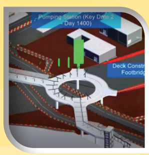
有利集團有限公司

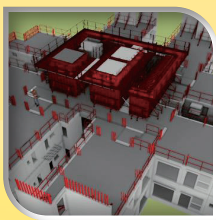
Yau Lee Holdings Limited

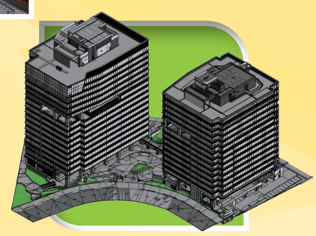
(Incorporated in Bermuda with limited liability)

Stock Code: 0406

ANNUAL REPORT 2020







BIM FOR FULL LIFECYCLE

MANAGEMENT

INDUSTRIALIZED

BUILDING PROCESS

MODULAR INTEGRATED

CONSTRUCTION

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 Rosana 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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Hamilton HM11
Bermuda

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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
Certified Public Accountants
Registered Public Interest Entity Auditor

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 2020 to all the shareholders.

Result for the Year

Year 2019 has been really a tough year for Hong Kong. The continuing social unrest, China-US trade war and now the outbreak of coronavirus clouded Hong Kong economy. Hong Kong suffered first recession in a decade. Against this backdrop, the Group's operation was impacted.

The Group's revenue recorded an increase of 32% in the interim but the growth cut nearly half to 19% as at the year end. Revenue for the full year was HK$6,694 million, rose by HK$1,076 million or 19% year on year. The growth scaled down in last six months with the biggest reduction in hotel operation. A year of social unrest and the coronavirus pandemic have hit the hospitality industry hard. The hotel revenue was halved year on year. In spite of the downturn in hotel business, we recorded revenue increases in construction and electrical and mechanical installation ("E&M") businesses, both driven by the relatively high level of contracts on hand. For the precast supply business, the yearly revenue rose as anticipated in interim report. The growth, however, would be even higher should there be no outbreak of coronavirus. Cross border transportation restrictions between Hong Kong and China and the near-halt of the factory caused by the lockdowns of some cities in Mainland deferred product deliveries scheduled in last quarter to next financial year.

The fall in hotel business and the temporary suspension of factory operation in last quarter hit severely the gross profits of the Group. Also, stock written off of RMB20 million was made. As such, consolidated gross profit for the year declined from HK$544 million to HK$460 million. The hotel's business model was specifically structured enabling a manpower-lean operation, by which it earned a high level of operating profits since opening. The substantial drop in revenue hit severely and directly to the gross profit. As to the building materials supply business, the factory operation was near-halt in last quarter. The overhead incurred during the suspension including salaries, depreciation etc expended directly to costs and reduced the overall margin. Besides, factory management carried out a thorough assessment of inventory and identified an amount of around RMB20 million damaged stocks to write off.

Operating expenses reduced by HK$15 million or 3% year on year. Major reductions were in sales commission and doubtful debt provision. Last year's sales commissions were paid for residential sales transactions completed in the year which were non-recurring in nature. For the doubtful debt provision made according to Hong Kong Financial Reporting Standards, the amount was reduced as some long outstanding receivable were received. Since the Group's core markets are in public works, institutional and large property developers' building projects, clients pay relatively timely. In the past few months, clients continued to pay for works done, albeit certain delays were noted because of the work from home arrangement. Now, the client payment returns to business as usual. Manpower employed in Hong Kong increased, reflecting business expansions in renovation and fitting-out and E&M businesses. Benefited from the cost saving achieved in other areas, thus the rise in manpower costs was partly offset. The yearly expenditure remained stable as compared to last year. As always, we will keep cautious in spending.

Chairman's Statement

Given all these extraordinary issues and unrealised revaluation losses recorded for the Group's investment properties, the Group incurred consolidated loss before tax of HK$39 million as against a profit of HK$40 million in last year. The sentiment of Hong Kong property market turns gloomy after the months of social unrest and the pandemic. The market value of the Group's investment properties were adjusted down because of the current downtrend. An unrealised revaluation loss of HK$11 million is reflected on book.

