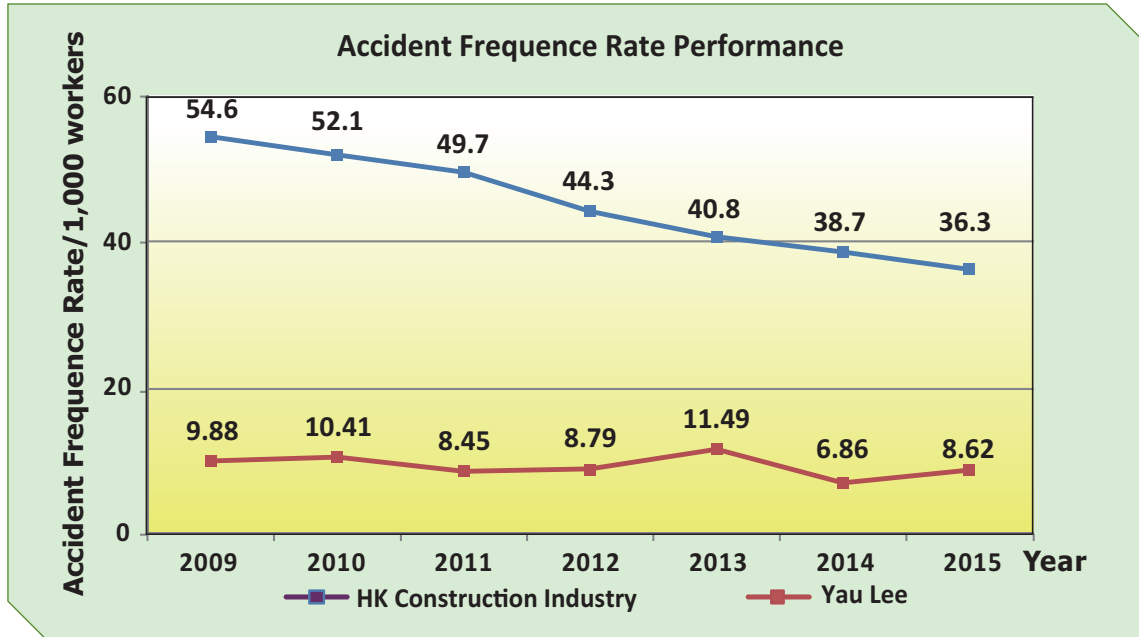
Mobile Hydraulic Jack Platform

Mobile Hydraulic Jack Platform (MHJP) is an effective equipment to uplift and install the precast transoms. Installation of precast transoms is of high risk and costly. With the introduction of the MHJP, considerable amount of expenditure and manpower can be saved as erection of scaffolds or brackets could be omitted. Injuries caused by manual handling and problem of GRG overturn could be well eliminated. The MHJP can be conveniently modified to facilitate different kinds of work activities whenever required, such as lifting of materials.



Corporate Social Responsibility Report

Our continuous efforts in this respect resulted in remarkable track records of safety performance and had long been held up as exemplary in the industry. For many years, Yau Lee has achieved low accident rates which were consistently far below the industrial average.



Corporate Social Responsibility Report

Working Conditions

Yau Lee believes in the importance of good engagement and communications with employees. Every year, the Vice Chairman of the Group presents to the employees the Group's performance, direction and outlook at the start of the year. Colleagues appreciate receiving such first-hand information from top management. Also, business units' tours like factory site visits will be arranged throughout the year. During the visits, demonstrations and presentations are made to share the business development of the respective business units.

Since 2014, the Group conducts employees surveys on work-life activities to understand their interests. Different forms of communication channels, including internal news letters and intranet, are in place to ensure voices of employees are being heard, and their needs are properly addressed.



Fair Workplace and Labour Standards

The Group's remuneration packages are designed to attract, retain and motivate competent individuals. Other fringe benefits including examination and study leave, marriage leave, comprehensive medical disability insurance coverage and retirement scheme are part of the package. The Group believes the remuneration packages of its employees are fair, reasonable and competitive.

It is always the Group's policy to eliminate discrimination, harassment and vilification in employment, to promote equal employment opportunities, and to adopt good management practices. The Group adopted Anti-discrimination and Harassment Code and Guideline with reference to the Personal Data (Privacy) Ordinance. It also introduced Sex Discrimination and Disability Discrimination Ordinance in the Employees' Handbook.

The Group encourages a culture of diversity and promotes equal opportunities. The Group strives to create a respectful, fair and safe working environment for its employees in all business units and complies with all statutory requirements.

HUMAN RESOURCES DEVELOPMENT

Yau Lee invests heavily in employee development. Continuing learning is one of our core values and we provide attractive continuous training opportunities to promote existing strengths and to tap into new potentials.

Staff Training and Development

Recognising that employees are the driving force for our Group's ongoing business development, we provide training regarding knowledge, technical know-how and awareness of statutory ordinance. We always arrange experience sharing seminars for professionals of various disciplines so that their views, knowledge and thoughts can be communicated and delivered.



Apart from job related training, Yau Lee also cares for personal growth. The Group provides various training courses to meet with the needs of employees at different development stages. For example, to promote mental health awareness and help our employees to handle work tension and pressure, we started to organise a series of emotional intelligence (EQ) training workshops since last year. Some of the workshops organised during the year are as follows:

1. Orientation workshop
2. Workplace human relationship workshop
3. Yau Lee cultural workshop
4. Transactional analysis and leadership training workshop
5. Emotion management workshop
6. Yau Lee Wah etiquette workshop



The Group advocates its corporate culture, facilitates exchange of ideas and enhances rapport and cooperation among various divisions through team building workshops, seeking to unite their efforts towards common goals and broaden successes.

In the reporting year, we have organised over 2,300 person-time training events in Hong Kong and Mainland China.

Corporate Social Responsibility Report

Employee Wellbeing

Yau Lee is well aware that, in addition to career development opportunities, work-life balance and employee well-being are essential for staff.

To nourish the staff overall wellness, a series of staff activities and leisure classes like archery war game, glass farm workshop, eggroll dessert interest group, weather forecast bottle workshop, karaoke night, table tennis and bubble football competitions etc. were organised. We extended our warmth and care to also employees' families who were invited and participated in some of our family-friendly recreation and charity activities like parents with love sky tour, Lamma Island fishing village culture day tour and wetland butterfly tour. Staff could take a break to enjoy great moments with their families.

The Group's investment in human capital can boost employee's sense of belongings and loyalties to the Group as a whole. In current year, Yau Lee joined The Green Heroes Triathlon Race organised by World Green Organisation. By participating in a challenging race and a range of fun activities, the team can transform themselves into Green Heroes and accomplish the mission of promoting waste reduction. The Group also hosts Lu Pan Dinner and Christmas Party annually at which the colleagues can interact socially and enjoy the fellowship.



Corporate Social Responsibility Report

GREEN INITIATIVES

Yau Lee apprehends that we are in an industry which builds and develops the society but has impact on environment too. As a responsible corporate citizen, we embrace sustainable construction practices as a key part of our strategy.

Since 2005, we have set out our vision as “Becoming a Green Integrated Building Corporation”. The Group is committed to protecting the environment, conserving resources and improving the standard of environmental protection at works. By continuous perfection of work flow and practices, Yau Lee has essentially incorporated the green concept into all our business operations. Also, we participated in various environment programs and campaigns, aiming to advocate the practices and to help increasing the public awareness. During the year, we won again the silver award in “Green Management Award (Corporation)” and were awarded “5 years+ Sustained Performance” by Green Council for the five consecutive wins. Besides, we proactively participated the below campaigns and gained various awards and accreditations.

- Green Office Awards Labelling Scheme (GOALS) by World Green Organization
- Hong Kong Green Organization Certification
- Hong Kong Awards for Environmental Excellence
- Carbon Audit • Green Partner by Environmental Protection Department
- Energy Saving Charter on Indoor Temperature 2015 by EMSD



Corporate Social Responsibility Report

Besides operating strict compliance ISO14001 Environmental Management System and ISO50001 Energy Monitoring and Analysis System, the Group invests relentlessly in developing and enhancing different kinds of energy enhancement solution and products.

- The Intelligent Fan Coil Unit (iFCU™) Retrofit Kit

REC Green Technologies Company Limited (RGT) and its iFCU™ Retrofit Kit are accorded Asia Pacific Intelligent Green Building Alliance (APIGBA) Hong Kong Award 2016 and Excellent Intelligent Green Building System Award – Silver in June 2016. iFCU™ Retrofit Kit is an universal plug-and-play kit to replace AC motors in all conventional fan coil units (FCU). With patented technology of permanent magnet rotors, the retrofit kit can achieve high energy efficiency, minimize the noise level and maintain ideal thermal comfort. Huge savings in electricity consumption can be expected by replacement of all the fan coil units. However, such efforts are often hindered by the high potential cost for replacement works, the lengthy interruption to HVAC systems, and the generation of large amount of industrial waste. iFCU™ successfully addresses all the above concerns by minimizing the retrofit unit and simplifying the installation process.



Corporate Social Responsibility Report

- PowerBox™ – Centralized On-line Energy Management System

The PowerBox™ system is expanded into a centralization system enabling the consolidation and management of energy data of buildings in different locations. This centralized platform can be accessed via internet and allows central energy management to monitor, manage and reduce cost and effort of operations. The Management can understand the current building energy performance while bill verification and cost allocation can be assessed for them through PowerBox™. It can raise their awareness on accountability and energy conservation. System-related parameters can be gathered via different metering devices to provide a “big picture” on the energy consumption performance. All data are analyzed automatically through the PowerBox™ system that can intelligently process the raw data to the specific needs.



Corporate Social Responsibility Report

– Design, Supply, Installation & Maintenance of Incense Smoke and Odour Reduction System

Built on technologies developed from Bamako Burner™, our proprietary burning system for smoke and fly ash removal and heat absorption, we expanded the application and commenced to design and build a series of advanced Incense Smoke and Odour Reduction System. The first project was carried out for Sik Sik Yuen at Wong Tai Sin Temple. This is a key environmental initiatives to reduce levels of air pollution during incense burning in the temples. The technologies can be easily modified and applied in a wide variety of similar usages.



– Energy Optimization Solution (EOS)

RGT has committed to provide energy enhancement solution and energy saving products, to play a part for carbon emission reduction in Hong Kong. EOS optimized energy performance of HVAC system by executed optimal operating sequences in order to reduce energy consumption of HVAC system up to 30%*. Our outstanding performance was highly recognized in the industry and we were invited to share the experience of the application of EOS in the air-conditioning session in the new building and existing building in the Trade Technology Seminar 2016. The seminar has invited influential companies in the engineering field to share their latest green building and energy optimization technologies.



