有利集團有限公司

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 0406

ANNUAL REPORT 2017

Human-based **Management**

Continuous **R&D**

Industrialized **Building Process**

This annual report is printed on environmentally friendly paper

Contents

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

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

Independent Auditor

PricewaterhouseCoopers

Solicitors

Gallant
T.H. Koo & Associates

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Ltd.
Shops 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 2017 to all the shareholders.

Result for the Year

I am pleased to report that the Group's businesses were progressing well in the year, both operationally and strategically. Notwithstanding that a loss was reported, the loss amount was substantially reduced and in fact to a large extent affected by the aftermath of "lead-in-water" incident. The strong performance in order intake we delivered this year envisages an improved operation performance in coming years and reflects customers' trust on us. On strategic move, we took a big leap forward to develop the precast concrete products supply market in Mainland China. In light of the huge market potential, we anticipate an exponential growth in precast business in coming years.

The Group's revenue was HK$6,124 million, declined 18% compared to last year. The decrease was mainly due to the reduction of business activities in Macau and Singapore which in aggregate recorded a drop in revenue of HK$1,318 million or 62% year on year. However, revenue generated from Hong Kong construction grew by 11%. Besides, both the construction and E&M teams accomplished a high level of new orders this year and achieved an increase in order intake by 153% and 28% respectively. The strong order book supports the Group for a solid level of activities in coming periods.

Consolidated gross profit was HK$459 million, represented an increase of 110%. Apart from the exclusion of last year's one-off costs expended for the "lead-in-water" incident, gross profit margin was slightly improved which attributed to the rise in amount.

Operating expenses were HK$478 million, whilst last year one was HK$468 million. Among the operating expenses, a currency revaluation exchange loss of HK$32 million was recorded whilst last year amount was HK$22 million.

Compared with last year, the consolidated loss before tax was much reduced from HK$142 million to HK$22 million. The loss was mainly caused by foreign currency asset revaluation exchange losses of HK$32 million. It is noted that Renminbi appreciated slightly in past few months. There is market view that the Chinese authorities are attempting to reduce the volatility in CNY further. Net profits shall be enhanced if the impact of Renminbi depreciation diminishes. Losses per share for the year was HK6.80 cents, compared with losses per share of HK36.38 cents last year. Net asset value of the Group as at 31 March 2017 was HK$1,395 million (2016: HK$1,402 million), equivalent to HK$3.18 (2016: HK$3.20) per share based on 438,053,600 ordinary shares in issue.

Chairman's Statement

Dividend

In the Board meeting held on 26 June 2017, the Directors recommended the payment of a final dividend of HK1.38 cents (2016: Nil) per share. Total distribution would be HK$6,045,000 this year whilst no dividend was paid in last year. The recommended final dividend, subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting ("AGM") which is scheduled to be held on 14 August 2017 (Monday), will be payable on 18 September 2017 (Monday) to the shareholders whose names appear on the register of members of the Company on 31 August 2017 (Thursday).

Review of Operations

Building construction, renovation and maintenance

The segment reported a yearly revenue of HK$4,738 million, fell 16% year on year. The drop was in Macau and Singapore, in line with the anticipation as both markets are weakened due to economic downturn. Yet, the performance in Hong Kong market was good and made a growth of 11% year on year in term of revenue. Actually, the time frame in new job awards was delayed by almost a year because of the "lead-in-water" incident. Out of the three major new contracts secured during the year, only one project commenced work in the year whilst the other two started after the year end. Thus, contributions from new projects were very little in this year. We anticipated the business volume shall be increased in next year when all the on-hand projects give a full year impact. The renovation and maintenance businesses kept growing at a steady pace and up by 6% compared with prior year. The division expanded in both volume and clientele. More and more fit-out projects were obtained from large institutional clients such as Airport Authority and MTR Corporation etc which formed a solid base for business expansion.

Segment result turned from loss to profit because the one-off costs for "lead-in-water" incident reported last year was not recurrent. Having said that, the segment profits was at a low level mainly because of the dissatisfactory results in the Macau and Singapore projects and costs of temporary surfeit of manpower as a result of delay in new order awards caused by the Housing Authority's temporary tendering suspension. The construction industry in Singapore has been hard hit by the economic downturn in 2016. Despite sluggish demands from private housing sector, construction costs continued to rise due to tightening manpower policies, increasing stringent regulatory controls and rising construction materials and operating costs. In fact, Singapore is the third most expensive Asian city for construction. The tepid market conditions coupled with the under-performance of certain subcontractors in a project impacted the division's profitability. The general view of the construction market in Singapore remains relatively muted given the weak demand, fierce competitions and challenging operation environment. In light of the above, we would reorganise the operation there, giving us the flexibility to react promptly to the market.

During the year, the Group was awarded new contracts amounted to HK$8,813 million, representing 153% growth comparing to last year. Among the new awards, there are two noteworthy contracts which are worth mentioning. The first one is a public housing building contract which is by far our largest-ever building contract and another one is a building contract awarded by the Hong Kong Sanatorium & Hospital. The hospital project is to build proton therapy facilities which are highly technical and challenging that for sure will mark a milestone upon completion. With the strong order intake performance, contracts in hand as at 31 March 2017 rose to HK$18,889 million, increased by 9% year on year.

The Group invested relentlessly in past few years on construction related IT like virtual design and construction technologies (VDC) and 5D building information modelling (5D BIM). We are acknowledged as a benchmark player who is able to offer a full range of solutions that span the entire construction industry value chain, from design, construction, operation to maintenance and management. We commenced to extend businesses to Mainland China, Singapore and Malaysia, targeting both private and public sectors. Drawing on our various technical competencies, we provide full service offerings which can meet customers' special and complex needs. One of the unique projects we delivered this year was the floating solar panels at Shek Pik reservoir. In this project, the VDC team and E&M team worked together to provide one-stop solutions and deliver efficient and quality services all along the value chain, right from the design phase to construction, operation management and maintenance and even the marketing pitch.

Apart from consultancy services, we provide also education and training services aiming to help develop more talents who are in need in the industry. We give seminars and training classes in Hong Kong, Singapore and Malaysia. Besides, we help the Higher Educational Institute (THEi) in their first BIM degree program by giving input to the course curriculum. Going forward, we would further enrich our VDC applicability in both macro (Spatial Data Infrastructure) and micro (OpenBIM) levels with our global renowned strategic partners such as GRAPHISOFT for the localisation of ArchiCAD and developing an add-on EcoDesigner STAR not only for energy simulation which can be applicable for the US's LEED but also Hong Kong's BEAM Plus assessment during design stage, ESRI for the implementation of CityEngine for long term sustainable land use planning and Trimble for the integration of Vico Software, BIMx, VHSmart and GIS information for visualisation of building to resolve site issues during inspection as well as introducing leading edge technologies including augmented reality applications, HoloLens from design to on site management. The Group's innovative prowess and technical expertise make a genuine competitive edge when it comes to tender.

Electrical and mechanical installation

In the E&M segment, total revenue rose by 13%, year on year from HK$1,801 million to HK$ 2,027 million. Though the revenue started slow in the first six months, we managed to catch up on the works in the second half of the year as anticipated in the interim report. Major growth was in Hong Kong and we won a number of large projects including electrical installation for public housing development at Tuen Mun Area 54 site 2, E&M works for Anderson Road sites A&B and HVAC installation for the hotel development at North Point Estate Lane etc. The good amounts of new orders secured in last year started to materialise and contribute to sales performance. Gross profit for the year was HK$126 million whilst last year one was HK$130 million. The division encountered some execution challenges in a Macau project which impacted the final margin and made the overall gross profits of the segment reduced. Total operating expenses was increased mainly due to increase in headcounts and salary adjustments. As a result of the hiccup in the Macau project and the increase in manpower costs, the segment reported a drop in before-tax profits of around HK$13 million.

We strategically expanded the size of the team to prepare for the rise in businesses. The division achieved again a fairly good amount of growth in new orders. New awards in the year amounted to HK$2,228 million, 28% more than last year and hit a record high.

We see business growth in both conventional E&M projects and environmental engineering projects. With proven track records in delivering green building and energy optimisation solutions, we are entrusted by our customers with their green visions. During the year, we completed two unique projects which are the floating solar panels at Shek Pik reservoir and the incense smoke and odour reduction system at Wong Tai Sin Temple. In the floating solar panels project, our one-stop solutions approach delivered efficiency and quality services all along the value chain, right from the design phase to construction, operation management and maintenance. Our experience, technical know-how and commitment to innovation enable us to fully meet the needs of the customers.

While we were advancing our technical capabilities through participating in unique projects, we also made progress on the sales of existing energy saving products including intelligent Fan Coil Unit – iFCU™, EOS, Nanoflex lighting and Bumako burner etc. We are pleased to have more and more new customers through the word-of-mouth recommendations.

Besides, we also transformed some of our offices in Hong Kong and China into smart offices for energy efficiency and customer demonstration purposes. These smart offices help the customers to fully visualise the resulting benefits and have successfully brought us business contracts and opportunities. The markets in Hong Kong, China and AESAN countries for green building and energy optimisation solutions are huge and at early development stages. We shall devise effective business strategies to accelerate the business development in these markets.

As at 31 March 2017, contracts in hand amounted to HK$6,328 million, representing a solid order book which gives a clear visibility of sales performance in coming periods.

Building materials supply

In the prefabrication and building materials supply division, revenue improved by 14% compared with the prior year to HK$608 million. The temporary tendering suspension affected the Hong Kong construction division as well as the prefabrication sales because the factory capacity planned for group businesses left idle. The team acted swiftly and was able to secure more third parties' orders to compensate the reduction in sales to group. Nonetheless, gross profits margin reduced slightly due to keen competitions in the market. Segment profits appeared to be reduced substantially because an one-off cash compensation net gain of HK$72 million for the factory removal which is not recurrent was included last year.

Being the Group's core technology development base, the division works inexorably in advancing construction methods and production processes such as full automation of stainless steel window frame.

The new technologies would benefit the construction site performance through savings in labor cost, reduced wastages and increased productivity.

The construction of new factory blocks and production lines are in progress and shall be substantially completed in next year. Upon completion, we will have additional flexibility and capacity to take on more construction projects as well as to commence prefabrication supply business in Mainland China market.

This year the Group made great strides in prefabrication business expansion. As mentioned in the interim report, prefabrication and modular construction markets in Mainland China, as supported by Government policy, are developing rapidly. The National 13th Five-Year Plan has placed great emphasis on innovative infrastructure and green development. The State Council issued in early 2016 "The Opinions and Guidelines on Further Strengthening Urban Planning and Development Management" which promoted prefabrication and stated that the country will push forward prefabricated buildings in order to generate less construction waste and dust pollution, shorten construction time and improve the overall quality of the buildings. It also projected that 30% of new buildings will be prefabricated within the next 10 years. Later on, the State Council further released "The Circular on Promoting Prefabricated Construction" which states that several regions including Beijing-Tianjin-Hebei region, Yangtze River Delta region and Pearl River Delta are the key regions for implementation. Against this backdrop, the Group's more than three decades' experience and expertise in prefabrication are highly recognised by many industry participants in China. During the year, over 160 entities including government officials, developers, architecture and design firms and contractors visited our Huizhou factory. We were approached by many parties for business cooperations. At present, three joint ventures were established to engage in the manufacturing and supply of precast concrete products and the provision of consultancy services in eight major cities including Nanjing, Jiangsu, Zhejiang, Shanghai and Guangdong, most of which fall within the abovementioned key regions. We target to open the first joint venture factory in Jiangsu and then one by one in different major cities. At present, the discussions with many different parties for similar cooperations in various first and second tier cities continue. In light of the enormous market size in China, we believe the business would grow exponentially in next few years and would contribute significantly to the Group in term of profitability and asset value in the years to come.

Hotel operation and property investment and development

The strong currency and the increased competition from other countries continued to impact the tourist and hotel markets in Hong Kong. According to the Tourism Commission figures, visitors to Hong Kong decreased by 4.5% year on year. The decline widened from a 2.5% fall in 2015. Nonetheless, the industry's average hotel occupancy rate was 87%, up slightly by 1% from 2015, whilst average room rate dropped by 3.7% year on year. Notwithstanding that, the good services and convenience of location enable the Group's hotel to maintain a relatively high average occupancy rate of around 90%. Besides, the average room rate per night was up a bit by around 2%. Also, there were some signs of uptrend in the past three months by which we noted that the sales performance was somewhat higher period on period. Despite so, the rising operating costs needed to be dealt with. As a number of new hotels are scheduled to be opened this year, competitions for manpower shall be keen and may drive the costs further up. We have to pay more attention for measures to improve efficiency for a reasonable return.

In respect of property development, we are pleased to report that we were awarded in June 2016 a contract for a commercial/residential composite development on Pine Street/Oak Street in Tai Kok Tsui. The project site area is around 8,300 ft^2 with estimated GFA of around 70,000 ft^2. It is planned to build a 25-storey residential and commercial composite development with car parks in basement under the theme of human centric and smart healthy living. Thanks for the help from our BIM team which integrated designer's idea into modelling for better design visualisation and collaboration by using Marco-Micro Full Lifecycle Approach including ArchiCAD, EcoDesigner STAR, CityEngine, Vico, BIMx, VHSmart, etc., we broke our record to prepare the building plan submission in just 37 working days with 6 Big Room Concept meetings. Foundation work has just started and we expect the development to be completed at end of Year 2020. In light of the booming property market, we are optimistic to the return of the development.

Outlook

Looking forward, we are optimistic about the business opportunities in our core markets. As expressed in the 2017 Policy Address, the HKSAR Government upholds the vision of "Developing the Economy and Improving People's Livelihood". It set out clear and firm plannings on housing supply, development of private and public hospitals and environmental protection, all of which provide abundant business opportunities for the building and construction industry. As an innovative, reliable and pro-active contractor, the Group has many strengths to draw on to seize and grow our market shares in these booming segments.

On technological competency, we invest and develop continuously on building technologies, construction related IT solutions, VDC technologies, automation and industralisation of building processes. We focus on areas that offer the most promising prospects to the businesses and bring benefits to customers. With solutions like BIM and VDC and technologies like drones and 3D laser scanning, we would be able to contribute from pre-design through operation and ongoing maintenance. Our integrated holistic solutions help the customers to facilitate their projects on track and on budget with increased efficiency and productivity which are of vital importance particularly for housing and hospital construction as both are in urgent needed. During the year, we completed the design and construction of Yau Ma Tei Specialist Clinic at Queen Elizabeth Hospital. It is a complex project with a very tight time span. As a validation of the Group's capabilities and quality works, the project received several awards. It enriched our long history and reputation in hospital constructions. Given our acknowledged competency in this area, we anticipate to obtain a considerable amounts of businesses from the Government's HK$200 billions 10-year Hospital Development Plan.

In addition to business growth in existing markets, we would drive opportunities in new markets by leverage on our competency and research and development capabilities. The National 13th Five-Year plan for 2016-2020 and China's pledge to support Paris Climate Agreement lay a solid foundation for green business developments in China. The Group's two key strengths, energy saving solutions and prefabrication, are now in great demand. As mentioned earlier, the Government policy and its ongoing undertaking of construction industrialisation in China redefined the industry and created a new era for the prefabrication industry. As of now, more than 20 provinces and cities have launched policies for promoting prefabricated construction, including grants and subsidies, tax incentives etc. With the proven strength and reputation in green building technologies and solutions, the Group's leading position in technical excellence is highly regarded. We were approached by many renowned China market players for business operations in environmental protection business and prefabrication business. Apart from the three JV signed during year, many promising cooperations are in discussion. It is no doubt that the related business shall grow very rapidly in coming years.

The compensation of entitlements to a total construction area of 10,000 m^2 in the new residential properties to be constructed on the ex Longhua factory site area is still in anticipation. The building plan of the development was outlined and the site preparation work is ongoing. The development is targeted to complete in 2020. Given the development is still at an early stage, the anticipated income from sales of the 10,000 m^2 residential properties is yet to be accounted in the book. Referring to the recent residential properties transactions in the related area, property prices are over RMB45,000 per m^2, reflecting a substantial income upon realisation in future. The Group's asset value shall be greatly enhanced then.

Going forward, we will stay true to the strategy of being an "Integrated and innovative green corporation". We will continue to strengthen our business, drive opportunities in new markets, and streamline our cost structure to improve our competitiveness. In light of the unprecedented uncertainties in global markets, we will develop our business whilst be mindful of various business risks. We always keep in mind the aim of bringing to our shareholders a reasonable sustainable return.

On behalf of the Board, I would like to give my sincere gratitude to all the colleagues for the dedications and contributions. And I have to express my appreciation to our shareholders for their forbearance and trust given to us during the difficult period of times. With all of your supports and efforts, the Group steps into the bright future with confidence.