Although the Group suffered in this year's financial result, we attained high order-in-take. An amount of HK$8,117 million new contracts was secured, representing an increase of 24% on prior year. Major growth was in our mainstream construction segment which reported an increase of 32% compared to last year. The E&M segment also achieved new contracts of HK$2,131 million, held stable on a par with the prior year. The Group's contract on hand reached HK$23,378 million, up by 6% year on year. The fact that the contract on hand has surpassed the prior-year level offers a good basis for revenue to remain at the same high level in near term.

Dividend

In the Board meeting held on 24 June 2020, the Directors recommended the payment of a final dividend of HK1.50 cents per share (2019: HK1.50 cents). Together with the interim dividend of HK1.00 cent per share (2019: HK1.50 cents), total distribution is HK2.50 cents per share this 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 27 August 2020 (Thursday), will be payable on 9 October 2020 (Friday) to the shareholders whose names appear on the register of members of the Company on 25 September 2020 (Friday).

Review of Operations

Building construction, renovation and maintenance

Segment revenue came to HK$5,291 million, up by 35% on the prior year figure of HK$3,923 million. The new-built and maintenance and fit-out businesses grew by 52% and 9% respectively. In fact, the yearly revenue would be even more if there was no work interruption after the Chinese New Year due to the outbreak of COVID-19. Delay in raw material shipments from Mainland China and travel restriction on the return of workers from China had made the site operation effectively suspended for a period of time after the Chinese New Year holiday. Site operations resumed normal and we have reviewed the progress of all the projects. Based on our assessments, all the ongoing projects would still be completed on time.

Rise in revenue reflected in segment profits too. The division reported a profit of HK$39 million, representing a growth of 116% or HK$21 million over prior year.

The division once again secured a fairly good amount of new contracts during the year. The amount of new contracts awarded this year was HK$6,181 million, up by 32% on the prior year figure. Contracts in hand as at 31 March 2020 raised to HK$17,248 million, compared to HK$16,430 million at end of last year. The current level of contracts in hand forms a solid basis for coming year's business. We anticipated the segment sales may grow further in next year.

In term of technology development, the division delivered two excellent pieces of works in this year. The first one was the fabrication and assembly of the longest two-spans steel footbridge in Hong Kong. We adopted the pioneering single-time launching method which requires no piling and construction of supporting tower in the middle of roads across and only one-time road closure was needed. Time required for bridge launching and assembly was much shortened. The whole process was completed overnight. The usual nuisance caused to public transportation under the conventional method was greatly reduced. The innovative methodology employs many of our own competencies like modular manufacturing, BIM modeling and laser scanning which enhanced substantially the manufacturing precision and quality whilst reducing greatly on-site works. The performance was highly praised by the client. Another remarkable work was the successful implementation of our proprietary concrete Modular Integrated Construction ("MiC") scheme in the Pak Shing Kok project. Benefits derived from standardisation, modularisation and prefabrication are greatly boosted by this breakthrough technology. It becomes possible to reduce substantially the construction time whilst quality, safety and efficiency are enhanced. Through effective planning and coordination, on-site delays could be mitigated and reduced. As of the report date, the work progress of this project is still ahead the original program, albeit the work interruption because of the pandemic.

The Group's technical competencies in Design for Manufacturing and Assembly ("DfMA") and robotic applications sharpen the Maintenance and Renovation division's edges in project execution. Swift completion with least nuisance caused is of vital importance in renovation and fitting-out projects particularly in live working environment. By integrating the Group's talents from BIM, E&M, prefabrication and construction IT, the team developed a work program that helps shorten largely on site work period. In a recent trial project, the team successfully shortened site work period from the ordinary 3 months to only 21 days without compromising safety and quality. In other time-constrained projects, we employed construction robots on highly repetitive or safety hazard tasks. Work efficiency was thus raised and quality and time controls were much improved. The resulting benefits strengthened our tender competitiveness. During the year, the team won a good amount of contracts whereas some of them were the consecutive term, reflecting clients' appreciation to us.