– CO₂ Emission Reduction

With regard to the energy saving products and solutions delivered by RGT, the total energy saving achieved was 2,232,102.5 kW and the total CO₂ emission reduction for all iFCUs and EOS is 1,763,361.0 kg.

* Energy saving data may vary based on system configuration used in the building

Corporate Social Responsibility Report

CARES FOR COMMUNITY

Yau Lee is committed to the community and has a long history of community involvement. The Group always supports fully charities through education, cash or in-kind donations, volunteer services and cooperation with social enterprises.

Cash or In-kind Donations

Yau Lee also supports the community by donations and sponsorships and actively encourages employees in their participation in activities designed to provide support and comfort to the disadvantaged of society.

During the year, we organised a Recycling Programme collecting used clothing and goods for donations to a number of organisation such as the Association for the Rights of Industrial Accident Victims & Friends of the Earth.



Also, the Company joined again “Meal Box Distribution” program organized by Green Monday and Food Angel and distributed over 9,000 meal boxes to underprivileged people.

During the year, the Group made donations of around HK\$245,000 to various charitable organizations.

Corporate Social Responsibility Report

Volunteer Services and Cooperation with Social Enterprises

“Yau Lee Tender-Love-Care Group”, the Group’s volunteer team has been formed for more than 10 years. The team organises and participates in different kinds of community activities to deliver warmth and love to the people in need. This year we participated in “Get Warm Soup Biography” and “Parents with Love Sky Tour”, both organised by the Holy Carpenter Church. We hope to deliver warmth and cares to the elderly.

In an effort to promote the volunteer service in the local community, Mr. Antonio Chan, Executive Director of REC Engineering, formed a group and participated the “Standard Chartered Hong Kong Marathon 2016”. The athletes, inspired by the theme “Run For A Reason”, provided each other with the mutual encouragement and support that enabled them all to successfully cross the finish line, a good demonstration of “Collaboration”, one of the Group’s core values. This event raised funds for ORBIS, the Hong Kong Paralympic Committee & Sports Association for the Physically Disabled and the Hong Kong Anti-Cancer Society.



ONGOING COMMITMENT

Yau Lee is committed to the continuous development of CSR and its integration into the Group’s operations.



Awards and Accolades

Health & Safety



Awards and Accolades

Awardee	Scheme	Award	Main Organiser
Yau Lee Construction Company Limited – Integrated Contract for Construction of Public Rental Housing Development at Anderson Road Sites A and B Phase 1 and 2	The 21st Considerate Contractors Site Award Scheme	Silver Award of Outstanding Environmental Management & Performance Awards (Non-Public Works – New Works – Group A)	Development Bureau
Yau Lee Construction Company Limited – Integrated Contract for Construction of Public Rental Housing Development at Anderson Road Sites A and B Phase 1 and 2	The 21st Considerate Contractors Site Award Scheme	Merit Award of Considerate Contractors Site Awards (Non-Public Works – New Works – Group A)	Development Bureau
Yau Lee Construction Company Limited – District Term Contract for The Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin and Sai Kung (3) 2013/2016	Construction Safety Day	Bronze Award of Best Refurbishment and Maintenance Contractor in Occupational Safety and Health	Occupational Safety & Health Council
Yau Lee Construction Company Limited – The Integrated Contract for Construction of Public Rental Housing Development at Anderson Road Sites A and B Phase 1 and 2	Construction Safety Day	Merit Award of Best Method Statement	Occupational Safety & Health Council

Awards and Accolades

Awardee	Scheme	Award	Main Organiser
Yau Lee Construction Company Limited – 5 Quintet for Lifting Operations (Integrated Contract for Construction of Public Rental Housing Development at Anderson Road Sites A and B Phase 1 and 2)	Pointing and Calling Award 2015	Silver Award in Lifting Operation	Hong Kong Housing Authority/ Occupational Safety & Health Council
Yau Lee Construction Company Limited – Lorry-mounted Crane (Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3)	Pointing and Calling Award 2015	Bronze Award in Lifting Operation	Hong Kong Housing Authority/ Occupational Safety & Health Council
REC Engineering Company Limited – Use of Elevated Working Platform (Electrical Installation for Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3)	Pointing and Calling Award 2015	Gold Award in Other High Risk Activities	Hong Kong Housing Authority/ Occupational Safety & Health Council
REC Engineering Company Limited	14th Hong Kong Occupational Safety & Health Award	Safety Performance Award – Construction	Occupational Safety & Health Council
Yau Lee Construction Company Limited	N/A	HKCA Proactive Safety Contractors Award for the year 2014	Hong Kong Construction Association
Yau Lee Construction Company Limited – Design and Construction of Kwun Tong Staff Quarters at 4 Tseung Kwan O Road, Kowloon	Good Housekeeping Competition 2015/16	Good Housekeeping Merit Award (Construction)	Occupational Safety & Health Council

Awards and Accolades

Awardee	Scheme	Award	Main Organiser
Yau Lee Construction Company Limited – District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kwai Chung (1) 2015/2018	Construction Industry Safety Award Scheme 2015/2016	Merit Award of Safety Team for Building Sites	Labour Department
Yau Lee Construction Company Limited – Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is Responsible (Designated Contract Area: Kowloon and New Territories)	Construction Industry Safety Award Scheme 2015/2016	Participation Certification for Renovation and Maintenance Minor Works Category	Labour Department
Yau Lee Construction Company Limited – Term Contract 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 (Designated Contract Area: Central, Peak and Mid-levels)	Construction Industry Safety Award Scheme 2015/2016	Participation Certification for Renovation and Maintenance Minor Works Category	Labour Department

Green and Environmental Protection



Awards and Accolades

Awardee	Scheme	Award	Main Organiser
Yau Lee Construction Company Limited	Hong Kong Green Awards 2015	Silver Award of Green Management Award (Corporate)	Green Council
Yau Lee Construction Company Limited	Hong Kong Green Awards 2015	Sustained Performance (5 years+) (Corporation)	Green Council
Yau Lee Construction Company Limited	N/A	Hong Kong Green Organisation Certification	Environmental Campaign Committee
Yau Lee Construction Company Limited	Hong Kong Green Organisation Certification	Wastewi\$e Certificate in Excellence Level	Environmental Campaign Committee
Yau Lee Construction Company Limited	United Nations Millennium Development Goals – Green Office Awards Labelling Scheme Autumn 2015	“Green Office” Label and “Better World Company” Label	World Green Organisation
REC Engineering Company Limited	United Nations Millennium Development Goals – Green Office Awards Labelling Scheme Autumn 2015	“Green Office” Label and “Better World Company” Label	World Green Organisation
REC Engineering Company Limited	Building Energy Performance Recognition Scheme – Office Occupants	Gold Award of Benchmarking and Energy Saving Tool – Office Occupants (HK BESTOO)	The Hong Kong Green Building Council
Yau Lee Construction Company Limited – Redevelopment of Lo Wu Correctional Institution	N/A	Hong Kong Green Organisation Certification	Environmental Campaign Committee
Yau Lee Construction Company Limited – Construction of Ma On Shan Area 86B (Contract No: 20080006)	N/A	Hong Kong Green Organisation Certification	Environmental Campaign Committee

Awards and Accolades

Awardee	Scheme	Award	Main Organiser
Yau Lee Construction Company Limited – Redevelopment of Lower Ngau Tau Kok Estate Phase 1 (Contract No: 20080072)	N/A	Hong Kong Green Organisation Certification	Environmental Campaign Committee
Yau Lee-Hsin Chong Joint Venture – The Integrated Contract for Construction of Public Rental Housing Development at Kai Tak Site 1B (Contract No: 20090006)	N/A	Hong Kong Green Organisation Certification	Environmental Campaign Committee
Yau Lee Construction Company Limited – Construction of Public Rental Housing Development at Sheung Shui Area 36 West (Contract No. 20110062)	N/A	Hong Kong Green Organisation Certification	Environmental Campaign Committee

Awards and Accolades

People & CSR, Innovative Technologies and Quality



Awardee	Scheme	Award	Main Organiser
Yau Lee Holdings Limited	N/A	10 Years+ Caring Company 2016/2017	The Hong Kong Council of Social Service
REC Engineering Company Limited	Outstanding Apprentices Award Scheme	Certificate of Appreciation	Vocational Training Council
Yau Lee Holdings Limited	The Mirror's 5th Outstanding Corporate Social Responsibility Award	Outstanding Corporate Social Responsibility Award	The Mirror's
VHSoft Technologies Company Limited	Hong Kong ICT Awards 2015	Bronze Award of Best Innovation (Entrepreneurial Innovation)	The Hong Kong Institution of Engineers – Information Technology Division
VHSmart Customer Relationship Management System (VHSmart CRM) of VHSoft Technologies Company Limited	PCM Biz IT Excellence 2015	Outstanding Performance (Engineering and Construction Industry)	PC Market

Awards and Accolades

Awardee	Scheme	Award	Main Organiser
Yau Lee Construction (Singapore) Pte Ltd	BCA Awards 2016	Gold Award of BCA BIM Award (Organisation Category)	Building and Construction Authority
REC Engineering Company Limited (Electrical Installation Department) – Electrical installation for Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3	N/A	Certificate of Appreciation	Hong Kong Housing Authority

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 set out on pages 64 to 144, which comprise the consolidated balance sheet as at 31 March 2016, 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.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Auditor's Responsibility (continued)

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 financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 June 2016

Consolidated Income Statement

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	5	7,450,278	9,476,494
Cost of sales	7	(7,231,190)	(9,020,435)
Gross profit		219,088	456,059
Other income and gains	6	139,628	94,434
Selling and distribution costs	7	(37,318)	(26,737)
Administrative expenses	7	(403,333)	(389,693)
Other operating expenses	7	(27,813)	(10,260)
Operating (loss)/profit		(109,748)	123,803
Finance costs	9	(32,536)	(28,598)
Share of profit of associates	20	363	706
Share of loss of joint ventures	21	(55)	(59)
(Loss)/profit before income tax		(141,976)	95,852
Income tax expense	10	(13,857)	(19,781)
(Loss)/profit for the year		(155,833)	76,071
Attributable to:			
Equity holders of the Company		(159,347)	76,064
Non-controlling interests		3,514	7
		(155,833)	76,071
Dividend	11	–	14,807
(Losses)/earnings per share (basic and diluted)	12	(36.38 cents)	17.36 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
(Loss)/profit for the year	(155,833)	76,071
Other comprehensive loss		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	(16,049)	(1,092)
Total comprehensive (loss)/income for the year	(171,882)	74,979
Attributable to:		
Equity holders of the Company	(175,389)	74,972
Non-controlling interests	3,507	7
Total comprehensive (loss)/income for the year	(171,882)	74,979