By order of the Board

Wong Ip Kuen
Chairman

Hong Kong, 26 June 2017

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 2017, the Group's total cash and bank balances was HK$738 million (2016: HK$639 million) and total borrowings increased to HK$2,525 million (2016: HK$2,189 million). The increase in net cash borrowing was to finance the development cost of an Urban Renewal Authority property development project at Pine Street/Oak Street, Tai Kok Tsui obtained during the year. The current ratio (total current assets: total current liabilities) as at 31 March 2017 was 1.3 (2016: 1.2). The amount of bank loans and other facilities fall due beyond one year was HK$989 million (2016: HK$749 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. 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 2017, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,084 million (2016: HK$4,034 million), of which HK$3,007 million (2016: HK$2,600 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 2017, the Group had approximately 3,100 (2016: 3,500) employees. There are approximately 2,300 (2016: 2,500) employees in Hong Kong, Macau and Singapore and 800 (2016: 1,000) 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 2017

Contract value

	31 March 2016 HK$'million	Contracts Secured HK$'million	Contracts Completed HK$'million	**31 March 2017** ***HK$'million***
Building construction, renovation and maintenance	17,350	8,813	(7,274)	**18,889**
Electrical and mechanical installation	5,947	2,228	(1,847)	**6,328**
Building materials supply	1,544	333	(109)	**1,768**
Computer software development and architectural and engineering services	24	6	(15)	**15**
Less: Inter-segment contracts	(2,866)	(1,073)	498	**(3,441)**
	21,999	10,307	(8,747)	**23,559**

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2017

Contracts

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

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

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

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

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

Building construction, renovation and maintenance segment (continued)

Contracts completed during the year ended 31 March 2017 (continued)

Contracts

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 Kallang Whampoa Contract 50A in Singapore

Contracts secured in prior years and in progress during the year ended 31 March 2017

Contracts

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

Building Works at Punggol East Contract 39B in Singapore

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

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 Architectural Services Department is Responsible (Hong Kong Island and Outlying Island)

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

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2017 (continued)

Contracts

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)

Contracts secured in current year

Contracts

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

Management Contract for 3 A Kung Ngam Village under Hong Kong Sanatorium & Hospital

Construction of Public Housing Developments at North West Kowloon Reclamation Site 6 and Fat Tseung Street West

Construction of Public Rental Housing Development at Fanling Area 49

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: Kowloon City, Sai Kung and Outlying Islands (Sai Kung))

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: Wong Tai Sin and Sha Tin)

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2017

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.

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

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 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

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

* Inter-segment contracts

Electrical and mechanical installation segment (continued)

Contracts completed during the year ended 31 March 2017 (continued)

Contracts
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
Electrical Installation for The Construction of Public Rental Housing Development at Ex-Yuen Long Estate
Electrical Installation for Conversion of Chai Wan Factory Estate to Public Rental Housing*
Fire Services Installation Works for Tower 5B Apart-Hotel and Podium for Venetian Orient Limited – Sands Cotai Central Macau

Contracts secured in prior years and in progress during the year ended 31 March 2017

Contracts
Design and Construction of Fitting Out Works to Buildings and Lands and Other Properties at Hong Kong Island and Outlying Islands*
E & M Package Sub-Contract for Discovery Park Shopping Mall Renovation Works
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*
Water Supply and Fire Services Term Maintenance Contract 2014/15 to 2016/17 (KE Region) for Housing Authority Estates, Areas and Buildings
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
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)*

* Inter-segment contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2017 (continued)

Contracts

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

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

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

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))*

* Inter-segment contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2017 (continued)

Contracts

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

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)*

* Inter-Segment contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2017 (continued)

Contracts

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*

Contracts secured in current year

Contracts

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

Electrical Installation for the Construction of Public Housing Development at North West Kowloon Reclamation Site 6 and Fat Tseung Street West*

Electrical Term Maintenance Contract (KWH Region) 2016/2019 for Housing Authority Estates, Areas and Buildings

Supply & Installation of Electrical Works for the Proposed Comprehensive Development at Oil Street, North Point I.L. No.8920, Hong Kong

Plumbing & Drainage Installation for the Construction of Public Housing Development at North West Kowloon Reclamation Site 6 and Fat Tseung Street West*

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 (Designed Contract Area: Wong Tai Sin, Kwun Tong and Sai Kung)*

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 (Designed Contract Area: Central & Western, Wan Chai, Eastern and Southern)*

Electrical Term Maintenance Contract (KC Region) 2016/2019 for Housing Authority Estates, Areas and Buildings

* Inter-Segment Contracts

Summary of Contracts

Electrical and mechanical installation segment (continued)

Contracts secured in current year (continued)

Contracts
Electrical, Fire Services and MVAC Installation for Malvern College Hong Kong
Design, Supply and Installation of Fire Services Sub-Contract for the Proposed Residential Development at TKO Lohas Park Package 6
Air-Conditioning and Mechanical Ventilation Installation for Public Rental Housing Development of Choi Fook Estate Phase 3 & Sports Centre, Kwun Tong

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

Contracts
Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which Architectural Services Department (Property Services Branch) is Responsible (Designated Contract Area: Kowloon City, Sai Kung and Outlying Islands (Sai Kung))*
Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which Architectural Services Department (Property Services Branch) is Responsible (Designated Contract Area: Wong Tai Sin and Sha Tin)*
Design, Supply and Installation of H2 Lighting Control System & Installation of H2 Lighting Fittings at New World Centre

Contract secured by a joint operation in prior years and in progress during the year ended 31 March 2017

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

* Inter-Segment Contracts

Biographical Details of Directors and Senior Management

Executive directors

Mr. Wong Ip Kuen

aged 81, 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 53, has been with Yau Lee Group for 29 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 Advisory Council on the Environment and a Member of the Panel on Promoting Testing and Certification Services in Construction Materials Trade. 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, the Member of Construction Industry Council, the Member of the Antiquities Advisory Board and the Director of the World Green Building 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.

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 50, 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, Augmented Reality, 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 a Director of Hong Kong Cyberport Management Company Limited, Vice President of Smart City Consortium and the Chairperson of its Smart Living Committee, Member of the Environment and Conservation Fund Committee of The Government of the HKSAR, Council Member of The Better Hong Kong Foundation, Member of The Zonta Club of Kowloon, 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 56, 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.

Independent non-executive directors

Mr. Chan, Bernard Charnwut

aged 52, 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 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 65, 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 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 71, 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 63, 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 38 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 55, 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 Engineering Council UK, a Fellow Member of the Hong Kong Institution of Engineers, 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 Vice President 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 the HKIE-Building Services Division session 2016/2017, 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 has also been re-appointed as a Director of the Hong Kong Green Building Council from January 2017 and was also appointed as a Committee Member of the Guangzhou Association for Science and Technology from February 2017.

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

aged 51, 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 25 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 60, 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 Environmental Engineering of The Hong Kong Polytechnic University. He is currently serving as a council member and a Vice-Chairman in Building Committee of Hong Kong Construction Association.

Mr. Lok Tat Hong Howard, Executive Director of REC Engineering Company Limited
aged 63, 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 60, 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 58, 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 of the Vocational Training Council, Member of the Electrical Safety Advisory Committee, Member of the EMSD Customer Liaison Group 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 58, 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. Mr. Wong was elected as the expert of China Association for Engineering Construction Standardization (China Institute of Building Standard Design & Research) in 2017.

Site management

Project Directors#

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

Project Managers#

- Chan Chi Wa
- Chiang Kin Ming
- Ho Chi Man

Head office management

Department Heads#

• Chan Mun Ling	Administration Department
• 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

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 2017.

Principal activities, segment analysis and business review

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.

The business review of the Group for the year and the outlook of the Group's future business developments are provided in the Chairman's Statement and the Management Discussion and Analysis sections on pages 3 to 11 of this annual report.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 72.

In the Board meeting held on 26 June 2017, the Directors recommended the payment of a final dividend of HK1.38 cents (2016: Nil) per share, totalling of HK$6,045,000 (2016: Nil) for the year ended 31 March 2017.

Closure of register of members for AGM

The register of members of the Company will be closed from 9 August 2017 (Wednesday) to 14 August 2017 (Monday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 14 August 2017 (Monday).

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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 8 August 2017 (Tuesday).

Closure of register of members for payment of final dividend

The register of members of the Company will be closed from 29 August 2017 (Tuesday) to 31 August 2017 (Thursday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK1.38 cents per share for the year ended 31 March 2017, following the approval at the AGM.

In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 28 August 2017 (Monday).

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$378,000 (2016: HK$245,000).

Principal properties

Details of the principal properties held for investment purposes are set out on page 155 of this annual report.

Distributable reserves

At 31 March 2017, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK$937,461,000 (2016: HK$938,538,000).

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 156 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 2017.

Report of the Directors

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"), Mr. Wong Ip Kuen and Mr. Sun Chun Wai 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.

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 2017, 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	69%
–	the largest customer	39%

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 2017, which do not constitute connected transactions under the Listing Rules are disclosed in Note 41 to the consolidated financial statements.

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 41.

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, 26 June 2017

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 27 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 written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the Independent Non-Executive Directors. The Company considers them to be independent.

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

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

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

During the year, four Board meetings were held. The attendance of the Directors at the meetings of the Board, 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	0/1	0/1
Mr. Wu King Cheong	4/4	2/2	1/1	1/1	1/1	1/1
Dr. Yeung Tsun Man, Eric	3/4	1/2	1/1	1/1	0/1	1/1

Committees of the Board

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

Audit Committee

The Audit Committee was established in April 1999 and comprises 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 2017, 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 2017 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 2017 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 and shall consider the policy when they make recommendations to the Board on the appointment or re-appointments of directors.

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 2017 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

Directors' training

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary from time to time reports latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime and arranges suitable trainings related to the roles, functions and responsibilities of the Directors.

All Directors have provided to the Company their records of training which they have received during the year. Details as follows:

Name	Attending seminar(s) or programme(s)/reading relevant materials
Executive Directors	
Mr. Wong Ip Kuen	✓
Ir. Wong Tin Cheung	✓
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	✓

Auditor's remuneration

The Company engaged PricewaterhouseCoopers as the Company's independent auditor. For the year ended 31 March 2017, PricewaterhouseCoopers provided the following services to the Group:

	2017	2016
	HK$'000	*HK$'000*
Audit services	**5,340**	5,328
Non-audit services	**462**	825
	5,802	6,153

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 2017, 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 66 to 71 of this annual report.

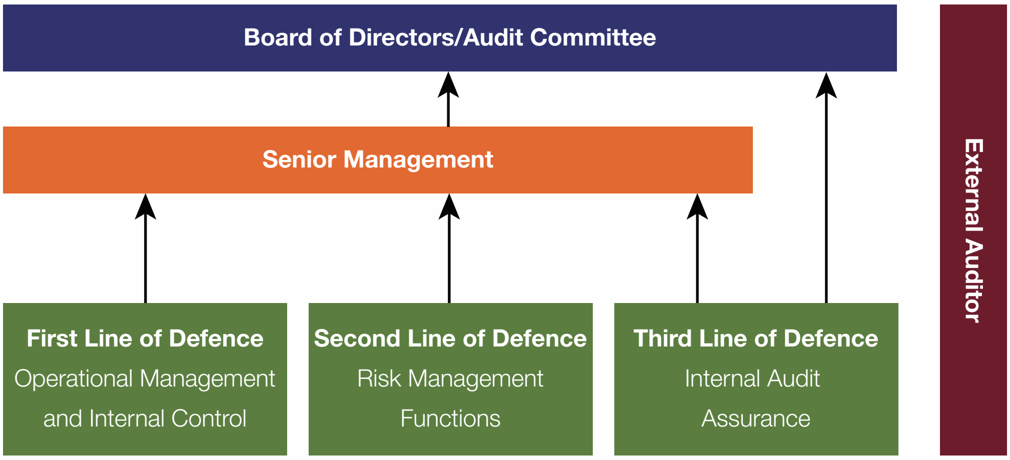
Risk management and internal control

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. In this regard, the Company has established a risk management system and an internal control system. However, the systems are designed to manage rather than eliminate the risk of failing to achieve business objectives and to make reasonable, but not absolute, assurances that there will be no material misrepresentation or loss.

Management formed the Risk Management Committee to assess and manage the Company's principal risks, including but not limited to compliance risks, financial risks, operating risks and strategic risks. It supports the Board in fulfilling its corporate governance and regulatory responsibilities to monitor and review the Company's risk management framework and processes. The Risk Management Committee also provides confirmation to the Board on the effectiveness of the system.

Risk management framework

The Company's risk management framework follows the common and widely accepted model "three lines of defence". The first line of defence is the operational management and internal control measures, the second line of defence is risk management, and the third line of defence is internal audit.



Risk management procedures

The Company has formulated an enterprise risk management process to effectively manage the risks faced by the Company. The process clearly defines four procedures for the Company's management of risk, including identification, assessment, monitoring and reporting. In the event of risk identification, management communicates with the operational functions and collects significant risk factors affecting the Company from bottom to top. These risk factors are included as enterprise risk register. Management evaluates the risks in the register and prioritises them for follow-up actions according to their potential impact, occurrence opportunity and sufficiency of current measures tackling the risks. The risk register is reviewed at least once a year, new risks are added while existing risks are removed, if necessary, after the assessment. The changes are reported to the Board at a timely manner. This process can effectively ensure that the Company takes the initiative to manage the risks it faces and that all risk holders are aware of their liability so that they can develop appropriate and effective measures in time to control the risk.

The Company's risk management activities are continuously going. The risk management framework is assessed annually for its effectiveness and management meetings are conducted on a regular basis to review the monitoring work. Management is committed to ensuring that risk management forms part of the day-to-day business processes so that risk management effectively aligns with business goals.

During the reported year, management has engaged an independent international accounting firm, Baker Tilly Hong Kong, for an enterprise risk assessment which was conducted under the approach adopted in the "COSO Enterprise Risk Management – Integrated Framework". According to the assessment result, management has established an enterprise risk register, submitted an assessment report containing recommendations to the Board and an internal control review plan for the next three years to enable the Board to effectively monitor the business risk and understand how management responds and mitigates the risks.

To comply with the SFO, the Company has also developed internal control mechanisms for handling and disseminating insider information, including information flow and reporting processes, confidentiality arrangement, disclosure procedures and staff trainings. In addition, whistleblowing policy has been formulated and approved for implementation. Accordingly, effective channels will be set up to encourage employees to report incidents of alleged misconduct or fraud.

Internal Audit

The Company has implemented an internal control system to minimise the risks to which the Company is exposed to and used as a management tool for day-to-day business operation. The internal control system is reviewed once a year. Same as the past, the Board has appointed Baker Tilly Hong Kong, to conduct a review of the Company's internal control system for the year ended 31 March 2017. The review covered financial, operational and compliance controls on operating cycles selected in accordance to the risk assessment result. In the review report, corrective action and improvement programs have been proposed for the internal control problems or deficiencies found. The results of the internal control review have been submitted to the Corporate Governance Committee for consideration.

Based on the review results for the year, management has made a confirmation to the Board that the Company's risk management and internal control systems are effective and sufficient. The Board is satisfied with the review results and pleased to receive management's acknowledgement. As part of the annual review process, the Board has performed evaluation of the Company'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 Company's risk management and internal control systems in accordance with the existing regulatory requirements, the interests of shareholders and the growth and development of the Company's business.

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 2017.

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 2017 except for deviations from the code provisions as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should 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.

Under code provision A.6.7 of the Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chan, Bernard Charnwut was unable to attend the annual general meeting of the Company held on 22 August 2016 due to his other engagement. However, the Board believes that the presence of the other independent non-executive directors at such meeting has allowed the Board to develop a balanced understanding of the views of shareholders.

Shareholders' rights

Procedures for shareholders to convene an extraordinary general meeting

Under the Bye-Laws of the Company, shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may, by written requisition, convene an extraordinary general meeting for the transaction of any business specified in such requisition. The purposes of the meeting must be stated in the written requisition. The requisition must be signed by the requisitionist(s) and deposited with the Company Secretary at the head office of the Company at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in accordance with Section 74 of the Companies Act 1981 of Bermuda (as amended).

Procedures for shareholders to put forward proposals at general meetings

Under the Companies Act 1981 of Bermuda (as amended), shareholders holding not less than one-twentieth of the total voting rights or not less than 100 shareholders may request the Company to give shareholders notice of a resolution which is intended to be moved at the next general meeting. A written notice to that effect signed by the requisitionist(s) with contact information must be deposited at the head office of the Company at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong (addressed to the Company Secretary).