The Group's virtual design and construction competency is pivotal in our technology development. For our patented MiC scheme, we developed a BIM-enabled blockchain multifunctional platform called "BEANiE" for compliance assurance, work monitoring and record administration. The platform enables the synchronization of inspection result with BIM model for easy visualisation and seamless interactions of all participants in the entire lifecycle. Online and real time monitoring and inspection are feasible. By the state-of-the-art blockchain technology, the traceability, integrity and safekeeping of records are ensured. The industry's long lasting problems in record keeping and administration could be resolved. BEANiE is a breakthrough solution and would become highly sought-after in future.

Market competition remained intense in the year. The construction expenditure forecast looked dim in short term partly because of prolonged public works funding approval time, reduction in number of large-scale infrastructure projects available for tender and on-hold investment plans due to social unrest in the year. To remain competitive, we strongly believe that lean construction and digitalisation are the right directions for development. We commit to the strategy of generating sustainable growth through innovative solutions and stringent costs control.

Electrical and mechanical installation

The segment recognised yearly revenue of HK$1,817 million, up slightly by HK$17 million irregardless of business interruptions caused by the social unrest and pandemic. There were only a short while of idle after the Chinese New Year when the outbreak just spread to Hong Kong. The site works started to pick up very soon afterwards. The pandemic did not impact much to the segment's revenue.

The team stayed focused on executing the strategy of expanding environmental engineering business and achieved encouraging result. For the second consecutive year, it grew both sales and new contracts in this area. In term of segment result, it earned HK$30 million, reduced by HK$5 million year on year. The drop was mostly caused by a joint venture project which anticipated gross margin is lower than the division's general average.

Chairman's Statement

Same as last year, the division secured a fairly good amount of new contracts, maintaining the order book at a high level. New contracts with a total amount of HK$2,131 million were secured this year. New contracts secured by the environmental engineering team grow by 9%, reflecting the move on right tracks. One of the new contracts was a pilot project awarded by the Drainage Services Department. We partnered with university scholar to introduce underwater robot equipped with USBL positioning system and sonar to carry out wet well surveying and sand disposal in a sewage treatment plant. The robotic application makes the exploration of underground area more safe, accessible and efficient. This project is a good showcase of how we combine our engineering competency with external expertise to develop custom-built solution that creates value for clients. Narrow Bank Internet of Things controller (NBIoT), another new product launched last year also received a lot of positive feedbacks from customers. This cloud-based and low operation cost controller enables data collection for monitoring, self-diagnosis and system optimisation in remote or hard to reach area where data reception and transmission is weak. Some Government departments such as Water Supplies Department and Drainage Services Department are very interested in this handy tool and have adopted it in some rainfall or water operation monitoring systems located in remote area. This useful and convenience tool offers a vast range of applications and has a great market potential.

One of our guiding principles is to embrace change, innovation and new technology to drive forward performance improvement. In response to the Construction 2.0 developed by the Development Bureau of HKSAR Government to uplift industry's performance, E&M team developed jointly with the construction team an off-site construction methodology applying DfMA and MiC in E&M aspects. The breakthrough methodology was implemented in the Group's first MiC project and work very well. DfMA becomes more and more widely used in Hong Kong. The segment's innovation and expertise in this respect would bring to it great business opportunities.

In addition to continuing to pilot innovations, we made investments for more efficient execution through high degree of integration, automation and improved collaboration. This year we invested in a welding specialist for technical advancement in MiC. The factory's offsite welding technology enables modular pipework units to be assembled on site and we are now working on welding automation. The extended integration of our value chain contribute to our goal of reducing costs and performance improvement.

Building materials supply

The segment sales rose by 15% to HK$467 million. As reported in the interim result, we anticipated a rise in revenue based on the on-hand contracts' delivery schedules. In fact, the growth would be even higher without the delays in production and deliveries caused by the outbreak of coronavirus.