Consolidated Balance Sheet

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	14	1,254,044	1,177,404
Investment properties	15	183,520	97,177
Leasehold land and land use rights	16	77,647	58,020
Intangible assets	18	13,566	14,622
Goodwill	18	15,905	15,905
Associates	20	1,465	1,596
Deferred income tax assets	32	22,091	3,400
Available-for-sale financial assets	22	11,800	11,800
Other non-current assets	23	46,238	62,442
		1,626,276	1,442,366
Current assets			
Cash and bank balances	24	639,140	1,236,477
Trade debtors, net	25(a)	1,203,906	1,341,801
Prepayments, deposits and other receivables	25(b)	458,391	601,342
Inventories	26	111,514	125,787
Prepaid income tax		820	877
Due from customers on construction contracts	27	1,135,148	1,020,610
Financial assets at fair value through profit or loss	28	9,124	42,090
Completed properties held for sale	29	176,017	–
Property under development for sale	17	–	569,459
Due from associates, net	20	494	494
Due from joint ventures/joint operations	21	34,459	33,928
Due from other partners of joint operations	21	56,797	56,797
		3,825,810	5,029,662
Total assets		5,452,086	6,472,028
Equity			
Share capital	35	87,611	87,611
Other reserves	36	426,882	451,405
Retained profits	36	887,367	1,057,140
Attributable to equity holders of the Company		1,401,860	1,596,156
Non-controlling interests		286	1,667
Total equity		1,402,146	1,597,823

Consolidated Balance Sheet

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Liabilities			
Non-current liabilities			
Long-term borrowings	31	748,848	851,127
Deferred income tax liabilities	32	28,351	3,560
		777,199	854,687
Current liabilities			
Short-term bank loans	31	1,065,147	1,105,000
Current portion of long-term borrowings	31	374,540	494,833
Derivative financial liabilities	30	2,967	11,700
Payables to suppliers and subcontractors	33	563,116	652,333
Accruals, retention payables, deposits received and other liabilities	34	811,591	893,738
Income tax payable		12,751	27,553
Obligation in respect of joint ventures	21	1,457	1,402
Due to customers on construction contracts	27	351,268	743,434
Due to joint operations	21	59,696	59,696
Due to other partners of joint operations	21	30,208	29,829
		3,272,741	4,019,518
Total liabilities		4,049,940	4,874,205
Total equity and liabilities		5,452,086	6,472,028

The financial statements on page 64 to 144 were approved by the Board of Directors on 23 June 2016 and were signed on its behalf.

Wong Ip Kuen
Director

Wong Tin Cheung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Attributable to equity holders of the Company							Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Other reserve	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 April 2014	87,611	413,776	359	38,362	-	991,502	1,531,610	1,660	1,533,270
Comprehensive income:									
Profit for the year	-	-	-	-	-	76,064	76,064	7	76,071
Other comprehensive loss:									
Currency translation differences	-	-	-	(1,092)	-	-	(1,092)	-	(1,092)
2014 final dividend	-	-	-	-	-	(6,045)	(6,045)	-	(6,045)
2015 interim dividend	-	-	-	-	-	(4,381)	(4,381)	-	(4,381)
As at 31 March 2015	87,611	413,776	359	37,270	-	1,057,140	1,596,156	1,667	1,597,823
As at 1 April 2015	87,611	413,776	359	37,270	-	1,057,140	1,596,156	1,667	1,597,823
Comprehensive (loss)/income:									
(Loss)/profit for the year	-	-	-	-	-	(159,347)	(159,347)	3,514	(155,833)
Other comprehensive loss:									
Currency translation differences	-	-	-	(16,042)	-	-	(16,042)	(7)	(16,049)
Transactions with non-controlling interests (Note)	-	-	-	-	(8,481)	-	(8,481)	(4,888)	(13,369)
2015 final dividend	-	-	-	-	-	(10,426)	(10,426)	-	(10,426)
As at 31 March 2016	87,611	413,776	359	21,228	(8,481)	887,367	1,401,860	286	1,402,146

Note: For the year ended 31 March 2016, the Group acquired additional 40% equity interest of two subsidiaries, Toprun Global Investments Limited ("Toprun") and Gain High Investment Holdings Limited ("Gain High"), each at a consideration of HK\$6.1 million. The transaction included call options for the non-controlling interest to re-purchase the 40% equity interest of Toprun and Gain High from the Group. The two call options will be exercisable on 30 June 2016, each with an exercise price of HK\$6.4 million, which is above the market prices of the 40% equity interest of Toprun and Gain High. As such, management considered the value of the two call options is minimal. The difference between the consideration for the 40% equity interest of the two subsidiaries and the carrying amount of the non-controlling interest amounting to HK\$8.6 million was included in other reserve.

Consolidated Cash Flow Statement

For the year ended 31 March 2016

	2016	2015
Note	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash (used in)/from operations	37(a) (50,818)	150,135
Hong Kong profits tax refund	–	627
Hong Kong profits tax paid	(870)	(404)
Overseas tax paid	(21,098)	(3,575)
	(72,786)	146,783
Cash flows from investing activities		
Acquisition of non-controlling interests	(13,369)	–
Purchase of property, plant and equipment	(209,635)	(120,065)
Additions to prepayments and deposits of property, plant and equipment	–	(15,636)
Additions to investment properties	15 –	(39,748)
Additions to leasehold land	16 (24,177)	–
Realised gain/(loss) on financial assets at fair value through profit or loss, net	747	(77)
Additions to financial assets at fair value through profit or loss	(9,436)	(42,388)
Proceeds from disposal of financial assets at fair value through profit or loss	42,063	32,474
Proceeds from disposal of property, plant and equipment	3,070	8,393
Proceeds from disposal of investment property	–	326,232
Dividend received from an associate	494	380
Interest received	7,101	7,057
	(203,142)	156,622

Consolidated Cash Flow Statement

For the year ended 31 March 2016

	2016 HK\$'000	2015 <i>HK\$'000</i>
Cash flows from financing activities		
Repayment of long-term bank loans	(404,761)	(117,733)
Drawdown of long-term bank loans	200,000	108,469
(Decrease)/increase in short-term bank loans, net	(39,853)	6,179
Decrease/(increase) in restricted deposits	117,423	(223,749)
Capital element of finance lease payments	(21,198)	(22,734)
Interest element of finance lease payments	(686)	(787)
Realised loss on derivative financial liabilities, net	(9,274)	(9,303)
Dividend paid	(10,426)	(10,426)
Interest paid	(30,655)	(21,511)
	(199,430)	(291,595)
Net cash used in financing activities	(199,430)	(291,595)
	(475,358)	11,810
Net (decrease)/increase in cash and cash equivalents	(475,358)	11,810
Cash and cash equivalents at beginning of year	928,625	917,039
Exchange loss on cash and cash equivalents	(4,556)	(224)
	448,711	928,625
Cash and cash equivalents at end of year	448,711	928,625
Analysis of cash and cash equivalents		
Cash and bank balances	408,196	775,418
Time deposits	40,515	153,207
	448,711	928,625

Note

37(b)

24

Notes to the Consolidated 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 supply, 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 SEHK.

These consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 June 2016.

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 all applicable 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 consolidated 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) *New and amended standards adopted by the Group*

The following standards and amendments to standards are effective for accounting periods beginning on or after 1 April 2015, and have been adopted in preparing these consolidated financial statements:

Annual Improvements Project	Annual Improvements 2010 – 2012 cycle
Annual Improvements Project	Annual Improvements 2011 – 2013 cycle
HKAS19 (2011) (Amendment)	Defined Benefit Plans: Employee contributions

The application of the above standards and amendments to standards in the current year had no material impact on the Group's consolidated financial statements.

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

A number of new standards and amendments to standards are not yet effective for accounting periods beginning on or after 1 April 2015, and have not been applied in preparing these consolidated financial statements.

HKFRS 14	Regulatory deferral accounts
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: Applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
Annual Improvements Project	Annual Improvements 2012 – 2014 cycle
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture
HKFRS 16	Leases

The directors of the Group have already commenced the assessment on their impact to the Group and the Group is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 2 (l)).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(i) *Subsidiaries (continued)*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received 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.

(ii) *Transactions with non-controlling interests*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount 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. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(iii) Associates (continued)

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 associates 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.

(iv) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. For the joint arrangements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements, they are classified as joint operations. For the remaining joint arrangements, they are classified as joint ventures.

The assets that the Group has the rights and liabilities that the Group has the obligations in relation to the joint operations are recognised in the consolidated balance sheet on an accrual basis and classified according to the nature of the item. The share of expenses that the Group incurs and its share of income that it earns from the joint operations are included in the consolidated income statement.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are included on the equity basis of accounting.

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(iv) *Joint arrangements (continued)*

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(v) *Partial disposal*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(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. In such case, 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.

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".

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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(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 accumulated 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.

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:

Hotel property	
– Leasehold land	Lease term
– Building	50 years
Leasehold land (classified as finance lease) and buildings	Shorter of lease term and 20-50 years
Leasehold improvements	4 years
Plant and machinery	4-10 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" or "Other operating expenses" in the consolidated income statement.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(e) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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 recognised in the consolidated income statement.

(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 are 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.

2 Summary of significant accounting policies (continued)

(h) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance 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. 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, loans and receivables and available for sale. 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 when they are within the Group's normal operating cycle of the business. Otherwise, they are classified as non-current.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(iv) *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. Available-for-sale financial assets are subsequently carried at cost as the fair value of these unlisted financial assets cannot be reliably measured.

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 and available-for-sale financial assets are recognised in the consolidated income statement as part of “Other income and gains” when the Group’s right to receive payments is established.

2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(iv) Recognition and measurement (continued)

For financial assets at fair value through profit or loss, 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.

Unlisted equity as included in available-for-sale financial assets are stated at cost less impairment (which is charged to the profit or loss as the fair value of these unlisted financial assets cannot be reliably measured).

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.

(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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(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

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(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.

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 income 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.

2 Summary of significant accounting policies (continued)

(s) Current and deferred income tax (continued)

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 ventures, 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.

(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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(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 consolidated 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 consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(v) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

(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.

2 Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

(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.

(iv) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Notes to the Consolidated Financial Statements

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) **Sales of building materials and residential properties**

Sales of building materials and residential properties are 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.

(iv) **Hotel revenue**

Hotel revenue from room rental and other ancillary services is recognised when the services are rendered.

