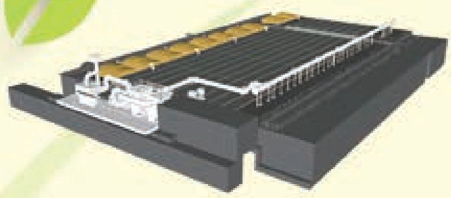
有利集團有限公司

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 0406



BIM FOR FULL LIFECYCLE MANAGEMENT

INDUSTRIALIZED BUILDING PROCESS

MODULAR INTEGRATED CONSTRUCTION

ANNUAL REPORT 2019

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

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Bermuda

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Enterprise Square
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Kowloon Bay
Hong Kong

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http://www.irasia.com/listco/hk/yaulee/

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby report the annual performance of Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2019 to all the shareholders.

Result for the Year

In a tough economic and competitive environment, the Group delivered a positive result. We grew in both operation performance and the amount of new contract awarded. Profits excluding foreign currency revaluation differences increased as compared to last year. Total new contract value secured in the year surged by 280% or HK$4,809 million over last year. All segments reported an increase in new contracts awarded. More importantly, we developed and launched our patented modular integrated construction ("MiC") technologies, namely Concrete MiC 1.0, the first of its kind. Yau Lee Wah, the Group's prefabrication manufacturing entity becomes Hong Kong's first ever and the only one Buildings Department approved multi-storey concrete MiC manufacturer as of the reporting date. The invention showcases the Group's strength and competency in innovation and construction technologies.

Consolidated revenue generated in the year was HK$5,618 million which was comparable to last year's figure at HK$5,654 million. In compliance with the new Hong Kong Financial Reporting Standards for revenue recognition, a new accounting policy was adopted which resulted in a decrease in the current year turnover as compared with that of last year which was not required to be restated. Excluding the impact from the accounting policy change, total revenue would have grown by around 2%. Revenue from construction segment was steady. On electrical and mechanical installation ("E&M") segment, revenue declined by 14% due to a slowdown in Macau market and slow progress in some projects. The deferred works coupled with the rise in new contract awarded this year would bring to the segment a fairly good increase in sales next year. In any case, the fall short in revenue was covered by the sales of some residential units. The sales of properties were signed previously but the corresponding revenue was recognised upon transactions completed in this year. The hotel was doing very well this year too. Revenue increased for three consecutive reporting periods and was up by 11% year on year. Both of the occupancy rate and room rate were up.

The Group' profitability returned to growth. Consolidated gross profits for the year surged 38% from HK$393 million to HK$544 million. Those unfavorable incidences that once impacted the Group's profits such as losses in oversea projects, lead water incidence were resolved. Though, we recorded an unpredicted loss for the joint venture project with Hsin Chong and made provisions on receivables of Hsin Chong as a result of their financial problems, the overall profits reflecting our performance in local core market improved. This is evidenced by the double-digit percentage growth in E&M business gross margin, albeit its turnover dropped by 14%. We would strive to improve the margin further.

Chairman's Statement

Operating expenses was up by 9% or HK$41 million year on year, out of which HK$10 million was residential properties' selling expenses which occurred only upon sales of properties. Staff cost attributed to the increase too. Apart from the annual salary adjustment which was referenced to the pay trend in Hong Kong, the rise also caused by new recruits for developing the prefabrication industrialization business in China and artificial intelligence ("A.I.") solutions for construction. We think these costs were more of investment nature, which shall give reasonable payback from businesses generated in future.

Consolidated profit before tax for current year was HK$40 million, whereas last year earned HK$51 million. In fact, the profits from operating activities grew if the exchange difference generated from foreign currency revaluation was excluded. Last year, the Group reported an exchange gain of HK$67 million as against a loss of HK$10 million this year caused mainly by RMB deprecation. The improvement in operation performance reflected also in cash flow and balance sheet strength.

Dividend

In the Board meeting held on 26 June 2019, the Directors recommended the payment of a final dividend of HK1.50 cents per share (2018: HK1.50 cents). Together with the interim dividend of HK1.50 cents per share (2018: HK1.50 cents), total distribution is HK3.0 cents this year, which is same as 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 4 September 2019 (Wednesday), will be payable on 11 October 2019 (Friday) to the shareholders whose names appear on the register of members of the Company on 27 September 2019 (Friday).

Review of Operations

Building construction, renovation and maintenance

The segment reported yearly revenue of HK$3,957 million, comparable to last year one of HK$4,017 million. Actually, there would have been a rise in revenue of 2% this year without the adoption of new Hong Kong Financial Reporting Standards for revenue recognition. The segment improved in profits too. It made a profit of HK$18 million whereas there was a loss of HK$7 million in prior year. We passed through those unforeseen difficulties that happened in last few years. Their adverse impacts on businesses and profitability are diminishing. The segment shall grow again in profits soon.

During the year, we secured two new-built projects, one from the Hong Kong Housing Authority and the other one from the Architectural Services Department ("ASD"). The amount of new contracts awarded this year was HK$4,691 million, much higher than prior year one of HK$404 million. Contracts in hand as at 31 March 2019 was HK$16,430 million, compared to HK$17,341 million at end of last year.

Though the public building market still recorded mild growth, the competition got worse, partly because the civil engineering market stagnant after most of the mega infrastructure projects came to completion. The fall in business opportunities drove the contractors to grasp more building projects to compensate the declines from civil engineering sector. Tender margins deteriorate further if compete only by the price. It is believed that our innovative prowess is a decisive factor in reinforcing our market position, a better way to maintain sustainable growth, and therefore we never stop to advance our technical competency. We anticipate trends, aligning our expertise with customers' needs and breaking new ground in every aspect we do. Drawing on our over 30 years' expertise in prefabrication, we successfully developed our owned patented concrete MiC system. When the Hong Kong Government announced in the 2017 Policy Agenda to promote MiC construction method, we were ready to take part in it. Disciplined Services Quarters for the Fire Services Department at Pak Shing Kok, Tseung Kwan O, our ASD project secured this year, is Hong Kong's first-ever concrete MiC project, employing our patented MiC technologies. Enabled by our strong prefabrication facilities, E&M and BIM expertise, we produce off-site in the factory volumetric modules of buildings, with all finishes, building services and fitting completed and then transport to the site for installation.

Chairman's Statement

MiC is an innovative prefabricated construction technology. The buildings are substantially completed offsite in a factory-controlled environment which give rise to a great deal of advantages including higher productivity, improved site safety, less demand for site labor and shorten construction time etc. The derived benefits address the major challenges that the industry faces currently. We anticipate reducing on-site labor and construction time notably. With the policy support and real benefits to the customers, MiC would be in high demand. We, being the front-runner in this sphere, shall enjoy first mover advantages that would enhance our tender competitiveness and profit margins.

In addition to our strong prefabrication manufacturing capabilities, our renowned BIM team also facilitates our MiC technology development. Preparing a building modular unit or assembly for fabrication is a complicated and time-consuming process. BIM enables digital design-to-fabrication workflows for all building disciplines. By allowing virtual visualization of production and building, it helps to identify and correct problems in advance, leading to reduced execution costs. Today, we apply BIM in all our business disciplines like E&M, manufacturing, design and fitting out works which bolsters our strength and differentiates us from other industry players. For example, our Maintenance and Fit-out team delivered a special project this year, to which our prefabrication and BIM expertise attributed a lot to the success. It was the Immigration Department's Hong Kong Identity Card replacement center fitting out works which imposed very tight time constraints. The team, equipped with the prefabrication and BIM capabilities, delivered the projects in high quality and in very short span of time, exceeding clients' expectations. The Group's integrated capabilities make possible the project completion within tight timeframe without compromising the quality and extra costs. We shall stand out in the time-cautious projects.

Apart from more collaboration with other business segments, GVDC, the subsidiary engaging in BIM and virtual design and construction (VDC) solutions, grew fairly good in revenue this year. The revenue was doubled year on year. Besides, GVDC was admitted to the Pre-approved List of the Construction Innovation and Technology Fund (CITF), a fund established by the Government to support technologies with proven effectiveness in boosting productivity, uplifting building quality, improving site safety and enhancing environmental protection. The admission manifests our competency in this field. The team is now planning to expand its presence in Mainland China. By partnering with eminent local industry participants, we aim to grow the market by providing a wide range of solutions including 5D BIM consultancy and training, localized green building assessment add-on for HK BEAM Plus and China 3 Star, full lifecycle management, BIM online platform as well as development of Blockchain-enabled lean integrated platform called "BEANiE". Mainland market offers tremendous opportunities that business can grow exponentially in future.

In light of the increasingly challenging business environment, we would expand our businesses cautiously keeping in mind the importance of sustained profit return.

Electrical and mechanical installation

The E&M team took strategic moves in operation and business structure, leading to favorable results in both gross margin and new contract in-take this year.

Total revenue recorded in the year was HK$1,800 million, representing a reduction of HK$282 million relative to the prior year. The decline mostly related to lower activities in Macau and delays in certain jobs as a result of slow project progress as a whole. Macau private construction sector shrank since 2017, with the peak of mega hospitality and gaming development slowing down. Our Macau team whose focus mainly in recreational development was impacted inevitably. Yet, we think the market shall be active again because some gaming groups started to upgrade or convert their development to a more family-friendly venue to embrace the rise in visitors after the opening of Hong Kong Zhuhai-Macau bridge and the development of Greater Bay Region. The segment will maintain its presence in Macau to grasp the opportunities as and when appropriate.

Chairman's Statement

Despite revenue dropped, the segment grew in gross profit both in amount and percentage. During the year, we did cost engineering and revamped our subcontracting system. We successfully gained some cost saving in certain on-going projects and raised the margins as compared to the original forecasts. The costs reforms would strengthen our competitiveness in future tender too.

The growth in margin fully reflected in net profits as we maintained a stable operating expense. As such, segment profits grew quite substantially from HK$15 million to HK$35 million, representing an increase of 133% year on year.

As a renowned innovative engineering company, we invest relentlessly on technical competency for new solutions and enhanced offerings. A.I. enhanced E&M solutions and automated car parking system are the major aspects we focus on now. In the former area, we developed Narrow Band Internet of Things ("NBIoT") universal controller and A.I. pump control system in this year. NBIoT universal controller enables big data collection and analysis for self-diagnosis, optimization and prediction. It is cloud-based, compatible with all narrowband IoT network and available at affordable price. The product offers a wide range of applications which implies huge market potentials. For the A.I. pump control system, it combines our owned developed Energy Optimization Solution (EOS) and A.I. model that help to deliver optimized system output and result. Both are promising products and are now under pilot testing. Another new solution worth noting is the automated car parking system. EMSD introduced in its new headquarter Hong Kong's first automated parking system with type test approval after lift ordinance implemented. REC was awarded the project and brought in the Puzzle Parking system which enables horizontal and vertical movement of parking spots just like a puzzle to park and retrieve cars. In view of the shortages in car park spaces in Hong Kong, the system would be well received by the market.

We are one of the largest E&M contracting companies in Hong Kong, offering a comprehensive range of E&M services. To uplift our competitiveness in tender of sizable projects, a new division was formed to handle packaged projects by offering competitive one-stop solutions. As mentioned earlier, this strategic business restructure was successful and brought in around HK$700 million new contracts this year.

Chairman's Statement

This remarkable result, together with the outstanding performance achieved by the expanded environment engineering team caused a rise in new contracts awarded by 18% to HK$2,164 million. The segment is heading toward a right direction and grows at a steady pace. As at 31 March 2019, the total value of contracts on hand was at a high level of HK$7,411 million which paved the way for a sustained sales trend.

Building materials supply

Total sales in the year were HK$407 million, representing a decline of around 15% over the last year. The reduction was mainly caused by project transition period. The production for Anderson Road Public Housing project, a sizeable one which contributed majority sales last year was completed but the works for two newly awarded projects, namely Queen's Hill Public Housing and Fire Services Department staff quarter at Pak Shing Kok were yet to commence. We anticipated the sales would grow in next year.

Yau Lee Wah is Hong Kong's first ever and the only one Buildings Department approved multi-storey concrete MiC manufacturer as of the reporting date. By deploying our own proprietary technologies and draw on almost 30 years' prefabrication expertise, we successfully developed our own patented concrete MiC system. The breakthrough technology largely extends the use of prefabrication in a building and increase substantially the percentage of works undertaken by a factory in each project. The new technology would certainly bring us enormous business opportunities.

The segment reported a loss this year whilst last year was a profit. The loss was partly due to the overheads like plant and machinery depreciation, factory premises amortisation, fixed in amounts regardless of the level of sales. Furthermore, a full-year payroll impact for the new team established for the prefabrication industrialization business in Mainland China reflected this year. In addition, the segment absorbed a few millions losses, being the pre-operating expenses of Mainland joint venture factories incurred before business commencement. To some extent, the new team's manpower costs and the joint venture pre-operation costs were a kind of investment. As when the new business scales up, such costs would become negligible.

On Mainland prefabrication industrialization business, we have signed up eight joint ventures as at year end. The Yichang joint venture was the first one in operation. The site area of phase 1 development is around 42,000 square meters and we are about to acquire another land lot of around 70,000 square meters for phase 2 development. The joint venture just completed the first order from a nationwide developer to provide mainly basic prefabricated components. We are now designing an extended range of products which are in demand in the local market.

Chairman's Statement

The second joint venture factory to open is the Luoyang joint venture which schedules the soft opening in June 2019. It got contracts on hand already. Production will commence once the factory building works are completed. As to the Nanjing joint venture, it is the biggest one at the moment. The site area of the whole lot can reach 200,000 square meters. The joint venture seized a few contracts already and expected to operate before end of this year. For the remaining five joint ventures, we are still searching for appropriate lots to build the factories. We formed joint ventures in provinces or cities which have set out clear and defined policies in favor of prefabricated construction. For example, the General Office of the People's Government of Nanjing City published an "Opinion of Further Promotion for Implementation of Prefabrication Construction Development" which states clearly that the proportion of prefabricated construction in new buildings of the city shall reach over 30% by Year 2020. And in Wuhan, The People's Government of the City issued a similar Notice which targets to raise the proportion of prefabricated construction in new buildings from 10% in 2017 to 40% in 2020. The strong and clear visions from local officials help a lot our business development in the areas.

Hotel operation and property investment and development

The tourist arrivals to Hong Kong soared to a record high of around 65.1 million in 2018, representing a rise of 11.4% year on year. Strong visitor arrivals helped drive robust demands for hotel rooms and pushed industry's average occupancy rate to 91.4% in the year whereas last year was 89%. Benefitting from strong market demands, our hotel attained a record average occupancy rate of over 95%. Average daily room rate rose by 10% too. In this context and with a good cost control, EBITDA grew by 11.5% year on year. Since the opening in 2012, the hotel contributed good result and cash flow yearly. The market value of the hotel property rose further, though it was not reflected on book because the property was reported on account at historical costs less accumulated depreciation to comply Hong Kong Financial Reporting Standards and the Group's accounting policies.

Regarding the commercial/residential mix development on Pine Street/Oak Street in Tai Kok Tsui, the expected completion date remains at before end of 2020, albeit some delay occurred in piling. The development attained BEAM Plus New Building (v.1.2) Provisional Platinum Certificate. We are in the process of applying the pre-sale consent. In light of the booming property market, we believe this smart living initiative development would bring good amount of profit upon sales.

The other development in progress is the commercial/residential mix development on our ex-Shenzhen Longhua factory site, from which the Group is entitled to 10,000 m^2 of the new residential properties upon completion, being the compensation entitlement for the removal of factory a few years ago. Piling work was completed. In view of the size of the development, we anticipated the completion and handover date to be in first half of 2021, if not end of 2020 as previously planned. Mainland property market cooled in 2018, reflecting government policies to constraint the housing market. Despite so, residential market prices still went up mildly in the Longhua area due to the prime location. Current market price is around RMB56,000 per square meter which envisages a considerable profit to the Group in coming years.

Chairman's Statement

Outlook

Global economic outlook is dimming as the conflicts between China and US escalates. The Group's core market may not be hit directly by it. Nonetheless, it causes uncertainties on Hong Kong's economic growth which may impact the market momentum in near term. We would move forward cautiously.

In any case, outlook for the construction industry in Hong Kong is optimistic in medium and long term. As set out in the Government's Year 2019-20 Budget, the annual capital works expenditure is expected to rise to over HK$100 billion, and the annual total construction output will increase to over HK$300 billion, covering the construction of public and private housing, hospital development and redevelopment projects, development and expansion of new towns and new development areas, as well as construction of a third runway for the airport in next few years. Given the significant volume of predicted construction activities, the plaguing issues that the industry faces for years like shortage of skilled labor, rising operation costs etc. ought to be dealt with sooner. The Government took the initiative to be a leading agent for change. "Construction 2.0" was launched aiming to upgrade the industry through innovation, professionalism and revitalization. The Group stands at the forefront of innovation and advanced construction technologies would reap the benefits from this new market trend. We shall stand firm on our commitment to operation excellence and innovation.

As to the prefabrication industrialization development in Mainland China, we will grow the market share through both online and offline channels. We would grow our joint venture manufacturing entities cautiously. Meanwhile, we would market and promote our knowhow and brand through online platform to expand our market reach exponentially.

When we built the joint venture factories, we did also a number of new work process automations and made new automatic machineries for better quality and productivity controls. These new initiatives gained high recognitions from many parties and we received order inquiries even from our competitors. Our specialty in prefabrication and manufacturing capabilities enable us to produce unique production facilities that work. Manufacturing and supply of factory facilities is a big market. It may be worth looking at this market later.

Throughout our long history, Yau Lee has weathered every market environment. We are uniquely positioned and equipped to navigate through this crucial time of change in the industry. We are committed to our customers' needs and to delivering the extraordinary performance they expect. Yau Lee will continue to further develop as a sustainable and reliable corporation.