The segment made a loss this year, albeit sales increased. There were both internal and external factors attributed to the loss. Internal, a write-off of RMB20 million damaged stock was made as a result of a thorough inventory inspection by factory management during the year. It was a one-off event and we do not expect similar write-off in coming years. Besides, our patented MiC units were put into mass production during the year. For such a sophisticated prefabrication scheme, a great deal of attention and efforts were required not only to the production but also the coordination of work processes such as interior fitting-out and inspection which are now moved from site to factory. There would be inevitably numerous issues to overcome at initial stage and caused additional expenditures. The margin of the project was thus lower than usual. Now, the work process is largely streamlined and smooth. More than half of the products completed and delivered. Costs would be gradually lowered to expected level. Margin in future MiC orders would be raised. External, the business was disrupted by the coronavirus pandemic. The factory was in near-halt for almost two months causing delays in product delivery. The operation resumed gradually in March. By and large, the production is back to normal now. However, the overhead such as salaries and depreciation etc. of the affected period expended to costs whilst very minimal sales were billed. The profitability was thus reduced. In fact, our joint venture factories faced same problem and they had stopped operation at all in last three to four months. Operation losses were made by the joint ventures too. Work resumption took longer time in Mainland. The joint ventures commenced works gradually since May. It is expected that the business would be picked up in second half of the year. The incidents that hit our result in this year were not recurring in nature. Our order book looks solid. The performance shall be improved in next reporting year.

Prefabrication as part of the construction industrialisation and green building action plan was highly regarded in the Nation's 13th Five-Year Plan covering economic and social development from 2016 to 2020. The development of prefabrication seemed not fast in first four years of the plan. However, we note that the demands escalated since last year. For the districts which are geographically far away from our presence in the South, we extend our reach through joint venture. For the Southern area, we develop the market through direct supply by Huizhou factory. We secured our first PRC supply contract last year. Works commenced and shall be completed in next few months. The client found our works satisfactory and awarded to us another project. After the year end, the division secured three more supply contracts in Mainland. Mainland is a huge market to explore. Business would be expanded exponentially in future.

Chairman's Statement

Hotel operation and property investment and development

Tourism, one of the major pillars of the Hong Kong economy was hit tremendously by both internal and external incidents in last twelve months. The social unrest lasted for around six months caused significant damages to the tourism and hospitality industries. Tourist arrivals to Hong Kong plummeted by around 35% to 55% between August to December of 2019. Then the coronavirus outbreak stopped all kinds of travelling. Tourist arrivals to Hong Kong declined by 80.9% year on year in the first quarter of 2020. Inevitably, the Group's hotel was adversely affected. Revenue plunged by 50% year on year and we recorded the first time loss since opening. As business travel was the major business segment of the hotel, we still made profit in the second half of 2019 when social unrest occurred because some business travel was still on. But the situation got worst after the pandemic as travel dropped to almost zero because of travel bans imposed by most if not all countries. Occupancy fell sharply from the general average of over 90% to some 10%. Despite the hotel still earned positive EBITDA, it made a net loss after taking into account the depreciation and finance costs. Facing the exceptional challenges, the Group took bold steps to change the business operation in order to minimise the losses as much as possible. As of the reporting date, no one can tell when the pandemic will end. We, to be responsible to the stakeholders, would take all necessary actions to protect our employees, customers and shareholders.

For the Group's commercial/residential mix development on Pine Street/Oak Street in Tai Kok Tsui, the expected completion date is extended to the end of 2021 because of delay occurred in piling. Pre-sale consent was obtained and we are now preparing for the launch of sales. The pandemic dampens the property market in general but the luxury residential market shrank most. Low interest rate, tight housing supply and a lower than expected level of new completions support property sales. The mass residential property market is consolidating instead of taking a nosedive. We would look at the market closely for a right timing to launch the sale.

The property development on our ex-Longhua Shenzhen factory site, of which the Group is entitled to 10,000 m^2 of the new residential properties upon completion, also encountered construction delay. We think the completion would be extended to Year 2022. However, pre-sale can take place next year if there is no further material delay in works and the market sentiment is good. Last year, the property market in China was set to stabilise with some mild downward adjustments in certain cities. Nevertheless, home prices in first tier cities remain steady with a mild growth. Our property is situated in the prime location of Shenzhen which is in great demand. The Group could realise a good amount of profits upon sales.