(v) **Interest income**

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

(vi) **Dividend income**

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

2 Summary of significant accounting policies (continued)

(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".

(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;
- (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.

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. Currency translation differences arising are recognised in other comprehensive income.

(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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

(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 dividends are approved by the Company's shareholders and Directors as appropriate.

(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.

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.

2 Summary of significant accounting policies (continued)

(ab) Impairment of financial assets carried at amortised cost (continued)

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.

(ac) Property under development for sale and completed properties held for sale

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.

Deposits and instalments received on properties sold prior to transfer of the significant risks and rewards of the properties are included as deposits received from sales of properties under current liabilities.

Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the properties at the date of reclassification from property under development for sale. Properties remaining unsold at the end of the year are stated at the lower of cost or net realisable value.

Net realisable value represents the management's estimated selling price based on prevailing market conditions less costs to be incurred in selling the properties.

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.

As at 31 March 2016, had the price of these investments increased/decreased by 5% with all other variables held constant, post-tax profit would have been HK\$381,000 (2015: HK\$1,757,000) higher/lower.

(b) Foreign currency risk

The Group mainly operates in Hong Kong, Macau, Singapore and Mainland China. Entities within the Group are exposed to foreign exchange risk arising from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entities' functional currency.

As at 31 March 2016, if Renminbi ("RMB") had strengthened/weakened by 5% against HK\$ with all other variables held constant, the Group's profit for the year would have been approximately HK\$5,874,000 (2015: HK\$4,529,000) higher/lower, mainly as a result of net foreign exchange gains/(losses) on translation of foreign currency denominated cash and bank balances.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(c) Cash flow interest rate risk

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

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

As at 31 March 2016, had interest rates been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK\$17,898,000 (2015: HK\$17,625,000) lower/higher after capitalisation of interest expense to properties under development for sale, 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.

(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, joint ventures, joint operations and other partners of joint operations, 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 and other 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.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(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 2016 and 2015 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 2016, the Group held cash and bank deposits of HK\$639,140,000 (2015: HK\$1,236,477,000) and other current assets of HK\$3,186,670,000 (2015: HK\$3,793,185,000) that are expected to generate cash inflows in the next twelve months for managing liquidity risk.

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 twelve months equal their carrying amounts, as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	Less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	After 5 years <i>HK\$'000</i>
At 31 March 2016				
Short-term bank loans and interest thereon	1,090,024	–	–	–
Long-term borrowings and interest thereon	395,439	374,189	152,038	261,019
Derivative financial liabilities	2,967	–	–	–
Payables to suppliers and subcontractors	563,116	–	–	–
Accruals, retention payables and other liabilities	685,024	82,751	43,816	–
Due to joint operations	59,696	–	–	–
Due to other partners of joint operations	30,208	–	–	–
At 31 March 2015				
Short-term bank loans and interest thereon	1,131,952	–	–	–
Long-term borrowings and interest thereon	521,798	189,887	408,261	308,121
Derivative financial liabilities	655	11,045	–	–
Payables to suppliers and subcontractors	652,333	–	–	–
Accruals, retention payables and other liabilities	496,911	140,891	54,033	–
Due to joint operations	59,696	–	–	–
Due to other partners of joint operations	29,829	–	–	–

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

(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 debt to capital. This ratio is calculated as net debt divided by total capital. 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. Total capital is calculated as equity plus net debt.

The Group's strategy is to maintain a debt to capital ratio at a minimal level. The debt to capital ratio at 31 March 2016 and 2015 were as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Total borrowings (<i>Note 31</i>)	2,188,535	2,450,960
Less: Cash and bank balances (<i>Note 24</i>)	(639,140)	(1,236,477)
Net debt	1,549,395	1,214,483
Total equity	1,402,146	1,597,823
Total capital	2,951,541	2,812,306
Debt to capital ratio	0.52	0.43

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 14, 15 and 17) in prior years and during the year.

The increase in debt to capital ratio was due to the decrease in cash and bank balances for purchasing offices and constructing new factory facilities in Mainland China.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

(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)

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

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2016				
Financial assets at fair value through profit or loss	–	9,124	–	9,124
Derivative financial liabilities	–	(2,967)	–	(2,967)
As at 31 March 2015				
Financial assets at fair value through profit or loss	–	42,090	–	42,090
Derivative financial liabilities	–	(11,700)	–	(11,700)

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 present value of the estimated future cash flows based on observable yield curves.

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 fair value hierarchy classifications.

Notes to the Consolidated Financial Statements

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 subcontracting 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.

4 Critical accounting estimates and judgements (continued)

(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.

(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 current income tax and deferred income tax provisions in the period in which such determination is made.

Recognition of deferred income 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 completed properties held for sale

The Group assesses the carrying amount of completed properties held for sale according to its recoverable amount based on the realisability of the properties, taking into account of the estimated net sales value based on prevailing market conditions less costs to be incurred in selling the properties. 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.

Notes to the Consolidated Financial Statements

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 supply, property investment and development and hotel operations.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Construction	5,496,763	7,444,396
Electrical and mechanical installation	1,272,930	1,821,834
Building materials supply	184,685	74,998
Property investment and development	379,846	2,113
Hotel operations	97,214	115,056
Others	18,840	18,097
	7,450,278	9,476,494

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 supply – Supply 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.

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

	Construction HK\$'000	Electrical & Mechanical Installation HK\$'000	Building Materials Supply HK\$'000	Property Investment and Development HK\$'000	Hotel Operations HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 March 2016							
Total sales	5,641,497	1,800,505	533,647	446,646	97,214	80,218	8,599,727
Inter-segment sales	(144,734)	(527,575)	(348,962)	(66,800)	-	(61,378)	(1,149,449)
External sales	5,496,763	1,272,930	184,685	379,846	97,214	18,840	7,450,278
Segment results	(229,455)	25,480	91,486	7,903	11,270	(17,593)	(110,909)
Share of profit of associates	-	363	-	-	-	-	363
Share of loss of joint ventures	-	-	(55)	-	-	-	(55)
	(229,455)	25,843	91,431	7,903	11,270	(17,593)	(110,601)
Unallocated income							1,161
Finance costs							(32,536)
Loss before income tax							(141,976)
Income tax expense							(13,857)
Loss for the year							(155,833)
At 31 March 2016							
Segment assets	2,721,403	641,159	863,161	376,313	608,900	186,514	5,397,450
Interests in associates	-	1,440	-	-	-	25	1,465
Unallocated assets							53,171
Total assets							5,452,086
Segment liabilities	(1,059,293)	(547,255)	(197,713)	(3,534)	(7,199)	(35,161)	(1,850,155)
Bank loans							(2,168,228)
Obligation in respect of joint ventures	-	-	(1,457)	-	-	-	(1,457)
Unallocated liabilities							(30,100)
Total liabilities							(4,049,940)
Year ended 31 March 2016							
Capital expenditure	7,563	19,929	204,098	48,758	4,881	527	285,756
Depreciation	18,377	7,315	26,085	10	25,607	26,023	103,417
Amortisation of leasehold land and land use rights	57	-	1,499	-	-	-	1,556
Amortization of intangible assets	-	1,056	-	-	-	-	1,056
Fair value gain on investment properties, net	-	-	-	(19,314)	-	-	(19,314)
Other non-cash income, net							(8,184)

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

	Construction HK\$'000	Electrical & Mechanical Installation HK\$'000	Building Materials Supply HK\$'000	Property Investment and Development HK\$'000	Hotel Operations HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 March 2015							
Total sales	7,620,840	2,324,662	418,647	2,113	115,056	65,651	10,546,969
Inter-segment sales	(176,444)	(502,828)	(343,649)	-	-	(47,554)	(1,070,475)
External sales	7,444,396	1,821,834	74,998	2,113	115,056	18,097	9,476,494
Segment results	49,860	10,675	(10,128)	53,785	24,288	(8,572)	119,908
Share of profit of associates	-	706	-	-	-	-	706
Share of loss of joint ventures	-	-	(59)	-	-	-	(59)
	49,860	11,381	(10,187)	53,785	24,288	(8,572)	120,555
Unallocated income							3,895
Finance costs							(28,598)
Profit before income tax							95,852
Income tax expense							(19,781)
Profit for the year							76,071
At 31 March 2015							
Segment assets	3,143,561	792,651	768,561	846,304	634,269	247,787	6,433,133
Interests in associates	-	1,571	-	-	-	25	1,596
Unallocated assets							37,299
Total assets							6,472,028
Segment liabilities	(1,528,869)	(608,066)	(55,206)	(204,710)	(7,169)	(50,853)	(2,454,873)
Bank loans							(2,412,661)
Obligation in respect of joint ventures	-	-	(1,402)	-	-	-	(1,402)
Unallocated liabilities							(5,269)
Total liabilities							(4,874,205)
Year ended 31 March 2015							
Capital expenditure	23,361	36,775	33,964	163,501	1,776	50,429	309,806
Depreciation	18,759	5,774	30,631	3	24,260	21,468	100,895
Amortisation of leasehold land and land use rights	56	-	1,404	-	-	-	1,460
Amortisation of intangible assets	-	1,056	-	-	-	-	1,056
Fair value gain on investment properties, net	-	-	-	(37,264)	-	-	(37,264)
Other non-cash income, net							(3,129)

Notes to the Consolidated Financial Statements

6 Other income and gains

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other income		
Bank interest income	7,101	7,057
Interest income from subcontractors	6,999	14,226
Management service income from a joint venture and a joint operation	306	493
Sundry income	8,054	11,604
	22,460	33,380
Other gains		
Relocation compensation gain, net (<i>Note</i>)	96,140	–
Gain on disposal of property, plant and equipment, net	695	2,717
Fair value gain on investment properties, net (<i>Note 15</i>)	19,314	37,264
Gain on disposal of an investment property	–	21,025
Gain on financial assets at fair value through profit or loss	853	48
Gain on derivative financial liabilities	166	–
	117,168	61,054
	139,628	94,434

Note: On 29 April 2015, the Group entered into a Relocation Compensation Agreement (“Agreement”) with the landlord for the relocation of Longhua factory due to the urban development program of the Longhua District of Shenzhen in Mainland China. The compensation comprised a cash payment of RMB100,000,000 and entitlements of a total construction area of 10,000 square metres in the new residential properties to be constructed. The details of the Agreement are set out in the Company’s circular dated 30 June 2015.

The relocation has been completed during the year. The cash compensation of RMB100,000,000 (approximately HK\$122,671,000), after deducting removal and relocation costs incurred of RMB21,628,000 (approximately HK\$26,531,000), was recognised as other income and gains for the year ended 31 March 2016.