I am proud that Yau Lee has a team of great people who share and commit to our visions and strategies. I sincerely thank the Board and the colleagues for their trusts and efforts. I also thank our shareholders for the continued supports to the Group.

Wong Ip Kuen
Chairman

Hong Kong, 26 June 2019

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 2019, the Group's total cash and bank balances was HK$837 million (2018: HK$782 million) and total borrowings increased to HK$2,339 million (2018: HK$2,248 million). The increase in borrowings was primarily due to finance existing constructing projects and set up joint venture factories in Mainland China. The current ratio (total current assets: total current liabilities) as at 31 March 2019 was 1.3 (2018: 1.5). The amount of bank loans and other facilities fall due beyond one year was HK$1,135 million (2018: HK$1,243 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 2019, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,295 million (2018: HK$5,173 million), of which HK$2,703 million (2018: HK$2,701 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 2019, the Group had approximately 2,900 (2018: 2,800) employees. There are approximately 2,200 (2018: 2,100) employees in Hong Kong, Macau and Singapore and 700 (2018: 700) 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 2019

Contract value

	31 March 2018 HK$'million	Contracts Secured HK$'million	Contracts Completed HK$'million	**31 March 2019 HK$'million**
Building construction, renovation and maintenance	17,341	4,691	(5,602)	**16,430**
Electrical and mechanical installation	7,288	2,164	(2,041)	**7,411**
Building materials supply	1,664	676	(176)	**2,164**
Others	22	18	(19)	**21**
Less: Inter-segment contracts	(3,990)	(1,025)	1,095	**(3,920)**
	22,325	6,524	(6,743)	**22,106**

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2019

Contracts

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

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)

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

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

Advance Works for Central Market, Central District, Hong Kong

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2019

Contracts

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

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)

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)

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by Property Service Administration Unit/Kwai Chung (1) 2018/2021

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contract secured in current year

Contracts

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kwai Chung (1) 2018/2021

Construction of Subsidised Sale Flats Development at Queen's Hill Site 1 Phase 3 and Portion of Phase 6

Design and Construction of Rank and File Quarters for Fire Services Department at Area 106, Pak Shing Kok, Tseung Kwan O

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Hong Kong Island and Outlying Islands (2) 2018/2021

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

Contracts

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin Region (3) 2019/2022

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2019

Contracts

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*

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

Electrical 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

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.

* Inter-segment contracts

Summary of Contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2019

Contracts

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

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

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

Design and Construction of Fitting Out Works to Building and Lands and Other Properties for which the Architectural Services Department is responsible (Designated Contract Area: Kowloon & New Territories)*

Contracts secured in current year

Contracts

Triennial Term Contract for Maintenance of Heating, Ventilation & Air-Conditioning Installations for Health Sector Venues in New Territories West Region

MVAC and Electrical Installation for Construction of Treasury Building at The Junction of Tung Chau Street and Tonkin Street West in Cheung Sha Wan

Design & Construction of Rank & File Quarters for the Fire Services Department at Area 106, Pak Shing Kok, Tseung Kwan O*

Electrical & ELV Installation Nominated Sub-Contract Works for the Proposed Residential Development at NKIL 6567, Kai Tak Area 1K Site 1, Kai Tak, Kowloon

Electrical Installation for Construction of Public Rental Housing Development at Queen's Hill Site 1 Ph. 2,4 & 5 and Portion of Ph. 6

Plumbing and Drainage Installation for Construction of Subsidised Sale Flats Development at Queen's Hill Site 1 Phase 3 and Portion of Phase 6*

Contracts secured by a joint operation in prior year

Contracts

Provision of on-site Chlorine Generation Plants for Sha Tin, Pak Kong and Tuen Mun Water Treatment Works (50% effective interest by the Group)

Provision of on-site Chlorine Generation Plants for Sheung Shui, Silver Mine Bay, Siu Ho Wan and Ma On Shan Water Treatment Works (50% effective interest by the Group)

* Inter-segment contracts

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Wong Ip Kuen

aged 83, 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 55, has been with Yau Lee Group for 30 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. Started from 2017, Ir. Wong put a great effort in developing construction Robotics and implementing artificial intelligence to promote smart construction techniques in the construction industry.

Ir. Wong holds a Bachelor Degree in Civil Engineering from the University of Southampton, Master Degree in Foundation Engineering from the University of Birmingham, Executive 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. He was admitted as Fellow of the Hong Kong Institution of Engineers in March 2015.

In public services, Ir. Wong is appointed as the Deputy Chairman of Vocational Training Council, Member of the Advisory Council on the Environment, Member of the Energy Advisory Committee, Member of the Trade and Industry Advisory Board, Member of the Environmental Campaign Committee and the Chairman of the Awards Committee on the Hong Kong Awards for Environmental Excellence under Environmental Campaign Committee. In the past, Ir. Wong served as the Chairman of the Occupational Safety and Health Council, 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, the Member of the Panel on Promoting Testing and Certification Services in Construction Materials Trade and the Director of the World Green Building Council.

In collaboration with academic and practitioner, Ir. Wong has been appointed as the Chairman of the Building & Construction Group of CUBIC in City University of Hong Kong, the Management Committee of the Centre for Innovation in Construction and Infrastructure Development (CICID), the Advisory Committee of the Department of Civil Engineering in The University of Hong Kong, the Member of the Intellectual Property Assessment Committee (IPAC) of The Hong Kong Polytechnic University, the Department Advisor of the Department of Civil Engineering in Chu Hai College of Higher Education as well as the Member of the Management Committee in Centre for University and School Partnership in The Chinese 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 was a Member of 11th 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.

Biographical Details of Directors and Senior Management

Ms. Wong Wai Man

aged 52, 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, Deputy Director of China Green Building (Hong Kong) Council, Member of Transport Advisory Committee of The Government of the HKSAR, Member of the Environment and Conservation Fund Committee of The Government of the HKSAR, Member of the Longterm Decarbonisation Strategies Support Group of Council for Sustainable Development of The Government of the HKSAR, Member of Green Minibus Operators Selection Board of The Government of the HKSAR, Council Member of The Better Hong Kong Foundation, Member of The Zonta Club of Kowloon, Founding Member of the Built World Technology Alliance, Exponential Advisory Board Member of Singularity University 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 58, earned a Bachelor Degree in Britain. He joined the Group in 1992 to manage the Group's property development, construction works, manufacturing and supply of building materials, and development and marketing of computer software in Mainland China. Mr. Sun was appointed as an Executive Director of the Company in 1994 and is responsible for the Group's business management and development in Mainland China.

Biographical Details of Directors and Senior Management

Independent non-executive directors

Mr. Chan, Bernard Charnwut

aged 54, 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 the Convenor of the Non-Official Members of the Executive Council. He is Chairman of the Hong Kong Palace Museum Ltd., 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 Cathay Pacific Airways Limited, 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 67, 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 73, 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 was a Standing Committee Member of the National Committee, 10th, 11th and 12th session of 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 65, 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 39 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, Deputy Managing Director of REC Engineering Company Limited
aged 57, 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 was promoted to Deputy Managing Director starting from January 2018 and is now responsible for the overall operation of the company in Hong Kong, China, Macau and Singapore. 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 Degree of Business Administration 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 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, a Director of the Hong Kong Green Building Council, a Committee Member of the Guangzhou Association for Science and Technology, a Member of Fire Services Statutory Advisory Group and Ventilation Installation Liaison Group to Fire Services Department, a Committee Member of the Industrial Liaison Group to the SCOPE of City University of Hong Kong, a Member of the Steering Committee of Construction Innovation and Technology Fund and a Member of the Electrical Safety Advisory Committee. He is also the Past Chairman of the HKIE-Building Services Division.

Mr. Hui Yuet Chun, Executive Director of REC Engineering Company Limited
aged 64, joined REC Engineering Company Limited in 1992 as Manager of the Environmental Engineering Department and was appointed as Executive Director in 2018. Over the years, he has been involved in the Hong Kong and Macau projects.

He holds a Graduate Diploma in Business Systems from Monash University of Melbourne. He is a Member of the Hong Kong Institution of Engineers. Currently he is the Member of the Registered Energy Assessors (REA) and Member of the Registered Professional Engineer (RPE).

Ms. Lam Kwok Fan, Chief Financial Officer and Company Secretary
aged 53, joined the Group in 2012. She holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and Executive 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 almost 30 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.

Biographical Details of Directors and Senior Management

Mr. Lee Shiu Ming, General Manager

aged 62, 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 31 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, a Vice-Chairman in Building Committee and a Vice-Chairman in Health and Safety Committee of Hong Kong Construction Association.

Mr. Too Wing Chuen Edwin, Executive Director of REC Engineering Company Limited

aged 61, joined REC Engineering Company Limited in 1981 and was appointed as Executive Director in 2018. Over the years, he has been involved mainly in the Hong Kong operation.

He holds a Bachelor of Engineering Honours Degree in Building Services Engineering and a Master of Science Degree in Building Engineering from City University of Hong Kong.

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

Aged 60, 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 President 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 Factories and Industrial Undertakings (Safety Management) Regulation – Disciplinary Board Panel, Member of the Electricity Ordinance (Chapter 406) – Appeal Board Panel, Member of the Electrical and Mechanical Services Training Board of the Vocational Training Council, Member of the Electrical Safety Advisory Committee and Vice Chairperson 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 60, 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.

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 2019.

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 10 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 60.

An interim dividend of HK1.50 cents (2018: HK1.50 cents) per share was paid during the year ended 31 March 2019.

In the Board meeting held on 26 June 2019, the Directors recommended the payment of a final dividend of HK1.50 cents (2018: HK1.50 cents) per share, totalling of HK$6,571,000 (2018: HK$6,571,000) for the year ended 31 March 2019.

Closure of register of members for AGM

The register of members of the Company will be closed from 30 August 2019 (Friday) to 4 September 2019 (Wednesday) (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 4 September 2019 (Wednesday).

In order to qualify for attendance to the AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 29 August 2019 (Thursday).

Closure of register of members for payment of final dividend

The register of members of the Company will be closed from 25 September 2019 (Wednesday) to 27 September 2019 (Friday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK1.50 cents per share for the year ended 31 March 2019, 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 Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 24 September 2019 (Tuesday).

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$554,000 (2018: HK$554,000).

Principal properties

Details of the principal properties held for investment purposes are set out on page 147 of this annual report.

Distributable reserves

At 31 March 2019, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK$914,302,000 (2018: 926,287,000).

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 148 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 2019.

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 and Corporate Governance Report (the "Code") under The Rules Governing the Listing of Securities on The SEHK ("Listing Rules"), Ms. Wong Wai Man and Mr. Chan, Bernard Charnwut shall 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	267,214,599	61.00%

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 36,535,000 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 2019, 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.

Report of the Directors

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	19%
–	the largest supplier	5%

Sales

–	five largest customers	76%
–	the largest customer	41%

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 2019, which do not constitute connected transactions under the Listing Rules are disclosed in Note 39 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 25 to 35.

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 2019

CORPORATE GOVERNANCE REPORT

The Board believes that corporate governance is fundamental to corporate long-term success and the enhancement of shareholders' 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 biographical details are set out on pages 15 to 19 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 from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers them 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 have delegated 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 performance 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/her duties at the expense of the Company. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Corporate Governance Report

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

	Number of meetings attended/held					
	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	3/4	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	2/4	1/2	1/1	0/1	1/1	1/1
Mr. Wu King Cheong	4/4	2/2	1/1	1/1	1/1	1/1
Dr. Yeung Tsun Man, Eric	3/4	2/2	1/1	1/1	1/1	1/1

Diversity Policy

Purpose

This policy aims to set out the approach to achieve diversity on the Board of the Company.

Vision

Building a diverse and inclusive culture is integral to the success of the Company. The Company recognises the benefits of having a diverse Board and believes that Board diversity will enhance decision-making capability and quality of its performance. 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.

Policy statement

In determining the Board's composition, the Company will consider board diversity in respect of a number of different aspects, including but not limited to gender, cultural and educational background, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders. All Board appointments will be based on merit, and candidates will be considered against appropriate objective criteria, having due regard for the benefits of diversity on the Board.

Gender

The Company is committed to foster gender equality and recognises the benefits of multiplicity of perspectives and wider possible pool of available talent.

Cultural and education background

A diverse Board composing of different cultural and education background contributes to a greater knowledge base and helps to identify and better manage emerging risks to cope with changes in the competitive environment.

Professional experience, skills, knowledge and length of service

A Board with professional experience, skills and knowledge is considered essential to contribute in the achievement of the Company's long-term business strategies. It also helps the Company to develop diversified business portfolio and identify business opportunities. Further, length of service is also a self-evidently important contributor to the quality of the Board's decision making. All of our executive directors have been with the Company for long periods of time.

Commitment by shareholders

The Board considers that the Company benefits substantially from the long-term commitment by its principal shareholders to its affairs. This commitment is facilitated by those being appropriately represented on the Board.

Measurable objectives

The Nomination Committee will discuss relevant measurable objectives and assess annually on the Board's profile and its progress in achieving its diversity objectives for the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board for consideration and approval.

Review and monitoring

The Nomination Committee has primary responsibility for identifying and nominating suitably qualified candidates for appointments to the Board and, in carrying out this responsibility, will give adequate consideration to this policy. Periodically, the Nomination Committee will monitor the implementation of this policy, to ensure the effectiveness of this policy and its continued suitability and to evaluate the Board's composition under diversified perspectives. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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 follow:

Audit Committee

The Audit Committee was established in 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 2019, 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 on page 26.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee was established in 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 2019 and the record of attendance of the members is listed on page 26. 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 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 2019 and the record of attendance of the members is listed on page 26. The members of the Nomination Committee are:

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

Nomination Policy

This Policy sets out the approach and procedures the Board adopts for the nomination and selection of directors of the Company, including the appointment of additional directors, replacement of directors, and re-election of directors.

The Group recognises the importance of having a qualified and competent Board to achieve the Group corporate strategy as well as promote shareholder value.

The Nomination Committee reviews the structure, size and composition of the Board on a regular basis and may make recommendations to the Board on relevant matters relating to the appointment, re-appointment and succession planning of directors. The ultimate responsibility for the selection and appointment of directors rests with the entire Board. This Policy sets out the procedures for the selection, appointment and re-appointment of directors and the selection criteria.

Selection criteria

The criteria listed below would be used as a reference by the Nomination Committee when recommending a candidate to be nominated for directorship appointment or re-appointment:

(a) Character and integrity;
(b) Experience in the construction, property development and related industries;
(c) Professional qualifications, expertise, skills and knowledge;
(d) Diversity (Please refer to the Company's Diversity Policy for details);
(e) Independence of a candidate proposed to be an independent non-executive director;
(f) Commitment in respect of time; and
(g) Other relevant factors as may be determined by the Committee or the Board from time to time.

These criteria are for reference only and are not meant to be decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination procedures for new and replacement directors

In order to ensure the appointment decisions made are in the best interest of the Group, the formal and transparent nomination procedures below should be adopted:

(a) Identify qualified director candidates;
(b) Shortlist candidates based on the selection criteria and other factors that is considered appropriate;
(c) Conduct interview(s) with prospective candidates;
(d) Perform adequate due diligence such as background and reference checks;
(e) Provide relevant information to the Remuneration Committee to determine remuneration packages; and
(f) Make recommendations for the Board's consideration and approval.

Nomination procedures for re-election of directors and nomination from shareholders

The Nomination Committee reviews the overall contribution and service to the Company where a retiring director, being eligible, offers himself for re-election. The Board shall consider and, if consider appropriate, recommend such retiring director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

Please refer to the "Procedures for Election of Directors", which is available on the Group's website, for procedures for shareholders' nomination of any proposed candidate for election as a director.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting, in accordance with the provisions in the Company's Articles of Association.

Review and monitoring

The Nomination Committee will review and monitor this Policy, as appropriate from time to time, to ensure it remains relevant to the Company's needs, the effectiveness and compliance with regulatory requirements and the Listing Rules. The Nomination Committee will revisit the Policy that may be required and make recommendation to the Board for approval.

Corporate Governance Report

Corporate Governance Committee

The Corporate Governance Committee was established in 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 2019 and the record of attendance of the members is listed on page 26. 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 2019, PricewaterhouseCoopers provided the following services to the Group:

	2019	2018
	HK$'000	*HK$'000*
Audit services	**4,739**	5,375
Non-audit services	**799**	495
	5,538	5,870

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 2019, 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 55 to 59 of this annual report.

Risk management and internal control

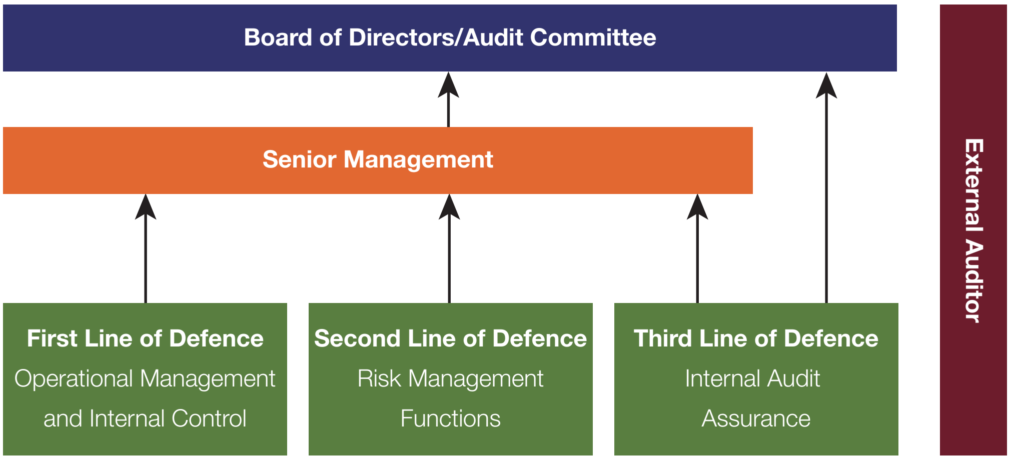
The Company recognises that it is exposed to a number of risks, which is inherent in the industries that it operates in. The Board acknowledges that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, 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.