Procedures for shareholders to send enquiries to the Board

Shareholders are welcome to send their enquiries to the Board in writing attention to the Company Secretary to e-mail: info@yaulee.com or the head office of the Company at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong.

Communication with shareholders

The Company's AGM provide good opportunities for shareholders to air their views and ask questions regarding the Company. In the AGM, the chairman of the Board and the chairmen of Board Committees (in their absence, another member of the committee or failing this his duly appointed delegate) will 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.

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.

Changes in constitutional documents

There is no change in the Company's constitutional documents during the year ended 31 March 2017.

Environmental, Social and Governance Report

ESG Strategy

Rooted in Hong Kong's construction industry, "We Build, We Serve, We Create" is much more than a slogan but the fundamental business values of Yau Lee. We believe a sustainable business should have a positive social, economic and environmental impact on the local community in which we operate.

Since 2012, we have established our Group's Corporate Social Responsibility (CSR) Policy to clearly disseminate our commitment both internally and externally. We have long integrated sustainable elements into different aspects of our building construction business. From green building materials, energy-saving facilities, to safe and streamlined construction processes, we pride ourselves in providing quality and sustainable solutions to clients. At all times, we aim to meet or exceed compliance in environmental, social and governance aspects. Our dedicated efforts were proven effective as there was no non-compliance in laws and regulations related to CSR aspects recorded in 2016.

About This Report

This Report focuses on the Group's principal areas of operation, including construction, electrical and mechanical installation, building materials supply, property investment and development and hotel operations, covering 50 subsidiaries with operational control under Yau Lee Holdings Limited, equivalent to 70% business scope.

This Report complies with the "comply or explain" provisions in The Stock Exchange of Hong Kong Limited's (SEHK) Environmental, Social, and Governance Reporting Guide (ESG Guide) (revised in December 2015), including specific recommended disclosures from the ESG Guide. For detailed mapping of the ESG Guide, please refer to the Content Index section.

The Report content covers the calendar year 2016 unless otherwise stated. In line with the ESG Guide's materiality principles, report content is determined by the most significant and relevant sustainability risks identified by Yau Lee's management under the risk management framework.

Sustainable Business Award

Our commitment in sustainable development was publicly recognized and we are honored to be named "Sustainable Business" in the Sustainable Business Award 2016, organized by World Green Organization which acknowledged our efforts in CSR.

Environment

"Becoming a Green Integrated Corporation" is the vision we embrace in driving green practices in our day-to-day operation. We are committed to environmental conservation, natural resources saving and waste reduction. To realize this vision, we have established international frameworks and procedures where feasible to reinforce our already robust quality and sustainability standards. Over 60% of our operations have implemented ISO 14001 Environmental Management System and over 50% also strictly complies with ISO 50001 Energy Management System.

We strive to build a sustainable green community with our stakeholders. Wherever feasible, we proactively increase the landscape area in the sites as well as the plantation of native species of trees to enrich ecological biodiversity.

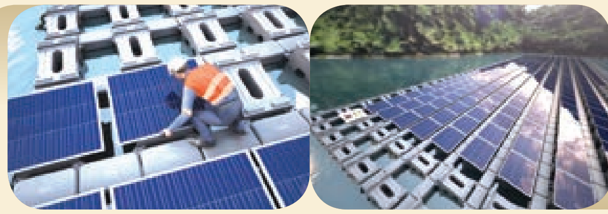
To benchmark our environmental performance for further improvement, we also actively participate in various schemes:

- **Carbon Audit • Green Partner**
- **Wastewi$e Scheme**
- **Energy Saving Charter on Indoor Temperature**
- **Green Office Awards Labelling Scheme by World Green Organization**
- **Hong Kong Green Organization Certification by Environmental Campaign Committee**

We are honored to attain Green Management Award (Corporate) - Bronze Award in Hong Kong Green Awards 2016, issued by Green Council.

Pilot Floating Photovoltaic (PV) System at Shek Pik Reservoir

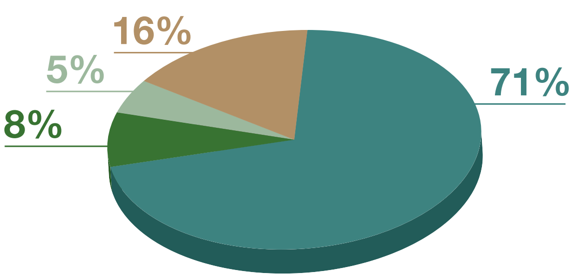
With the synergy effect of advanced construction-related services of our subsidiaries, we successfully won the bid to build the pilot floating PV system at Shek Pik Reservoir on Lantau Island. The 100kW PV system can generate electricity that supports driving Water Services Department's equipment. Through Drone and BIM technologies, the entire building process of the PV system at different stages can be effectively managed. The PowerBox™ system allows our client to monitor and manage this real-time renewable energy offsite via the Internet.



Energy Saving

The construction industry accounts for 40% of worldwide energy usage[1]. In Hong Kong, buildings contribute to about 90% of our electricity consumption, representing over 60% of greenhouse gas emissions[2]. As a leading player in the industry, it is inevitable that we will play an active role in combating climate change, as well as to enhance the resilience of our operations against extreme weather phenomena associated with it.

Energy Consumption in 2016 (GJ)



7,677.6 tonnes of CO_2e greenhouse gas emitted

Carbon intensity of **1.78 kg CO_2e per HK$`000**

87,834 GJ energy consumed

Greenhouse gases emitted

[1]U.S. Green Building Council (USGBC)
[2]Hong Kong's Climate Action Plan 2030+ (https://www.climateready.gov.hk/)

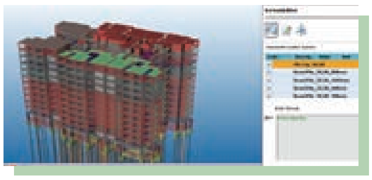
To continue monitor and improve our carbon performance as well as our stakeholders' carbon footprint, we have implemented and developed a variety of innovative green technologies.

Green Innovation at a Glance

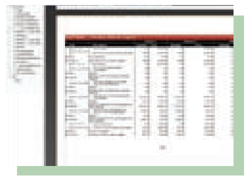
Intelligent Fan Coil unit (iFCU™) retrofit kit

PowerBox™ Online Energy Management System

Nanoflex®lighting



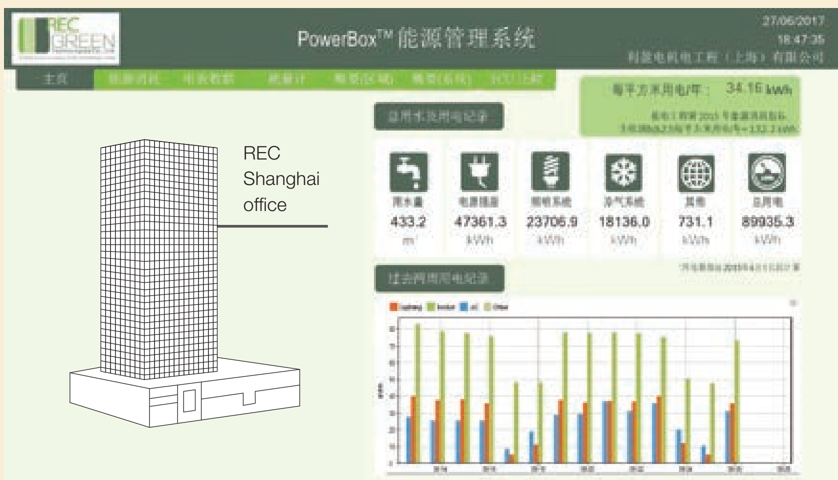
5D Building Information Modeling (BIM)



Drawing Management System – VHDrawings™

Green Intelligent Office in Shanghai

REC Shanghai Office completed its renovation in 2016 and has optimized the use of green materials for the office fit out. Lighting and air-conditioning are controlled by staff's smart card, it thus raises the environmental awareness of staff on their accountability in energy conservation. The PowerBox™ system is also equipped to consolidate and manage energy data of buildings on real-time basis. Management can easily monitor the current building performance and identify areas for improvement. Through these software and hardware enhancements, building energy consumption has been 70% lower than the Commercial - Energy Utilization Index published by EMSD, HKSAR. It is also the first office in Shanghai that obtained BEAM Plus Interiors Platinum Certificate, issued by Hong Kong Green Building Council (HKGBC).



Reduced 70% Building Energy Consumption recorded by EMSD, HKSAR.

PLATINUM
鉑金級
HKGBC
BEAM Plus
綠建環評

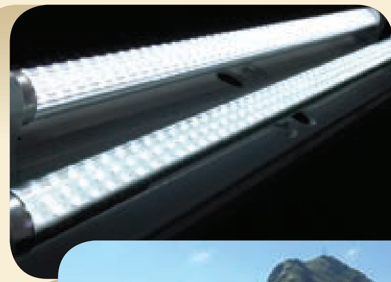
Public Rental Housing Development at Anderson Road Site A and B Phases 1 & 2

Green building design, in particular those related to energy saving elements, has been incorporated in the project's construction life cycle. 100% biodiesel tri-generator, together with the solar absorption panels, supplies site office electricity and air-conditioning, generating zero carbon footprint.

With the installation of energy efficient LED lighting tubes coupled with motion sensors, we improved energy efficiency by 66%, which outperformed BEAM Plus's 30% energy saving requirement. Solar PV panels were installed at the rooftop, estimated to contribute about 3% of the electricity supply. On-site batching plant could significantly reduce the road traffic. Over 2,400 tonnes of carbon emissions could be saved every year with these features.

This green project has attained Provisional Platinum Certificate of BEAM Plus, granted by HKGBC.

LED lighting



Solar PV panels at Rooftop

Water

We endeavor to make on-going improvement in our water use. Comprehensive water saving initiatives are incorporated in our projects. During construction period, on-site treated grey water is utilized for cleaning and landscape use. Rain water catchment and water efficient low-flow faucets are installed to conserve our vital water resources. Total water consumption for 2016 was 174,735 m^3.

Waste Reduction

Running out of landfill space is not just a local problem but a global one. Following the "Reduce, Reuse, Recycle" principle, Yau Lee has developed a set of waste management procedures to guide our team on managing waste in a practical and actionable manner so as to achieve the waste reduction targets. In 2016, all the 11 waste reduction targets, including inert material recycling, rebar steel reduction, office paper recycling and electrical appliances recycling, were either reached or exceeded.

Waste Performance Highlight

Total inert material to Public Fill:
703,541 tonnes (93% diverted)

Total rebar steel recycled:
2,834 tonnes

Waste paper recycled:
25,423 kg

Precast elements construction system is widely adopted in our construction sites. As they are prefabricated in mass volume off-site, the volume of in-site concrete could be substantially reduced, which means the associated pollution generated in the course of concreting can be either reduced or saved. In one of our active construction sites, over 6,500 trees have already been saved through prefabrication adoption.

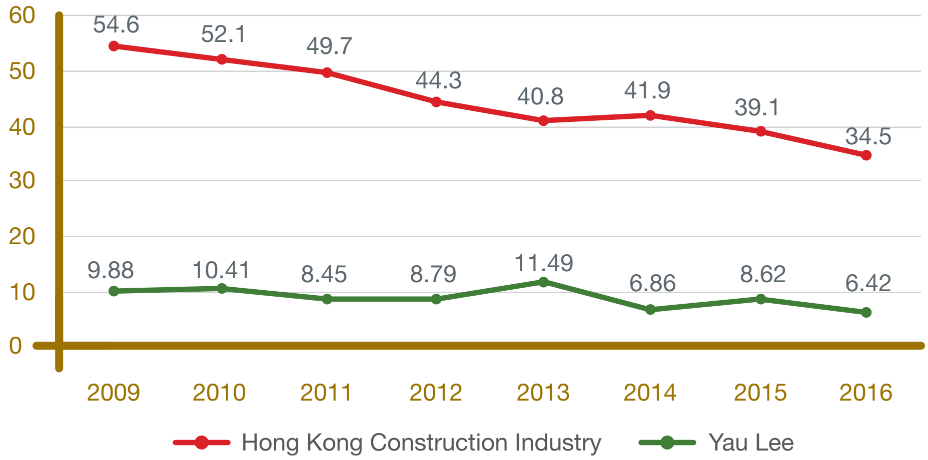
To fully utilize resources and reduce waste to landfill, we initiated to recycle broken rocks into aggregates for backfilling, creating a win-win situation. Not only we can reduce the load to public fill reception facilities, but also save our cost in purchasing backfilling materials. In one of our projects, 38,740 tonnes of broken rock were recycled during the reported year. We also use residual concrete for casting precast concrete strip for temporary manhole covers.

Health and Safety

Health and safety are paramount to the sustainable development of our industry. At Yau Lee, we believe safety requires continual emphasis and attention to detail. This is not limited to the safety of our workplace, but also our customers' health and safety. We have set up OHSAS 18001 safety management system to strategically manage safety risks.

Whilst our safety record remains impressive when compared to the industry average, tragically we had one fatality from electrocution on one of our sites. Detailed investigations were undertaken and measures to prevent the recurrence of such accident have been identified and reinforced. We must remain vigilant and continue to push strong and visible leadership across our projects.

Accident Rate Performance



"Joyful@Healthy Workplace" at ASD's Kwun Tong Staff Quarter Project

Energetic workforce relies on excellent health. We signed the "Joyful@Healthy Workplace Charter" organized by Department of Health and pledged to promote physical and mental well-being in construction sites with emphasis on healthy eating, physical activity and mental well-being. We set up "Healthy Workplace Policy" and established Site Healthy Workplace Implementation Committee「工地健康工作間執行委員會」to organize and monitor various initiatives with an aim of raising workers' awareness in personal health management.

With the implementation of this program, the absentee rate significantly decreased by 20%, both injury rate and violent conflict rate dropped to zero. The success of this pilot program will be rolled out to other construction sites.

1 Eat Healthy:

Fruit Buying Sponsorship, Healthy Tea Tips, Making Soup

2 Look Healthy:

Basketball competition, free BMI check, creating gym room

3 Feel Healthy:

Staff Mental Care Group, Stress Indicator Program

Innovative Safe Lifting

In our day-to-day construction works, lifting of heavy prefabricated construction parts at height is one of the high risk operations from safety perspective, mainly due to the manual uplifting involvement together with working space limitation issue. This innovative design can effectively solve the problem via the use of tailored platform lifter to haul up prefabricated items to specific point. Number of staff involved in the task can be reduced while the job can be performed efficiently. Most importantly, the chance of getting injured can be significantly lowered.

Construction Safety Week:
ISIA 2016 Winning List

Effective Communication

In construction industry, our works heavily rely on the collaborative effort of our staff, therefore communication is particularly vital for the successful implementation of the project. However, when various construction works conduct in parallel it would create tremendous disturbance and noise that become barriers in effective communication.

In view of this challenge, Yau Lee's team invented a portable communication system so that the signaler can give commands separately to different parties through hand-free microphone via different channels. Different parties receive their own command through hand-free earplug, thus can get clear, undisturbed instruction to perform their tasks effectively in a cohesive manner.

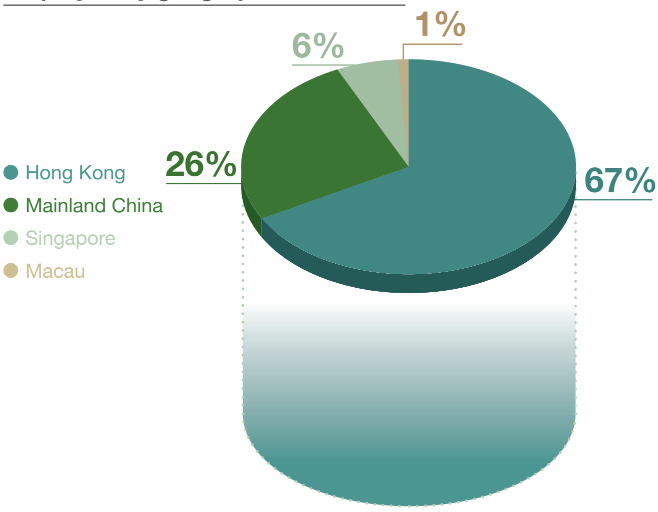
This innovative idea was well recognized and obtained Merit Award in Safety Operational Device in the Innovative Safety Initiative Award 2016, jointly organized by the Development Bureau and Construction Industry Council.