Outlook

The global economy is facing the very worst economic disruption. The coronavirus pandemic has drastically disrupted the society and economy around the world. According to International Monetary Fund (IMF), the global economy is projected to contract sharply by 3% in 2020, much worse than during the 2008 financial crisis. Hong Kong, being highly reliant on international trade and finance, doubled hit by the pandemic and the months-long protest entered recession in the first quarter of 2020, with real GDP contracting sharply by 8.9% from a year earlier. The outlook of the economy in near term is far from promising. The fallout of the construction industry is less acute comparing to other industries but the industry was in dire straits in 2019 and further decline is expected in next few years.

In view of the tough economic environment, the Hong Kong Government adopted expansionary fiscal measures in order to help Hong Kong tide over the difficulties. One of the measures is to continue to invest in infrastructure projects with a view to building a better city and improving quality of life. In the next few years, the annual capital works expenditure is expected to reach HK$100 billion on average, and the annual total construction output will increase to around HK$300 billion. As stated in the Year 2020-21 budget, the Hong Kong Government planned to bring about over 210,000 housing units in the medium to long term through the development of various new areas, mostly in New Territories. Also, a number of statutory organisations' expansion plans are in the pipelines. In light of all these measures and plans, outlook of the Group's core markets remain bright in medium to long term. So, our focus remains on being poised to grow in our home markets.

Chairman's Statement

We continue to set ourselves apart from the competition by way of innovate to address clients' needs. The Group's patented MiC system is a pertinent example. MiC enhances productivity, quality and safety whilst shortening construction time. For project which completion time is of essence, MiC is the right solution for it. Drawing on our competency in engineering and BIM, we would continuously develop and evolve the MiC technology for different clients' needs. That way, we enhance our competitiveness, ensure sustainable growth and raise client satisfaction.

This year, we would look at again the market in Macau. It is noted that many hotel operators especially the gaming groups unveiled expansion or renovation program in 2019. Our E&M team secured a contract from an entertainment group after the year end. We shall explore the market again cautiously.

As to the prefabrication industrialisation development in Mainland China, we will grow the market share through joint venture and direct sales by the Huizhou factory. As mentioned earlier, we made our first prefabrication sales in Mainland this year. After the year end, three more contracts were secured and many tender invitations were received. The demands for prefabrication are rising. The Mainland market is huge for organic business growth. However, we are still new to the market. The Group will grow the market steadily with due care.

While all sectors of the world's economy are affected by the pandemic, the hotel, retail and tourism have been hit particularly hard. At present, no one can tell when the crisis will be over. The business and personal leisure travel market will return only once both employers and individuals feel that it is safe to travel again from a health perspective. The outlook of the hotel industry is pessimistic in short term. The prompt action we took to downsize the operation shortly after the outbreak really helped preserve the Group's financial resources to tide over the challenging period. As we have largely trimmed down the hotel operation to keep the cost outlay minimal, the operation loss that may result in next year and the impact on the Group's financial resources are manageable and projected.

Last year was an exceptionally challenging year. All of a sudden, COVID-19 spread rapidly. All the Group's business segments were working hard to ensure that business continues when possible, whilst making sure the health and safety of all the employees were protected. I would like to give my heartfelt thanks to all our employees for their hard work and dedication. Thanks also to our Board and shareholders for their support and trust on us.