Corporate Governance Report

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 professional consultancy firm, Corporate Governance Professional Limited ("CGPL") (formerly known as "Baker Tilly Hong Kong Risk Assurance Limited"), 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 updated the enterprise risk register with the changes of risk factors, as well as submitted an assessment report containing recommendations to the Board 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 established 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 CGPL, to conduct a review of the Company's internal control system for the year ended 31 March 2019. The review covered financial, operational and compliance controls on selected operation cycles according to the Company's 3-year internal audit plan. 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 2019.

Dividend Policy

In determining any dividend payment, the Board will review and consider factors including the financial performance, business environment and economic conditions, forecast cash flow and liquidity positions, working capital requirements and investment needs to support the future business growth of the Company. Therefore, the dividend pay-out ratio may vary from year to year, and there is no assurance that dividends will be paid in any particular amount for any given period.

Corporate Governance Report

Subject to the factors described above, the Company will normally consider and recommend payments of interim and final dividends during each year. In addition, the Board may also consider and recommend special dividends payment where appropriate.

Periodically, the Board will review the frequency and amount of dividends to assess its suitability.

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 2019 except for deviations from the code provision as described below.

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

Shareholders' rights

Procedures for shareholders to convene a special 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 shall at all times have the rights, by written requisition, to require a special general meeting to be called by the Board 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 one hundred 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/her 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 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Feature of the Report

This Report covers Yau Lee Group's (the Group) multi-disciplinary operations in Hong Kong, Macau and Mainland China for the calendar year 2018, unless otherwise stated. It composes about 80 subsidiaries with operational control under Yau Lee Holdings Limited, equivalent to about 99% business scope. Information on our sustainability performance covers the principal activities of the Group, including construction, electrical and mechanical installation, building materials supply, property investment and development and hotel operations.

This report fulfils the "comply or explain" provisions as well as most of "recommended disclosures" of the Environmental, Social and Governance Reporting Guide (ESG Guide), under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Content Index on pages 53 and 54 showcase the alignment of our Report with the ESG Guide.

We welcome all comments on this report and invite you to provide your feedback via email at info@yaulee.com.

Our Approach

Our sustainability approach is built on the Group's Corporate Social Responsibility (CSR) Policy, which has guided on sustainability matters since 2012. We recognise that our long-term business success is closely related with how we respond to the matters on our environment, safety and people in an ethical and responsible way.

To ensure Yau Lee to operate in a sustainable manner, we engage our stakeholders regularly to understand the business impacts we bring to them and how they expect us to tackle our impacts. Our business activities involve a diverse range of stakeholders, including but not limited to regulators, employees, contractors and suppliers, business partners, industry associations, investors, local communities and NGOs. To understand their concerns, we employ a multi-channel approach to gather feedback and strive for continuous improvement. In the table below, we outline the communication channels used by Yau Lee to engage stakeholders on an ongoing basis.

Regulators

- Company website
- Enquiry mailbox
- Relevant laws and regulations review meeting

Employees

- Director's annual presentation
- Staff grievance mailbox
- Employee suggestion box and hotline
- Newsletter
- Company intranet

Contractors and Suppliers

- Annual dinner, i.e. Lu Pan Dinner
- Company website
- Meetings
- Subcontractor management plan
- Subcontractor performance assessment

Business Partners

- Factory visits
- Meetings

Industry associations

- Company website
- Industry association activities and conferences

Investors

- Annual general meeting
- Annual Report
- Company announcements and circulars
- Company website

NGOs and local communities

- Company website
- Community and NGO activities

These activities help us enhance the understanding of the expectations and needs of our stakeholders, which in turn guide us to identify and prioritise our material issues. With reference to the feedback of our stakeholders and industry trends, the senior management reviewed 34 sustainability issues internally and 16 of them are regarded as material to the Group.

- Carbon and energy
- Waste
- Green procurement

- Talent attraction and retention
- Labour shortage
- Employee compensation and benefits

- Anti-corruption
- Corporate governance
- Corporate values and ethical standards
- Quality control

- Occupational health and safety of employees
- Training on occupational health and safety
- Supply chain management

- Volunteering
- Cash and in-kind donations
- Minimise environmental impacts of the construction activities

Environmental, Social and Governance Report

Ethics

Ethics is the backbone of our business practice, which allows us to develop and prosper responsibly. As one of the leading construction solution providers in Hong Kong, we are committed to high standards of ethical, moral and legal business conduct by going beyond regulatory compliances in environmental, social and governance aspects in all areas we operate.

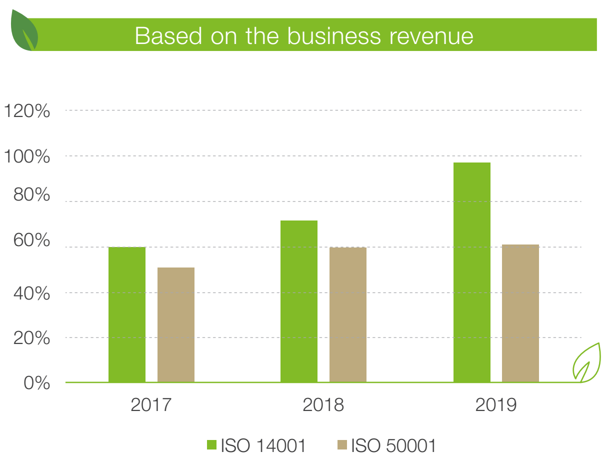
Our Code of Conduct provides a framework for us to operate our day-to-day business in an ethical manner, setting out the standards of behaviour for everyone at Yau Lee, including Directors and employees. It is clearly and regularly communicated across the Group via internal circulars, new staff orientation and training to ensure all members of Yau Lee are well informed.

The Code of Conduct covers a wide range of ethical topics, including anti-bribery, anti-fraud, fair competition, protection of privacy and protection of intellectual property rights (IPR). To enhance our corporate governance, a comprehensive Whistle-blowing Policy have been drafted, which will allow our employees to report malpractices and other misconduct within the Group. We make every effort keep a whistle blower's identity confidential and handle all information confidentially.

During the reporting period, there was no reported breaches of anti-corruption practices or other laws and regulations related to ESG aspects in 2018.

Environment

Environmental stewardship is one of the critical challenges we face as a result of the rising concern of negative impacts the construction industry contributes to the environment. At Yau Lee, we are committed to minimising the negative impacts of the places we operate by monitoring our environmental footprint. We comply with the most stringent regulatory requirements and encourage our subsidiaries to reach international environmental standards, such as ISO 14001 Environmental Management System and ISO 50001 Energy Management System. We are committed to supporting our subsidiaries to improve their performance and achieve these two international standards. Over the past few years, we keep maintaining substantial percentage of business fulfilling these two standards.



Awards Highlights

Our efforts in sustainable operations are recognised and awarded. We are immensely pleased to be awarded Sustained Performance (8 years+) under Hong Kong Green Awards 2018 for our continuous efforts in green purchasing, green management, environmental, health and safety management and green governance.

In 2018, we were also awarded the BOCHK Corporate Environmental Leadership Award by the Federation of Hong Kong Industries (FHKI) and Bank of China (Hong Kong) (BOCHK) for our achievements in implementing numerous environmental projects. One of the signature examples is our construction project for the Subsidised Sale Flats Development at Fat Tseung Street West (FTSW), for which not only energy efficient green buildings were constructed but a sustainable and inclusive neighbourhood was created for social wellbeing. This project is one of the earliest examples which gains the recognition of BEAM Plus Neighbourhood, and Yau Lee is very pleased to be part of it.

145m Steel Arch Bridge

North West Kowloon-
Public Housing Development

Other achievements include:

2018 Environmental Merit Award of HKCA Hong Kong Construction Environmental Awards

Silver Award of Green Management Award - Corporate (Large Corporation) under Hong Kong Green Awards 2018

Hanson Grand Award of Energy Saving Championship 2017

BCA Green Mark by The Building and Construction Authority, Singapore

Environmental, Social and Governance Report

Energy and Resources Saving

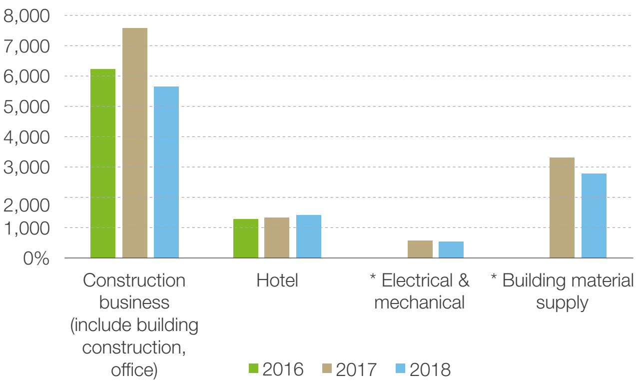
We are committed to making continuous improvement of our energy performance and reduce our carbon emission to combat for climate change. We signed the Energy Saving Charter organised by EMSD and the 4Ts to demonstrate our commitment.

We are very pleased to see that the Group's carbon intensity decreased by 20% compared to that in 2017. However, we are very mindful that the drastic drop of energy consumption was recorded partly because of the completion of a few of our construction projects during the reporting period. In terms of our efforts on energy saving in our head office, we feel particularly encouraging to see that the overall electricity consumption of the office in Enterprise Square decreased by 37%. This sets a very good example for other business units within the Group to learn how to kick start their energy saving initiatives.

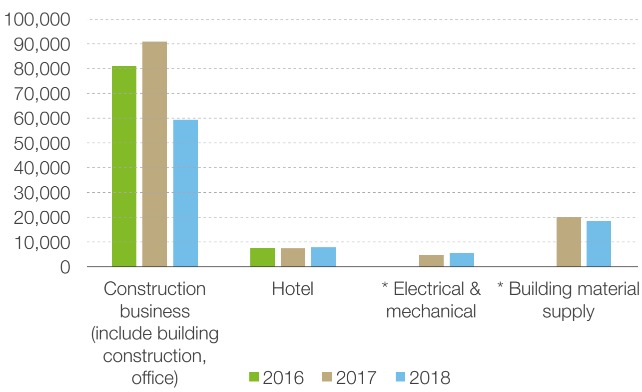
Carbon Intensity Reduction CO_2 ⬇20%

Energy Consumption of the Head Office ⬇37%

Carbon Emissions tCO_2e

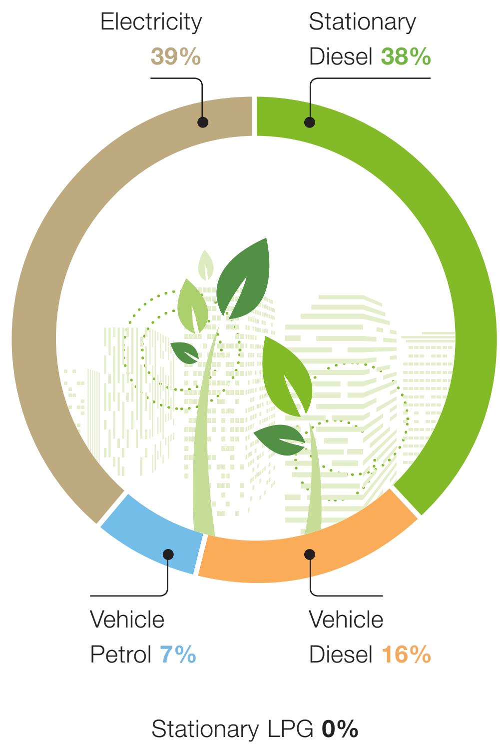


Energy Consumption (GJ)



* No data is indicated in 2016 as they were out of reporting scope.
The data is extracted from the Company's Carbon footprint Annual Reports.

Energy Consumption in 2018 (GJ)



Artificial Intelligence (AI) Application

Our electrical and mechanical installation business is committed to developing innovative energy efficiency solutions for our customers. During the year, we took extra miles introducing AI in the HVAC System and Pump Control.

The traditional control system in conventional HVAC operation can only perform basic control tasks, which fulfills basic human comfort and indoor air quality needs. However, the energy saving potential is low and no energy optimization is possible. With the more advanced application in AI, the non-linear operation characteristic of HVAC system model can be easily mapped with high accuracy. In November 2018, we conducted a trial test in our hotel, and it is proven that the total HVAC energy consumption has been further reduced when compared with already implemented EOS and the energy efficiency increased by more than 30% when compared with conventional BMS system.

We also have intention to implement AI in pump operations, which can optimize the water level via artificial intelligence control logic. During the year, a computer simulation of pump control by AI has been conducted in a pump station preparing for a real implementation. Under the simulation, 8% of the energy consumption can be saved.

SolarEdge system: creative values to society and customers

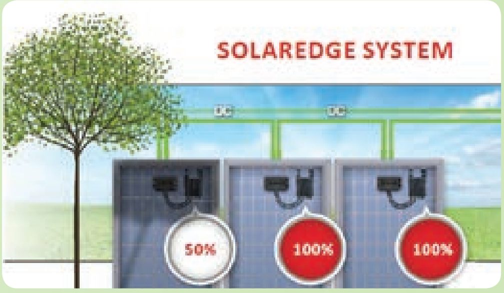
In 2018, the two power utilities in Hong Kong launched their Feed-in Tariff (FiT) Schemes to support the development of renewable energy applications as part of the Hong Kong Government's environmental policy to address climate change.

As an environmental energy solution provider, we fully support this scheme by enhancing our design in solar energy system to maximise the energy captured. SolarEdge System is our new product which does not only increase more renewable energy for social good, but also generates more income for our customers under FiT.

A traditional solar system consists of a string of inverters, where solar panels are connected into groups. If a solar panel does not perform as it should be, it will affect the performance of the whole group of panels. Whereas our power optimizer of the SolarEdge system allows each solar panel to regulate its current and voltage, enabling the rest of the panels to capture maximum amount of solar energy. Compared to the use of traditional inverter, our SolarEdge with Optimizer can generate 34% more renewable power.

When a solar panel is shaded

Performance of other panels is affected



Performance of other panels will not be affected

Environmental, Social and Governance Report

Water

We measure our water footprint and introduce various initiatives to reduce water consumption and wastewater discharge for our projects. For example, low-flow water faucets and wastewater recycling and treatment system are used on our construction sites. We follow stringent procedures to treat our wastewater before discharge.

To ensure we meet the legal and licence requirements of our wastewater discharge at construction sites, wastewater samples were collected for analysis by a laboratory under the Hong Kong Laboratory Accreditation Scheme (HOKLAS). For example, the project of Public Rental Housing Development at the North West Kowloon Reclamation Site 6, wastewater samples were sent to HOKLAS laboratory every month and we are pleased to see that the Chemical Oxygen Demand (COD) value and suspended solids in our wastewater are 87.5% and 66.7% lower than the licence requirements.

Water intensity for 2018 was 35.38 L per HK$'000, which was 28% lower than 2017.

Waste

On our construction sites, we continued to control the scrap iron rate within 5% of the total number of B.Q. steel bars and recycled rebar steel. The number of inert materials used during the reporting period is 736,227 tonnes and 2,991 tonnes of rebar steel were recycled. A significant increase in inert materials to public fill is due to the completion of the construction project of the Anderson Road Public Housing Development Schemes, where scaffolding dismantling and other inert materials removal took place.

As for our hotel operation, as our stakeholders became more eco-conscious about the use of single-use plastic, straws will only be served upon request where possible.

In 2018, we continued to make every effort to meet our 11 waste reduction targets across the Group.

	2018	2017	2016	% Change in 18/17
Inert material to Public Fill (tonnes)	736,227	591,290	703,541	25%
Rebar steel recycled (tonnes)	2,991	1,725	2,834	73%
Waste paper recycled (tonnes)	27,388	22,969	25,423	19%

Modular Integrated Construction (MiC)

As far as resource efficiency is concerned, we developed a new construction method called concrete Modular Integrated Construction (MiC), an innovative construction method which can prefabricate up to 70% of building components in the factory, and the construction period can be shortened.

Not only enjoying the cost-time benefit that MiCs brings about, the overall energy consumption for the construction also reduces. Materials and water efficiency can be achieved as a result of accurate calculation.

In September 2018, we kicked off our first pilot project to adopt concrete MiC for the Disciplined Services Quarters for the Fire Services Department at Pak Shing Kok, Tseung Kwan O to build 648 units in total. This is the first project to employ concrete MiC in Hong Kong and we are very honoured to have the Permanent Secretary for Development (Works), the Director of Fire Services, the Director of Architectural Services Department and the Chairman of the Construction Industry Council to officiate at the ceremony and witness the adoption this ground-breaking technology that turns a new page of construction history in Hong Kong with us.

This construction project resonances the Government's initiative to adopt advanced technology and innovative construction methods to enhance productivity and cost-effectiveness as introduced in the Policy Address 2018.

We reuse. We recycle. We upcycle.
The case of Public Rental Housing Development at the North West Kowloon Reclamation Site 6

Our construction sites produce significant amounts of waste. To avoid some useful materials to send to the landfill, we reuse, recycle and upcycle.

We ensure our durable materials to be used as many times as possible. For example, we put a layer of coating on the wooden plates so that we can reuse them for up to five times. With this act, we successfully reduced the wooden plates consumption by 1,955m^2, saving more than 2,570 trees.