Notes to the Consolidated Financial Statements

7 Expenses by nature

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of construction	5,512,102	7,659,239
Cost of properties sold (<i>Note 29</i>)	375,500	–
Cost of inventories sold	350,839	299,712
Staff costs (excluding directors' emoluments) (<i>Note 13</i>)	1,039,458	1,117,053
Directors' emoluments (<i>Note 42</i>)	20,601	20,144
Depreciation		
Owned property, plant and equipment	90,532	88,294
Leased property, plant and equipment	12,885	12,601
	103,417	100,895
Operating lease rentals of		
Land and buildings	12,210	14,689
Other equipment	103,673	80,223
	115,883	94,912
Amortisation of leasehold land and land use rights (<i>Note 16</i>)	1,556	1,460
Amortisation of intangible assets (<i>Note 18</i>)	1,056	1,056
Write off of impaired receivables	–	1,326
Provision for impaired receivables, net of write back of impaired receivables (<i>Note 25(a)</i>)	1,189	4,020
Provision for inventories	242	20,914
Auditors' remuneration		
– Audit services	5,665	5,245
– Non-audit services	825	792
Exchange loss, net	21,617	5,795
Direct operating expenses arising from investment properties		
– Generate rental income	314	293
– Not generate rental income	36	31
Selling and distribution costs	37,318	26,737
Others	112,036	87,501
Total cost of sales, selling and distribution costs, administrative and other operating expenses	7,699,654	9,447,125

Notes to the Consolidated Financial Statements

8 Directors' and senior management's emoluments

(a) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2015: three) Directors whose emoluments are reflected in the analysis shown in Note 42. The emoluments paid and payable to the remaining two (2015: two) highest-paid individuals in 2016 were as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries	4,385	4,034
Bonuses	384	455
Retirement benefits	272	250
	5,041	4,739

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
HK\$2,000,001-HK\$2,500,000	1	2
HK\$2,500,001-HK\$3,000,000	1	-

(b) During the years ended 31 March 2016 and 2015, 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.

(c) Senior management (excluding directors) remuneration by bands

The remuneration fell within the following bands for the years ended 31 March 2016 and 2015:

	Number of individuals	
	2016	2015
HK\$1,000,001-HK\$1,500,000	1	3
HK\$1,500,001-HK\$2,000,000	6	5
HK\$2,000,001-HK\$2,500,000	1	1
	8	9

Notes to the Consolidated Financial Statements

9 Finance costs

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on overdrafts and short-term bank loans	33,182	30,559
Interest on long-term bank loans repayable within five years	16,665	19,520
Interest on long-term bank loans repayable after five years	10,436	10,728
Interest element of finance lease payments	861	1,065
Total borrowing costs incurred	61,144	61,872
Less: Classified as cost of construction	(17,603)	(17,563)
Capitalised in construction in progress	(1,412)	–
Capitalised in investment properties	–	(510)
Capitalised in property under development for sale	(10,788)	(21,503)
	31,341	22,296
Loss on financial assets at fair value through profit or loss	–	424
Loss on derivative financial liabilities	1,195	5,878
	32,536	28,598

10 Income tax expense

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong profits tax provision for the year	1,533	1,128
Overseas tax provision for the year	6,021	18,628
Over-provision in prior years	(331)	(770)
Deferred income tax relating to the origination and reversal of temporary differences (<i>Note 32</i>)	6,634	795
	13,857	19,781

Hong Kong profits tax was calculated at 16.5% (2015: 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.

Notes to the Consolidated Financial Statements

10 Income tax expense (continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss)/profit before income tax	(141,976)	95,852
Share of profit of associates and joint ventures	(308)	(647)
	(142,284)	95,205
Calculated at a taxation rate of 16.5% (2015: 16.5%)	(23,477)	15,709
Effect of different tax rates in other countries	9,761	(9,370)
Income not subject to taxation	(3,797)	(10,618)
Expenses not deductible for taxation purposes	1,836	2,232
Temporary differences not recognised	904	1,763
Tax losses not recognised	70,171	33,270
Recognition of previously unrecognised tax losses	(22,366)	(1,537)
Utilisation of previously unrecognised tax losses	(18,848)	(10,895)
Over-provision in prior years	(331)	(770)
Others	4	(3)
Income tax expense	13,857	19,781

11 Dividend

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividend paid during the year		
Interim – Nil (2015: HK1.00 cent per ordinary share)	–	4,381
Proposed final dividend		
Final – Nil (2015: HK2.38 cents per ordinary share)	–	10,426
	–	14,807

In the Board meeting held on 23 June 2016, the Directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: HK2.38 cents per share, totalling HK\$10,426,000).

Notes to the Consolidated Financial Statements

12 (Losses)/earnings per share (basic and diluted)

The calculation of (losses)/earnings per share is based on:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net (loss)/profit attributable to the equity holders of the Company	(159,347)	76,064
	2016	2015
Weighted average number of shares in issue during the year	438,053,600	438,053,600

Diluted (losses)/earnings per share for the years ended 31 March 2016 and 2015 are not presented as there are no potential dilutive shares in issue during the years.

13 Staff costs (excluding directors' emoluments)

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries, wages and bonuses	982,877	1,063,543
(Write-back of)/provision for unutilised annual leave	(1,256)	154
Long service payments and pension costs		
– defined contribution scheme	48,882	38,979
Termination benefits	8,955	14,377
	1,039,458	1,117,053

Notes to the Consolidated Financial Statements

14 Property, plant and equipment

	Hotel property HK\$'000	Leasehold land and 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
Year ended 31 March 2015								
Opening net book value	486,316	205,730	140,459	204,187	52,890	19,061	29,621	1,138,264
Additions	-	34,529	1,983	66,462	13,906	4,964	24,499	146,343
Disposals	-	(1,404)	(15)	(3,777)	(232)	(248)	-	(5,676)
Transfer	-	33,472	-	-	-	-	(33,472)	-
Depreciation	(2,953)	(10,988)	(17,857)	(42,754)	(19,131)	(7,212)	-	(100,895)
Currency translation differences	-	-	(21)	(389)	(199)	(23)	-	(632)
Closing net book value	483,363	261,339	124,549	223,729	47,234	16,542	20,648	1,177,404
At 31 March 2015								
Cost	490,993	331,389	174,100	365,744	145,930	71,677	20,648	1,600,481
Accumulated depreciation	(7,630)	(70,050)	(49,551)	(142,015)	(98,696)	(55,135)	-	(423,077)
Net book value	483,363	261,339	124,549	223,729	47,234	16,542	20,648	1,177,404
Year ended 31 March 2016								
Opening net book value	483,363	261,339	124,549	223,729	47,234	16,542	20,648	1,177,404
Additions	-	118,773	4,492	2,892	8,312	6,252	72,100	212,821
Disposals	-	(9,687)	-	(5,139)	(447)	(1,346)	-	(16,619)
Transfer	-	32,873	-	-	-	-	(32,873)	-
Depreciation	(2,954)	(13,722)	(19,144)	(40,947)	(19,770)	(6,880)	-	(103,417)
Currency translation differences	-	(10,418)	-	(3,695)	(171)	(106)	(1,755)	(16,145)
Closing net book value	480,409	379,158	109,897	176,840	35,158	14,462	58,120	1,254,044
At 31 March 2016								
Cost	490,993	440,218	178,599	329,789	148,665	62,896	58,120	1,709,280
Accumulated depreciation	(10,584)	(61,060)	(68,702)	(152,949)	(113,507)	(48,434)	-	(455,236)
Net book value	480,409	379,158	109,897	176,840	35,158	14,462	58,120	1,254,044

Notes to the Consolidated Financial Statements

14 Property, plant and equipment (continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Plant and machinery	33,671	43,327
Motor vehicles	4,404	6,196
	38,075	49,523

- (b) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK\$558,707,000 (2015: HK\$564,234,000) (Notes 31 and 38(e)).

15 Investment properties

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Beginning of year	97,177	329,115
Additions	–	39,748
Disposal	–	(305,207)
Transfer from property under development for sale (<i>Note 17</i>)	66,700	–
Fair value gain, net	19,314	37,264
Currency translation differences	329	(3,743)
End of year	183,520	97,177

Notes to the Consolidated Financial Statements

15 Investment properties (continued)

Valuation process

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31 March 2016 and 2015 have been determined on the basis of valuations carried out by independent valuers. Investment properties situated in Hong Kong were valued as at 31 March 2016 by Knight Frank Hong Kong Limited, an independent firm of qualified property valuers. Investment properties situated in Singapore were valued as at 31 March 2016 by Savills (Singapore) Pte. Ltd., an independent firm of qualified property valuers. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method.

Fair value measurements using significant unobservable inputs

Fair values of completed investment properties are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently been transacted. However, given the heterogeneous nature of real estate properties, significant adjustments are required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

Information about fair value measurements using significant unobservable inputs for the Group's principal investment properties

Location	Description	Fair value		Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
		2016 HK\$'000	2015 HK\$'000			
Singapore	Residential units/ retail shops	51,320	51,277	Direct comparison	Comparable sales price – S\$1,750 to S\$2,150 per square feet (2015: S\$1,500 to S\$1,900 per square feet)	The higher the comparable sales price, the higher the fair value
Hong Kong	Retail shops	124,500	39,400	Direct comparison	Comparable sales price – HK\$8,290 to HK\$63,420 per square feet (2015: HK\$30,000 to HK\$53,495 per square feet)	The higher the comparable sales price, the higher the fair value

Investment properties amounting to HK\$51,320,000 (2015: HK\$51,277,000) are pledged as security for the bank loans of the Group (Notes 31 and 38(e)).

Notes to the Consolidated Financial Statements

16 Leasehold land and land use rights

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Beginning of year	58,020	59,480
Additions	24,177	–
Amortisation	(1,556)	(1,460)
Currency translation differences	(2,994)	–
End of year	77,647	58,020

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\$1,803,000 (2015: HK\$1,859,000) were pledged as security for the Group's banking facilities (Note 38(e)).

17 Property under development for sale

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Beginning of year	569,459	445,744
Additions	48,758	123,715
Transfer to completed properties held for sale (Note 29)	(551,517)	–
Transfer to investment properties (Note 15)	(66,700)	–
End of year	–	569,459

As at 31 March 2015, property under development for sale amounting to HK\$569,459,000 are pledged as security for the bank loans of the Group (Note 38(e)).