People

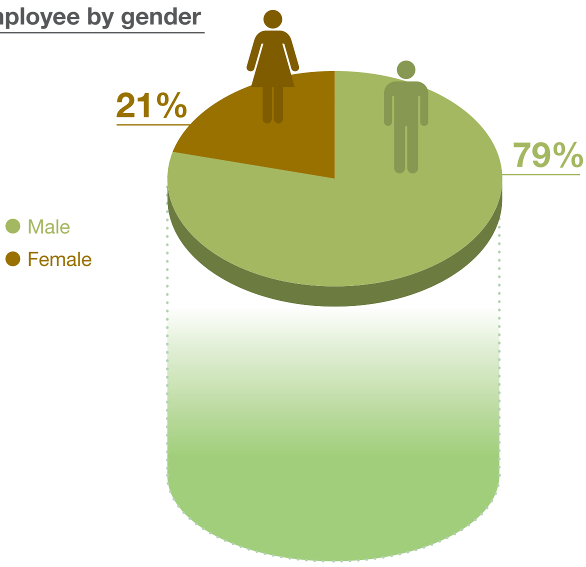
We value each and every of our employees with trust and respect. Their dedication, commitment and creativity going above and beyond our clients' expectations define the success that Yau Lee stands for. We seek to motivate, nurture and reward our employees, fostering a harmonious relationship as close as among family members. As of 31st March 2017, we have approximately 3,000 employees, 67% are located in Hong Kong. All of them are full time/permanent staff.

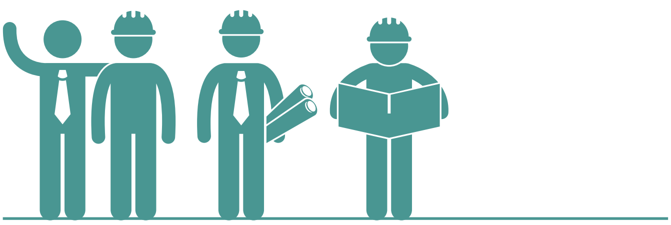
A diverse workforce enhances our business by enabling better connection with our clients and supply chain. Due to our business nature, male employees are being in higher proportion, but we observed a growing trend with more and more female employees joining the Yau Lee family.

Employee by geographical location



Employee by gender





We are committed to high standards of ethical, moral and legal business conduct, and firmly believe they are essential to the success and sustainability of our business. This means taking a clear stance against corruption, respecting human rights, equal opportunity and embracing diversity. This also includes abiding by the laws and regulations wherever we operate. All management and staff must comply with the Discipline Rules in Staff Handbooks which sets out our standards regarding operating ethics and conduct, including bribery prevention and avoidance of conflict of interest.

We do not tolerate any form of discrimination on the grounds of gender, sexual orientation, disability, age, race, national or ethnic origin, family status or other personal characteristics. Our Anti-Discrimination and Anti-Harassment Code and Guideline reinforces our determination in the elimination of discrimination and harassment in workplace.

Whistleblowing Policy has been recently set up to ensure that any inappropriate behavior (including corruption) that will compromise the interest of our shareholders, investors, customers and the general public does not occur.

While we continuously invest in the research and development of green technology, it is always our company's policy to respect intellectual property rights (IPR). Clear IPR protection guidelines have been set up.

Talent Attraction

The construction industry has been suffering from manpower shortage for a long time. According to Construction Industry Council's forecast, skilled-labor shortage will rise up to 15,000 workers in the next few years. To meet future challenges, we persistently place emphasis on attracting qualified applicants who share our vision and values, offering them a career development opportunity rather than just a job.

Our employees receive a variety of benefits, including competitive remuneration packages, examination and study leave, marriage leave, comprehensive medical disability insurance coverage and retirement scheme. Besides, we provide rewarding career paths so as to nurture them to become industry leaders.

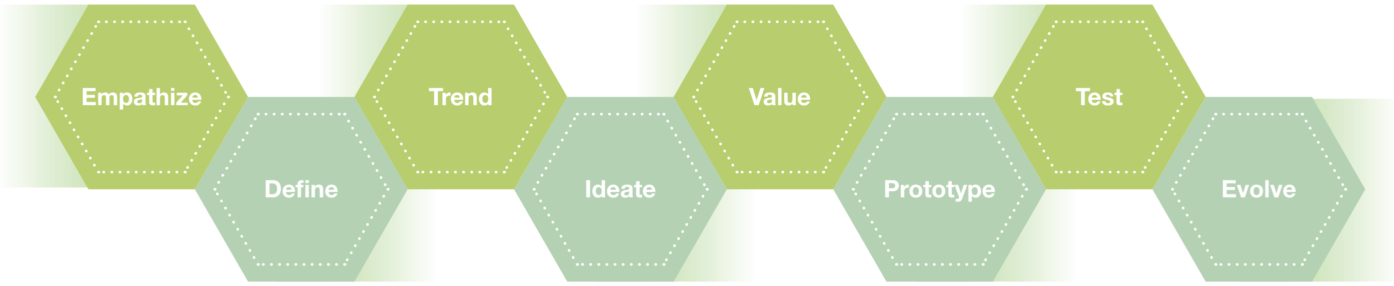
Through organizing different career talks, company visits and scholarship program, we strategically develop Yau Lee's position as a caring employer so as to facilitate talent recruitment.

Talent Retention

We aim to recruit the right individuals and retain them, all along help develop their careers with us. We encourage our employees to pursue fulfilling career paths, and we provide a variety of training and development programs to assist them.

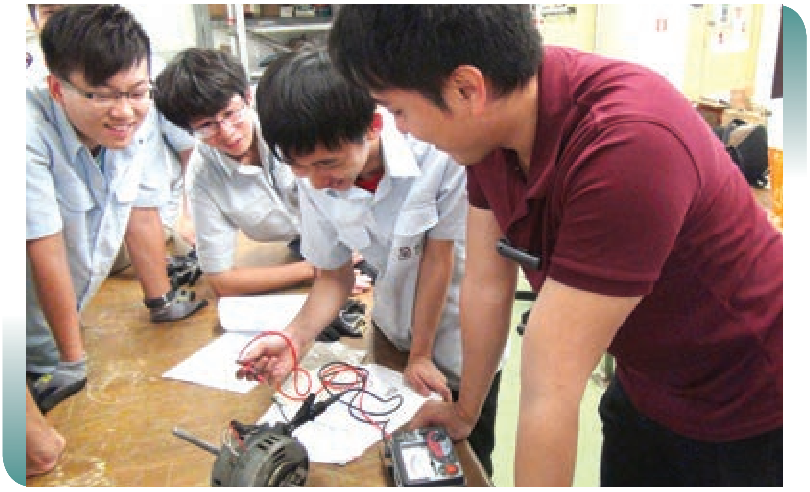
- **Design Thinking**
- **Technical Training for Electric Busway, Electric Vehicle Charging Solution and Power Monitoring System**
- **Latest Architectures & Technologies for Industrial Automation**
- **iBMS Workshop**
- **Ductwork Fundamentals – Knowing the Standards and Room for Maneuvering**

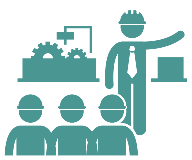
Design Thinking for Innovation



Yau Lee Training Sponsorship Program（有利培訓資助計劃）has also been set up to facilitate our employees to reach their full potential and meet the Group's long term requirements. They can acquire new skills, improve their working capability and efficiency through joining different job-related courses.

Apart from job-related training, we also care for our employees' personal development. Various workshops (work-life balance courses) were provided to fulfil the needs of employees at different development stages.





>2,000 employees
received trainings.

Staff Engagement

We are well aware that two-way communication and investment in human capital can boost employees' sense of belonging and loyalty to the Group as a whole. Our colleagues can receive first-hand information from top management directly. As a tradition, the Vice Chairman of the Group presents the Group's performance, direction and outlook to the employees during roadshows in different business units every year. Factory visits are also arranged regularly to enrich employees' understanding of our different business units. To actively listen and address employees' concerns and interests in work-life activities, the Group conducts employee surveys every year. Other communication channels, including internal newsletters and intranet, are also in place to ensure staff's voices are being heard by management.

In appreciation of the hard work of our employees as well as reinforcing the unity across different departments and among all staff, we host Company tour, Lu Pan Dinner, Christmas Party and other recreational activities at which colleagues can build their working relationship and enjoy the fellowship.

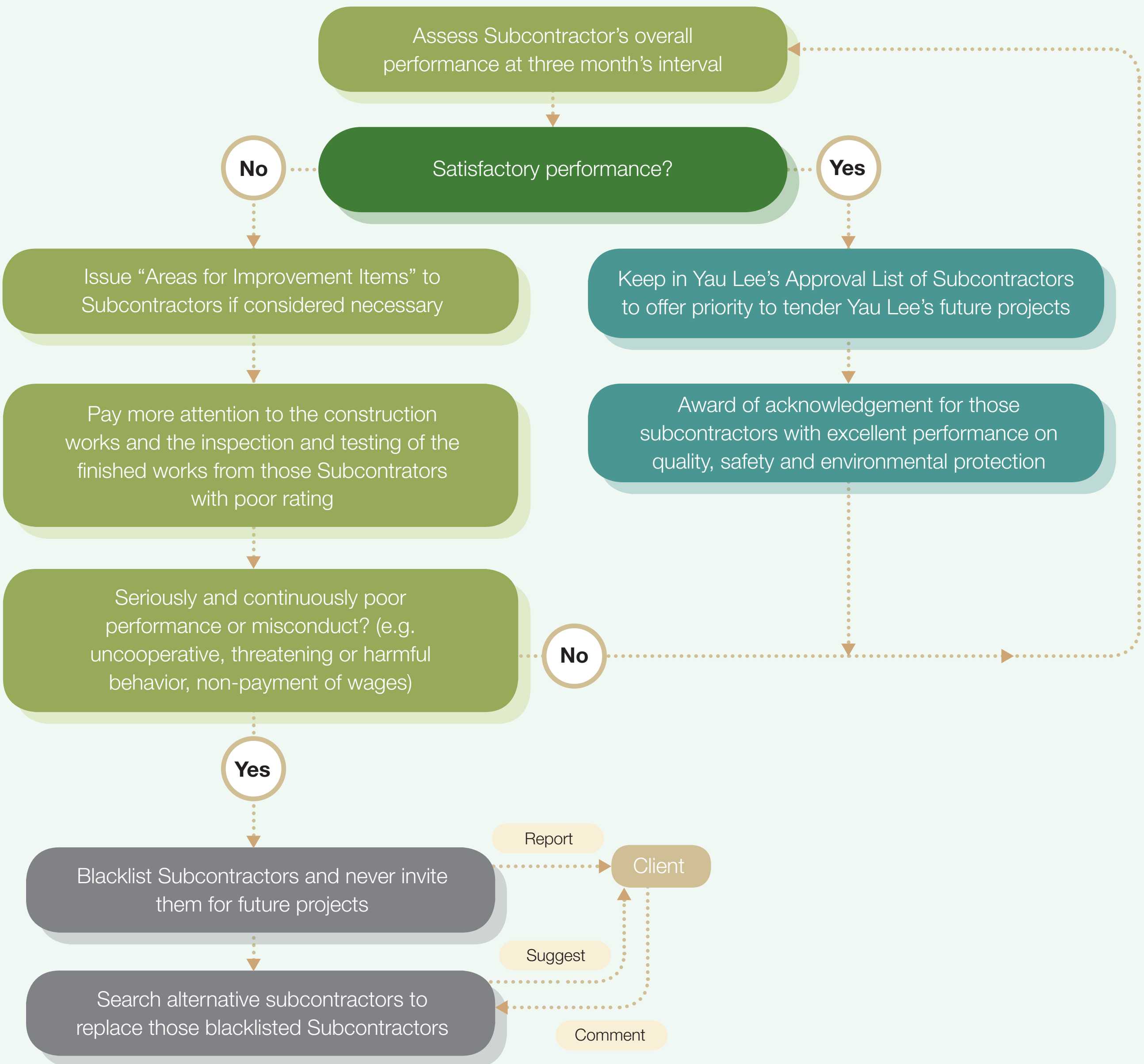
Our continuing efforts in making positive impact to our community, employees and the environment have been recognized as a "Caring Company" since 2004. During the reporting period, we have received the 10 Years+ Caring Company Award presented by The Hong Kong Council of Social Service.

Company Tour: Sha Tau Kok Adventure Tour

Supply Chain

Yau Lee has a structured process and database for managing its Supply Chain. We developed various policies which set out a framework for our procurement process. It is our policy to act fairly and equally in business dealings with vendors, at the same time to purchase responsibly and obtain the best possible value for money in procuring materials, services and equipment.

Our suppliers and subcontractors play an important role in our business and we work closely with them to cultivate safe working conditions, foster respect for workers and promote responsible environmental practices. Both suppliers' and subcontractors' performance on environment, corporate social responsibility (including if their labor management practices involve any employment of child or forced labor) will be assessed before tender. We also have adopted Subcontractors Management Plan to select preferred/strategic subcontractors.



We developed and started to implement the Quality Management System with ISO 9001 to demonstrate our commitment to quality and our capability to satisfy customers' requirements. We maintain effective communication among our management team, employees and subcontractors through a variety of channels, such as meetings, trainings and promotions to ensure all parties comply with our quality control policy, and fully incorporate these standards and practices into their operations.

Community

Yau Lee is committed to the community and has a long history of contributing to the construction industry. Our key community service focus areas are promoting construction health and safety, nurturing construction talents and environmental protection. Through our hands-on approach, we strive to create a "WIN-WIN" situation in addressing existing social challenges and improving the construction industry as a whole. Our community engagement not only limited to cash or gifts-in-kind donations, but also volunteer services and cooperation with charitable organizations.

Volunteering

Employee volunteering is part of our community engagement strategy. We support and encourage our employees to use their talent, skills and hard work to maximize their positive impact to the society. With an aim to help people in need in our community, our volunteer team, "Yau Lee Tender-Love-Care Group", has been formed for over 10 years, helping the elderly, disabled, children and disadvantaged families.

As a role model to our employees, our Vice Chairman of the company, Ir. Wong Tin Cheung, actively participates in public services. He is the Chairman of the Occupational Safety and Health Council and the Deputy Chairman of the Vocational Training Council, contributing much time and input to support industry-wide initiatives and programs. He is also a member of the Advisory Council on the Environment, giving industrial professional advice in crafting the environmental agenda of Hong Kong.

Donations

To encourage employees to participate in-kind donations, make the best use of our resources and help our neighborhood, we have organized a recycling program to collect used but clean clothing and goods for donations. All collections were donated to the Rights of Industrial Accident Victims & Friends of the Earth to help vulnerable groups.

We also set up a scholarship to support construction students of the Hong Kong Institute of Vocational Education (Tsing Yi). The aim of the scholarship is to provide financial support to needy students with good academic standing to enable them to focus on their studies, at the same time encourage their involvement in community services.

The Group has been a long-standing supporter of a number of charity groups, including Medical Mission International – Hong Kong Limited, Tung Wah Group of Hospitals, The Hong Kong Council of Social Service, Orbis, Agency for Volunteer Service and The Society for the Relief of Disabled Children.

To support industrial accident victims in construction, the Group sponsored our employees to participate a walkathon organized by Association for the Rights of Industrial Accident Victims. Participants not only could enjoy the scenic views of Inspiration Lake, but also give a helping hand to those in need.

HK$378,000 donated for charity.