Our cardboards, plastics and metal waste are mostly from the packaging of wooden plates and angle bars. To make sure that these useful materials are not sent directly to the landfill, we set up recycling bins. As for other waste in bigger size, such as waste rebar steel and wooden plates, we set up designated areas to organise them.

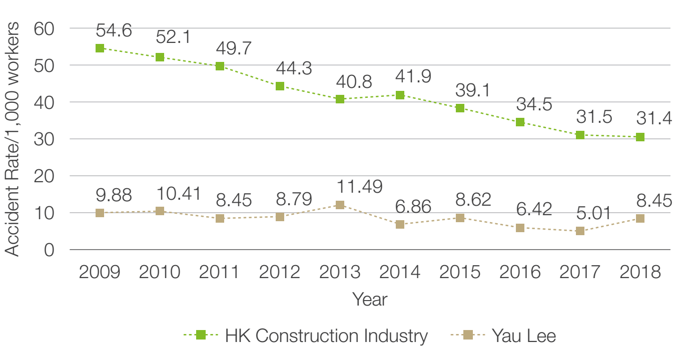
In response to the Government policy for waste utilisation, we collect stones from the Government's fill banks for site formation even though it increased our construction cost. In total, we used 8,500 tonnes of stones on this site.

There are numerous expired helmets that we dispose throughout the year. To give a second life of expired helmets, our workers creatively upcycled them into flowerpots to provide a greener and more decent environment on the site.

Safety

At Yau Lee, we put in place a Health and Safety Policy to guide us for a high standard of safety and health practices. To ensure employees of all levels can carry out their work safely, adequate resources are allocated for safety and inspection systems, equipment and training. Our OHSAS 18001 safety management system serves as the framework for our yearly review and target setting. Our safety record continued to be outstanding with zero fatality and the accident rate per 1000 workers achieving 8.45 in 2018, while the construction industry average is 31.4. The total number of lost day due to work injury was 5,158 days.

Accident Rate Performance



Environmental, Social and Governance Report

Awards Highlights

OSH Excellence Award

Merit, Innovative Safety Initiative Award 2018

Bronze, Main Contractor category, Best Refurbishment and Maintenance Contractor in Occupational Safety and Health

Merit, Sub-contractor category, Best Refurbishment and Maintenance Contractor in Occupational Safety and Health

Bronze, Innovative Safety Initiative Award 2018

Silver, Safety Team Award, the Construction Industry Safety Award Scheme 2018/2019

Stackable Material Carriage Holder

We used to use a crane to lift and transport construction materials around the sites, which requires high-altitude works and special skills in lifting operations. Disastrous accidents are often heard in the news because of improper use of the supporting arms that make the crane flip over.

In response to this, we introduced stackable materials carriage holders, on which materials can be stacked up and transported by front loaders steadily. The carriage holder can place various kinds of materials, allowing materials stored neatly on our construction sites, which in turn building a safer and pleasant working environment for our workers. While 3400c front loaders are used to replaced 15600c lifting cranes, the use of diesels greatly reduces and thus the greenhouse gases emission can decrease by up to 47.64%.

A.I. Safety Inspection System

Accidents caused by working unsafely at height are usually very serious and even fatal. We value every worker's life and request our workers to attach their safety belts on anchor devices (e.g. "eye bolt") when they work at height for outer wall maintenance.

Every day, there are more than 60 scaffolding works conducting on our construction sites. To strengthen our management, we developed an inspection system that uses artificial intelligence to detect if the workers follow the requirements through the real-time 3D camera when they work at height. If the worker cannot fulfil any of the requirements, the system will alert the worker and inform the duty safety officer immediately. We hope that this system can help our workers to increase their awareness when they work at heights.

Environmental, Social and Governance Report

Wall Mounted Metal Catch Fan

Traditionally, catch fan is only installed on the top working floor, where small objects, such as rubbles, bolts and nuts, can be fallen from it. To safeguard public safety, Yau Lee designed wall mounted mental catch fans, which can be fixed 3-4 levels below the working floor, to provide extra layers of protection net to prevent objects falling from high level.

The catch fan is constructed by welding steel angles, boards and channels with two layers of strong nylon net attached to it. The nylon layers also act as an energy absorber to prevent rebound of objects. It can be fixed on the outer walls of the building firmly and safely and is checked by certified structural engineers.

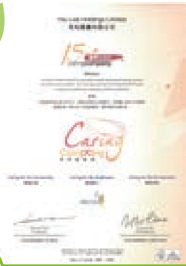
Yau Lee came up with the idea of wall mounted metal catch fan because construction sites are often adjacent to public streets. For example, our construction site at Fat Tseung Street West is only a few metres away from public streets, facilities and even schools, so we used the wall mounted metal catch fan to prevent accidents.

People

As of 31 March 2019, the Group employed approximately 2,900 employees, about 75% are located in Hong Kong and about 24% are located in Mainland China. All of them are in full time or permanent staff contract. The turnover rate of the reporting period is 26%.

We uphold the principles of equality, diversity and inclusion in all aspects of employment and maintaining workplaces. Our Anti-Discrimination and Anti-Harassment Code and Guideline state clearly that we do not allow any kinds of discrimination against employees or potential employees as well as how we handle discrimination cases. During the reporting period, there were no cases of non-compliance with relevant standards, rules and regulations on equal opportunity and diversity.

Awards Highlights



15 Years Company Award prepared by The Hong Kong Council of Social Service Caring

REC Engineering Company Limited was listed in ERB Manpower Developer Award Scheme 2018-2020

Gold Award for Proactive in participating of Coordination for Appreciation Training in Employers Appreciation 2017

Outstanding Award for employment of most Appreciatees in Employers Appreciation 2017

Talent Attraction, Retention and Engagement

We continued to offer competitive remuneration for new employees, including examination and study leave, marriage leave, comprehensive medical disability insurance coverage and retirement scheme. During the reporting period, there were no major changes in the Human Resources Policies.

We believe that talent attraction and retention is not just about providing monetary reward or medical insurance, but also building a harmonious place where staff work, learn and share with success and challenges. In 2018, all our business units made genuine efforts in engaging our staff in various ways.

Helping new staff to build a sense of belonging is as important as assisting them to be familiarised with the working processes. Our Construction Business in Mainland China organised an outing activity with new staff as part of the orientation programme. During that day, we made use of various team building games and activities to increase new staff's sense of belonging.

To demonstrate our appreciation and care to the housekeeping staff of our hotel, we organised Room Week with a series of activities for them to have fun and relax, such as barbeque gathering, Chinese herbal tea delivery, etc.

We also organised family plant visits for our staff and their children in Mainland. Apart from making handicrafts, it provided a valuable opportunity to let children understand the jobs of their parents. As for our electrical and mechanical unit, war game was organised to attract young staff to participate.

Environmental, Social and Governance Report

Equip Ourselves in times of Adversities

In 2018, we organised a workshop called "Equip Ourselves in times of Adversities" as part of our staff engagement programme. We wish to equip and empower our middle to senior management to be able to cope with challenges and adversities as well as deliver the message of "mutual support".

In the first part of the workshop, the instructor led us to do a short personality test to help us understand ourselves and others. Through the explanation of each type of personality, participants understand that everyone has different approach in solving problems. We should thus respect individual difference and embrace diversity.

In the second part, we learnt how to transform negative emotions into positive energy by upholding your personal belief. Through this, colleagues will be able to easily cope with stress despite in the times of adversities.

Training and Development

Every year, we organised a series of training and visits for professional knowledge enhancement and mutual learning, such as site visits, sharing sessions and seminars. Apart from professional training, we would like our employees to equip with diversified skills, for example, we provided Customer Service Workshops for the Maintenance Department and Guidance and Summary Skills Workshop for the Quantity Surveying Department. To foster a mutual learning culture, we organised Experience Sharing Session amongst engineers, as well as "One hour One Competency" young engineer series sharing sessions.

Training hours:
9,500 hours

Subsidies for external training:
HKD 620,000

Training Application e-form System

To facilitate learning of our staff, we built a new training application system called "e-form System". There are several advantages of the system, including simplifying application and approval processes, reducing paper consumption and most importantly all the training related information and data are stored in the system so that further analysis is possible for identifying training needs and improvement. Before launching the e-form, there was a trial period for us to collect feedback from the users – our staff to make sure this system is user-friendly and meet their needs. The e-form System was launched in the second quarter of 2019.

Supply Chain

We have a robust system to manage our Supply Chain. Our procurement policies and plans guide us on how we select, assess and evaluate our suppliers, vendors and constructors fairly. We also apply the same set of values to our supply chain to safeguard our Group's principles and ensure compliance in environment, workplace safety, child labour, forced labour, etc. As far as the quality of products and services is concerned, we will never compromise safety, reliability and other important performance with cost. Our Subcontractors Management Plan guided our staff to select preferred/ strategic subcontractors.

We value partnership with our subcontractors and acknowledge those subcontractors with excellent performance on quality, safety and environmental protection. We also make our utmost efforts to help underperformed subcontractors make progress by issuing "Areas for Improvement Items" to them. In case no improvement is observed, we will terminate our partnership with them and look for other subcontractors.

As part of the supply chain management, we introduced VHSmart quality assurance system. We make use of this system to ensure all our materials are traceable in every process, including order quantities, installation locations and personnel involved.

Apart from scheduling, recordkeeping, and inventory control, we make use of VHSmart, as part of our subcontractor management to make sure that all the materials are used properly by them. For example, our plumbing works inspectors conduct site visit once a month to check if materials are used at intended locations as well as the installation quality. In case the materials are not properly used, or work quality is not satisfactory, our inspectors will put it in record and urge the subcontractors to improve their performance.

To show our acknowledgement to our subcontractors, we take the opportunity of Lu Pan Dinner to engage with our partners across the supply chain. The Lu Pan Dinner in 2018 was well attended with more than 1000 people, including our staff, suppliers, contractors, etc. Various awards were presented at the dinner, including Best Performance Contractor Award and Environmental Contractor Award to show our appreciation and encourage our partners to strike for excellence.

Best Performance Contractor Award

Environmental Contractor Award

Environmental, Social and Governance Report

Community

As a responsible corporate, we understand our impacts to the community and are committed to contributing as much as we can. Apart from donations, our staff has been very active in contributing their time and resources in serving the community. For example, after the passage of the catastrophic Typhoon Mangkhut, colleagues of Yau Lee Construction Company Limited provided voluntary support in the recovery work to facilitate early restoration of the community to normal. In 2018, we demonstrated our corporate responsibility in increasing environmental awareness and caring the society.

Donation:
HK$554,000

Caring our community: lowering our environmental impact in the community

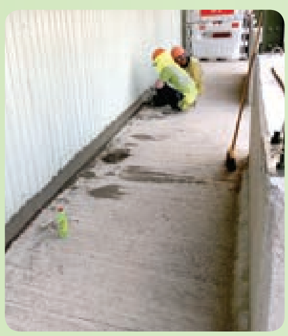
We are well aware that our construction operations are causing negative impacts to the daily life of the surrounding community. To lower the impact, we have introduced a number of mitigation measures at the construction sites. Our construction project for the Subsidised Sale Flats Development at Fat Tseung Street West (FTSW) demonstrated our efforts.

To avoid a dusty environment, we sprinkled water, laid stone plates and covered materials that were prone to dust, and cleaned the vehicles before leaving.

As for the noise management, we use low-noise machines approved by the Environmental Protection Department (EPD) and avoid high noise work during the morning period and school examinations. We also use Soundproof screen.

Our sewage is filtered before discharge to avoid blocking the stormwater drainage with sands and stone.

Before the construction, we set up a tree protection area within the construction site to avoid damage to trees. During the construction, we regularly inspected of trees inside and outside the site to ensure tree health and public safety.



Environmental efforts of our employees

We recognise that we all have a lot of consumption footprint and would like to encourage a “sharing and reuse” culture within the society. In 2018, we participated two activities, namely Green Collection with Salvation Army and Recycling Programme with Christian Action.

Both activities were well-received by our Hong Kong colleagues across various business units, they actively participated. We collected four boxes of toys and stationeries for children from under privileged families, ethnical minorities and refugees’ families under the Recycling Programme and a total of 51 boxes of clothes, including shoes and bags, for the Green Collection Programme. We wish to organise more activities of similar kinds in Hong Kong and extend our “sharing and reuse” in our business units in Mainland China.

Caring the community

In 2018, we continued to organise a wide range of one-off and recurring activities to demonstrate our care and concern for the elderly and people in need. For example, our voluntary team took part in Ageing-in-Place Scheme of Hong Kong Housing Society as part of the Giving for Good programme of our hotel. We prepared “Lucky Bag” for the elderly with Mooncakes and other healthy food, such as porridge. We hope to send our love and care, especially during festive seasons.

We also participated in various volunteering activities with the Hong Kong Air Conditioning and Refrigeration Association (ACRA), including Delivery for elderly, Caring Joyful Lunch 2018, etc.

Environmental, Social and Governance Report

Activities Highlights

Green Walk Hong Kong 2018, World Green Organisation

Stride for a cure, Hong Kong Cancer Fund

Construction Industry Happy Run 2019

Sponsored Academic Improvement Award 2018 for Association for the Rights of Industrial Accident Victims

Redpacket collection for donation to Greeners Action

Moving Forward

With a view to increasing our environmental efforts and safety standards of the Group, we are committed to increasing our resources in research and development of the application of artificial intelligence. To achieve our ambition, we will need to diversify our business through strategic partnership in new technology and solution.

Having employed the innovative approaches within our Group will bring about various benefits, including solving the problem of labour shortage, increasing our environmental performance by increasing energy and resource efficiency and safeguarding the life of our workers on construction sites. This, in turn, saves our cost and enhances quality of our products and services. Most importantly, new technology and artificial intelligence also energise our current employees to think big and think ahead, motivating to progress with time and attract young talents to join our innovative and sustainable team.

Content Index

Aspect	ESG Guide	Remarks and References
General disclosures		
Emissions and Waste	Aspect A1	Environment – Energy and Resources Saving; Waste
Resources	Aspect A2	Environment – Waste; Water
Environment and Natural Resources	Aspect A3	Environment – Waste; Water
Employment	Aspect B1	People – Talent Attraction, Retention and Engagement
Health and Safety	Aspect B2	Safety
Development and Training	Aspect B3	People – Talent Attraction, Retention and Engagement; Training and Development
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 organisation.
Supply Chain Management	Aspect B5	Supply Chain
Product Responsibility	Aspect B6	Safety; Supply Chain We focus on policies and compliance related to health and safety.
Anti-corruption	Aspect B7	Ethics
Community Investment	Aspect B8	Community
KPIs		
Emissions and Waste	A1.1 & A1.2	Environment – Energy and Resources Saving; emissions of NOx and particulate matter from gaseous fuel and vehicles are not determined to be highly material issues for our organisation.
	A1.3 & A1.4	Environment – Waste
	A1.5	Environment – Energy and Resources Saving
	A1.6	Environment – Waste
Resources	A2.1	Environment – Energy and Resources Saving
	A2.2	Environment – Water
	A2.3	Environment – Energy and Resources 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 organisation

Environmental, Social and Governance Report

Aspect	ESG Guide	Remarks and References
Environment and Natural Resources	A3.1	Environment
Employment	B1.1	People
	B1.2	People
Health and Safety	B2.1	Safety
	B2.2	Safety
	B2.3	Safety
Development and Training	B3.1	Male: 80% Female: 68% Management: 97% Non-management: 73% Remarks: The above data does not include YL Construction (sites) because the training inventory is still being developed.
	B3.2	Total training hours: 9500 hours Remarks: The above data does not include YL Construction (sites) because the training inventory is still being developed.
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: 88%; PRC: 11%; others: 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	Ethics
	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.
Anti-corruption	B7.1	No incidents of corruption during the reporting period
	B7.2	Ethics; Corporate Governance Report of the Annual Report
Community Investment	B8.1	Community
	B8.2	Community

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 60 to 146, which comprise:

- the consolidated balance sheet as at 31 March 2019;
- 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

Basis for Opinion (continued)

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 revenue recognition of construction contracts.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of construction contracts Refer to Note 2.24(i), Note 4(a), Note 4(b) and Note 5 to the consolidated financial statements. For the year ended 31 March 2019, the Group recognised revenue from construction contracts relating to the following operating segments: construction, electrical and mechanical installation which totalled HK$5,150,551,000. The recognition of revenue and cost of sales for the Group's construction contracts is based on the progress of contract activities, by reference to contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Management's estimate of revenue, budgeted costs and the progress of related contract work requires significant judgement. 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.	Our work in relation to management's estimates in revenue, budgeted costs and the progress of related contract work focused on the following procedures for material construction contracts within the Group: • We tested the key controls over 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 the signed contracts and correspondence with the customers and sub-contractors to obtain audit evidence on contract sum and terms, variations from customers, claims from customers and sub-contractors;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We tested on a sample basis the actual cost incurred on contract work during the reporting period; • We recalculated the estimate of the progress of contract work based on the latest budgeted costs and total actual costs incurred; and • We tested the calculations of contract revenue based on the estimate of the progress of contract work. We found management's estimates in determining the revenue, budgeted costs and the progress of related contract work for the reporting period as well as the revenue recognised 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.

Independent Auditor's Report

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional 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.

- 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.

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

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.