Notes to the Consolidated Financial Statements

18 Goodwill and intangible assets

	Goodwill <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2015			
Opening net book value	15,905	15,678	31,583
Amortisation	–	(1,056)	(1,056)
Closing net book value	15,905	14,622	30,527
At 31 March 2015			
Cost	15,905	21,837	37,742
Accumulated amortisation	–	(7,215)	(7,215)
Net book value	15,905	14,622	30,527
Year ended 31 March 2016			
Opening net book value	15,905	14,622	30,527
Amortisation	–	(1,056)	(1,056)
Closing net book value	15,905	13,566	29,471
At 31 March 2016			
Cost	15,905	21,837	37,742
Accumulated amortisation	–	(8,271)	(8,271)
Net book value	15,905	13,566	29,471

Notes to the Consolidated Financial Statements

18 Goodwill and intangible assets (continued)

- (a) Goodwill is allocated to REC's 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 (2015: 5% to 6%);
- (ii) growth rate ranging from 1% to 2% per annum (2015: 1% to 2%); and
- (iii) discount rate of 9% per annum (2015: 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 installation 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.

Notes to the Consolidated Financial Statements

19 Subsidiaries

The following is a list of the principal subsidiaries as at 31 March 2016:

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 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%
Gain High Investment Holdings Limited	The British Virgin Islands/Hong Kong	US\$10	Property Investment	–	100%	100%
Global Virtual Design and Construction (Singapore) Pte. Ltd.	Singapore	S\$10,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Global Virtual Design and Construction Limited	Hong Kong	HK\$1	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Global Virtual Design and Construction Sdn. Bhd.	Malaysia	RM10,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Grace Top Investment Limited	Hong Kong	HK\$1	Property holding	–	100%	100%
Guangdong Yuan REC Mechanical and Electrical Engineering Company Limited	Mainland China	RMB3,204,836	Engineering services	–	100%	100%
Hanton (Asia) Limited	Hong Kong	HK\$1	Property Investment	–	100%	100%
InnoVision Architects & Engineers Limited	Hong Kong	HK\$1	Architectural and engineering services	–	100%	100%
Leena Theme Painting Limited	Hong Kong	HK\$1	Theme painting	–	100%	100%
Million Wealth Enterprises Limited	Hong Kong	HK\$2	Property investment	–	100%	100%
Ming Hop Company Limited	Hong Kong	HK\$1,000,000	Trading of construction materials and execution of plumbing works	–	100%	100%
Nanjing Nanda VH Software Intelligence Company Limited	Mainland China	RMB1,500,000	Development and sale of computer software	–	70%	70%

Notes to the Consolidated Financial Statements

19 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 (China) Company Limited	Hong Kong	HK\$13,800,000	Electrical and mechanical engineering services and investment holding	–	100%	100%
REC Building Services (Macao) Limited	Macao	MOP100,000	Provision of design, installation and maintenance services of building services	–	100%	100%
REC Engineering (Singapore) Pte. Ltd.	Singapore	S\$1,500,000	Electrical and mechanical engineering services	–	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%
REC Green Energy Solutions (Singapore) Pte. Ltd.	Singapore	S\$100,000	Development of environmental protection related software and programming activities	–	100%	100%
REC Green Energy Solutions Company Limited	Hong Kong	HK\$1	Development of environmental protection related software and programming activities	–	100%	100%
REC Green Technologies (Singapore) Pte. Ltd.	Singapore	S\$100,000	Engage in energy optimisation solution and environmental protection business	–	100%	100%
REC Green Technologies Company Limited	Hong Kong	HK\$1	Engage in energy optimisation solution and environmental protection business	–	100%	100%
Rich Asia Management Limited	Hong Kong	HK\$1	Property development	–	100%	100%
Right Motive Limited	Hong Kong	HK\$6,000	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%
Toprun Global Investments Limited	The British Virgin Islands/Hong Kong	US\$10	Investment holding	–	100%	100%
Trinity Crown Limited	Hong Kong	HK\$2	General trading	–	100%	100%

Notes to the Consolidated Financial Statements

19 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
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\$37,000,000	Building construction, maintenance and fitting-out	–	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 Limited	Hong Kong	HK\$2	Sale of building materials and precast products	–	100%	100%
Yau Lee Curtain Wall and Steel Works (Macau) Limited	Macau	MOP100,000	Curtain wall installation	–	100%	100%
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\$25,000,000	Curtain wall installation	–	100%	100%
Yau Lee Development (Singapore) Pte. Ltd.	Singapore	S\$50,000	Property and investment holding	–	100%	100%
Yau Lee Equipment Services Limited	Hong Kong	HK\$1	Provision of plant and machineries services	–	100%	100%
Yau Lee Hing Contracting and Decoration (Macau) Company Limited	Macau	MOP100,000	Building construction, maintenance and fitting-out	–	100%	100%

Notes to the Consolidated Financial Statements

19 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 Hing Materials Manufacturing Limited	Hong Kong	HK\$1	Trading of building materials	–	100%	100%
Yau 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 Wah Concrete Precast Products Company Limited	Hong Kong	HK\$10,000,000	Sale of precast products	–	100%	100%
有利華建材（惠州）有限公司	Mainland China	HK\$145,000,000	Manufacturing of precast products and building materials	–	100%	100%
有利華建築產業化科技（深圳）有限公司	Mainland China	HK\$1,000,000	Sale of precast products	–	100%	100%
有利華建築預制件（深圳）有限公司	Mainland China	HK\$21,000,000	Manufacturing of precast products	–	100%	100%
有利興建材（惠州）有限公司	Mainland China	HK\$96,146,284	Manufacturing of building materials	–	100%	100%
全球模擬設計與建造（深圳）有限公司	Mainland China	HK\$1,000,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
利盈電機工程（上海）有限公司	Mainland China	US\$13,920,000	Engineering services	–	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%
盈電環保節能科技（廣州）有限公司	Mainland China	RMB1,500,000	Trading of environmental technology products	–	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%

Notes to the Consolidated Financial Statements

20 Associates

	2016 HK\$'000	2015 HK\$'000
Beginning of year	1,596	1,384
Share of profit	363	706
Dividend	(494)	(494)
End of year	1,465	1,596
Due from associates, net	494	494

(a) The following are the details of the principal associates at 31 March 2016 and 2015:

Name	Particulars of issued share capital	Place of incorporation	Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	(Loss)/profit HK\$'000	Interest held
2016							
Yau Lee Development Company Limited ("YLDC") (Note (b))	HK\$100	Hong Kong	4	4	-	(7)	50%
EYE Lighting (Hong Kong) Limited ("Eye Lighting") (Note (c))	HK\$2,000,000	Hong Kong	6,042	(2,253)	6,910	956	38%
2015							
Yau Lee Development Company Limited ("YLDC") (Note (b))	HK\$100	Hong Kong	7	-	-	25,270	50%
EYE Lighting (Hong Kong) Limited ("Eye Lighting") (Note (c))	HK\$2,000,000	Hong Kong	6,541	(2,408)	8,488	1,858	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)/profit of the associate for the year ended 31 March 2016 and 2015 as the Group's share of the accumulated losses exceeds its investment in YLDC.

(c) Eye Lighting is 38% owned by the Group 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.

Notes to the Consolidated Financial Statements

21 Joint arrangements

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Obligation in respect of joint ventures		
Beginning of year	(1,402)	(1,343)
Share of loss	(55)	(59)
End of year	(1,457)	(1,402)
Due from joint ventures (<i>Note (e)</i>)	2,715	2,613
Due from joint operations (<i>Note (e)</i>)	31,744	31,315
	34,459	33,928
Due to joint operations (<i>Note (e)</i>)	(59,696)	(59,696)
Due from other partners of joint operations (<i>Note (e)</i>)	56,797	56,797
Due to other partners of joint operations (<i>Note (e)</i>)	(30,208)	(29,829)

Notes to the Consolidated Financial Statements

21 Joint arrangements (continued)

(a) The following is a list of the principal joint ventures at 31 March 2016 and 2015:

Name	Particulars of registered/issued share capital	Place of incorporation	Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	Loss HK\$'000	Effective interest
2016							
Yau Lee Formglas Limited ("YLFG") (Note (b))	HK\$1,000,000	Hong Kong	843	(4,837)	-	(85)	51%
Yau Lee Formglas (Macau) Limited ("YLFM") (Note (c))	MOP200,000	Macau	1,784	(648)	-	(23)	51%
Total			2,627	(5,485)	-	(108)	
The Group's share			1,340	(2,797)	-	(55)	
2015							
Yau Lee Formglas Limited ("YLFG") (Note (b))	HK\$1,000,000	Hong Kong	848	(4,756)	-	(83)	51%
Yau Lee Formglas (Macau) Limited ("YLFM") (Note (c))	MOP200,000	Macau	1,785	(626)	-	(32)	51%
Total			2,633	(5,382)	-	(115)	
The Group's share			1,343	(2,745)	-	(59)	

(b) YLFG is a joint venture with a Canadian party, and is engaged in investment holding of YLFM.

(c) YLFM is a wholly-owned subsidiary of YLFG, and is inactive as at 31 March 2016.

Notes to the Consolidated Financial Statements

21 Joint arrangements (continued)

(d) The following is a list of the principal joint operations at 31 March 2016 and 2015:

Name	Place of establishment	Principal activities	Effective interest	
			2016	2015
Hsin Chong-Yau Lee Joint Venture	Hong Kong	Building construction	50%	50%
Yau Lee-Hsin Chong Joint Venture	Hong Kong	Building construction	60%	60%
BYME-REC Joint Venture	Hong Kong	Electrical and mechanical services	50%	50%
Paul Y. – Yau Lee Joint Venture	Macau	Building construction	40%	40%

(e) The amounts due from/(to) joint ventures, joint operations and other partners of joint operations of the Group and the Company were unsecured, interest free and repayable on demand.

22 Available-for-sale financial assets

Unlisted equity securities, at cost

	2016 HK\$'000	2015 HK\$'000
Beginning and end of year	11,800	11,800

The balances are denominated in Hong Kong dollars. The maximum exposure to credit risk at the year end is the carrying value.

Notes to the Consolidated Financial Statements

23 Other non-current assets

Prepayments and deposits

2016 HK\$'000	2015 HK\$'000
46,238	62,442

The balance includes a set 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.