Wong Ip Kuen
Chairman

Hong Kong, 24 June 2020

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 2020, the Group's total cash and bank balances was HK$664 million (2019: HK$837 million) and total borrowings decreased to HK$2,277 million (2019: HK$2,339 million). The decrease in borrowings was primarily due to repayment of a project loan upon its expiry. The current ratio (total current assets: total current liabilities) as at 31 March 2020 was 1.5 (2019: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK$1,444 million (2019: HK$1,135 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 2020, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,201 million (2019: HK$5,295 million), of which HK$2,676 million (2019: HK$2,703 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 2020, the Group had approximately 3,000 (2019: 2,900) employees. There are approximately 2,300 (2019: 2,200) employees in Hong Kong, Macau and Singapore and 700 (2019: 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 2020

Contract value

	31 March 2019 HK$'million	Contracts Secured HK$'million	Contracts Completed HK$'million	**31 March 2020 HK$'million**
Building construction, renovation and maintenance	16,430	6,181	(5,363)	**17,248**
Electrical and mechanical installation	7,411	2,131	(1,653)	**7,889**
Building materials supply	2,164	574	(1,423)	**1,315**
Others	21	15	–	**36**
Less: Inter-segment contracts	(3,920)	(784)	1,594	**(3,110)**
	22,106	8,117	(6,845)	**23,378**

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2020

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

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)

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2020

Contracts

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

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

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 in current year

Contracts

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

Main Contract for Renovation and Works at Kowloon Bay Campus, Kwai Chung Campus and Sheung Shui Campus for Hong Kong Institute of Construction (HKIC), Construction Industry Council (CIC)

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) (2020/2022)

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) (2020/2022)

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) (2020/2023)

Construction of Subsidised Sale Flats Development at Diamond Hill Comprehensive Development Area

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in current year (continued)

Contracts

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)) (2020/2024)

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) (2020/2024)

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

Contract

Refurbishment of Vacant Flats in Trackside Villas for Provision of Transitional Housing Units

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2020

Contracts

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

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

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 Electrical & Air-Conditioning Installations Works to Buildings & Lands & Other Properties for which the Architectural Services Department (Property Services Branch) is responsible (Wan Chai (South) and Wan Chai (North))*

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

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

* inter-segment contracts

Summary of Contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2020

Contracts

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

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*

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 & New Territories)*

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

Term Contract for the Alterations, Additions, Maintenance and Repair of Aided Schools, Buildings and Lands and Other Properties for which the Education Bureau is responsible (Designed Contract Area: Wong Tai Sin, Kwun Tong and Sai Kung)*

Contracts secured in current year

Contracts

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

Air-conditioning and Ventilation Systems Term Maintenance Contract (Kowloon East, Wong Tai Sin, Tsing Yi, Tsuen Wan, Kwai Chung, Tuen Mun and Yuen Long Regions) 2019/2020 – 2022/2023 for Housing Authority Estates, Areas and Buildings

Design, Supply, Delivery, Installation, Construction, Testing and Commissioning of electrical equipment and system for Sha Tau Kok Sewage Treatment Works

MVAC Installation works for Site A2 & Site A3 Carpark and Transport Terminal of the Skycity at the Hong Kong International Airport

Electrical and ELV Installation works for Proposed Residential Development at TMTL No.547, Castle Peak Road – Castle Peak Bay, Area 48, Tuen Mun, N.T.

Electrical, MVAC, Fire Services & Plumbing and Drainage Installation works at the Kowloon Bay Campus, Kwai Chung Campus and Sheung Shui Campus for HKIC*

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 84, 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 Rosana Wai Man.

Ir. Wong Tin Cheung, BBS, JP

aged 56, 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 an 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 fulfil the global carbon reduction needs. Starting from 2017, Ir. Wong establish an engineering team to research and develop the Modular Integrated Construction (MiC) method and set up the Artificial Intelligent Centre in development 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, 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 the Chartered Institute of Building, the Institute of Civil Engineers (United Kingdom), the Hong Kong Institution of Engineers as well as the Hong Kong Institute of Construction Manager. In 2009, he was conferred the Honorary Fellow by the Vocational Training Council and the Honorary Fellow by the University of Central Lancashire in recognition of his contributions.

In public services, Ir. Wong is appointed as the Deputy Chairman of the Council of the Open University of Hong Kong, the Member of the Advisory Council on the Environment, the Member of the Energy Advisory Committee, the Member of the Trade and Industry Advisory Board, the 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, the Member of the Town Planning Board and the Member of the Rural and New Town Planning Committee under Town Planning Board. 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 Deputy Chairman of Vocational Training Council, 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 Rosana Wai Man.