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 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**5,618,078**	5,653,938
Cost of sales	7	**(5,074,317)**	(5,260,865)
Gross profit		**543,761**	393,073
Other income and (losses)/gains, net	6	**26,120**	140,658
Selling and distribution costs	7	**(26,724)**	(17,813)
Administrative expenses	7	**(465,724)**	(433,530)
Other operating expenses	7	**(4,568)**	(4,266)
Operating profit		**72,865**	78,122
Finance costs	9	**(29,474)**	(27,048)
Share of profit/(loss) of an associate	20	**58**	(8)
Share of loss of joint ventures	21	**(3,087)**	(202)
Profit before income tax		**40,362**	50,864
Income tax (expense)/credit	10	**(9,954)**	1,833
Profit for the year		**30,408**	52,697
Attributable to:			
Equity holders of the Company		**30,087**	52,535
Non-controlling interests		**321**	162
		30,408	52,697
Dividend	11	**13,142**	13,142
Earnings per share (basic and diluted)	12	**HK6.87 cents**	HK11.99 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 *HK$'000*	2018 *HK$'000*
Profit for the year	**30,408**	52,697
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(56,612)**	31,254
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on investment properties upon transfer from property, plant and equipment and leasehold land and land use right	**13,795**	–
Income tax related to fair value gain on investment properties	**(1,655)**	–
Total comprehensive (loss)/income for the year	**(14,064)**	83,951
Attributable to:		
Equity holders of the Company	**(14,385)**	83,789
Non-controlling interests	**321**	162
Total comprehensive (loss)/income for the year	**(14,064)**	83,951

CONSOLIDATED BALANCE SHEET

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	1,191,001	1,281,052
Investment properties	15	241,962	234,577
Leasehold land and land use rights	16	68,064	76,701
Intangible assets	18	10,398	11,454
Goodwill	18	15,905	15,905
Associate	20	1,229	1,285
Joint ventures	21	87,577	8,330
Deferred income tax assets	30	7,945	6,200
Available-for-sale financial assets	22	–	11,800
Financial assets at fair value through other comprehensive income	22	12,200	–
Mortgage loans receivable	25(c)	57,502	–
Other non-current assets	23	1,440	1,069
		1,695,223	1,648,373
Current assets			
Cash and bank balances	24	836,838	781,757
Trade debtors, net	25(a)	783,573	802,263
Due from customers on construction contracts	27	–	818,355
Contract assets	27	747,186	–
Prepayments, deposits and other receivables	25(b)	398,296	429,739
Mortgage loans receivable	25(c)	2,199	–
Inventories	26	119,512	95,357
Completed properties held for sale	28	60,617	176,017
Property under development for sale	17	355,783	305,444
Due from an associate	20	114	114
Due from joint ventures/joint operations	21	35,549	30,097
Prepaid income tax		7,536	1,828
		3,347,203	3,440,971
Total assets		5,042,426	5,089,344
Equity			
Share capital	33	87,611	87,611
Other reserves	34	446,252	490,724
Retained profits	34	845,430	897,488
Attributable to equity holders of the Company		1,379,293	1,475,823
Non-controlling interests		4,066	3,745
Total equity		1,383,359	1,479,568

Consolidated Balance Sheet

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Liabilities			
Non-current liabilities			
Long-term borrowings	29	1,135,247	1,242,526
Deferred income tax liabilities	30	12,158	12,957
		1,147,405	1,255,483
Current liabilities			
Short-term bank loans	29	772,282	867,831
Current portion of long-term borrowings	29	431,878	137,204
Payables to suppliers and subcontractors	31(a)	281,868	321,929
Accruals, retention payables, deposits received and other liabilities	31(b)	502,109	629,084
Derivative financial liabilities	32	137	–
Income tax payable		8,011	4,528
Obligation in respect of joint ventures	21	1,609	1,558
Due to customers on construction contracts	27	–	365,428
Contract liabilities	27	481,641	–
Due to joint operations	21	2,799	2,799
Due to other partners of joint operations	21	29,328	23,932
		2,511,662	2,354,293
Total liabilities		3,659,067	3,609,776
Total equity and liabilities		5,042,426	5,089,344

The financial statements on pages 60 to 146 were approved by the Board of Directors on 26 June 2019 and were signed on its behalf.

Wong Ip Kuen
Director

Wong Tin Cheung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2019

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Property revaluation reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	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 2017	87,611	413,776	359	1,017	43,226	(8,481)	857,569	1,395,077	328	1,395,405
Profit for the year	–	–	–	–	–	–	52,535	52,535	162	52,697
Other comprehensive income:										
Currency translation differences	–	–	–	31,254	–	–	–	31,254	–	31,254
Transactions with non-controlling interests	–	–	–	–	–	9,573	–	9,573	3,255	12,828
2017 final dividend	–	–	–	–	–	–	(6,045)	(6,045)	–	(6,045)
2018 interim dividend	–	–	–	–	–	–	(6,571)	(6,571)	–	(6,571)
As at 31 March 2018	87,611	413,776	359	32,271	43,226	1,092	897,488	1,475,823	3,745	1,479,568
As at 31 March 2018, as previously reported	87,611	413,776	359	32,271	43,226	1,092	897,488	1,475,823	3,745	1,479,568
Change in accounting policies *(Note 2.2)*										
Adjustment on adoption of HKFRS 9	–	–	–	–	–	–	(63,140)	(63,140)	–	(63,140)
Adjustment on adoption of HKFRS 15	–	–	–	–	–	–	(5,863)	(5,863)	–	(5,863)
As at 1 April 2018, restated	87,611	413,776	359	32,271	43,226	1,092	828,485	1,406,820	3,745	1,410,565
Profit for the year	–	–	–	–	–	–	30,087	30,087	321	30,408
Other comprehensive (loss)/income:										
Currency translation differences	–	–	–	(56,612)	–	–	–	(56,612)	–	(56,612)
Fair value gain on investment properties upon transfer from property, plant and equipment and leasehold land and land use right	–	–	–	–	13,795	–	–	13,795	–	13,795
Income tax related to fair value gain on investment properties	–	–	–	–	(1,655)	–	–	(1,655)	–	(1,655)
2018 final dividend	–	–	–	–	–	–	(6,571)	(6,571)	–	(6,571)
2019 interim dividend	–	–	–	–	–	–	(6,571)	(6,571)	–	(6,571)
As at 31 March 2019	87,611	413,776	359	(24,341)	55,366	1,092	845,430	1,379,293	4,066	1,383,359

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash from operations	35(a)	196,459	290,097
Hong Kong profits tax refunded		1,576	161
Hong Kong profits tax paid		(15,788)	(412)
Overseas tax paid		(1,259)	(1,625)
Net cash from operating activities		180,988	288,221
Cash flows from investing activities			
Investment in joint ventures		(82,283)	(8,485)
Purchase of property, plant and equipment		(41,210)	(69,443)
Additions to investment properties		(671)	(268)
Additions to financial assets at fair value through other comprehensive income		(400)	–
Net proceeds from disposal of joint operations		–	124,072
Proceeds from disposal of property, plant and equipment		1,054	1,605
Proceeds from disposal of investment property		9,886	–
Dividend received from an associate		114	494
Dividend received from financial assets at fair value through other comprehensive income		1,200	–
Interest received		4,737	5,775
Net increase in mortgage loan receivables		(59,701)	–
Net cash (used in)/from investing activities		(167,274)	53,750

Consolidated Cash Flow Statement

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from financing activities	35(b)		
Repayment of bank loans		(233,851)	(674,899)
Drawdown of bank loans		328,638	401,479
Decrease in restricted deposits		71,296	24,428
Capital element of finance lease payments		(4,500)	(8,756)
Interest element of finance lease payments		(16)	(152)
Dividend paid		(13,142)	(12,616)
Interest paid		(29,458)	(26,897)
Disposal of interest in subsidiaries that do not result in change of control		–	12,828
Net cash from/(used in) financing activities		118,967	(284,585)
Net increase in cash and cash equivalents		132,681	57,386
Cash and cash equivalents at beginning of year		620,759	552,451
Exchange (loss)/gain on cash and cash equivalents		(6,304)	10,922
Cash and cash equivalents at end of year		747,136	620,759
Analysis of cash and cash equivalents	24(b)		
Cash and bank balances		559,785	596,804
Time deposits		187,351	23,955
		747,136	620,759

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 The Stock Exchange of Hong Kong Limited.

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 2019.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments to standards for the first time for their annual reporting period commencing 1 April 2018:

Amendments to HKFRS 1 and HKAS 28	Annual improvements 2014-2016 cycle
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Interpretation 22	Foreign currency transactions and advance consideration

The Group has changed its accounting policies and made certain adjustments following the adoption of HKFRS 9 and HKFRS 15 as disclosed in Note 2.2. Other than HKFRS 9 and HKFRS 15, the adoption of the other amendments to standards and interpretations do not have any significant impact on the Group.

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 31 March 2019 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
Amendments to HKFRSs	Annual Improvement to HKFRS 2015-2017 Cycle	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) – Interpretation 23	Uncertainty over income tax treatments	1 January 2019
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted (continued)

HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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.

Impact

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$21,110,000 (Note 37(e)). The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted (continued)

HKFRS 16, “Leases” (continued)

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the consolidated financial statements.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9, “Financial Instruments”, and HKFRS 15, “Revenue from Contracts with Customers”, on the Group’s consolidated financial statements.

(a) Impact on the consolidated financial statements

The Group adopted HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) Impact on the consolidated financial statements (continued)

Consolidated balance sheet (extract)

	At 31 March 2018 (as previously reported)	Adoption of HKFRS 9	Adoption of HKFRS 15	At 1 April 2018 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Financial assets at fair value through other comprehensive income	–	11,800	–	11,800
Available-for-sale financial assets	11,800	(11,800)	–	–
Deferred income tax assets	6,200	–	186	6,386
Current assets				
Contract assets	–	–	814,135	814,135
Due from customers on construction contracts	818,355	–	(818,355)	–
Provision for impairment of receivables	(12,645)	(63,140)	–	(75,785)
Non-current liabilities				
Deferred income tax liabilities	12,957	–	(1,871)	11,086
Current liabilities				
Contract liabilities	–	–	367,741	367,741
Due to customers on construction contracts	365,428	–	(365,428)	–
Income tax payable	4,528	–	1,387	5,915
Equity				
Retained profits	897,488	(63,140)	(5,863)	828,485

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) Impact on the consolidated financial statements (continued)

Consolidated balance sheet (extract) (continued)

	At 31 March 2019			
	Before adoption of HKFRS 9 and HKFRS 15 *HK$'000*	Effects of adopting HKFRS 9 *HK$'000*	Effects of adopting HKFRS 15 *HK$'000*	As reported *HK$'000*
Non-current assets				
Financial assets at fair value through other comprehensive income	–	12,200	–	12,200
Available-for-sale financial assets	12,200	(12,200)	–	–
Deferred income tax assets	8,978	–	(1,033)	7,945
Current assets				
Contract assets	–	–	747,186	747,186
Due from customers on construction contracts	720,131	–	(720,131)	–
Provision for impairment of receivables	(57,653)	(18,977)	–	(76,630)
Non-current liabilities				
Deferred income tax liabilities	14,029	–	(1,871)	12,158
Current liabilities				
Contract liabilities	–	–	481,641	481,641
Due to customers on construction contracts	513,848	–	(513,848)	–
Income tax payable	5,470	–	2,541	8,011
Equity				
Retained profits	806,848	(18,977)	57,559	845,430

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) Impact on the consolidated financial statements (continued)

Consolidated income statement (extract)

	For the year ended 31 March 2019			
	Before adoption of HKFRS 9 and HKFRS 15	Effects of adopting HKFRS 9	Effects of adopting HKFRS 15	As reported
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	5,751,805	–	(133,727)	5,618,078
Cost of sales	(5,273,839)	–	199,522	(5,074,317)
Gross profit	477,966	–	65,795	543,761
Administrative expenses	(509,887)	44,163	–	(465,724)
Income tax expense	(7,581)	–	(2,373)	(9,954)

The adoption of HKFRS 9 and HKFRS 15 had no impact to the net cash flow from operating, investing and financing activities on the consolidated cash flow statement.

(b) HKFRS 9, "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9, "Financial Instruments", from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.11 below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(b) HKFRS 9, "Financial Instruments" (continued)

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group elected to present changes in the fair value of all its equity investments previously classified as available-for-sale financial assets in other comprehensive income in the consideration that these investments are held as long-term strategic investments and are not expected to be sold in the short to medium term.

Upon the adoption of HKFRS 9 on 1 April 2018, available-for-sale financial assets with carrying amount of HK$11,800,000 were reclassified to financial assets at fair value through other comprehensive income.

On the date of initial application, 1 April 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	**New** (HKFRS 9)	**Original** (HKAS 39) *HK$'000*	**New** (HKFRS 9) *HK$'000*	**Difference** *HK$'000*
Non-current financial assets					
Equity securities	Available-for sale	Fair value through other comprehensive income	11,800	11,800	–
Current financial assets					
Trade debtors, net	Amortised cost	Amortised cost	802,263	745,338	(56,925)
Other receivables	Amortised cost	Amortised cost	83,565	77,350	(6,215)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(b) HKFRS 9, "Financial Instruments" (continued)

(ii) Impairment of financial assets

The Group mainly has five types of financial assets at amortised cost subject to the new expected credit loss model of HKFRS 9, including trade debtors, contract assets, mortgage loans receivables, deposits and other receivables and due from an associate, joint ventures/ joint operations.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For trade debtors and contract assets, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors and contract assets.

For other types of receivables, the Group applies the expected credit risk model depending on whether there has been a significant increase in credit risk and assesses expected credit losses on a forward looking basis.

(c) HKFRS 15, "Revenue from Contracts with Customers"

The Group applied the modified retrospective approach to adopt HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

In prior reporting periods, the Group accounted for revenue from construction and engineering contracts over the period of the contracts when the outcome of construction contracts can be estimated reliably and by reference to the stage of completion of the contract activities at the end of the reporting periods. The stage of completion is measured by reference to work performed as a percentage of total contract value.

Under HKFRS 15, revenue from construction and engineering contracts is recognised over time as the Group satisfies the performance obligation over time, by reference to contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract (input method for measuring progress).

The excess of cumulative revenue recognised in the consolidated income statement over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in the consolidated income statement is recognised as contract liabilities.

2 Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group.

Inter company 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

In the Company's balance sheet, 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.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) Joint arrangements

Under HKFRS 11, "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

(i) Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in Note 21(g).

(ii) Joint ventures

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated balance sheet.

2 Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement. This fair value becomes 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 or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or 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)

2.4 Foreign currency translation

(a) 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.

(b) 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 (losses)/gains, net".

(c) 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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- 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
- 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.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. 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 any component accounted for as a separate assets is derecognised when replaced. All other repairs and maintenance are charged to the consolidated income statement during the reporting 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 is calculated using the straight-line method to allocate their cost, net of 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 reporting period.

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 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income and (losses)/gains, net" in the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.6 Investment properties

Investment properties are properties held for long-term rental income or capital appreciation or both. These include completed properties, those under construction and properties that are being redeveloped for continuing use as investment properties.

Investment properties are carried at fair value based on valuations performed by independent qualified valuers on a market value basis related to individual properties, and separate values are not attributed to land and buildings. Changes in fair values are recognised in consolidated income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected to arise from its disposal. Any gain or loss on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property, is included in consolidated income statement in the period in which the asset is derecognised.

2.7 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.

2.8 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.

2.9 Goodwill

Goodwill arising 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. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2 Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

(a) Accounting policies applied from 1 April 2018

(i) Classification

From 1 April 2018, the Group classifies its financial assets as subsequently measured at fair value (either through other comprehensive income ("OCI") or through profit or loss), and at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

(a) Accounting policies applied from 1 April 2018 (continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments as financial assets at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in "Other income and (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented in "Administrative expenses" in the consolidated income statement.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other income and (losses)/gains, net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

(a) Accounting policies applied from 1 April 2018 (continued)

(iv) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(b) Accounting policies applied until 31 March 2018

(i) Classification

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 March 2018, the Group classifies its financial assets in loans and receivables, available-for-sale financial assets, and financial assets at fair value through profit or loss.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

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.

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.

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.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

(b) Accounting policies applied until 31 March 2018 (continued)

(ii) 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 (losses)/gains, net" when the Group's right to receive payments is established.

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 loans and receivables is described in Note 2.11(b)(iii).

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

(b) Accounting policies applied until 31 March 2018 (continued)

(iii) Impairment

A provision for impairment of loans and 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.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at the end of cash reporting period.

Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognised immediately in the consolidated income statement within "Other income and (losses)/gains, net".

The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the item is more than 12 months, and as a current asset or liability when the remaining maturity of the item is less than 12 months.

2.14 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 estimated costs necessary to make the sale.

2 Summary of significant accounting policies (continued)

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days to 150 days and therefore are all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.11 for further information about the Group's accounting for trade and other receivables and a description of the Group's impairment policies.

2.16 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

2.17 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.18 Payables to suppliers and subcontractors

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Payables to suppliers and subcontractors are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.19 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 reporting period.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets, which are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use of sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associate 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)

2.21 Current and deferred income tax (continued)

Deferred income tax

Deferred income tax is provided in full, 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (continued)

2.22 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.23 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

(iii) Bonus entitlements

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition

The Group recognises different types of revenue as follows:

(i) Construction and electrical and mechanical installation – Contract revenue

Revenue from individual contracts is recognised according to progress of the project. The Group recognises revenue based on progress towards complete satisfaction of performance obligation, which is measured based on the entity's effort or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended and cost incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

The payment terms differed for different customers due to the variety of projects. The Group does not intend to give a financing to customers and the Group make efforts to collect the receivables and timely monitor the credit risk.

The Group accounts for a modification if the customers to a contract approve a change in the scope and/or the price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customers to the contract. If the customers have approved a change in scope, but have not yet determined the corresponding change in price, the Group estimates the change to the contract price as a variable consideration.

The estimated amount of the variable consideration is included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable considerations is subsequently resolved.

The Group records contract liability for non-refundable advance payment from customer before rendering of services since there is still performance obligation to complete. The contract liabilities are recognised as revenue over the period during which the relevant services are rendered to customers.