香港紅十字會
HONG KONG RED CROSS
感謝狀 Certificate of Appreciation
敬呈 Presented to
Yau Lee Construction Co., Ltd.
15-01-2017


IVE
Certificate of Appreciation
感謝狀
Presented to
Yau Lee Construction Co Ltd
for the generous donation of
scholarship / bursary
頒贈
有利建築有限公司
慷慨捐贈
獎學金 / 助學金
18 March 2017
二零一七年三月十八日

Aug 2016

Buffet banqueting program to encourage youngsters from incomplete families

Nov 2016

“Green Walk HK” organised by World Green Organisation

Jan 2017

In-kind donation to the Rights of Industrial Accident Victims

Mar 2017

Walkathon to raise fund for helping those in need

Mar 2017 “Caring Company” Award Presentation Ceremony

Moving Forward

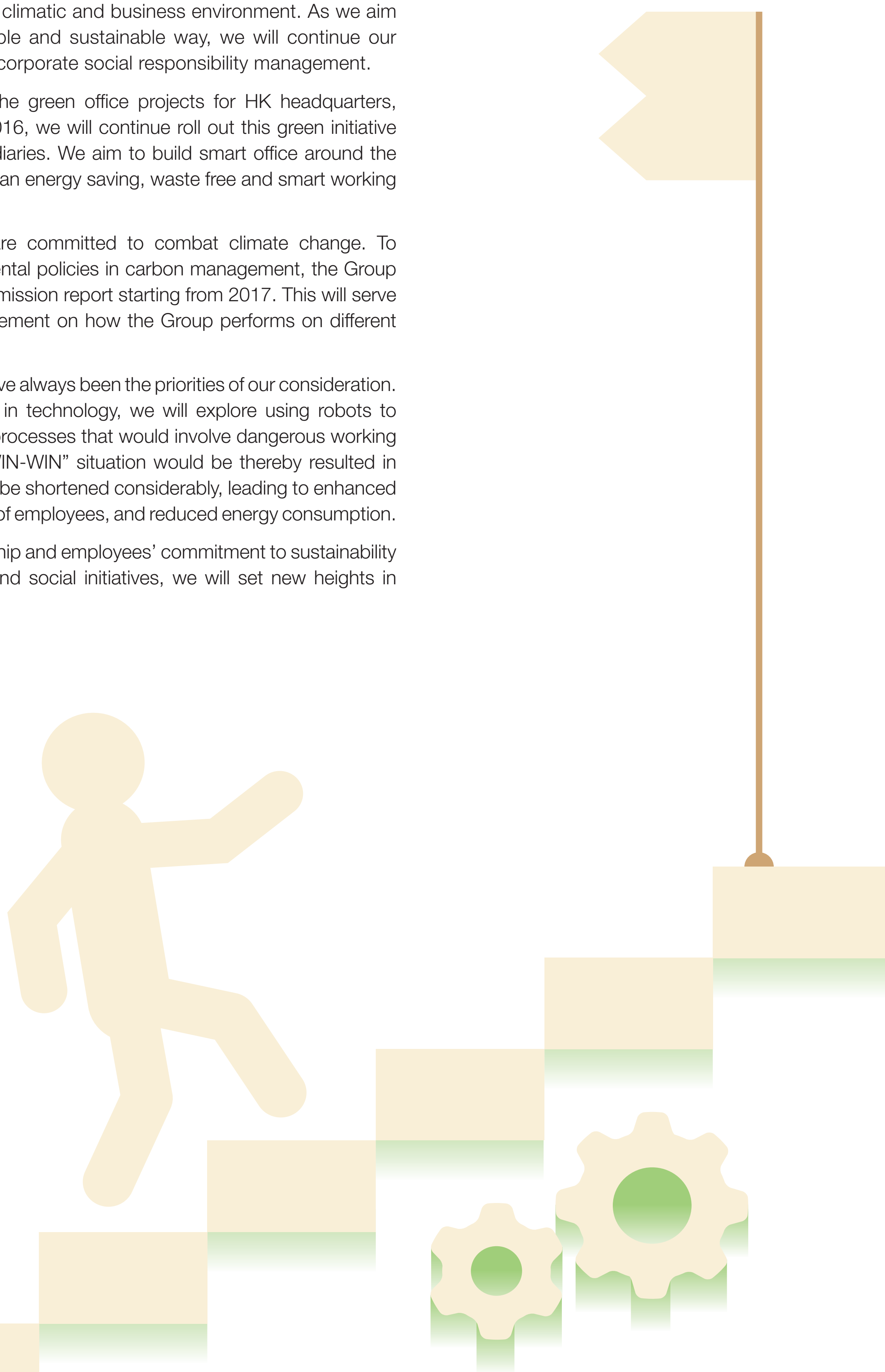
Thrilling increase in the cost of natural resources, extreme weather conditions, aggressive demand for talents, and an increasingly competitive market are some of the inevitable macro trends that demand companies to become more vigilant and versatile in adapting to the changing climatic and business environment. As we aim to grow our business in a responsible and sustainable way, we will continue our rigorous programs in enhancing our corporate social responsibility management.

With the successful completion of the green office projects for HK headquarters, Shanghai and Shenzhen offices in 2016, we will continue roll out this green initiative to other business sectors and subsidiaries. We aim to build smart office around the Group in order to collectively develop an energy saving, waste free and smart working environment for our employees.

Our management and colleagues are committed to combat climate change. To facilitate our formulation of environmental policies in carbon management, the Group will prepare annual greenhouse gas emission report starting from 2017. This will serve as a quantitative reference to management on how the Group performs on different environmental aspects.

Health and safety of our employees have always been the priorities of our consideration. With the advancement and maturity in technology, we will explore using robots to replace manpower in some working processes that would involve dangerous working procedures. We anticipate a "WIN-WIN-WIN" situation would be thereby resulted in which the task completion time could be shortened considerably, leading to enhanced efficiency, improved health and safety of employees, and reduced energy consumption.

We are confident that with our leadership and employees' commitment to sustainability and our continuous effort in green and social initiatives, we will set new heights in sustainable construction.



Content Index

Aspect	ESG Guide	Remarks and References
General disclosures		
Emissions and Waste	Aspect A1	Environment
Resources	Aspect A2	Environment – Energy Saving
Environment and Natural Resources	Aspect A3	Environment
Employment	Aspect B1	People – Our People
Health and Safety	Aspect B2	Health and Safety
Development and Training	Aspect B3	People – Talent Retention
Labor Standards	Aspect B4	Supply Chain This aspect applies to management of our supply chain only as there is no risk of child or forced labor occurring within our organization.
Supply Chain Management	Aspect B5	Supply Chain
Product Responsibility	Aspect B6	Health and Safety; Supply Chain We focus on policies and compliance related to health and safety.
Anti-corruption	Aspect B7	People – Our People
Community Investment	Aspect B8	Community
KPIs		
Emissions and Waste	A1.1 & A1.2	Environment – Energy Saving; emissions of NO_2, SO_2 and particulate matter from gaseous fuel and vehicles are not determined to be highly material issues for our organization.
	A1.3 & A1.4	Environment – Waste Performance Highlight
	A1.5	Environment – Energy Saving
	A1.6	Environment – Waste Reduction
Resources	A2.1	Environment – Energy Saving
	A2.2	Environment – Water
	A2.3	Environment – Energy Saving
	A2.4	Environment – Water Sourcing water that is fit for purpose is not determined to be highly material issue for our organization.
	A2.5	Use of packaging material is not determined to be highly material issue for our organization.
Environment and Natural Resources	A3.1	Environment

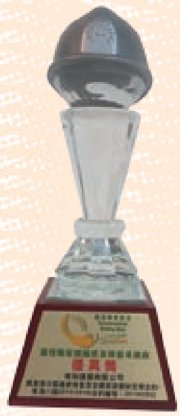
Employment	B1.1	People – Our People
	B1.2	Employee turnover rate was not yet reported. Data collection mechanism is being developed.
Health and Safety	B2.1	Health and Safety
	B2.2	Lost day rate was not yet reported. Data collection mechanism is being developed.
	B2.3	Health and Safety
Development and Training	B3.1	Male: 87.4% Female: 12.6% Management: 55% Non-management: 45%
	B3.2	Both male and female completed 7.5 hours training. Both management and non-management completed 7.5 hours training.
Labor Standards	B4.1& B4.2	Supply Chain This aspect applies to management of our supply chain only as there is no risk of child or forced labor occurring within our organization.
Supply Chain Management	B5.1	Hong Kong: 84.7%; PRC: 15.2%; USA: 0.1%; Australia: 0.1%
	B5.2	Supply Chain
Product Responsibility	B6.1	This KPI is not relevant to our businesses.
	B6.2	This KPI is not relevant to our businesses.
	B6.3	People – Our People
	B6.4	Supply Chain
	B6.5	It is determined not highly material to Yau Lee Group. Our Holiday Inn Express Hong Kong SoHo has Privacy Statement available to our customers.
Anticorruption	B7.1	No incidents of corruption during the reporting period
	B7.2	People – Our People; Corporate Governance Report
Community Investment	B8.1	Community
	B8.2	Community

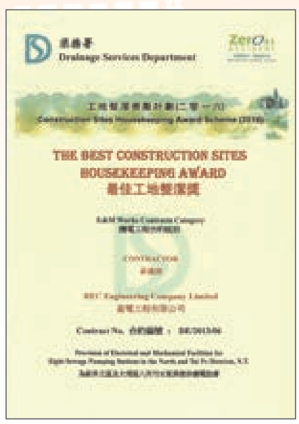
Awards and Accolades

Health & Safety







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 Tai Po, North, Shatin and Sai Kung Region (2) 2015/2017 (Contract No: 20149086)	Construction Industry Safety Award Scheme 2016/2017	Silver Award for Renovation and Maintenance Works Category	Labour Department
Yau Lee Construction Company Limited – Design and Construction of Kwun Tong Staff Quarters at 4 Tseung Kwan O Road, Kowloon (Contract No: SSD502)	Construction Industry Safety Award Scheme 2016/2017	Bronze Award for Building Sites (Public Sector)	Labour Department
Yau Lee Construction Company Limited – Design and Construction of Kwun Tong Staff Quarters at 4 Tseung Kwan O Road, Kowloon (Contract No: SSD502)	Construction Industry Safety Award Scheme 2016/2017	Outstanding Performance in Work-At-Height Safety for Building Sites (Public Sector)	Labour Department
Yau Lee Construction Company Limited – District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Tai Po, North, Shatin and Sai Kung Region (2) 2015/2017 (Contract No: 20149086)	Construction Industry Safety Award Scheme 2016/2017	Outstanding Performance in Work-At-Height Safety for Renovation and Maintenance Works Category	Labour Department

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/Kowloon West and Hong Kong (3) 2015-2018 (Contract No: 20149601)	Construction Industry Safety Award Scheme 2016/2017	Certificate in Good Performances for Renovation and Maintenance Works Category	Labour Department
Yau Lee Construction Company Limited – 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 (Contract No: 20149601)	Construction Industry Safety Award Scheme 2016/2017	Certificate in Good Performances for Safety Teams	Labour Department
Yau Lee Construction Company Limited – Safety Interaction training for erect and dismantle work of scaffolding	Innovative Safety Initiative Award 2016	Bronze Award of Safety Management System, Training and Promotion Category	Development Bureau
Yau Lee Construction Company Limited –「講清講楚」訊息傳達系統	Innovative Safety Initiative Award 2016	Merit Award of Safety Operational Device	Development Bureau

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/Tai Po, North, Shatin and Sai Kung (3) 2013/2016 (Contract No: 20129112)	The 22nd Considerate Contractors Site Award Scheme	Merit Award of Considerate Contractors Site Award (Non-Public Works – RMAA Works)	Development Bureau
REC Engineering Company Limited – Triennial Term Contract for the Maintenance and Repair of, Alteration and Addition to, Fire Service Installations in General Engineering Services Division Venues in Kowloon and New Territories for the Government of HKSAR	The 22nd Considerate Contractors Site Award Scheme	Merit Award of Considerate Contractors Site Award (Public Works – RMAA Works)	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/Kwai Chung (1) 2015/2018 (Contract No: 20149282)	Construction Safety Day	Merit Award of Best Refurbishment and Maintenance Contractor in Occupational Safety and Health	Occupational Safety & Health Council

Awardee	Scheme	Award	Main Organiser
REC Engineering Company Limited	15th Hong Kong Occupational Safety & Health Award	Safety Performance Award – Construction Category	Occupational Safety & Health Council
Yau Lee Construction Company Limited – Design and Construction of Kwun Tong Staff Quarters at 4 Tseung Kwan O Road, Kowloon (Contract No: SSD502)	Occupation Health Award 2016-17	Excellence Award of Joyful@Healthy Workplace Best Practices Award – Branch/Small and Medium Enterprise Category	Occupational Safety & Health Council
REC Engineering Company Limited – Provision of Electrical and Mechanical Facilities for Eight Sewage Pumping Stations in the North and Tai Po Districts, N.T.	Construction Sites Housekeeping Award Scheme 2016	The Best Construction Sites Housekeeping Award in E&M Works Contracts Category	Drainage Services Department

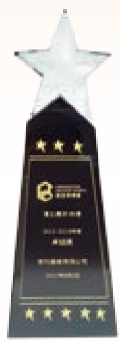
Awards and Accolades

Green and Environmental Protection

Awardee	Scheme	Award	Main Organiser
Yau Lee Construction Company Limited	United Nations Sustainable Development Goals – Green Office Awards Labelling Scheme Autumn 2016	"Green Office" Label and "Better World Company" Label	World Green Organisation
REC Engineering Company Limited	United Nations Sustainable Development Goals – Green Office Awards Labelling Scheme Autumn 2016	"Green Office" Label and "Better World Company" Label	World Green Organisation
Yau Lee Construction Company Limited – Head Office	Hong Kong Green Organisation Certification	Energywi$e Certificate in Excellence Level	Environmental Campaign Committee
Yau Lee Construction Company Limited	Hong Kong Green Organisation Certification	Wastewi$e Certificate in Excellence Level	Environmental Campaign Committee
Yau Lee Construction Company Limited – Design and Construction of Kwun Tong Staff Quarters at 4 Tseung Kwan O Road, Kowloon (Contract No: SSD502)	Green Building Award 2016	Merit Award in New Buildings Category for the Projects under Construction and/or Design – Residential Building	Hong Kong Green Building Council
Yau Lee Construction Company Limited	Hong Kong Green Awards 2016	Bronze Award of Green Management Award (Corporate)	Green Council
REC Green Technologies Company Limited	1st APIGBA Award	Silver Award in System Product	Asia Pacific Intelligent Green Building Alliance
REC Mechanical & Electrical Engineering (Shanghai) Company Limited Office Renovation Works	BEAM Plus Platinum Project Certification Ceremony 2016	Platinum Rating of BEAM Plus Interiors	Hong Kong Green Building Council/BEAM Society Limited
REC Mechanical & Electrical Engineering (Shanghai) Company Limited	BOCHK Corporate Environmental Leadership Awards 2016	EcoPartner	Bank of China (Hong Kong) /Federation of Hong Kong Industries

Awards and Accolades

People & CSR, Innovative Technologies and Quality



Awards and Accolades

Awardee	Scheme	Award	Main Organiser
Yau Lee Holdings Limited	N/A	10 Years+ Caring Company 2017/2018	The Hong Kong Council of Social Service
Yau Lee Holdings Limited	N/A	Certificate of Appreciation for contributing to the Partnership Fund for the Disadvantaged	Social Welfare Department / Partnership Fund For The Disadvantaged
Yau Lee Holdings Limited	The Mirror's 6th Outstanding Corporate Social Responsibility Award	Outstanding Corporate Social Responsibility Award	The Mirror's
Yau Lee Construction Company Limited	Employer Recognition Ceremony	Silver Award for the Contractor Cooperative Training Scheme 2016	Construction Industry Council
Yau Lee Construction Company Limited	Employer Recognition Ceremony	Outstanding Award for the Years 2012 - 2016	Construction Industry Council
Global Virtual Design and Construction Limited	Hong Kong SME Innovation Award 2016	Innovation Award	SME Global Alliance/ HK Greater China SME Alliance Association
Global Virtual Design and Construction Limited – L•Harbour 18 Residential Development	buildingSMART Hong Kong International BIM Award 2016	Merit Award	buildingSmart Hong Kong
Global Virtual Design and Construction Limited – Innovative Life Cycle BIM for Commercial Development at King Wah Road	buildingSMART Hong Kong International BIM Award 2016	Best BIM Application in Project Management and Lifecycle Management	buildingSmart Hong Kong
Yau Lee Construction Company Limited – "My Home Purchase Plan" Project at Tsing Luk St, Tsing Yi TYTL138	Quality Building Award 2016	Finalist Award in Hong Kong Residential (Multiple Buildings) Category	Hong Kong Construction Association

Independent Auditor's Report

羅兵咸永道

To the shareholders of Yau Lee Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Yau Lee Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 72 to 154, which comprise:

- the consolidated balance sheet as at 31 March 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Basis for Opinion (continued)

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

Key audit matter identified in our audit is related to the accounting for construction contracts, including profit recognition and construction contracts in progress.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for construction contracts – including profit recognition and construction contracts in progress Refer to Note 2(m), Note 4(a), Note 4(b), Note 5 and Note 27 to the consolidated financial statements For the year ended 31 March 2017, the Group recognised revenue from construction contracts relating to the following operating segments; construction, electrical and mechanical installation which totalled HK$5,888,055,000. The construction contracts in progress amounted to HK$684,566,000 as at 31 March 2017. The recognition of revenue and cost of sales for the Group's construction contracts is based on the stage of completion of contract activity. Stage of completion is measured by reference to work performed up to the end of the reporting period as a percentage of total contract value. Recognition of profit on contracts requires significant judgement and estimates of the forecast costs to complete and revenue by management.	Our work in relation to management's estimated forecast costs to complete and revenue focused on the following procedures for material construction contracts within the Group: • We tested the key controls over determining the stage of completion, including the controls on estimating costs to complete and budgeted margin of construction contracts; • We discussed with the Group's quantity surveyors and project managers the status of the projects, to identify any variations, claims and provision on loss-making contracts, and to obtain explanations for fluctuations in margins and the expected recovery of variations; • We obtained corroborative evidence, in relation to the above point, by reviewing the project budgets, external architect's certificates and inspecting minutes of management's regular internal meetings, on a sample basis; • We inspected signed contracts to identify the total contract sum and terms;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
These judgements include the expected recovery of costs arising from variations to contracts requested by customers, compensation events and claims made against contractors for delays. Due to the significant judgement and estimates involved, specific audit focus was placed on this area.	• We agreed the stage of completion to the external architects' certificates and surveyors' latest valuation; • We tested the calculations of contract revenue, costs and construction contracts in progress; and • We inspected correspondence with the customers and sub-contractors to obtain audit evidence on variations from customers, claims from customers and sub-contractors. We found management's estimates in relation to forecast costs to complete and revenue of construction contracts are supported by the audit evidence available.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