24 Cash and bank balances

Cash and bank balances
Time deposits
Restricted deposits (*Note a*)

2016 HK\$'000	2015 HK\$'000
408,196	775,418
40,515	153,207
190,429	307,852
639,140	1,236,477

- (a) Restricted deposits are funds which are pledged as security for the banking facilities of the Group (Notes 31 and 38(a)).
- (b) Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

Cash and bank balances
Time deposits with original maturity of less than three months

2016 HK\$'000	2015 HK\$'000
408,196	775,418
40,515	153,207
448,711	928,625

Notes to the Consolidated Financial Statements

24 Cash and bank balances (continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong dollars	226,665	762,964
Renminbi	297,577	316,567
Macau Patacas	57,650	123,360
Singapore dollars	55,773	31,327
United States dollars	863	1,951
Other currencies	612	308
	639,140	1,236,477

(d) Interest rates of time deposits and restricted deposits ranged from 0.01% to 4.67% (2015: 0.001% to 3.80%) per annum.

25 Trade and other receivables

(a) Trade debtors, net

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade debtors	712,936	800,066
Retention receivables	498,322	547,898
Provision for impairment	(7,352)	(6,163)
	1,203,906	1,341,801

Notes to the Consolidated Financial Statements

25 Trade and other receivables (continued)

(a) Trade debtors, net (continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current	1,081,955	1,237,411
1-30 days	9,107	36,254
31-90 days	20,204	10,566
91-180 days	11,008	4,152
Over 180 days	81,632	53,418
	121,951	104,390
	1,203,906	1,341,801

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2016, trade debtors of HK\$121,951,000 (2015: HK\$104,390,000) 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 2016, trade debtors of HK\$7,352,000 (2015: HK\$6,163,000) 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 2016 and 2015.

Notes to the Consolidated Financial Statements

25 Trade and other receivables (continued)

(a) Trade debtors, net (continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Beginning of year	6,163	2,143
Impairment loss recognised	1,281	4,020
Write back of impairment loss	(92)	–
End of year	7,352	6,163

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong dollars	902,270	1,106,824
Macau Patacas	159,149	67,336
Singapore dollars	127,739	149,444
Renminbi	14,748	18,197
	1,203,906	1,341,801

Trade receivables of certain construction contracts are pledged as security for the banking facilities of the Group (Note 38(d)).

Notes to the Consolidated Financial Statements

25 Trade and other receivables (continued)

(b) Prepayments, deposits and other receivables

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Advances to subcontractors	279,169	392,096
Prepayments and deposits	49,054	39,947
Other receivables	130,168	169,299
	458,391	601,342

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\$203,893,000 (2015: HK\$221,134,000) which bear interest ranging from 4.0% to 9.0% (2015: 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.

26 Inventories

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Raw materials	58,784	76,244
Finished goods	49,367	45,892
Others	3,363	3,651
	111,514	125,787

Notes to the Consolidated Financial Statements

27 Construction contracts in progress

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Contract costs incurred plus attributable profits less foreseeable losses to date	33,600,970	28,461,243
Progress billings to date	(32,817,090)	(28,184,067)
	783,880	277,176
Included in current assets/(liabilities) are the following:		
Due from customers on construction contracts	1,135,148	1,020,610
Due to customers on construction contracts	(351,268)	(743,434)
	783,880	277,176

Retention receivables from customers in respect of construction contracts in progress of HK\$498,322,000 (2015: HK\$547,898,000) are classified under trade debtors, net (Note 25(a)).

28 Financial assets at fair value through profit or loss

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Money market fund at fair value – unlisted	9,124	42,090

Financial assets at fair value through profit or loss of HK\$9,124,000 (2015: HK\$42,090,000) were pledged as security for the Group's and Company's banking facilities (Notes 31 and 38(b)).

29 Completed properties held for sale

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Beginning of year	–	–
Transfer from property under development for sale (Note 17)	551,517	–
Cost of properties sold (Note 7)	(375,500)	–
End of year	176,017	–

Notes to the Consolidated Financial Statements

30 Derivative financial liabilities

At fair value

Hong Kong dollars interest rate swap (*Note a*)
Foreign currency forward contracts (*Note b*)

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
	2,967	11,045
	–	655
	2,967	11,700

Note:

- (a) In 2011, 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 have taken effect during the period from June 2012 to August 2012 and will expire 4 years later after the effective date, during the period from June 2016 to August 2016.
- (b) The Group entered into several foreign currency forward contracts to mitigate its exchange rate exposure in Euro and Pound Sterling. These forward contracts have been expired during the period from August 2015 to November 2015.

31 Borrowings

Non-current

Obligations under finance lease
Long-term bank loans-secured

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
	3,579	18,114
	745,269	833,013
	748,848	851,127
<hr style="border-top: 1px dashed black;"/>		
Current		
Short-term bank loans-secured	1,065,147	1,105,000
Current portion of obligations under finance lease	16,728	20,185
Current portion of long-term bank loans-secured	357,812	474,648
	1,439,687	1,599,833
<hr style="border-top: 1px dashed black;"/>		
Total borrowings	2,188,535	2,450,960

Notes to the Consolidated Financial Statements

31 Borrowings (continued)

(a) The maturity of borrowings is as follows:

	Bank loans		Obligations under finance lease	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Within 1 year	1,422,959	1,579,648	16,728	20,185
Between 1 and 2 years	359,933	157,799	2,886	16,207
Between 2 and 5 years	129,321	378,528	693	1,907
After 5 years	256,015	296,686	–	–
	2,168,228	2,412,661	20,307	38,299

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

	2016 %	2015 %
Short-term bank loans	2.3	2.4
Long-term bank loans	2.3	2.3
Obligations under finance lease	2.4	2.3

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

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

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollars	2,176,422	2,437,050
Singapore dollars	12,113	13,910
	2,188,535	2,450,960

Notes to the Consolidated Financial Statements

31 Borrowings (continued)

- (e) The bank borrowings are secured by certain property, plant and equipment, investment properties, restricted deposits and financial assets at fair value through profit or loss of the Group (Notes 14, 15, 24, 28 and 38).
- (f) The obligations under finance lease are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	17,092	20,996
In the second to fifth year	3,673	18,513
	20,765	39,509
Future finance charges on finance lease	(458)	(1,210)
	20,307	38,299

32 Deferred income tax

The movement of net deferred income tax (liabilities)/assets is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Beginning of year	(160)	635
Charged to consolidated income statement (<i>Note 10</i>)	(6,634)	(795)
Currency translation differences	534	–
End of year	(6,260)	(160)

Notes to the Consolidated Financial Statements

32 Deferred income tax (continued)

The movement in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same taxation jurisdiction is as follows:

Assets/(liabilities)	Tax losses		Intangible assets		Accelerated depreciation allowance		Relocation compensation		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	36,183	37,422	(2,293)	(2,467)	(34,050)	(34,320)	-	-	(160)	635
Credited/(charged) to consolidated income statement	12,848	(1,239)	174	174	4,379	270	(24,035)	-	(6,634)	(795)
Currency translation differences	-	-	-	-	-	-	534	-	534	-
End of year	49,031	36,183	(2,119)	(2,293)	(29,671)	(34,050)	(23,501)	-	(6,260)	(160)

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 consolidated balance sheet:

	2016 HK\$'000	2015 HK\$'000
Deferred income tax assets		
Recoverable more than twelve months	5,591	2,720
Recoverable within twelve months	16,500	680
	22,091	3,400
Deferred income tax liabilities		
Payable or settle more than twelve months	(23,798)	(2,848)
Payable or settle within twelve months	(4,553)	(712)
	(28,351)	(3,560)

Notes to the Consolidated Financial Statements

32 Deferred income tax (continued)

As at 31 March 2016, the Group has unrecognised tax losses of approximately HK\$922,127,000 (2015: HK\$701,915,000) to carry forward against future taxable income.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
With no expiry date	724,353	633,038
Expiring not later than one year	25,687	323
Expiring later than one year and not later than five years	172,087	68,554
	922,127	701,915

33 Payables to suppliers and subcontractors

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current	513,697	614,268
1-30 days	40,194	19,330
31-90 days	1,820	5,461
91-180 days	811	1,801
Over 180 days	6,594	11,473
	563,116	652,333

Notes to the Consolidated Financial Statements

33 Payables to suppliers and subcontractors (continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong dollars	357,176	446,256
Singapore dollars	123,976	162,863
Macau Patacas	63,081	26,245
Renminbi	15,458	16,292
Others	3,425	677
	563,116	652,333

34 Accruals, retention payables, deposits received and other liabilities

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Retention payables	448,627	453,044
Deposits received from sales of properties	–	201,903
Other deposits and receipts in advance	52,049	51,061
Due to non-controlling interests (<i>Note</i>)	16,304	16,304
Others	294,611	171,426
	811,591	893,738

Note: The amount due to non-controlling interests of the Group was unsecured, interest free and repayable on demand.

35 Share capital

	Number of shares		Amount	
	2016	2015	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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

Notes to the Consolidated Financial Statements

36 Other reserves and retained profits

	Other reserves					Retained profits
	Share premium	Capital redemption reserve	Other reserve	Exchange reserve	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2014	413,776	359	-	38,362	452,497	991,502
Profit for the year	-	-	-	-	-	76,064
2014 final dividend	-	-	-	-	-	(6,045)
2015 interim dividend	-	-	-	-	-	(4,381)
Currency translation differences	-	-	-	(1,092)	(1,092)	-
At 31 March 2015	413,776	359	-	37,270	451,405	1,057,140
At 1 April 2015	413,776	359	-	37,270	451,405	1,057,140
Loss for the year	-	-	-	-	-	(159,347)
2015 final dividend	-	-	-	-	-	(10,426)
Currency translation differences	-	-	-	(16,042)	(16,042)	-
Transactions with non-controlling interests	-	-	(8,481)	-	(8,481)	-
At 31 March 2016	413,776	359	(8,481)	21,228	426,882	887,367

Notes to the Consolidated Financial Statements

37 Notes to consolidated cash flow statement

(a) Reconciliation of operating (loss)/profit to net cash (used in)/from operations