(ii) Building materials supply – Sales of goods

Revenue is recognised at a point in time when the control of the goods is transferred to the customers, being when the goods are sold to the customers, there is no unfulfilled obligation that could affect the customers' acceptance of the goods, the customer has obtained the physical possession or the legal title of the goods and the Group has present right to payment. The Group controls the products in these transactions and, therefore, the Group is the principal and revenue is recognised on a gross basis. The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.

(iii) Property investment – Operating lease rental income

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

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

(iv) Hotel operations – Room rental and other ancillary services revenue

Hotel revenue from room rental and other ancillary services is recognised over time in the reporting period in which the hotel accommodation services are transferred to the customer.

(v) Property sales – Sales of goods

Revenue from pre-sale of properties under development is recognised when or as the control of the asset is transferred to the customer. It is recognised at a point in time when the customer obtains control and legal title of the completed property. The timing of revenue recognition for sale of completed properties would be recognised when the underlying property is legally transfer to the customer under the control transfer model. The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property would be adjusted when significant financial component exists in that contract. Certain costs incurred for obtaining a pre-sale property contract would be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract.

2.25 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statements of comprehensive income as part of finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.26 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.

2 Summary of significant accounting policies (continued)

2.27 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 legal titles 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

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including 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.

(a) Market risk

(i) 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 2019, if Renminbi ("RMB") had strengthened/weakened by 5% against HK$ with all other variables held constant, the Group's profit for the year would have been approximately HK$6,157,000 higher/lower (2018: HK$26,166,000).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) 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 2019, had interest rates been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK$17,828,000 lower/higher (2018: HK$17,494,000), mainly as a result of higher/lower interest expense on floating rate borrowings net of higher/lower interest income on cash deposits.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises mainly from trade debtors, contract assets, mortgage loans receivables, deposits and other receivables, amounts due from an associate, joint ventures and 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.

(i) Impairment of financial assets

Trade debtors and contract assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure expected credit losses, the Group categorises its trade debtors and contract assets based on the nature of customer accounts and shared credit risk characteristics.

The expected loss rates are based on the historical loss rates as adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Impairment of financial assets (continued)

	Weighted average lifetime expected credit loss rate	Trade debtors and contract assets		
		Gross carrying amount	Lifetime expected credit loss	Net carrying amount
		HK$'000	*HK$'000*	*HK$'000*
At 31 March 2019				
Not yet due	**0%**	**1,468,767**	**–**	**1,468,767**
1-30 days past due	**0%**	**16,682**	**–**	**16,682**
31-90 days past due	**3%**	**12,904**	**(330)**	**12,574**
91-180 days past due	**2%**	**15,589**	**(295)**	**15,294**
Over 180 days past due	**78%**	**79,065**	**(61,623)**	**17,442**
Total		**1,593,007**	**(62,248)**	**1,530,759**
At 1 April 2018				
Not yet due	0%	1,476,290	–	1,476,290
1-30 days past due	0%	21,441	–	21,441
31-90 days past due	2%	17,855	(311)	17,544
91-180 days past due	7%	10,559	(712)	9,847
Over 180 days past due	65%	98,133	(63,782)	34,351
Total		1,624,278	(64,805)	1,559,473

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Impairment of financial assets (continued)

Mortgage loan receivables, deposits and other receivables, amounts due from an associate, joint ventures and joint operations

As at 31 March 2019, except for other receivables of HK$14,382,000 (2018: HK$10,980,000) all of these financial assets are considered to have low credit risk, and thus the impairment provision recognised was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognised during the year.

Please refer to Note 2.2 for the reconciliation of the provision for impairment of trade debtors as at 31 March 2018 to the opening provision for impairment as at 1 April 2018.

(c) 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 2019 and 2018 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 2019, the Group held cash and bank deposits of HK$836,838,000 (2018: HK$781,757,000) and trade debtors of HK$783,573,000 (2018: HK$802,263,000) that are expected to generate cash inflows in the next twelve months for managing liquidity risk.

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

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) 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 2019				
Short-term bank loans and interest thereon	**796,761**	**–**	**–**	**–**
Long-term borrowings and interest thereon	**469,961**	**137,516**	**1,059,621**	**–**
Obligation under finance lease and interest thereon	**794**	**303**	**–**	**–**
Payables to suppliers and subcontractors	**281,868**	**–**	**–**	**–**
Accruals, retention payables and other liabilities	**422,209**	**54,644**	**25,256**	**–**
Derivative financial liabilities	**137**	**–**	**–**	**–**
Due to joint operations	**2,799**	**–**	**–**	**–**
Due to other partners of joint operations	**29,328**	**–**	**–**	**–**
At 31 March 2018				
Short-term bank loans and interest thereon	889,207	–	–	–
Long-term borrowings and interest thereon	163,516	444,204	854,926	–
Obligation under finance lease and interest thereon	4,202	68	–	–
Payables to suppliers and subcontractors	321,929	–	–	–
Accruals, retention payables and other liabilities	541,944	53,797	2,021	7,135
Due to joint operations	2,799	–	–	–
Due to other partners of joint operations	23,932	–	–	–

3 Financial risk management (continued)

3.2 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 2019 and 2018 were as follows:

	2019	2018
	HK$'000	*HK$'000*
Total borrowings *(Note 29)*	**2,339,407**	2,247,561
Less: Cash and bank balances *(Note 24)*	**(836,838)**	(781,757)
Net debt	**1,502,569**	1,465,804
Total equity	**1,383,359**	1,479,568
Total capital	**2,885,928**	2,945,372
Debt to capital ratio	**0.52**	0.50

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.

3 Financial risk management (continued)

3.3 Fair value estimation

(a) Fair value hierarchy

The table below analyses financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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 presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2019 and 2018. Refer to Note 15 for disclosures of the investment properties that are measured at fair value.

	At 31 March 2019			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Financial assets at fair value through other comprehensive income	–	–	12,200	12,200
Liabilities				
Derivative financial instruments	–	137	–	137

	At 31 March 2018			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale financial assets	–	–	11,800	11,800

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1, Level 2 and Level 3 fair value hierarchy classifications.

There were no significant changes in valuation techniques during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

(b) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 items for the year ended 31 March 2019 and 31 March 2018:

	2019 ***HK$'000***	2018 *HK$'000*
Unlisted equity securities		
Beginning of year	**11,800**	11,800
Addition	**400**	–
End of year	**12,200**	11,800

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) Progress of construction works

The Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of construction works (including electrical and mechanical installation). The progress is determined by the entity's efforts or inputs to the satisfaction of performance obligations (for example, resources consumed, labour hours expended and cost incurred) relative to the total expected inputs to the satisfaction of that performance obligation. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress and budgeted revenue. Because of the nature of the activities 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 periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

(b) Estimation of loss provisions in respect of construction works

The Group's management estimates the amount of loss provisions 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 loss provisions 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

(a) Disaggregation of revenue

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.

	2019 *HK$'000*	2018 *HK$'000*
Revenue		
Construction	**3,922,573**	3,973,477
Electrical and mechanical installation	**1,227,978**	1,426,825
Building materials supply	**152,911**	111,959
Property investment and development	**135,724**	2,723
Hotel operations	**121,464**	109,620
Others	**57,428**	29,334
	5,618,078	5,653,938

(b) Segment information

For the year ended 31 March 2019, the Group recognised revenue from contracts with customers (including construction, electrical and mechanical installation, hotel operations and others) over time except for revenue from building materials supply of HK$152,911,000, property sales of HK$132,716,000 and others of HK$50,408,000, which were recognised at a point in time. The revenue from other source (rental income) amounted to HK$3,008,000.

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.

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5 Revenue and segment information (continued)

(b) 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 2019							
Total sales	3,956,836	1,800,347	406,722	135,724	121,464	158,762	6,579,855
Inter-segment sales	(34,263)	(572,369)	(253,811)	–	–	(101,334)	(961,777)
External sales	3,922,573	1,227,978	152,911	135,724	121,464	57,428	5,618,078
Segment results	17,893	34,792	(9,577)	11,972	32,001	(18,476)	68,605
Share of profit of an associate	–	58	–	–	–	–	58
Share of loss of joint ventures	–	–	(3,087)	–	–	–	(3,087)
	17,893	34,850	(12,664)	11,972	32,001	(18,476)	65,576
Unallocated income							4,260
Finance costs							(29,474)
Profit before income tax							40,362
Income tax expense							(9,954)
Profit for the year							30,408
At 31 March 2019							
Segment assets	1,945,253	769,100	804,053	659,058	555,194	184,431	4,917,089
Interests in an associate	–	1,204	–	–	–	25	1,229
Interests in joint ventures	–	–	87,577	–	–	–	87,577
Unallocated assets							36,531
Total assets							5,042,426
Segment liabilities	(604,959)	(618,843)	(39,945)	(23,855)	(9,756)	(6,789)	(1,304,147)
Bank loans							(2,338,341)
Obligation in respect of joint ventures	–	–	(1,609)	–	–	–	(1,609)
Unallocated liabilities							(14,970)
Total liabilities							(3,659,067)
Year ended 31 March 2019							
Capital expenditure	10,300	2,436	26,698	671	1,991	1,188	43,284
Depreciation	9,293	4,216	40,643	7	21,789	19,441	95,389
Amortisation of leasehold land and land use rights	56	–	1,957	–	–	–	2,013
Amortisation of intangible assets	–	1,056	–	–	–	–	1,056
Fair value gain on investment properties, net	–	–	–	(2,329)	–	–	(2,329)
Other non-cash expenses, net	–	–	–	–	–	–	137

5 Revenue and segment information (continued)

(b) 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 2018							
Total sales	4,017,214	2,082,119	480,567	2,723	109,620	123,476	6,815,719
Inter-segment sales	(43,737)	(655,294)	(368,608)	–	–	(94,142)	(1,161,781)
External sales	3,973,477	1,426,825	111,959	2,723	109,620	29,334	5,653,938
Segment results	(7,046)	14,569	46,897	1,807	27,051	(11,363)	71,915
Share of loss of an associate	–	(8)	–	–	–	–	(8)
Share of loss of joint ventures	–	–	(202)	–	–	–	(202)
	(7,046)	14,561	46,695	1,807	27,051	(11,363)	71,705
Unallocated income							6,207
Finance costs							(27,048)
Profit before income tax							50,864
Income tax credit							1,833
Profit for the year							52,697
At 31 March 2018							
Segment assets	1,921,254	781,250	890,633	737,532	574,601	148,291	5,053,561
Interests in an associate	–	1,260	–	–	–	25	1,285
Interests in joint ventures	–	–	8,330	–	–	–	8,330
Unallocated assets							26,168
Total assets							5,089,344
Segment liabilities	(627,653)	(603,810)	(54,136)	(48,253)	(9,793)	(5,954)	(1,349,599)
Bank loans							(2,243,369)
Obligation in respect of joint ventures	–	–	(1,558)	–	–	–	(1,558)
Unallocated liabilities							(15,250)
Total liabilities							(3,609,776)
Year ended 31 March 2018							
Capital expenditure	24,294	1,742	88,911	268	1,840	1,581	118,636
Depreciation	11,998	4,804	33,458	10	21,329	22,697	94,296
Amortisation of leasehold land and land use rights	56	–	1,923	–	–	–	1,979
Amortisation of intangible assets	–	1,056	–	–	–	–	1,056
Fair value gain on investment properties, net	–	–	–	(2,432)	–	–	(2,432)

5 Revenue and segment information (continued)

(b) Segment information (continued)

The analysis of revenue by geographical area is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong	5,455,148	5,367,945
Non-Hong Kong	162,930	285,993
	5,618,078	5,653,938

Revenue of approximately HK$3,478,871,000 (2018: HK$3,637,902,000) are derived from two (2018: two) 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:

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong	878,555	896,844
Non-Hong Kong	737,581	732,460
	1,616,136	1,629,304

6 Other income and (losses)/gains, net

	2019 HK$'000	2018 HK$'000
Other income		
Bank interest income	4,737	5,775
Interest income from subcontractors	13,709	8,749
Dividend income from financial assets at fair value through other comprehensive income	1,200	–
Management service income from a joint venture and a joint operation	219	40
Sundry income	13,785	11,042
	33,650	25,606
Other (losses)/gains, net		
Gain on disposal of a joint operation	–	45,616
(Loss)/gain on disposal of property, plant and equipment, net	(71)	192
Loss on disposal of investment properties	(65)	–
Fair value gain on investment properties, net *(Note 15)*	2,329	2,432
Exchange (loss)/gain, net	(9,723)	66,812
	(7,530)	115,052
	26,120	140,658

Notes to the Consolidated Financial Statements

7 Expenses by nature

	2019 *HK$'000*	2018 *HK$'000*
Cost of construction	**3,931,566**	4,112,335
Cost of inventories sold	**240,376**	325,961
Cost of properties sold	**115,400**	–
Staff costs (excluding directors' emoluments) *(Note 13)*	**945,489**	923,248
Directors' emoluments *(Note 40)*	**23,280**	21,121
Depreciation *(Note 14)*		
Owned property, plant and equipment	**92,940**	88,607
Leased property, plant and equipment	**2,449**	5,689
	95,389	94,296
Operating lease rentals of		
Land and buildings	**13,078**	11,113
Other equipment	**49,757**	70,965
	62,835	82,078
Amortisation of leasehold land and land use rights *(Note 16)*	**2,013**	1,979
Amortisation of intangible assets *(Note 18)*	**1,056**	1,056
Movement in loss allowance for trade debtors	**(2,495)**	(1,756)
Movement in loss allowance for other receivables	**3,683**	3,476
(Write-back of provision)/provision for inventories	**(619)**	234
Auditors' remuneration		
– Audit services	**5,073**	5,637
– Non-audit services	**799**	495
Direct operating expenses arising from investment properties		
– Generate rental income	**506**	382
– Not generate rental income	**45**	29
Selling and distribution costs	**26,724**	17,813
Others	**120,213**	128,090
Total cost of sales, selling and distribution costs, administrative and other operating expenses	**5,571,333**	5,716,474

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 four (2018: four) Directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments paid and payable to the remaining one (2018: one) highest-paid individual in 2019 were as follows:

	2019 *HK$'000*	2018 *HK$'000*
Salaries	**1,846**	1,760
Bonuses	**745**	725
Retirement benefits	**85**	81
	2,676	2,566

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HK$2,500,001-HK$3,000,000	**1**	1

(b) During the years ended 31 March 2019 and 2018, 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 2019 and 2018:

	Number of individuals	
	2019	2018
HK$1,500,001-HK$2,000,000	**4**	4
HK$2,000,001-HK$2,500,000	**4**	4
	8	8

Notes to the Consolidated Financial Statements

9 Finance costs

	2019 HK$'000	2018 HK$'000
Interest on overdrafts and short-term bank loans	**29,080**	26,053
Interest on long-term bank loans	**39,695**	27,240
Interest element of finance lease payments	**84**	290
Total borrowing costs incurred	**68,859**	53,583
Less: Classified as cost of construction	**(27,535)**	(18,729)
Capitalised in construction in progress	**(2,322)**	(1,765)
Capitalised in property under development for sale	**(9,528)**	(6,041)
	29,474	27,048

For the year ended 31 March 2019, the interest rate applied in determining the amount of borrowing costs capitalised in construction in progress and property under development for sale was from 2.8% to 3.2% (2018: 2.1% to 2.2%) per annum.

10 Income tax expense/(credit)

	2019 HK$'000	2018 HK$'000
Hong Kong profits tax provision for the year	**11,501**	3,715
Overseas tax provision for the year	**1,265**	117
Over-provision in prior years	**(900)**	(1,345)
Deferred income tax relating to the origination and reversal of temporary differences *(Note 30)*	**(1,912)**	(4,320)
	9,954	(1,833)

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2018: 16.5%) on the estimated assessable profits for the year. Under the two-tiered profits tax rates regime introduced on 29 March 2018, Hong Kong profits tax rate for the first HK$2 million of assessable profits is 8.25%. Assessable profits above HK$2 million is at the rate of 16.5%.

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.

Subsidiaries operated in the PRC are subject to corporate income tax rate of 25% (2018: 25%). Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2018: 12%).

10 Income tax expense/(credit) (continued)

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

	2019 *HK$'000*	2018 *HK$'000*
Profit before income tax	40,362	50,864
Share of loss of an associate and joint ventures	3,029	210
	43,391	51,074
Calculated at a taxation rate of 16.5% (2018: 16.5%)	7,160	8,427
Effect of different tax rates in other countries	(5,421)	3,752
Income not subject to taxation	(837)	(2,153)
Expenses not deductible for taxation purposes	3,811	186
Temporary differences not recognised	(1,172)	(151)
Tax losses not recognised	18,710	17,214
Recognition of previously unrecognised tax losses	–	(440)
Utilisation of previously unrecognised tax losses	(11,336)	(27,323)
Over-provision in prior years	(900)	(1,345)
Others	(61)	–
Income tax expense/(credit)	9,954	(1,833)

Notes to the Consolidated Financial Statements

11 Dividend

	2019 HK$'000	2018 HK$'000
Interim dividend paid during the year		
Interim – HK1.50 cents (2018: HK1.50 cents) per ordinary share	6,571	6,571
Proposed final dividend		
Final – HK1.50 cents (2018: HK1.50 cents) per ordinary share	6,571	6,571
	13,142	13,142

In the Board meeting held on 26 June 2019, the Directors recommended the payment of a final dividend of HK1.50 cents (2018: HK1.50 cents) per share, totalling of HK$6,571,000 (2018: HK$6,571,000) for the year ended 31 March 2019.