The engagement partner on the audit resulting in this independent auditor's report is Chan Ka Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 June 2017

Consolidated Income Statement

For the year ended 31 March 2017

	Note	2017 *HK$'000*	2016 *HK$'000*
Revenue	*5*	**6,124,053**	7,450,278
Cost of sales	*7*	**(5,664,562)**	(7,231,190)
Gross profit		**459,491**	219,088
Other income and gains, net	*6*	**27,733**	139,628
Selling and distribution costs	*7*	**(29,608)**	(37,318)
Administrative expenses	*7*	**(411,124)**	(403,333)
Other operating expenses	*7*	**(37,195)**	(27,813)
Operating profit/(loss)		**9,297**	(109,748)
Finance costs	*9*	**(31,982)**	(32,536)
Share of profit of associates	*20*	**436**	363
Share of loss of joint ventures	*21*	**(54)**	(55)
Loss before income tax		**(22,303)**	(141,976)
Income tax expense	*10*	**(7,453)**	(13,857)
Loss for the year		**(29,756)**	(155,833)
Attributable to:			
Equity holders of the Company		**(29,798)**	(159,347)
Non-controlling interests		**42**	3,514
		(29,756)	(155,833)
Dividend	*11*	**6,045**	–
Losses per share (basic and diluted)	*12*	**(6.80 cents)**	(36.38 cents)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Loss for the year	**(29,756)**	(155,833)
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
Currency translation differences	**(20,211)**	(16,049)
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on investment properties upon transfer from property, plant and equipment	**43,226**	–
Total comprehensive loss for the year	**(6,741)**	(171,882)
Attributable to:		
Equity holders of the Company	**(6,783)**	(175,389)
Non-controlling interests	**42**	3,507
Total comprehensive loss for the year	**(6,741)**	(171,882)

Consolidated Balance Sheet

As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	1,207,674	1,254,044
Investment properties	15	228,075	183,520
Leasehold land and land use rights	16	71,233	77,647
Intangible assets	18	12,510	13,566
Goodwill	18	15,905	15,905
Associates	20	1,407	1,465
Deferred income tax assets	32	13,143	22,091
Available-for-sale financial assets	22	11,800	11,800
Other non-current assets	23	46,165	46,238
		1,607,912	1,626,276
Current assets			
Cash and bank balances	24	737,877	639,140
Trade debtors, net	25(a)	1,123,864	1,203,906
Due from customers on construction contracts	27	1,057,607	1,135,148
Prepayments, deposits and other receivables	25(b)	436,462	458,391
Inventories	26	77,023	111,514
Financial assets at fair value through profit or loss	28	–	9,124
Completed properties held for sale	29	176,017	176,017
Property under development for sale	17	266,481	–
Due from associates	20	495	494
Due from joint ventures/joint operations	21	33,250	34,459
Due from other partners of joint operations	21	56,797	56,797
Prepaid income tax		1,845	820
		3,967,718	3,825,810
Total assets		5,575,630	5,452,086
Equity			
Share capital	35	87,611	87,611
Other reserves	36	449,897	426,882
Retained profits	36	857,569	887,367
Attributable to equity holders of the Company		1,395,077	1,401,860
Non-controlling interests		328	286
Total equity		1,395,405	1,402,146

	Note	2017 HK$'000	2016 HK$'000
Liabilities			
Non-current liabilities			
Long-term borrowings	31	989,186	748,848
Deferred income tax liabilities	32	23,192	28,351
		1,012,378	777,199
Current liabilities			
Short-term bank loans	31	1,101,597	1,065,147
Current portion of long-term borrowings	31	434,473	374,540
Derivative financial liabilities	30	–	2,967
Payables to suppliers and subcontractors	33	361,744	563,116
Accruals, retention payables, deposits received and other liabilities	34	804,828	811,591
Income tax payable		3,817	12,751
Obligation in respect of joint ventures	21	1,511	1,457
Due to customers on construction contracts	27	373,041	351,268
Due to joint operations	21	59,596	59,696
Due to other partners of joint operations	21	27,240	30,208
		3,167,847	3,272,741
Total liabilities		4,180,225	4,049,940
Total equity and liabilities		5,575,630	5,452,086

The financial statements on pages 72 to 154 were approved by the Board of Directors on 26 June 2017 and were signed on its behalf.

Wong Ip Kuen	**Wong Tin Cheung**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to equity holders of the Company								Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Property revaluation reserve	Other reserve	Retained profits	Sub-total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2015	87,611	413,776	359	37,270	–	–	1,057,140	1,596,156	1,667	1,597,823
(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
As at 1 April 2016	87,611	413,776	359	21,228	–	(8,481)	887,367	1,401,860	286	1,402,146
(Loss)/profit for the year	–	–	–	–	–	–	(29,798)	(29,798)	42	(29,756)
Other comprehensive (loss)/income:										
Currency translation differences	–	–	–	(20,211)	–	–	–	(20,211)	–	(20,211)
Fair value gain on investment properties upon transfer from property, plant and equipment	–	–	–	–	43,226	–	–	43,226	–	43,226
As at 31 March 2017	87,611	413,776	359	1,017	43,226	(8,481)	857,569	1,395,077	328	1,395,405

Note: During 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.

On 30 June 2016, the non-controlling interest exercised the call options mentioned above to re-purchase the 40% equity interest of Toprun and Gain High, each with an exercise price of HK$6.4 million. As at 31 March 2017, the call options were not fully paid by the non-controlling interest and the 40% equity interest of Toprun and Gain High were still owned by the Group.

On 3 April 2017, the non-controlling interest fully paid the call options to re-purchase the 40% equity interest of Toprun and Gain High. On 24 April 2017, the 40% equity interest of Toprun and Gain High were transferred back to the non-controlling interest.

Consolidated Cash Flow Statement

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Net cash used in operations	37(a)	**(114,504)**	(50,818)
Hong Kong profits tax refunded		**388**	–
Hong Kong profits tax paid		**(2,826)**	(870)
Overseas tax paid		**(9,953)**	(21,098)
Net cash used in operating activities		**(126,895)**	(72,786)
Cash flows from investing activities			
Acquisition of non-controlling interests		**–**	(13,369)
Purchase of property, plant and equipment		**(84,109)**	(209,635)
Additions to investment properties	15	**(42)**	–
Additions to leasehold land	16	**–**	(24,177)
Realised gain on financial assets at fair value through profit or loss, net		**–**	747
Additions to financial assets at fair value through profit or loss		**–**	(9,436)
Proceeds from disposal of financial assets at fair value through profit or loss		**9,298**	42,063
Proceeds from disposal of property, plant and equipment		**5,915**	3,070
Dividend received from an associate		**494**	494
Interest received		**5,421**	7,101
Net cash used in investing activities		**(63,023)**	(203,142)

Consolidated Cash Flow Statement

For the year ended 31 March 2017

	Note	2017 *HK$'000*	2016 *HK$'000*
Cash flows from financing activities	*37(b)*		
Repayment of long-term bank loans		**(343,527)**	(404,761)
Drawdown of long-term bank loans		**675,000**	200,000
Increase/(decrease) in short-term bank loans, net		**16,610**	(39,853)
Decrease in restricted deposits		**5,003**	117,423
Capital element of finance lease payments		**(19,018)**	(21,198)
Interest element of finance lease payments		**(416)**	(686)
Realised loss on derivative financial liabilities, net		**(3,014)**	(9,274)
Dividend paid		**–**	(10,426)
Interest paid		**(31,519)**	(30,655)
Net cash from/(used in) financing activities		**299,119**	(199,430)
Net increase/(decrease) in cash and cash equivalents		**109,201**	(475,358)
Cash and cash equivalents at beginning of year		**448,711**	928,625
Exchange loss on cash and cash equivalents		**(5,461)**	(4,556)
Cash and cash equivalents at end of year		**552,451**	448,711
Analysis of cash and cash equivalents	*24*		
Cash and bank balances		**529,247**	408,196
Time deposits		**23,204**	40,515
		552,451	448,711

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 26 June 2017.

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. The 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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) New standards and amendments to standards adopted by the Group

The following standards and amendments to standards are effective for accounting periods beginning on or after 1 April 2016, and have been adopted in preparing these consolidated financial statements:

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual Improvements Project	Annual improvements 2012-2014 cycle

(ii) New standards and amendments to standards that have been issued but are not yet effective and not yet 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 2016, and have not been applied in preparing these consolidated financial statements.

HKAS 7 (Amendment)	Disclosure initiative
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HKFRS 16	Leases
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards and amendments to standards that have been issued but are not yet effective and not yet adopted by the Group (continued)

The directors of the Group in the process of assessing the impact of these new standards and amendments to existing standards and set out below are the expected impact on the Group's financial performance and position:

HKFRS 9 "Financial instrument" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied.

HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligation are identified. The adoption of HKFRS 15 will have an impact on the Group's revenue recognition of construction contracts and the Group expects that it may have impact on the amounts and disclosures made in the Group's financial statements and is not yet in a position to provide quantified information. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards and amendments to standards that have been issued but are not yet effective and not yet adopted by the Group (continued)

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$30,570,000, see note 39(e). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's result and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2 Summary of significant accounting policies (continued)

(b) Consolidation

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) 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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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.

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

An associate is an entity 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.

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 accounted for using the equity method.

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.

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.

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" in the consolidated income statement.

2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

When an owner-occupied property becomes an investment property carried at fair value, any decrease in the carrying amount of the property is recognised in the consolidated income statement.

For any increase in the carrying amount of the property, the revaluation gain/surplus shall first reverse any previous impairment loss for that property in the consolidated income statement. The remaining portion of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity. The revaluation surplus in equity may be transferred to retained profits upon disposal of the investment property.

(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 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 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.

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.

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.

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.

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) 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.

(s) 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.

(t) 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, joint ventures 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)

(t) 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.

(u) 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.

2 Summary of significant accounting policies (continued)

(v) 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.

(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.

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 can be reliably measured, when 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 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.

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 2017, had the price of these investments increased/decreased by 5% with all other variables held constant, there would be no impact to the post-tax profit (2016: HK$381,000 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 2017, if Renminbi ("RMB") had strengthened/weakened by 5% against HK$ with all other variables held constant, the Group's loss for the year would have been approximately HK$5,566,000 (2016: HK$6,753,000) lower/higher, mainly as a result of net foreign exchange gains/(losses) on translation of Renminbi denominated cash and bank balances, and approximately HK$19,072,000 (2016: HK$17,369,000) lower/higher, mainly as a result of net foreign exchange gains/(losses) on translation of Renminbi denominated intercompany receivables.

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 2017, had interest rates been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been HK$20,820,000 (2016: HK$17,898,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings 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, 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, management has monitoring procedures in place to ensure that follow-up action is taken to recover overdue debts. In addition, 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 2017 and 2016 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 2017, the Group held cash and bank deposits of HK$737,877,000 (2016: HK$639,140,000) and trade debtors of HK$1,123,864,000 (2016: HK$1,203,906,000) 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.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	After 5 years HK$'000
At 31 March 2017				
Short-term bank loans and interest thereon	**1,129,653**	**–**	**–**	**–**
Long-term borrowings and interest thereon	**451,355**	**151,437**	**883,778**	**–**
Obligation under finance lease and interest thereon	**7,141**	**2,060**	**150**	**–**
Payables to suppliers and subcontractors	**361,744**	**–**	**–**	**–**
Accruals, retention payables and other liabilities	**721,732**	**13,007**	**41,855**	**152**
Due to joint operations	**59,596**	**–**	**–**	**–**
Due to other partners of joint operations	**27,240**	**–**	**–**	**–**
At 31 March 2016				
Short-term bank loans and interest thereon	1,090,024	–	–	–
Long-term borrowings and interest thereon	378,347	371,228	151,326	261,019
Obligation under finance lease and interest thereon	17,092	2,961	712	–
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	–	–	–

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 2017 and 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
Total borrowings *(Note 31)*	**2,525,256**	2,188,535
Less: Cash and bank balances *(Note 24)*	**(737,877)**	(639,140)
Net debt	**1,787,379**	1,549,395
Total equity	**1,395,405**	1,402,146
Total capital	**3,182,784**	2,951,541
Debt to capital ratio	**0.56**	0.52

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 increase in borrowings for financing an urban redevelopment project in Tai Kok Tsui, Hong Kong won during the year.

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 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
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)

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.

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 be 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.

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.

	2017 *HK$'000*	2016 *HK$'000*
Revenue		
Construction	**4,563,642**	5,496,763
Electrical and mechanical installation	**1,324,413**	1,272,930
Building materials supply	**112,562**	184,685
Property investment and development	**2,179**	379,846
Hotel operations	**98,268**	97,214
Others	**22,989**	18,840
	6,124,053	7,450,278

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.

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 2017							
Total sales	4,738,480	2,027,398	608,388	2,349	98,268	75,070	7,549,953
Inter-segment sales	(174,838)	(702,985)	(495,826)	(170)	–	(52,081)	(1,425,900)
External sales	4,563,642	1,324,413	112,562	2,179	98,268	22,989	6,124,053
Segment results	21,033	5,656	(15,173)	(3,587)	16,845	(16,984)	7,790
Share of profit of associates	–	436	–	–	–	–	436
Share of loss of joint ventures	–	–	(54)	–	–	–	(54)
	21,033	6,092	(15,227)	(3,587)	16,845	(16,984)	8,172
Unallocated income							1,507
Finance costs							(31,982)
Loss before income tax							(22,303)
Income tax expense							(7,453)
Loss for the year							(29,756)
At 31 March 2017							
Segment assets	2,488,925	774,104	865,572	690,764	589,897	120,307	5,529,569
Interests in associates	–	1,382	–	–	–	25	1,407
Unallocated assets							44,654
Total assets							5,575,630
Segment liabilities	(856,123)	(598,783)	(121,488)	(22,246)	(6,504)	(32,254)	(1,637,398)
Bank loans							(2,516,149)
Obligation in respect of joint ventures	–	–	(1,511)	–	–	–	(1,511)
Unallocated liabilities							(25,167)
Total liabilities							(4,180,225)
Year ended 31 March 2017							
Capital expenditure	6,855	1,841	74,145	42	4,455	4,677	92,015
Depreciation	15,477	5,926	30,543	10	22,934	24,854	99,744
Amortisation of leasehold land and land use rights	56	–	1,885	–	–	–	1,941
Amortisation of intangible assets	–	1,056	–	–	–	–	1,056
Fair value loss on investment properties, net	–	–	–	1,960	–	–	1,960

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
Amortisation 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)

5 Revenue and segment information (continued)

The analysis of revenue by geographical area is as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong	5,106,180	4,816,954
Non-Hong Kong	1,017,873	2,633,324
	6,124,053	7,450,278

Revenue of approximately HK$3,486,466,000 (2016: HK$5,034,334,000) are derived from two (2016: four) major customers each contributing 10% or more of the total revenue.

Non-current assets, other than financial instruments and deferred income tax assets, by geographical area are as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong	983,174	993,138
Non-Hong Kong	598,794	598,173
	1,581,968	1,591,311

6 Other income and gains, net

	2017 HK$'000	2016 HK$'000
Other income		
Bank interest income	5,421	7,101
Interest income from subcontractors	7,549	6,999
Management service income from a joint venture and a joint operation	32	306
Sundry income	16,725	8,054
	29,727	22,460
Other (loss)/gains, net		
Relocation compensation gain, net *(Note)*	–	96,140
(Loss)/gain on disposal of property, plant and equipment, net	(208)	695
Fair value (loss)/gain on investment properties, net *(Note 15)*	(1,960)	19,314
Gain on financial assets at fair value through profit or loss	174	853
Gain on derivative financial liabilities	–	166
	(1,994)	117,168
	27,733	139,628

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 ended 31 March 2016. 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.