Biographical Details of Directors and Senior Management

Ms. Wong Rosana Wai Man

aged 53, 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 Engineering Company Limited, REC Green Technologies Company 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 Infrastructure Company Limited, Yau Lee Construction (Macau) Company Limited and Yau Lee Construction (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. 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 diversified its businesses ranging 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 and grown to be an award winning, forward-thinking and green corporation on a global scale.

Ms. Wong has been appointed as different advisory committees by the Government of the HKSAR, including Environment and Conservation Fund Committee, Transport Advisory Committee, Longterm Decarbonisation Strategies Support Group of Council for Sustainable Development, Green Minibus Operators Selection Board and Transport Complaints Unit.

Ms. Wong is also a Director of Hong Kong Cyberport Management Company Limited, Vice President of Smart City Consortium (the "SCC"), Chairperson of SCC's Smart Living Committee, Deputy Director of China Green Building (Hong Kong) Council, Council Member of HKTDC Mainland Business Advisory Committee, Council Member of The Better Hong Kong Foundation, Member of The Zonta Club of Kowloon, Member of the Federation of Hong Kong Hotel Owners, Founding Member of the Built World Technology Alliance of Asia, 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 with First Class Honours 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 59, 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 55, 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 Chairman of 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 Chairman of Tai Kwun Cultural & Arts Co. Ltd. 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. In addition, he is also an Advisor of the Bangkok Bank (China) Company Limited, the Chairman of Hong Kong-Thailand Business Council and the Chairperson of The Hong Kong Council of Social Service.

Mr. Wu King Cheong

aged 68, 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 74, 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 66, 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 58, 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. Besides, he also leads the team to implement many pilot projects including the first Floating PV System in Shek Pik Reservoir and the first Automated Carparking System in EMSD Headquarter.

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, Vice President of Hong Kong Federation of Electrical and Mechanical Contractors Limited, Council Member of the Hong Kong Electrical and Mechanical Contractors' Association, Vice President of Hong Kong Energy Conservation Association, 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 and Ex-Director of the Hong Kong Green Building Council.

Mr. Hui Yuet Chun, Executive Director of REC Engineering Company Limited

aged 65, 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 Higher National Diploma in Mechanical Engineering in Dorset Institute of Higher Education (UK) and a Graduate Diploma in Business Systems from Monash University of Melbourne (Australia). He is a Fellow 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 54, 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 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 63, 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 32 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. Wong Chi Leung, General Manager of Yau Lee Wah Concrete Precast Products Company Limited

aged 61, 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 2020.

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 59.

An interim dividend of HK1.00 cent (2019: HK1.50 cents) per share was paid during the year ended 31 March 2020.

In the Board meeting held on 24 June 2020, the Directors recommended the payment of a final dividend of HK1.50 cents (2019: HK1.50 cents) per share, totalling of HK$6,571,000 (2019: HK$6,571,000) for the year ended 31 March 2020.

Closure of register of members for AGM

The register of members of the Company will be closed from 24 August 2020 (Monday) to 27 August 2020 (Thursday) (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 27 August 2020 (Thursday).

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 21 August 2020 (Friday).

Closure of register of members for payment of final dividend

The register of members of the Company will be closed from 23 September 2020 (Wednesday) to 25 September 2020 (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 2020, 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 22 September 2020 (Tuesday).

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$479,000 (2019: HK$554,000).

Principal properties

Details of the principal properties held for investment purposes are set out on page 143 of this annual report.

Distributable reserves

At 31 March 2020, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK$902,752,000 (2019: HK$914,302,000).

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 144 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 2020.

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 Rosana 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"), Mr. Wong Ip Kuen and Mr. Sun Chun Wai 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 2020, 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	77%
–	the largest customer	45%

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 2020, which do not constitute connected transactions under the Listing Rules are disclosed in Note 40 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, 24 June 2020

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 Rosana 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	3/4	2/2	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	1/2	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 2020, 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 2020 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 2020 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 Bye-Laws.