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Operating (loss)/profit	(109,748)	123,803
Interest income	(14,100)	(21,283)
Gain on disposal of property, plant and equipment, net	(695)	(2,717)
Fair value gain on investment properties, net	(19,314)	(37,264)
Gain on disposal of investment property	–	(21,025)
Amortisation of intangible assets	1,056	1,056
Amortisation of leasehold land and land use rights	1,556	1,460
Depreciation	103,417	100,895
Write off of property, plant and equipment	14,244	–
Write off of impaired receivables	–	1,326
Provision for impaired receivables, net of write back of impaired receivables	1,189	4,020
Provision for inventory	242	20,914
Provision for replacement of related water pipes for “the use of leaded solder materials in the solder joints”	142,794	–
Gain on derivative financial liabilities	(166)	–
Gain on financial assets at fair value through profit or loss	(853)	(48)
Operating profit before working capital changes	119,622	171,137
Decrease/(increase) in loans to employees	568	(1,642)
Decrease in loans to suppliers	–	4,200
Decrease/(increase) in trade debtors, net	138,144	(149,750)
Decrease/(increase) in inventories	19,440	(31,078)
Decrease in prepayments, deposits and other receivables	165,697	187,252
Increase in due from customers on construction contracts	(113,815)	(36,337)
Additions to property under development for sale	(48,758)	(123,715)
Decrease in completed properties held for sale	375,500	–
Decrease in due from associates	–	1,277
Net change in balances with joint ventures/ joint operations/other partners of joint operations	(152)	(22,400)
(Decrease)/increase in payables to suppliers and subcontractors	(89,876)	65,192
(Decrease)/increase in accruals, retention payables, deposit received and other liabilities	(224,754)	327,863
Decrease in due to customers on construction contracts	(392,434)	(241,864)
Net cash (used in)/from operations	(50,818)	150,135

Notes to the Consolidated Financial Statements

37 Notes to consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Obligations under finance lease <i>HK\$'000</i>	Long-term bank loans <i>HK\$'000</i>	Short-term bank loans <i>HK\$'000</i>	Restricted deposits <i>HK\$'000</i>
At 1 April 2014	34,893	1,316,698	1,098,821	(84,103)
Net cash (outflow)/inflow from financing activities	(22,734)	(9,264)	6,179	(223,749)
Amortisation charges of prepaid loan arrangement fee	-	1,153	-	-
Inception of finance lease obligations (<i>Note (c)</i>)	26,278	-	-	-
Currency translation differences	(138)	(926)	-	-
At 31 March 2015	38,299	1,307,661	1,105,000	(307,852)
At 1 April 2015	38,299	1,307,661	1,105,000	(307,852)
Net cash (outflow)/inflow from financing activities	(21,198)	(204,761)	(39,853)	117,423
Amortisation charges of prepaid loan arrangement fee	-	111	-	-
Inception of finance lease obligations (<i>Note (c)</i>)	3,186	-	-	-
Currency translation differences	20	70	-	-
At 31 March 2016	20,307	1,103,081	1,065,147	(190,429)

(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\$3,186,000 (2015: HK\$26,278,000).

Notes to the Consolidated Financial Statements

38 Banking facilities

As at 31 March 2016, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$4,034,049,000 (2015: HK\$4,546,076,000), of which HK\$2,599,787,000 (2015: HK\$3,085,603,000) had been utilised. These banking facilities are secured by the following:

- (a) Restricted deposits of HK\$190,429,000 (2015: HK\$307,852,000) (Note 24);
- (b) Financial assets at fair value through profit or loss of HK\$9,124,000 (2015: HK\$42,090,000) (Note 28);
- (c) Guarantees of HK\$4,019,118,000 (2015: HK\$4,526,304,000) given by the Company;
- (d) Trade receivables of certain construction contracts (Note 25 (a)); and
- (e) Property, plant and equipment of HK\$558,707,000 (2015: HK\$564,234,000), investment properties of HK\$51,320,000 (2015: HK\$51,277,000), leasehold land and land use rights of HK\$1,803,000 (2015: HK\$1,859,000) and property under development for sale of nil (2015: HK\$569,459,000) (Notes 14, 15, 16 and 17).

39 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 2016, the Group has various liquidated damages claims on certain contracts for which the respective extension of time claims have been forwarded and filed to the clients. 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) In 2010, a subsidiary of the Company instigated legal proceedings against a subcontractor claiming a sum 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 subsidiary in the sum of approximately HK\$4,898,000 as amended. The trial of the case was concluded on 3 June 2016 with judgment reserved. It is estimated that a written judgment will be handed down by the Trial Judge not before July 2016. The Directors are of the view that no provision is presently required with respect to the case.
- (c) The Group has provided performance bonds amounting to approximately HK\$762,636,000 (2015: HK\$971,529,000) in favour of the Group's customers.

Notes to the Consolidated Financial Statements

39 Commitments and contingent liabilities (continued)

- (d) As at 31 March 2016, 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\$10,580,000 (2015: HK\$35,356,000).
- (e) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Land and buildings		
Within one year	10,905	9,652
One year to five years	22,669	4,276
More than five years	961	–
	34,535	13,928

40 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	2,558	3,433
One year to five years	103	1,814
	2,661	5,247

Notes to the Consolidated Financial Statements

41 Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. In addition to those disclosed elsewhere in the consolidated financial statement transactions between the Group and other related parties during the year are not significant to the Group and are 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries and fees	18,130	16,565
Discretionary bonuses	1,640	2,780
Pension costs – defined contribution scheme	795	725
Others	36	74
	20,601	20,144

Notes to the Consolidated Financial Statements

42 Benefits and interests of directors

Directors' and chief executive's emoluments

The remuneration of the Directors is set out below:

Name	Fees <i>HK\$'000</i>	Salaries (Note (a)) <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Housing allowance <i>HK\$'000</i>	Estimated money value of other benefits (Note (b)) <i>HK\$'000</i>	Employer's contribution to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended							
31 March 2016							
Mr. Wong Ip Kuen	-	8,450	410	-	9	390	9,259
Ir. Wong Tin Cheung	-	2,964	390	936	9	180	4,479
Ms. Wong Wai Man	-	3,250	340	-	9	150	3,749
Mr. Sun Chun Wai	-	1,630	500	-	9	75	2,214
Mr. Chan, Bernard Charnwut	300	-	-	-	-	-	300
Mr. Wu King Cheong	300	-	-	-	-	-	300
Dr. Yeung Tsun Man, Eric	300	-	-	-	-	-	300
	900	16,294	1,640	936	36	795	20,601
For the year ended							
31 March 2015							
Mr. Wong Ip Kuen	-	7,850	820	-	31	363	9,064
Ir. Wong Tin Cheung	-	2,544	780	936	17	161	4,438
Ms. Wong Wai Man	-	2,890	680	-	15	134	3,719
Mr. Sun Chun Wai	-	1,445	500	-	11	67	2,023
Mr. Chan, Bernard Charnwut	300	-	-	-	-	-	300
Mr. Wu King Cheong	300	-	-	-	-	-	300
Dr. Yeung Tsun Man, Eric	300	-	-	-	-	-	300
	900	14,729	2,780	936	74	725	20,144

Notes:

- (a) Salary paid to a director is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.
- (b) Other benefits include insurance premium.

Notes to the Consolidated Financial Statements

43 Balance sheet and reserve movement of the Company

Balance sheet of the Company

As at 31 March 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Assets		
Non-current asset		
Subsidiaries	571,615	571,615
Current assets		
Cash and bank balances	17,795	10,628
Prepayments, deposits and other receivables	942	950
Financial assets at fair value through profit or loss	9,124	19,194
Due from subsidiaries	1,209,440	1,146,558
Due from a joint venture	360	280
	1,237,661	1,177,610
Total assets	1,809,276	1,749,225
Equity		
Share capital	87,611	87,611
Other reserves	414,135	414,135
Retained profits	938,538	952,022
	1,440,284	1,453,768
Total equity	1,440,284	1,453,768
Liabilities		
Current liabilities		
Short-term bank loans	–	20,000
Accruals and other liabilities	696	699
Due to subsidiaries	368,296	274,758
	368,992	295,457
Total liabilities	368,992	295,457
Total equity and liabilities	1,809,276	1,749,225

Notes to the Consolidated Financial Statements

43 Balance sheet and reserve movement of the Company (continued)

**Note: Reserve movement of the Company
For the year ended 31 March 2016**

	Share premium <i>HK\$'000</i>	Other reserves Capital redemption reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>
At 1 April 2014	413,776	359	414,135	962,241
Profit attributable to equity holders of the Company	–	–	–	207
2014 final dividend	–	–	–	(6,045)
2015 interim dividend	–	–	–	(4,381)
At 31 March 2015	413,776	359	414,135	952,022
At 1 April 2015	413,776	359	414,135	952,022
Loss attributable to equity holders of the Company	–	–	–	(3,058)
2015 final dividend	–	–	–	(10,426)
At 31 March 2016	413,776	359	414,135	938,538

44 Subsequent event

On 14 June 2016, the Urban Renewal Authority announced that a wholly-owned subsidiary of the Company has won the contract for the development of Pine Street/Oak Street Demand-led Project in Tai Kok Tsui.

The project site covers an area of about 767 square metres. Upon completion, it is planned to provide about 115 residential units with a total residential gross floor area of about 5,754 square metres and commercial gross floor area of about 719 square metres.

List of Investment Properties

Property	Location and lease term	Area	Existing use	Group's interest	
1.	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%
2.	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%
3.	Rear Portion of 4th Floor 33 & 33A Pok Fu Lam Road, Pok Fu Lam, Hong Kong	Inland Lot No. 5821 for a term of 999 years commencing on 30 June 1862	Approximate saleable area 658 sq.ft.	The property is currently leased out	90%
4.	G/F and Cockloft of No. 30 Western Street, Sai Ying Pun, Hong Kong	Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860	Approximate shop saleable area 498 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 368 sq.ft.	The property is currently vacant	100%
5.	G/F and Cockloft of No. 32 Western Street, Sai Ying Pun, Hong Kong	Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860	Approximate shop saleable area 455 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 319 sq.ft.	The property is currently vacant	100%
6.	Shop A on Ground Floor and Shop B on 1st Floor, L•Harbour 18, No. 18 Chi Kiang Street, Kowloon	Kowloon Inland Lot No. 9673 for a term of 75 years from 19 January 1970 renewable for 75 years	Approximate shops saleable area 4,376 sq.ft.	The property is currently vacant	100%

Five Year Financial Summary

Consolidated results

For the year ended 31 March

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	4,815,198	4,196,546	6,552,586	9,476,494	7,450,278
Profit/(loss) before income tax	50,240	73,490	47,025	95,852	(141,976)
Income tax expense	(7,582)	(8,180)	(7,791)	(19,781)	(13,857)
(Profit)/loss attributable to non-controlling interests	(1,167)	50	(619)	(7)	(3,514)
Profit/(loss) attributable to equity holders of the Company	41,491	65,360	38,615	76,064	(159,347)

Consolidated assets and liabilities

As at 31 March

	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Total assets	3,990,249	4,412,525	6,242,116	6,472,028	5,452,086
Total liabilities and non-controlling interests	(2,543,206)	(2,913,085)	(4,710,506)	(4,875,872)	(4,050,226)
Shareholders' equity	1,447,043	1,499,440	1,531,610	1,596,156	1,401,860

The above financial summary is extracted from the audited consolidated financial statements of the Group.