12 Earnings per share (basic and diluted)

The calculation of earnings per share is based on:

	2019 HK$'000	2018 HK$'000
Net profit attributable to the equity holders of the Company	30,087	52,535

	2019	2018
Weighted average number of shares in issue during the year	438,053,600	438,053,600
Basic earnings per share	HK6.87 cents	HK11.99 cents

Diluted earnings per share for the years ended 31 March 2019 and 2018 are equal to basic earnings per share as there are no potential dilutive shares in issue during the years.

13 Staff costs (excluding directors' emoluments)

	2019 HK$'000	2018 HK$'000
Salaries, wages and bonuses	893,842	875,950
Write-back of unutilised annual leave	(371)	(556)
Long service payments and pension costs	50,599	47,606
Termination benefits	1,419	248
	945,489	923,248

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 2018								
Opening net book value	477,455	352,275	99,683	137,280	26,332	17,088	97,561	1,207,674
Additions	–	13,514	3,101	51,342	6,364	4,491	39,556	118,368
Disposals	–	–	–	(715)	(205)	(523)	–	(1,443)
Transfer	–	68,784	–	–	–	–	(68,784)	–
Depreciation *(Note 7)*	(2,954)	(18,312)	(19,141)	(36,568)	(10,852)	(6,469)	–	(94,296)
Currency translation differences	–	33,692	312	6,825	507	398	9,015	50,749
Closing net book value	474,501	449,953	83,955	158,164	22,146	14,985	77,348	1,281,052
At 31 March 2018								
Cost	490,993	543,998	190,988	370,177	152,472	66,315	77,348	1,892,291
Accumulated depreciation	(16,492)	(94,045)	(107,033)	(212,013)	(130,326)	(51,330)	–	(611,239)
Net book value	474,501	449,953	83,955	158,164	22,146	14,985	77,348	1,281,052
Year ended 31 March 2019								
Opening net book value	**474,501**	**449,953**	**83,955**	**158,164**	**22,146**	**14,985**	**77,348**	**1,281,052**
Additions	**–**	**–**	**1,035**	**18,232**	**11,509**	**4,264**	**7,573**	**42,613**
Disposals	**–**	**–**	**–**	**(509)**	**(427)**	**(189)**	**–**	**(1,125)**
Transfer to investment properties *(Notes (a) and 15)*	**–**	**(750)**	**(321)**	**–**	**–**	**–**	**–**	**(1,071)**
Depreciation *(Note 7)*	**(2,954)**	**(20,828)**	**(18,724)**	**(37,738)**	**(9,316)**	**(5,829)**	**–**	**(95,389)**
Currency translation differences	**–**	**(24,521)**	**(190)**	**(4,299)**	**(331)**	**(269)**	**(5,469)**	**(35,079)**
Closing net book value	**471,547**	**403,854**	**65,755**	**133,850**	**23,581**	**12,962**	**79,452**	**1,191,001**
At 31 March 2019								
Cost	**490,993**	**513,729**	**190,986**	**380,340**	**150,122**	**64,611**	**79,452**	**1,870,233**
Accumulated depreciation	**(19,446)**	**(109,875)**	**(125,231)**	**(246,490)**	**(126,541)**	**(51,649)**	**–**	**(679,232)**
Net book value	**471,547**	**403,854**	**65,755**	**133,850**	**23,581**	**12,962**	**79,452**	**1,191,001**

Note (a): During the year ended 31 March 2019, property of HK$1,071,000 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:

	2019 *HK$'000*	2018 *HK$'000*
Plant and machinery	–	205
Motor vehicles	2,076	7,236
	2,076	7,441

(b) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK$536,998,000 (2018: HK$543,076,000) (Notes 29 and 36(d)).

15 Investment properties

	2019 *HK$'000*	2018 *HK$'000*
Beginning of year	234,577	228,075
Additions	671	268
Transfer from property, plant and equipment *(Note 14)*	1,071	–
Transfer from leasehold land and land use rights *(Note 16)*	1,634	–
Fair value gain upon transfer from property, plant and equipment and leasehold land and land use right	13,795	–
Disposals	(9,951)	–
Fair value gain credited to the consolidated income statement, net *(Note 6)*	2,329	2,432
Currency translation differences	(2,164)	3,802
End of year	241,962	234,577

Valuation process

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31 March 2019 and 2018 have been determined on the basis of valuations carried out by independent valuers. Investment properties situated in Hong Kong and Macau were valued as at 31 March 2019 by Jones Lang LaSalle Limited, an independent firm of qualified property valuers. Investment properties situated in Singapore were valued as at 31 March 2019 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.

15 Investment properties (continued)

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 2019 HK$'000	Fair value 2018 HK$'000	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Singapore	Residential units/ retail shops	41,762	53,877	Direct comparison	Comparable sales price – S$1,358 to S$2,581 per square feet (2018: S$1,656 to S$1,943 per square feet)	The higher the comparable sales price, the higher the fair value
Hong Kong	Residential units/ retail shops	183,700	180,700	Direct comparison	Comparable sales price – HK$9,783 to HK$56,045 per square feet (2018: HK$7,647 to HK$58,878 per square feet)	The higher the comparable sales price, the higher the fair value
Macau	Commercial unit	16,500	–	Direct comparison	Comparable sales price – HK$9,404 to HK$11,559 per square feet (2018:Nil)	The higher the comparable sales price, the higher the fair value
		241,962	234,577			

Investment properties amounting to HK$184,362,000 (2018: HK$167,801,000) are pledged as security for the bank loans of the Group (Notes 29 and 36(d)).

Notes to the Consolidated Financial Statements

16 Leasehold land and land use rights

	2019 HK$'000	2018 HK$'000
Beginning of year	**76,701**	71,233
Amortisation *(Note 7)*	**(2,013)**	(1,979)
Transfer to investment properties *(Notes (a) and 15)*	**(1,634)**	–
Currency translation differences	**(4,990)**	7,447
End of year	**68,064**	76,701

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments. As at 31 March 2018, leasehold land and land use rights with total net book values of HK$1,690,000 were pledged as security for the Group's banking facilities (Note 36(d)).

Note (a): During the year ended 31 March 2019, leasehold land of HK$1,634,000 has been reclassified to investment properties as a result of change in use of the leasehold land.

17 Property under development for sale

	2019 HK$'000	2018 HK$'000
Beginning of year	**305,444**	266,481
Additions	**50,339**	38,963
End of year	**355,783**	305,444

Property under development for sale amounting to HK$355,783,000 (2018: HK$305,444,000) are pledged as security for the bank loans of the Group (Notes 29 and 36(d)).

18 Goodwill and intangible assets

	Goodwill	Intangible assets	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2018			
Opening net book value	15,905	12,510	28,415
Amortisation *(Note 7)*	–	(1,056)	(1,056)
Closing net book value	15,905	11,454	27,359
At 31 March 2018			
Cost	15,905	21,837	37,742
Accumulated amortisation	–	(10,383)	(10,383)
Net book value	15,905	11,454	27,359
Year ended 31 March 2019			
Opening net book value	**15,905**	**11,454**	**27,359**
Amortisation *(Note 7)*	**–**	**(1,056)**	**(1,056)**
Closing net book value	**15,905**	**10,398**	**26,303**
At 31 March 2019			
Cost	**15,905**	**21,837**	**37,742**
Accumulated amortisation	**–**	**(11,439)**	**(11,439)**
Net book value	**15,905**	**10,398**	**26,303**

18 Goodwill and intangible assets (continued)

(a) Goodwill arising from the acquisition of REC Engineering Company Limited group ("REC") 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 (2018: 5% to 6%);

(ii) growth rate ranging from 1% to 2% per annum (2018: 1% to 2%); and

(iii) discount rate of 9% per annum (2018: 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 2019:

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%
First Smart Investment Limited	Hong Kong	HK$2	Financing services	–	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	–	60%	60%
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%
REC (China) Company Limited	Hong Kong	HK$13,800,000	Electrical and mechanical engineering services and investment holding	–	100%	100%

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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 Building Services (Macao) Limited	Macau	MOP100,000	Provision of design, installation and maintenance services of building 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 Company Limited	Hong Kong	HK$1	Development of environmental protection related software and programming activities	–	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%
Tin Sing Chemical Engineers Limited	Hong Kong	HK$1,000,000	Water treatment services	–	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%

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 Construction (Macau) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction (Singapore) Pte. Ltd.	Singapore	S$37,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK$236,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Management Company Limited	Hong Kong	HK$2	Project management & consultancy services	–	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 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 (Fuzhou) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
Yau Lee Wah Precast Technology (Luoyang) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%

Notes to the Consolidated Financial Statements

19 Subsidiaries (continued)

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Yau Lee 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 Precast Technology (Yichang) 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%
有利華建築產業文化（深圳）有限公司	Mainland China	HK$10,000	Books distribution and provision of training	–	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 Associate

	2019 HK$'000	2018 HK$'000
Beginning of year	1,285	1,407
Share of profit/(loss)	58	(8)
Dividend	(114)	(114)
End of year	1,229	1,285
Due from an associate	114	114

(a) The following are the details of the principal associate at 31 March 2019 and 2018:

Name	Particulars of issued share capital	Place of incorporation	Interest held 2019	Interest held 2018
EYE Lighting (Hong Kong) Limited ("Eye Lighting") *(Note (b))*	HK$2,000,000	Hong Kong	38%	38%

There are no contingent liabilities relating to the Group's interest in the associate.

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

(c) The amount due from an associate is unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements

21 Joint arrangements

	2019 HK$'000	2018 HK$'000
Investments in joint ventures		
Beginning of year	**8,330**	–
Additions	**82,283**	8,485
Share of loss	**(3,036)**	(155)
End of year	**87,577**	8,330
Obligation in respect of joint ventures		
Beginning of year	**(1,558)**	(1,511)
Share of loss	**(51)**	(47)
End of year	**(1,609)**	(1,558)
Due from joint ventures *(Note (h))*	**3,071**	2,924
Due from joint operations *(Note (h))*	**32,478**	27,173
	35,549	30,097
Due to joint operations *(Note (h))*	**(2,799)**	(2,799)
Due to other partners of joint operations *(Note (h))*	**(29,328)**	(23,932)

21 Joint arrangements (continued)

(a) The following is a list of the principal joint ventures at 31 March 2019 and 2018:

Name	Particulars of registered/issued share capital	Place of incorporation	Effective interest	
			2019	2018
江蘇省第一建築安裝集團（鎮江）產業化科技有限公司 *(Note (b))*	RMB100,000,000	Mainland China	35%	35%
湖北廣盛建築產業化科技有限公司 *(Note (c))*	RMB100,000,000	Mainland China	40%	–
河南安華建築科技有限公司 *(Note (d))*	RMB100,000,000	Mainland China	40%	–
Yau Lee Formglas Limited ("YLFG") *(Note (e))*	HK$1,000,000	Hong Kong	51%	51%
Yau Lee Formglas (Macau) Limited ("YLFM") *(Note (f))*	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.

(b) 江蘇省第一建築安裝集團（鎮江）產業化科技有限公司 is a joint venture with a Chinese party, and is engaged in precast development and distribution.

(c) 湖北廣盛建築產業化科技有限公司 is a joint venture with a Chinese party, and is engaged in precast development and distribution.

(d) 河南安華建築科技有限公司 is a joint venture with a Chinese party, and is engaged in precast development and distribution.

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

(f) YLFM is a wholly-owned subsidiary of YLFG, and is inactive.

Notes to the Consolidated Financial Statements

21 Joint arrangements (continued)

(g) The following is a list of the principal joint operations at 31 March 2019 and 2018:

Name	Place of establishment	Principal activities	Effective interest 2019	Effective interest 2018
Hsin Chong-Yau Lee Joint Venture	Hong Kong	Building construction	**50%**	50%
Yau Lee-Hsin Chong Joint Venture	Hong Kong	Building construction	**60%**	60%
REC-CEL Joint Venture	Hong Kong	Electrical and mechanical services	**50%**	50%

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

22 Available-for-sale financial assets and financial assets at fair value through other comprehensive income

The movement of unlisted equity securities are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Available-for-sale financial assets		
Beginning of year	11,800	11,800
Reclassification to financial assets at fair value through other comprehensive income	(11,800)	–
End of year	–	11,800
Financial assets at fair value through other comprehensive income		
Beginning of year	–	–
Reclassification from available-for-sale financial assets	11,800	–
Additions	400	–
End of year	12,200	–

As at 31 March 2019, financial assets at fair value through other comprehensive income comprises of unlisted equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Details on the change in accounting policy and the reclassification of equity investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income and the fair value measurements are set out in Note 2.2 and 3.3 respectively.

23 Other non-current assets

	2019 *HK$'000*	2018 *HK$'000*
Other receivables	1,440	1,069

Notes to the Consolidated Financial Statements

24 Cash and bank balances

	2019 HK$'000	2018 HK$'000
Cash and bank balances	559,785	596,804
Time deposits	187,351	23,955
Restricted deposits *(Note a)*	89,702	160,998
	836,838	781,757

(a) Restricted deposits are funds which are pledged as security for the banking facilities of the Group (Notes 29 and 36(a)).

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

	2019 HK$'000	2018 HK$'000
Cash and bank balances	559,785	596,804
Time deposits with original maturity of less than three months	187,351	23,955
	747,136	620,759

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

	2019 HK$'000	2018 HK$'000
Hong Kong dollars	521,551	434,403
Renminbi	230,634	278,356
Macau Patacas	61,068	52,831
Singapore dollars	17,847	13,539
Other currencies	5,738	2,628
	836,838	781,757

(d) Interest rates of time deposits and restricted deposits ranged from 0.35% to 2.30% (2018: 0.01% to 3.52%) per annum.

25 Trade and other receivables

(a) Trade debtors, net

	2019 *HK$'000*	2018 *HK$'000*
Trade debtors	**507,053**	474,889
Retention receivables	**338,768**	335,253
Loss allowance	**(62,248)**	(7,879)
	783,573	802,263

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

	2019 *HK$'000*	2018 *HK$'000*
Current	**721,581**	662,155
1-30 days	**16,682**	21,441
31-90 days	**12,574**	17,855
91-180 days	**15,294**	10,559
Over 180 days	**17,442**	90,253
	61,992	140,108
	783,573	802,263

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products.

Notes to the Consolidated Financial Statements

25 Trade and other receivables (continued)

(a) Trade debtors, net (continued)

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

	2019 HK$'000	2018 HK$'000
Beginning of year	7,879	23,671
Amounts additionally provided through opening retained profits on adoption of HKFRS 9	56,925	–
Movement in loss allowance	(2,495)	31
Write back of impairment loss	–	(1,787)
Write off of impaired receivables	(27)	(14,815)
Currency translation differences	(34)	779
End of year	62,248	7,879

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

	2019 HK$'000	2018 HK$'000
Hong Kong dollars	719,717	696,638
Macau Patacas	33,174	81,779
Renminbi	15,813	20,569
Singapore dollars	14,763	3,171
United States dollars	106	106
	783,573	802,263

25 Trade and other receivables (continued)

(b) Prepayments, deposits and other receivables

	2019 HK$'000	2018 HK$'000
Advances to subcontractors	320,884	293,575
Prepayments and deposits	40,586	52,599
Other receivables	36,826	83,565
	398,296	429,739

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$250,040,000 (2018: HK$233,132,000) which carry interest ranging from 4.0% to 9.125% (2018: 4.0% to 9.0%) per annum. All other advances to subcontractors are interest free and have no fixed terms of repayment.

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

(c) Mortgage loans receivable

	2019 HK$'000	2018 HK$'000
Mortgage loans receivable	59,578	–
Interest receivable	123	–
	59,701	–
Included in:		
Non-current	57,502	–
Current	2,199	–
	59,701	–

Mortgage loans receivables are advances to purchasers of development properties of the Group and are secured by first mortgage on the related properties, carrying interest at rates with reference to banks' lending rates and are repayable within 10 to 25 years from the dates of inception of the loans. The balances are denominated in Hong Kong dollars. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the mortgage loans and interest receivable minus security mentioned above.

As at 31 March 2019, none of loan and interest receivables were past due or impaired.

Notes to the Consolidated Financial Statements

26 Inventories

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**65,391**	48,444
Finished goods	**49,851**	42,383
Others	**4,270**	4,530
	119,512	95,357

27 Due from and due to customers on construction contracts/contract assets and contract liabilities

	2018
	HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	40,062,813
Progress billings to date	(39,609,886)
	452,927
Included in current assets/(liabilities) are the following:	
Due from customers on construction contracts	818,355
Due to customers on construction contracts	(365,428)
	452,927

27 Due from and due to customers on construction contracts/contract assets and contract liabilities (continued)

The Group has recognised the following assets and liabilities related to contracts with customers:

	At 31 March 2019 HK$'000	At 1 April 2018 HK$'000
Contract assets related to		
Construction contracts and electrical and mechanical installation contracts	747,186	814,135
Contract liabilities related to		
Construction contracts and electrical and mechanical installation contracts	476,296	367,741
Others	5,345	–
	481,641	367,741

(i) Revenue recognised in relation to contract liabilities

Revenue of HK$309,473,000 was recognised in the current reporting period relating to carried-forward contract liabilities of construction contracts and electrical and mechanical installation contracts.

Reduction of revenue of HK$15,641,000 was recognised in the current reporting period relating to performance obligations satisfied or partially satisfied in previous periods.

(ii) Unsatisfied contracts related to construction contracts and electrical and mechanical installation contracts

As at 31 March 2019, the aggregate amount of the transaction price allocated to construction contracts and electrical and mechanical installation contracts that are partially or fully unsatisfied is HK$13,265,890,000. The amounts expected to be recognised within 1 year is HK$5,641,856,000 for construction contracts and electrical and mechanical installation contracts.