As of 31 March 2017, the site formation work was in progress but the development plan of the new residential properties has yet to be finalised by the developer. No additional compensation was recognised for the year ended 31 March 2017.

7 Expenses by nature

	2017 HK$'000	2016 HK$'000
Cost of construction	4,441,134	5,512,102
Cost of properties sold *(Note 29)*	–	375,500
Cost of inventories sold	374,040	350,839
Staff costs (excluding directors' emoluments) *(Note 13)*	913,003	1,039,458
Directors' emoluments *(Note 42)*	20,656	20,601
Depreciation *(Note 14)*		
Owned property, plant and equipment	92,704	90,532
Leased property, plant and equipment	7,040	12,885
	99,744	103,417
Operating lease rentals of		
Land and buildings	10,491	12,210
Other equipment	76,106	103,673
	86,597	115,883
Amortisation of leasehold land and land use rights *(Note 16)*	1,941	1,556
Amortisation of intangible assets *(Note 18)*	1,056	1,056
Provision for impaired receivables, net *(Note 25(a))*	16,585	1,189
Provision for inventories	96	242
Auditors' remuneration		
– Audit services	5,495	5,665
– Non-audit services	462	825
Exchange loss, net	31,830	21,617
Direct operating expenses arising from investment properties		
– Generate rental income	335	314
– Not generate rental income	31	36
Selling and distribution costs	29,608	37,318
Others	119,876	112,036
Total cost of sales, selling and distribution costs, administrative and other operating expenses	6,142,489	7,699,654

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 (2016: three) Directors whose emoluments are reflected in the analysis shown in Note 42. The emoluments paid and payable to the remaining two (2016: two) highest-paid individuals in 2017 were as follows:

	2017 *HK$'000*	2016 *HK$'000*
Salaries	4,453	4,385
Bonuses	459	384
Retirement benefits	277	272
	5,189	5,041

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
HK$2,000,001-HK$2,500,000	–	1
HK$2,500,001-HK$3,000,000	2	1

(b) During the years ended 31 March 2017 and 2016, 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 2017 and 2016:

	Number of individuals	
	2017	2016
HK$1,000,001-HK$1,500,000	1	1
HK$1,500,001-HK$2,000,000	6	6
HK$2,000,001-HK$2,500,000	1	1
	8	8

9 Finance costs

	2017 HK$'000	2016 HK$'000
Interest on overdrafts and short-term bank loans	35,612	33,182
Interest on long-term bank loans	25,802	27,101
Interest element of finance lease payments	511	861
Total borrowing costs incurred	61,925	61,144
Less: Classified as cost of construction	(22,875)	(17,603)
Capitalised in construction in progress	(2,174)	(1,412)
Capitalised in property under development for sale	(4,941)	(10,788)
	31,935	31,341
Loss on derivative financial liabilities	47	1,195
	31,982	32,536

For the year ended 31 March 2017, the interest rate applied in determining the amount of borrowing costs capitalised in construction in progress was 2.3% (2016: 2.3%) per annum.

10 Income tax expense

	2017 HK$'000	2016 HK$'000
Hong Kong profits tax provision for the year	243	1,533
Overseas tax provision for the year	2,304	6,021
Over-provision in prior years	(114)	(331)
Deferred income tax relating to the origination and reversal of temporary differences *(Note 32)*	5,020	6,634
	7,453	13,857

Hong Kong profits tax was calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

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

10 Income tax expense (continued)

(a) PRC enterprise income tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law was effective from 1 January 2008. Pursuant to detailed measures of the new CIT Law, the enterprise income tax rate of both domestic enterprise and foreign investment enterprise is 25% from 1 January 2008 onwards.

(b) Macau profits tax

Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2016: 12%).

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

	2017	2016
	HK$'000	*HK$'000*
Loss before income tax	**(22,303)**	(141,976)
Share of profit of associates and joint ventures	**(382)**	(308)
	(22,685)	(142,284)
Calculated at a taxation rate of 16.5% (2016: 16.5%)	**(3,743)**	(23,477)
Effect of different tax rates in other countries	**3,873**	9,761
Income not subject to taxation	**(485)**	(3,797)
Expenses not deductible for taxation purposes	**1,763**	1,836
Temporary differences not recognised	**430**	904
Tax losses not recognised	**15,024**	70,171
Recognition of previously unrecognised tax losses	**(2,130)**	(22,366)
Utilisation of previously unrecognised tax losses	**(7,167)**	(18,848)
Over-provision in prior years	**(114)**	(331)
Others	**2**	4
Income tax expense	**7,453**	13,857

11 Dividend

	2017 HK$'000	2016 HK$'000
Proposed final dividend		
Final – HK1.38 cents (2016: Nil) per ordinary share	6,045	–

In the Board meeting held on 26 June 2017, the Directors recommended the payment of a final dividend of HK1.38 cents (2016: Nil) per share, totalling of HK$6,045,000 (2016: Nil) for the year ended 31 March 2017.

12 Losses per share (basic and diluted)

The calculation of losses per share is based on:

	2017 HK$'000	2016 HK$'000
Net loss attributable to the equity holders of the Company	(29,798)	(159,347)

	2017	2016
Weighted average number of shares in issue during the year	438,053,600	438,053,600
Basic losses per share	(6.80 cents)	(36.38 cents)

Diluted losses per share for the years ended 31 March 2017 and 2016 are equal to basic losses per share as there are no potential dilutive shares in issue during the years.

13 Staff costs (excluding directors' emoluments)

	2017 HK$'000	2016 HK$'000
Salaries, wages and bonuses	871,877	982,877
Provision for/(write-back of) unutilised annual leave	1,165	(1,256)
Long service payments and pension costs		
– defined contribution scheme	33,248	48,882
Termination benefits	6,713	8,955
	913,003	1,039,458

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 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 *(Note 7)*	(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
Year ended 31 March 2017								
Opening net book value	**480,409**	**379,158**	**109,897**	**176,840**	**35,158**	**14,462**	**58,120**	**1,254,044**
Additions	**–**	**–**	**9,997**	**6,926**	**7,211**	**11,166**	**56,673**	**91,973**
Disposals	**–**	**–**	**–**	**(4,837)**	**(422)**	**(864)**	**–**	**(6,123)**
Transfer	**–**	**12,508**	**–**	**–**	**–**	**–**	**(12,508)**	**–**
Transfer to investment properties *(Notes (a) and 15)*	**–**	**(4,774)**	**–**	**–**	**–**	**–**	**–**	**(4,774)**
Depreciation *(Note 7)*	**(2,954)**	**(16,832)**	**(20,129)**	**(37,243)**	**(15,117)**	**(7,469)**	**–**	**(99,744)**
Currency translation differences	**–**	**(17,785)**	**(82)**	**(4,406)**	**(498)**	**(207)**	**(4,724)**	**(27,702)**
Closing net book value	**477,455**	**352,275**	**99,683**	**137,280**	**26,332**	**17,088**	**97,561**	**1,207,674**
At 31 March 2017								
Cost	**490,993**	**422,956**	**188,454**	**315,683**	**152,249**	**65,205**	**97,561**	**1,733,101**
Accumulated depreciation	**(13,538)**	**(70,681)**	**(88,771)**	**(178,403)**	**(125,917)**	**(48,117)**	**–**	**(525,427)**
Net book value	**477,455**	**352,275**	**99,683**	**137,280**	**26,332**	**17,088**	**97,561**	**1,207,674**

Note (a):

During the year ended 31 March 2017, property of HK$4,774,000 has been reclassified to investment properties as a result of change in use of the property.

14 Property, plant and equipment (continued)

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

	2017 HK$'000	2016 HK$'000
Plant and machinery	12,128	33,671
Motor vehicles	9,366	4,404
	21,494	38,075

(b) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK$548,405,000 (2016: HK$558,707,000) (Notes 31 and 38(e)).

15 Investment properties

	2017 HK$'000	2016 HK$'000
Beginning of year	183,520	97,177
Additions	42	–
Transfer from property, plant and equipment *(Note 14)*	4,774	–
Transfer from property under development for sale *(Note 17)*	–	66,700
Fair value (loss)/gain (charged)/credited to consolidated income statement, net *(Note 6)*	(1,960)	19,314
Fair value gain upon transfer from property, plant and equipment	43,226	–
Currency translation differences	(1,527)	329
End of year	228,075	183,520

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 2017 and 2016 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 2017 by Knight Frank Hong Kong Limited, an independent firm of qualified property valuers. Investment properties situated in Singapore were valued as at 31 March 2017 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 2017 HK$'000	Fair value 2016 HK$'000	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Singapore	Residential units/ retail shops	50,075	51,320	Direct comparison	Comparable sales price – S$1,566 to S$2,068 per square feet (2016: S$1,750 to S$2,150 per square feet)	The higher the comparable sales price, the higher the fair value
Hong Kong	Residential units/ retail shops	178,000	132,200	Direct comparison	Comparable sales price – HK$6,850 to HK$59,180 per square feet (2016: HK$8,290 to HK$63,420 per square feet)	The higher the comparable sales price, the higher the fair value
		228,075	183,520			

Investment properties amounting to HK$163,473,000 (2016: HK$51,320,000) are pledged as security for the bank loans of the Group (Notes 31 and 38(e)).

16 Leasehold land and land use rights

	2017 HK$'000	2016 HK$'000
Beginning of year	77,647	58,020
Additions	–	24,177
Amortisation *(Note 7)*	(1,941)	(1,556)
Currency translation differences	(4,473)	(2,994)
End of year	71,233	77,647

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$1,746,000 (2016: HK$1,803,000) were pledged as security for the Group's banking facilities (Note 38(e)).

17 Property under development for sale

	2017 HK$'000	2016 HK$'000
Beginning of year	–	569,459
Additions	266,481	48,758
Transfer to completed properties held for sale *(Note 29)*	–	(551,517)
Transfer to investment properties *(Note 15)*	–	(66,700)
End of year	266,481	–

18 Goodwill and intangible assets

	Goodwill HK$'000	Intangible assets HK$'000	Total HK$'000
Year ended 31 March 2016			
Opening net book value	15,905	14,622	30,527
Amortisation *(Note 7)*	–	(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
Year ended 31 March 2017			
Opening net book value	**15,905**	**13,566**	**29,471**
Amortisation *(Note 7)*	**–**	**(1,056)**	**(1,056)**
Closing net book value	**15,905**	**12,510**	**28,415**
At 31 March 2017			
Cost	**15,905**	**21,837**	**37,742**
Accumulated amortisation	**–**	**(9,327)**	**(9,327)**
Net book value	**15,905**	**12,510**	**28,415**

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 (2016: 5% to 6%);

(ii) growth rate ranging from 1% to 2% per annum (2016: 1% to 2%); and

(iii) discount rate of 9% per annum (2016: 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.

19 Subsidiaries

The following is a list of the principal subsidiaries as at 31 March 2017:

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	–	100%	100%
City Hope Limited	The British Virgin Islands/Hong Kong	US$10	Property investment	–	90%	90%
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 Yuean 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%
Nanjing Nanda VH Software Intelligence Company Limited	Mainland China	RMB1,500,000	Development and sale of computer software	–	70%	70%

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	Macau	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 investment	–	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%

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 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%

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%
Yau Lee Wah Precast Technology (Nanjing) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
Yau Lee Wah Precast Technology (Shenzhen) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
Yau Lee Wah Precast Technology (Wuhan) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
Yau Lee Wah Technology Development Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
有利華建材（惠州）有限公司	Mainland China	HK$255,000,000	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%
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%
利盈電機電工程（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%

20 Associates

	2017 HK$'000	2016 HK$'000
Beginning of year	**1,465**	1,596
Share of profit	**436**	363
Dividend	**(494)**	(494)
End of year	**1,407**	1,465
Due from associates	**495**	494

(a) The following are the details of the principal associates at 31 March 2017 and 2016:

Name	Particulars of issued share capital	Place of incorporation	Interest held 2017	Interest held 2016
Yau Lee Development Company Limited ("YLDC") *(Note (b))*	HK$100	Hong Kong	**50%**	50%
EYE Lighting (Hong Kong) Limited ("Eye Lighting") *(Note (c))*	HK$2,000,000	Hong Kong	**38%**	38%

None of these associates are individually material. There are no contingent liabilities relating to the Group's interest in the associates.

(b) YLDC was engaged in a residential and commercial property development project in Shunde, Mainland China ("Fuli Building") with Chinese parties. The Group did not recognise the loss of the associate for the year ended 31 March 2017 and 2016 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.

21 Joint arrangements

	2017 HK$'000	2016 HK$'000
Obligation in respect of joint ventures		
Beginning of year	**(1,457)**	(1,402)
Share of loss	**(54)**	(55)
End of year	**(1,511)**	(1,457)
Due from joint ventures *(Note (e))*	**2,818**	2,715
Due from joint operations *(Note (e))*	**30,432**	31,744
	33,250	34,459
Due to joint operations *(Note (e))*	**(59,596)**	(59,696)
Due from other partners of joint operations *(Note (e))*	**56,797**	56,797
Due to other partners of joint operations *(Note (e))*	**(27,240)**	(30,208)

(a) The following is a list of the principal joint ventures at 31 March 2017 and 2016:

Name	Particulars of registered/issued share capital	Place of incorporation	Effective interest 2017	Effective interest 2016
Yau Lee Formglas Limited ("YLFG") *(Note (b))*	HK$1,000,000	Hong Kong	**51%**	51%
Yau Lee Formglas (Macau) Limited ("YLFM") *(Note (c))*	MOP200,000	Macau	**51%**	51%

These joint ventures are accounted for using the equity method. There are no contingent liabilities relating to the Group's interest in the joint ventures. None of these joint ventures are individually material.

21 Joint arrangements (continued)

(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 2017.

(d) The following is a list of the principal joint operations at 31 March 2017 and 2016:

Name	Place of establishment	Principal activities	Effective interest	
			2017	2016
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

	2017	2016
	HK$'000	*HK$'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.

23 Other non-current assets

	2017	2016
	HK$'000	*HK$'000*
Prepayments and deposits	**46,165**	46,238

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

	2017	2016
	HK$'000	*HK$'000*
Cash and bank balances	**529,247**	408,196
Time deposits	**23,204**	40,515
Restricted deposits *(Note a)*	**185,426**	190,429
	737,877	639,140

(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:

	2017	2016
	HK$'000	*HK$'000*
Cash and bank balances	**529,247**	408,196
Time deposits with original maturity of less than three months	**23,204**	40,515
	552,451	448,711

24 Cash and bank balances (continued)

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	410,520	226,665
Renminbi	175,680	297,577
Macau Patacas	120,347	57,650
Singapore dollars	29,960	55,773
Euro	906	96
United States dollars	272	863
Other currencies	192	516
	737,877	639,140

(d) Interest rates of time deposits and restricted deposits ranged from 0.01% to 3.65% (2016: 0.01% to 4.67%) per annum.

25 Trade and other receivables

(a) Trade debtors, net

	2017 HK$'000	2016 HK$'000
Trade debtors	656,547	712,936
Retention receivables	490,988	498,322
Provision for impairment	(23,671)	(7,352)
	1,123,864	1,203,906

25 Trade and other receivables (continued)

(a) Trade debtors, net (continued)

The aging analysis of trade debtors, net by overdue day(s) is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Current	**1,012,908**	1,081,955
1-30 days	**7,327**	9,107
31-90 days	**16,659**	20,204
91-180 days	**3,652**	11,008
Over 180 days	**83,318**	81,632
	110,956	121,951
	1,123,864	1,203,906

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2017, trade debtors of HK$110,956,000 (2016: HK$121,951,000) 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 2017, trade debtors of HK$23,671,000 (2016: HK$7,352,000) 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 2017 and 2016.

25 Trade and other receivables (continued)

(a) Trade debtors, net (continued)

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

	2017 HK$'000	2016 HK$'000
Beginning of year	**7,352**	6,163
Impairment loss recognised	**17,695**	1,281
Write back of impairment loss	**(1,110)**	(92)
Currency translation differences	**(266)**	–
End of year	**23,671**	7,352

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	**917,126**	902,270
Macau Patacas	**118,415**	159,149
Singapore dollars	**74,955**	127,739
Renminbi	**13,061**	14,748
United States dollars	**307**	–
	1,123,864	1,203,906

25 Trade and other receivables (continued)

(b) Prepayments, deposits and other receivables

	2017 *HK$'000*	2016 *HK$'000*
Advances to subcontractors	261,119	279,169
Prepayments and deposits	42,765	49,054
Other receivables	132,578	130,168
	436,462	458,391

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$194,547,000 (2016: HK$203,893,000) which bear interest ranging from 4.0% to 9.0% (2016: 4.0% 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

	2017 *HK$'000*	2016 *HK$'000*
Raw materials	38,401	58,784
Finished goods	34,788	49,367
Others	3,834	3,363
	77,023	111,514

27 Construction contracts in progress

	2017 HK$'000	2016 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	**34,790,300**	33,600,970
Progress billings to date	**(34,105,734)**	(32,817,090)
	684,566	783,880
Included in current assets/(liabilities) are the following:		
Due from customers on construction contracts	**1,057,607**	1,135,148
Due to customers on construction contracts	**(373,041)**	(351,268)
	684,566	783,880

Retention receivables from customers in respect of construction contracts in progress of HK$490,988,000 (2016: HK$498,322,000) are classified under trade debtors, net (Note 25(a)).