28 Completed properties held for sale

	2019 HK$'000	2018 HK$'000
Beginning of year	176,017	176,017
Properties sold	(115,400)	–
End of year	60,617	176,017

Notes to the Consolidated Financial Statements

29 Borrowings

	2019 HK$'000	2018 HK$'000
Non-current		
Obligations under finance lease	300	67
Long-term bank loans – secured	1,134,947	1,242,459
	1,135,247	1,242,526
Current		
Short-term bank loans – secured	772,282	867,831
Current portion of obligations under finance lease	766	4,125
Current portion of long-term bank loans – secured	431,112	133,079
	1,204,160	1,005,035
Total borrowings	2,339,407	2,247,561

(a) The maturity of borrowings is as follows:

	Bank loans		Obligations under finance lease	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Within 1 year	1,203,394	1,000,910	766	4,125
After 1 year but within 2 years	104,073	421,173	300	67
After 2 years but within 5 years	1,030,874	821,286	–	–
	2,338,341	2,243,369	1,066	4,192

29 Borrowings (continued)

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

	2019 %	2018 %
Short-term bank loans	3.2	2.5
Long-term bank loans	3.0	2.3
Obligations under finance lease	1.8	2.0

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

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

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong dollars	2,336,772	2,242,652
Singapore dollars	2,635	4,909
	2,339,407	2,247,561

(e) The bank borrowings are secured by certain property, plant and equipment, investment properties, property under development for sale and restricted deposits of the Group (Notes 14, 15, 17, 24 and 36).

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

	2019 *HK$'000*	2018 *HK$'000*
Within 1 year	794	4,202
After 1 year but within 5 years	303	68
	1,097	4,270
Future finance charges on finance lease	(31)	(78)
Present value of obligations under finance lease	1,066	4,192

Notes to the Consolidated Financial Statements

30 Deferred income tax

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

	2019 HK$'000	2018 HK$'000
Beginning of year	(6,757)	(10,049)
Adjustment on adoption of HKFRS 15	2,057	–
Credited to consolidated income statement *(Note 10)*	1,912	4,320
Charged to other comprehensive income	(1,655)	–
Currency translation differences	230	(1,028)
End of year	(4,213)	(6,757)

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:

	Tax losses		Intangible assets		Accelerated depreciation allowance		Relocation compensation		Property revaluation		Total	
Assets/(liabilities)	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Beginning of year	19,491	33,946	(1,771)	(1,945)	(24,477)	(27,649)	-	(14,401)	-	-	(6,757)	(10,049)
Adjustment on adoption of HKFRS 15	2,057	-	-	-	-	-	-	-	-	-	2,057	-
(Charged)/credited to consolidated income statement	(1,840)	(14,455)	175	174	3,577	3,458	-	15,143	-	-	1,912	4,320
Charged to other comprehensive income	-	-	-	-	-	-	-	-	(1,655)	-	(1,655)	-
Currency translation differences	-	-	-	-	230	(286)	-	(742)	-	-	230	(1,028)
End of year	19,708	19,491	(1,596)	(1,771)	(20,670)	(24,477)	-	-	(1,655)	-	(4,213)	(6,757)

30 Deferred income tax (continued)

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

	2019 *HK$'000*	2018 *HK$'000*
Deferred income tax assets		
Recoverable more than twelve months	1,716	5,985
Recoverable within twelve months	6,229	215
	7,945	6,200
Deferred income tax liabilities		
Payable or settle more than twelve months	(8,406)	(9,325)
Payable or settle within twelve months	(3,752)	(3,632)
	(12,158)	(12,957)

As at 31 March 2019, the Group has unrecognised tax losses of approximately HK$943,290,000 (2018: HK$837,623,000) to carry forward against future taxable income.

	2019 *HK$'000*	2018 *HK$'000*
With no expiry date	760,790	748,702
Expiring not later than one year	87,761	3,644
Expiring later than one year and not later than five years	94,739	85,277
	943,290	837,623

Notes to the Consolidated Financial Statements

31 Trade and other payables

(a) Payable to suppliers and subcontractors

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

	2019 *HK$'000*	2018 *HK$'000*
Current	**260,217**	279,010
1-30 days	**17,975**	34,410
31-90 days	**1,139**	2,585
91-180 days	**150**	292
Over 180 days	**2,387**	5,632
	21,651	42,919
	281,868	321,929

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

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong dollars	**262,950**	299,491
Renminbi	**12,196**	14,629
Japanese Yen	**2,636**	–
Singapore dollars	**2,467**	4,036
United States dollars	**1,204**	–
Macau Patacas	**297**	3,771
Others	**118**	2
	281,868	321,929

31 Trade and other payables (continued)

(b) Accruals, retention payables, deposits received and other liabilities

	2019	2018
	HK$'000	*HK$'000*
Retention payables	357,527	410,402
Other deposits and receipts in advance	10,704	81,329
Due to non-controlling interests *(Note)*	16,305	16,305
Others	117,573	121,048
	502,109	629,084

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

32 Derivative financial liabilities

As at 31 March 2019, the Group entered into several foreign currency forward contracts (with maturity period within one year) in exchanging Euro, Pound Sterling and Japanese Yen for Hong Kong dollars upon maturity date. The foreign currency forward contracts were subsequently re-measured to fair value with liability of HK$137,000 (2018: Nil) as at 31 March 2019. The loss in fair value of HK$137,000 (2018: Nil) was charged to consolidated income statement for the year.

The total notional amount of the entered foreign currency forward contracts at 31 March 2019 were HK$12,465,000 (2018: Nil).

33 Share capital

	Number of shares		Amount	
	2019	2018	2019	2018
			HK$'000	*HK$'000*
Ordinary shares of HK$0.2 each				
Authorised:				
At beginning and end of the year	1,000,000,000	1,000,000,000	200,000	200,000
Issued and fully paid:				
At beginning and end of the year	438,053,600	438,053,600	87,611	87,611

Notes to the Consolidated Financial Statements

34 Other reserves and retained profits

	Other reserves						
	Share premium	Capital redemption reserve	Currency translation reserve	Property revaluation reserve	Other reserve	Total	Retained profits
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	413,776	359	1,017	43,226	(8,481)	449,897	857,569
Profit for the year	–	–	–	–	–	–	52,535
Currency translation differences	–	–	31,254	–	–	31,254	–
Transactions with non-controlling interests	–	–	–	–	9,573	9,573	–
2017 final dividend	–	–	–	–	–	–	(6,045)
2018 interim dividend	–	–	–	–	–	–	(6,571)
At 31 March 2018	413,776	359	32,271	43,226	1,092	490,724	897,488
As at 31 March 2018, as previously reported	**413,776**	**359**	**32,271**	**43,226**	**1,092**	**490,724**	**897,488**
Change in accounting policies *(Note 2.2)*							
Adjustment on adoption of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**–**	**(63,140)**
Adjustment on adoption of HKFRS 15	**–**	**–**	**–**	**–**	**–**	**–**	**(5,863)**
As at 1 April 2018, restated	**413,776**	**359**	**32,271**	**43,226**	**1,092**	**490,724**	**828,485**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**30,087**
Other comprehensive (loss)/income:							
Currency translation differences	**–**	**–**	**(56,612)**	**–**	**–**	**(56,612)**	**–**
Fair value gain on investment properties upon transfer from property, plant and equipment and leasehold land and land use right	**–**	**–**	**–**	**13,795**	**–**	**13,795**	**–**
Income tax related to fair value gain on investment properties	**–**	**–**	**–**	**(1,655)**	**–**	**(1,655)**	**–**
2018 final dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(6,571)**
2019 interim dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(6,571)**
As at 31 Mar 2019	**413,776**	**359**	**(24,341)**	**55,366**	**1,092**	**446,252**	**845,430**

35 Notes to consolidated cash flow statement

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

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Operating profit	72,865	78,122
Interest income	(18,446)	(14,524)
Dividend income from financial assets at fair value through other comprehensive income	(1,200)	–
Loss/(gain) on disposal of property, plant and equipment, net	71	(192)
Fair value gain on investment properties, net	(2,329)	(2,432)
Loss on disposal of investment properties	65	–
Amortisation of intangible assets	1,056	1,056
Amortisation of leasehold land and land use rights	2,013	1,979
Depreciation	95,389	94,296
Movement in loss allowance for trade debtors	(2,495)	(1,756)
Movement in loss allowance for other receivables	3,683	3,476
(Write-back of provision)/provision for inventories	(619)	234
Provision for replacement of related water pipes for "the use of leaded solder materials in the solder joints"	2,000	11,017
Gain on disposal of a joint operation	–	(45,616)
Operating profit before working capital changes	152,053	125,660
Trade debtors, net	(42,050)	283,562
Inventories	(29,640)	(10,662)
Prepayments, deposits and other receivables	35,394	(100,648)
Due from customers on construction contracts	–	162,776
Contract assets	66,656	–
Property under development for sale	(50,339)	(38,963)
Completed properties held for sale	115,400	–
Due from an associate	–	1
Net change in balances with joint ventures/joint operations/other partners of joint operations	(56)	(155)
Payables to suppliers and subcontractors	(39,130)	(43,389)
Accruals, retention payables, deposit received and other liabilities	(126,167)	(79,327)
Due to customers on construction contracts	–	(8,758)
Contract liabilities	114,338	–
Net cash from operations	196,459	290,097

Notes to the Consolidated Financial Statements

35 Notes to consolidated cash flow statement (continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans HK$'000	Obligation under finance lease HK$'000	Total HK$'000
Balance at 1 April 2017	2,516,149	9,107	2,525,256
Repayment of bank loans	(674,899)	–	(674,899)
Drawdown of bank loans	401,479	–	401,479
Amortisation charges of prepaid loan arrangement fee	237	–	237
Capital element of finance lease payments	–	(8,756)	(8,756)
Inception of finance lease obligations *(Note (c))*	–	3,761	3,761
Currency translation differences	403	80	483
Balance at 31 March 2018	2,243,369	4,192	2,247,561
Balance at 1 April 2018	**2,243,369**	**4,192**	**2,247,561**
Repayment of bank loans	**(233,851)**	**–**	**(233,851)**
Drawdown of bank loans	**328,638**	**–**	**328,638**
Amortisation charges of prepaid loan arrangement fee	**374**	**–**	**374**
Capital element of finance lease payments	**–**	**(4,500)**	**(4,500)**
Inception of finance lease obligations *(Note (c))*	**–**	**1,403**	**1,403**
Currency translation differences	**(189)**	**(29)**	**(218)**
Balance at 31 March 2019	**2,338,341**	**1,066**	**2,339,407**

(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$1,403,000 (2018: HK$3,761,000).

36 Banking facilities

As at 31 March 2019, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,294,551,000 (2018: HK$5,172,637,000), of which HK$2,703,041,000 (2018: HK$2,700,526,000) had been utilised. These banking facilities are secured by the following:

(a) Restricted deposits of HK$89,702,000 (2018: HK$160,998,000) (Note 24);

(b) Guarantees of HK$5,290,851,000 (2018: HK$5,164,188,000) provided by the Company;

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

(d) Property, plant and equipment of HK$536,998,000 (2018: HK$543,076,000), investment properties of HK$184,362,000 (2018: HK$167,801,000) and leasehold land and land use rights of HK$Nil (2018: HK$1,690,000) and property under development for sale of HK$355,783,000 (2018: HK$305,444,000) (Notes 14, 15, 16 and 17).

37 Commitments and Contingent Liabilities

The Group has 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 2019, 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 liabilities 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 awarded 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 in September 2016 by the subcontractor for appeal against some of the awarded claims which has yet been set down in the List of Appeal. The subsidiary has since taken active steps to enforce the Judgment and has been able to recover a partial payment of $4,116,237 in satisfaction of part of the Judgment sum and is currently pursuing enforcement proceedings for the remaining balance thereof.

(c) The Group has provided performance bonds amounting to approximately HK$616,033,000 (2018: HK$645,458,000) in favour of the Group's customers.

(d) As at 31 March 2019, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and joint ventures of approximately HK$1,361,000 (2018: HK$9,315,000) and RMB36,000,000 (2018: RMB28,000,000) respectively.

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

	2019 ***HK$'000***	2018 *HK$'000*
Land and buildings		
Within one year	**9,666**	10,020
One year to five years	**11,444**	18,853
	21,110	28,873

38 Future minimum rental receivable

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

	2019 HK$'000	2018 HK$'000
Within one year	4,819	4,273
One year to five years	3,549	2,330
	8,368	6,603

39 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:

Significant transaction with related parties

	2019 HK$'000	2018 HK$'000
Revenue from sales of goods to joint ventures	21,380	–

The pricing of these transactions was determined based on mutual negotiation and agreement between the Group and 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:

	2019 HK$'000	2018 HK$'000
Salaries and fees	20,147	18,320
Discretionary bonuses	2,165	1,965
Pension costs – defined contribution scheme	885	804
Others	83	32
	23,280	21,121

40 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

Name	Fees	Salaries *(Note (i))*	Discretionary bonuses	Housing allowance	Estimated money value of other benefits *(Note (ii))*	Employer's contribution to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2019							
Mr. Wong Ip Kuen	–	9,100	525	–	56	420	10,101
Ir. Wong Tin Cheung	–	3,160	520	1,130	9	198	5,017
Ms. Wong Wai Man	–	3,640	470	–	9	168	4,287
Mr. Sun Chun Wai	–	2,145	650	–	9	99	2,903
Mr. Chan, Bernard Charnwut	324	–	–	–	–	–	324
Mr. Wu King Cheong	324	–	–	–	–	–	324
Dr. Yeung Tsun Man, Eric	324	–	–	–	–	–	324
	972	18,045	2,165	1,130	83	885	23,280
For the year ended 31 March 2018							
Mr. Wong Ip Kuen	–	8,450	475	–	8	390	9,323
Ir. Wong Tin Cheung	–	2,824	470	1,076	8	180	4,558
Ms. Wong Wai Man	–	3,250	420	–	8	150	3,828
Mr. Sun Chun Wai	–	1,820	600	–	8	84	2,512
Mr. Chan, Bernard Charnwut	300	–	–	–	–	–	300
Mr. Wu King Cheong	300	–	–	–	–	–	300
Dr. Yeung Tsun Man, Eric	300	–	–	–	–	–	300
	900	16,344	1,965	1,076	32	804	21,121

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.

40 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 2019 (2018: 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 2019 (2018: 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 2019 (2018: 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 2019 (2018: Nil).

41 Balance sheet and reserve movement of the Company

Balance sheet of the Company

As at 31 March 2019

		2019 *HK$'000*	2018 *HK$'000*
Assets			
Non-current asset			
Subsidiaries		571,615	571,615
Other non-current assets		51	144
		571,666	571,759
Current assets			
Cash and bank balances		24,191	16,363
Prepayments, deposits and other receivables		449	422
Due from subsidiaries		1,394,444	1,273,798
Due from a joint venture		662	522
		1,419,746	1,291,105
Total assets		1,991,412	1,862,864
Equity			
Share capital		87,611	87,611
Other reserves	*Note*	414,135	414,135
Retained profits	*Note*	914,302	926,287
Total equity		1,416,048	1,428,033
Liabilities			
Current liabilities			
Accruals and other liabilities		1,832	1,308
Due to subsidiaries		573,532	433,523
Total liabilities		575,364	434,831
Total equity and liabilities		1,991,412	1,862,864

Notes to the Consolidated Financial Statements

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

Note: Reserve movement of the Company
For the year ended 31 March 2019

	Other reserves			
	Share premium *HK$'000*	**Capital redemption reserve** *HK$'000*	**Total** *HK$'000*	**Retained profits** *HK$'000*
At 1 April 2017	413,776	359	414,135	937,461
Profit attributable to equity holders of the Company	–	–	–	1,442
2017 final dividend	–	–	–	(6,045)
2018 interim dividend	–	–	–	(6,571)
At 31 March 2018	413,776	359	414,135	926,287
At 1 April 2018	**413,776**	**359**	**414,135**	**926,287**
Profit attributable to equity holders of the Company	**–**	**–**	**–**	**1,157**
2018 final dividend	**–**	**–**	**–**	**(6,571)**
2019 interim dividend	**–**	**–**	**–**	**(6,571)**
At 31 March 2019	**413,776**	**359**	**414,135**	**914,302**

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.	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 654 sq.ft.	The property is currently leased out	90%
3.	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 500 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 365 sq.ft.	The property is currently leased out	60%
4.	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 462 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 309 sq.ft.	The property is currently vacant	60%
5.	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%
6.	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 partial property is currently leased out	100%
7.	Em Macau, Avenida do Infante D. Henrique Nº 62, Centro Comercial Central A18	Held under Concessao Por Arrendamento for 10 years commencing on 1 June 2015	Approximate saleable area 1,411 sq.ft	The property is currently leased out	100%

FIVE YEAR FINANCIAL SUMMARY

Consolidated results

For the year ended 31 March

	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	**2019** ***HK$'000***
Revenue	9,476,494	7,450,278	6,124,053	5,653,938	**5,618,078**
Profit/(loss) before income tax	95,852	(141,976)	(22,303)	50,864	**40,362**
Income tax (expense)/credit	(19,781)	(13,857)	(7,453)	1,833	**(9,954)**
Profit attributable to non-controlling interests	(7)	(3,514)	(42)	(162)	**(321)**
Profit/(loss) attributable to equity holders of the Company	76,064	(159,347)	(29,798)	52,535	**30,087**

Consolidated assets and liabilities

As at 31 March

	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	**2019** ***HK$'000***
Total assets	6,472,028	5,452,086	5,575,630	5,089,344	**5,042,426**
Total liabilities and non-controlling interests	(4,875,872)	(4,050,226)	(4,180,553)	(3,613,521)	**(3,663,133)**
Shareholders' equity	1,596,156	1,401,860	1,395,077	1,475,823	**1,379,293**

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