28 Financial assets at fair value through profit or loss

	2017 HK$'000	2016 HK$'000
Money market fund at fair value – unlisted	**–**	9,124

As at 31 March 2016, financial assets at fair value through profit or loss of HK$9,124,000 were pledged as security for the Group's and Company's banking facilities (Notes 31 and 38(b)).

29 Completed properties held for sale

	2017 HK$'000	2016 HK$'000
Beginning of year	**176,017**	–
Transfer from property under development for sale *(Note 17)*	**–**	551,517
Cost of properties sold *(Note 7)*	**–**	(375,500)
End of year	**176,017**	176,017

30 Derivative financial liabilities

	2017 HK$'000	2016 HK$'000
At fair value		
Hong Kong dollars interest rate swap *(Note)*	–	2,967

Note:

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.

These interest rate swap agreements have expired in June 2016 to August 2016.

31 Borrowings

	2017 HK$'000	2016 HK$'000
Non-current		
Obligations under finance lease	2,176	3,579
Long-term bank loans – secured	987,010	745,269
	989,186	748,848
Current		
Short-term bank loans – secured	1,101,597	1,065,147
Current portion of obligations under finance lease	6,931	16,728
Current portion of long-term bank loans – secured	427,542	357,812
	1,536,070	1,439,687
Total borrowings	2,525,256	2,188,535

31 Borrowings (continued)

(a) The maturity of borrowings is as follows:

	Bank loans		Obligations under finance lease	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**1,529,139**	1,422,959	**6,931**	16,728
Between 1 and 2 years	**132,974**	359,933	**2,028**	2,886
Between 2 and 5 years	**854,036**	129,321	**148**	693
After 5 years	**–**	256,015	**–**	–
	2,516,149	2,168,228	**9,107**	20,307

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

	2017	2016
	%	*%*
Short-term bank loans	**2.6**	2.3
Long-term bank loans	**2.1**	2.3
Obligations under finance lease	**2.1**	2.4

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

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong dollars	**2,518,890**	2,176,422
Singapore dollars	**6,366**	12,113
	2,525,256	2,188,535

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:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**7,141**	17,092
In the second to fifth year	**2,210**	3,673
	9,351	20,765
Future finance charges on finance lease	**(244)**	(458)
Present value of obligations under finance lease	**9,107**	20,307

32 Deferred income tax

The movement of net deferred income tax liabilities is as follows:

	2017	2016
	HK$'000	*HK$'000*
Beginning of year	**(6,260)**	(160)
Charged to consolidated income statement *(Note 10)*	**(5,020)**	(6,634)
Currency translation differences	**1,231**	534
End of year	**(10,049)**	(6,260)

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 2017 HK$'000	Tax losses 2016 HK$'000	Intangible assets 2017 HK$'000	Intangible assets 2016 HK$'000	Accelerated depreciation allowance 2017 HK$'000	Accelerated depreciation allowance 2016 HK$'000	Relocation compensation 2017 HK$'000	Relocation compensation 2016 HK$'000	Total 2017 HK$'000	Total 2016 HK$'000
Beginning of year	49,031	36,183	(2,119)	(2,293)	(29,671)	(34,050)	(23,501)	–	(6,260)	(160)
(Charged)/credited to consolidated income statement	(15,085)	12,848	174	174	2,022	4,379	7,869	(24,035)	(5,020)	(6,634)
Currency translation differences	–	–	–	–	–	–	1,231	534	1,231	534
End of year	33,946	49,031	(1,945)	(2,119)	(27,649)	(29,671)	(14,401)	(23,501)	(10,049)	(6,260)

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:

	2017 HK$'000	2016 HK$'000
Deferred income tax assets		
Recoverable more than twelve months	8,810	5,591
Recoverable within twelve months	4,333	16,500
	13,143	22,091
Deferred income tax liabilities		
Payable or settle more than twelve months	(20,996)	(23,798)
Payable or settle within twelve months	(2,196)	(4,553)
	(23,192)	(28,351)

32 Deferred income tax (continued)

As at 31 March 2017, the Group has unrecognised tax losses of approximately HK$961,455,000 (2016: HK$922,127,000) to carry forward against future taxable income.

	2017 HK$'000	2016 HK$'000
With no expiry date	771,265	724,353
Expiring not later than one year	13,788	25,687
Expiring later than one year and not later than five years	176,402	172,087
	961,455	922,127

33 Payables to suppliers and subcontractors

The aging analysis of payables to suppliers and subcontractors by overdue day(s) is as follows:

	2017 HK$'000	2016 HK$'000
Current	337,157	513,697
1-30 days	16,320	40,194
31-90 days	1,549	1,820
91-180 days	496	811
Over 180 days	6,222	6,594
	24,587	49,419
	361,744	563,116

33 Payables to suppliers and subcontractors (continued)

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong dollars	**291,501**	357,176
Singapore dollars	**47,071**	123,976
Renminbi	**16,413**	15,458
Macau Patacas	**6,759**	63,081
Others	**–**	3,425
	361,744	563,116

34 Accruals, retention payables, deposits received and other liabilities

	2017	2016
	HK$'000	*HK$'000*
Retention payables	**495,214**	448,627
Other deposits and receipts in advance	**71,957**	52,049
Due to non-controlling interests *(Note)*	**520**	520
Others	**237,137**	310,395
	804,828	811,591

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 2017	Number of shares 2016	Amount 2017 HK$'000	Amount 2016 HK$'000
Ordinary shares of HK$0.2 each				
Authorised:				
At beginning and end of the year	**1,000,000,000**	1,000,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning and end of the year	**438,053,600**	438,053,600	**87,611**	87,611

36 Other reserves and retained profits

	Other reserves						
	Share premium HK$'000	Capital redemption reserve HK$'000	Currency translation reserve HK$'000	Property revaluation reserve HK$'000	Other reserve HK$'000	Total HK$'000	Retained profits HK$'000
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	21,228	–	(8,481)	426,882	887,367
At 1 April 2016	**413,776**	**359**	**21,228**	**–**	**(8,481)**	**426,882**	**887,367**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(29,798)**
Currency translation differences	**–**	**–**	**(20,211)**	**–**	**–**	**(20,211)**	**–**
Fair value gain on investment properties upon transfer from property, plant and equipment	**–**	**–**	**–**	**43,226**	**–**	**43,226**	**–**
At 31 March 2017	**413,776**	**359**	**1,017**	**43,226**	**(8,481)**	**449,897**	**857,569**

37 Notes to consolidated cash flow statement

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

	2017 *HK$'000*	2016 *HK$'000*
Operating profit/(loss)	**9,297**	(109,748)
Interest income	**(12,970)**	(14,100)
Loss/(gain) on disposal of property, plant and equipment, net	**208**	(695)
Fair value loss/(gain) on investment properties, net	**1,960**	(19,314)
Amortisation of intangible assets	**1,056**	1,056
Amortisation of leasehold land and land use rights	**1,941**	1,556
Depreciation	**99,744**	103,417
Write off of property, plant and equipment	**–**	14,244
Provision for impaired receivables, net	**16,585**	1,189
Provision for inventories	**96**	242
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, net	**–**	(166)
Gain on financial assets at fair value through profit or loss	**(174)**	(853)
Operating profit before working capital changes	**117,743**	119,622
Loans to employees	**73**	568
Trade debtors, net	**65,379**	138,144
Inventories	**40,848**	19,440
Prepayments, deposits and other receivables	**29,582**	165,697
Due from customers on construction contracts	**76,997**	(113,815)
Property under development for sale	**(266,481)**	(48,758)
Completed properties held for sale	**–**	375,500
Due from associates	**(1)**	–
Net change in balances with joint ventures/joint operations/other partners of joint operations	**(1,859)**	(152)
Payables to suppliers and subcontractors	**(197,095)**	(89,876)
Accruals, retention payables, deposit received and other liabilities	**(3,214)**	(224,754)
Due to customers on construction contracts	**23,524**	(392,434)
Net cash used in operations	**(114,504)**	(50,818)

37 Notes to consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Obligations under finance lease	Long-term bank loans	Short-term bank loans	Restricted deposits
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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 *(Note (c))*	3,186	–	–	–
Currency translation differences	20	70	–	–
At 31 March 2016	20,307	1,103,081	1,065,147	(190,429)
At 1 April 2016	**20,307**	**1,103,081**	**1,065,147**	**(190,429)**
Net cash (outflow)/inflow from financing activities	**(19,018)**	**331,473**	**16,610**	**5,003**
Transfer	**–**	**(19,840)**	**19,840**	**–**
Amortisation charges of prepaid loan arrangement fee	**–**	**104**	**–**	**–**
Inception of finance lease obligations *(Note (c))*	**7,864**	**–**	**–**	**–**
Currency translation differences	**(46)**	**(266)**	**–**	**–**
At 31 March 2017	**9,107**	**1,414,552**	**1,101,597**	**(185,426)**

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$7,864,000 (2016: HK$3,186,000).

38 Banking facilities

As at 31 March 2017, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,083,647,000 (2016: HK$4,034,049,000), of which HK$3,006,667,000 (2016: HK$2,599,787,000) had been utilised. These banking facilities are secured by the following:

(a) Restricted deposits of HK$185,426,000 (2016: HK$190,429,000) (Note 24);

(b) Financial assets at fair value through profit or loss of Nil (2016: HK$9,124,000) (Note 28);

(c) Guarantees of HK$5,070,710,000 (2016: HK$4,019,118,000) given by the Company;

(d) Trade receivables of certain construction contracts (Note 25 (a)); and

(e) Property, plant and equipment of HK$548,405,000 (2016: HK$558,707,000), investment properties of HK$163,473,000 (2016: HK$51,320,000) and leasehold land and land use rights of HK$1,746,000 (2016: HK$1,803,000) (Notes 14, 15 and 16).

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 2017, 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 approximately HK$10,000,000 in respect of the subcontractor's failure to perform certain contractual duties and for recovery of over-payments made to the subcontractor. The subcontractor's director was also joined in as co-defendant, for liabiliites owed under a personal guarantee for the subcontractor's liabilities. The subcontractor also filed a counterclaim, for payment allegedly payable under the subcontract, at around HK$5,000,000. The trial of the case was concluded in early June 2016. Judgment handed down on 15 August 2016 awards the subsidiary the full aggregate amount as claimed under various heads, at HK$9,020,775, together with interests and legal costs. However, a Notice of Appeal was filed on 23 September 2016 for appeal against some of the awarded claims which has yet been set down in the List of Appeal.

The total outstanding indebtedness, as at 31 January 2017, amounts to HK$15,379,062 (principal sum and interests accrued). In enforcement proceedings, the subsidiary has obtained and registered a Charging Order against a landed property owned by the guarantor and is currently pursuing statutory demand action (prior to filing a Bankruptcy petition) pursuant to the Bankruptcy Ordinance. On the other hand, steps are currently taken for the subsidiary's legal costs to be taxed.

(c) The Group has provided performance bonds amounting to approximately HK$811,136,000 (2016: HK$762,636,000) in favour of the Group's customers.

39 Commitments and contingent liabilities (continued)

(d) As at 31 March 2017, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of plant and equipment and expansion of factory in Mainland China of approximately HK$23,537,000 (2016: HK$10,580,000).

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

	2017	2016
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**11,261**	10,905
One year to five years	**19,309**	22,669
More than five years	**–**	961
	30,570	34,535

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:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**3,932**	2,558
One year to five years	**2,251**	103
	6,183	2,661

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 the following transactions were carried out with related parties:

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:

	2017 *HK$'000*	2016 *HK$'000*
Salaries and fees	18,190	18,130
Discretionary bonuses	1,640	1,640
Pension costs – defined contribution scheme	798	795
Others	28	36
	20,656	20,601

42 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

Name	Fees	Salaries	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to retirement benefit scheme	Total
		(Note (i))			*(Note (ii))*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2017							
Mr. Wong Ip Kuen	–	8,450	410	–	7	390	9,257
Ir. Wong Tin Cheung	–	2,824	390	1,076	7	180	4,477
Ms. Wong Wai Man	–	3,250	340	–	7	150	3,747
Mr. Sun Chun Wai	–	1,690	500	–	7	78	2,275
Mr. Chan, Bernard Charnwut	300	–	–	–	–	–	300
Mr. Wu King Cheong	300	–	–	–	–	–	300
Dr. Yeung Tsun Man, Eric	300	–	–	–	–	–	300
	900	16,214	1,640	1,076	28	798	20,656
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

Notes:

(i) 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.

(ii) Other benefits include insurance premium.

42 Benefits and interests of directors (continued)

(b) Directors' retirement benefits and termination benefits

The directors did not receive or will receive any retirement or termination benefits for the year ended 31 March 2017 (2016: Nil).

(c) Consideration provided to third parties for making available directors' services

The Company did not pay any consideration to any third party for making available directors' services for the year ended 31 March 2017 (2016: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of the directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year ended 31 March 2017 (2016: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2017 (2016: Nil).

43 Balance sheet and reserve movement of the Company

Balance sheet of the Company

As at 31 March 2017

		2017 *HK$'000*	2016 *HK$'000*
Assets			
Non-current asset			
Subsidiaries		571,615	571,615
Current assets			
Cash and bank balances		27,833	17,795
Prepayments, deposits and other receivables		332	942
Financial assets at fair value through profit or loss		–	9,124
Due from subsidiaries		1,211,969	1,209,440
Due from a joint venture		440	360
		1,240,574	1,237,661
Total assets		1,812,189	1,809,276
Equity			
Share capital		87,611	87,611
Other reserves	*Note*	414,135	414,135
Retained profits	*Note*	937,461	938,538
Total equity		1,439,207	1,440,284
Liabilities			
Current liabilities			
Accruals and other liabilities		929	696
Due to subsidiaries		372,053	368,296
Total liabilities		372,982	368,992
Total equity and liabilities		1,812,189	1,809,276

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

Note: Reserve movement of the Company
For the year ended 31 March 2017

	Other reserves			
	Share premium *HK$'000*	**Capital redemption reserve** *HK$'000*	**Total** *HK$'000*	**Retained profits** *HK$'000*
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
At 1 April 2016	**413,776**	359	**414,135**	**938,538**
Loss attributable to equity holders of the Company	**–**	**–**	**–**	**(1,077)**
At 31 March 2017	**413,776**	**359**	**414,135**	**937,461**

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 gross floor area of 7,352 sq.ft.	The property is currently vacant	100%
7.	Shop No. 1 on the Ground Floor and Flat Nos. A and B on the 1st Floor, Tak Wai Building, No. 25 Cheong Lok Street, Yau Ma Tei, Kowloon	Kowloon Inland Lot Nos. 8688, 7960 & 8116 for a term of 150 years commencing on 25 December 1888	Shop unit on the Ground Floor with an approximate gross floor area 504 sq.ft. and two office units on the 1st Floor with an approximate total gross floor area 2,678 sq.ft.	The property is currently vacant	100%

Five Year Financial Summary

Consolidated results

For the year ended 31 March

	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	**2017** ***HK$'000***
Revenue	4,196,546	6,552,586	9,476,494	7,450,278	**6,124,053**
Profit/(loss) before income tax	73,490	47,025	95,852	(141,976)	**(22,303)**
Income tax expense	(8,180)	(7,791)	(19,781)	(13,857)	**(7,453)**
Loss/(profit) attributable to non-controlling interests	50	(619)	(7)	(3,514)	**(42)**
Profit/(loss) attributable to equity holders of the Company	65,360	38,615	76,064	(159,347)	**(29,798)**

Consolidated assets and liabilities

As at 31 March

	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	**2017** ***HK$'000***
Total assets	4,412,525	6,242,116	6,472,028	5,452,086	**5,575,630**
Total liabilities and non-controlling interests	(2,913,085)	(4,710,506)	(4,875,872)	(4,050,226)	**(4,180,553)**
Shareholders' equity	1,499,440	1,531,610	1,596,156	1,401,860	**1,395,077**

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