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 2020 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 Rosana 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 2020, PricewaterhouseCoopers provided the following services to the Group:

	2020	2019
	HK$'000	*HK$'000*
Audit services	**4,752**	4,739
Non-audit services	**584**	799
	5,336	5,538

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 2020, 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 54 to 58 of this annual report.

Risk management and internal control

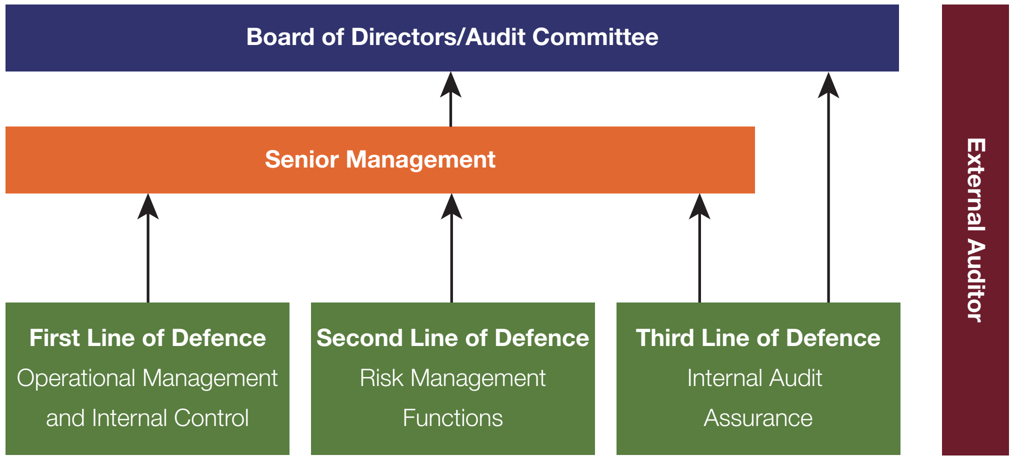
The Company recognises that it is exposed to a number of risks, which is inherent in the industries that it operates in. The Board acknowledges that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, 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, BT Corporate Governance Limited ("BTCG") (formerly known as "Corporate Governance Professionals Limited and 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 BTCG to conduct a review of the Company's internal control system for the year ended 31 March 2020. 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 actions 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 2020.

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 2020 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 special general meetings

Pursuant to 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

Pursuant to 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 via e-mail at info@yaulee.com or to 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 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Feature of the Report

This Report covers Yau Lee Group's (the Group) a range of operations in Hong Kong, Macau and Mainland China for the financial year 19/20, except the environmental and safety performance data that is measured in calendar year. It composes about 80 subsidiaries with operational guidance and supervision under Yau Lee Holdings Limited, equivalent to about 99% of the 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 adheres to the "comply or explain" provisions as well as "recommended disclosures" of the Environmental, Social and Governance Reporting ("ESG") 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 52 and 53 demonstrates the alignment of our Report with the ESG Guide.

We value feedback of our stakeholders on the Report and our ESG performance for our continuous improvement. Kindly share your queries or comments with us via **info@yaulee.com**.

Sustainability of Yau Lee

Our Approach

The Group's Corporate Social Responsibility (CSR) Policy developed in 2012 sets a comprehensive framework for our sustainability approach. We are committed to bringing this approach to life through five major areas, namely ethics, environment, safety, people and community, with a vision to build long-term business success and positive impact to all our stakeholders in the communities we serve.

We are very honoured to obtain CSR Advocate Mark by the Hong Kong Quality Assurance Agency in recognition of our practicing maturity in 40 practices in four aspects, namely corporate governance, social wellbeing, economic performance and environmental conservation. We are particularly contented that Yau Lee obtained an overall average score of 5, the highest index score.

Our business activities involve a diverse range of stakeholders, including but not limited to employees, contractors and suppliers, investors, business partners, regulators, investors, local communities and NGOs. We engage with this wide spectrum of stakeholders via various communication channels regularly to understand our impacts on them and to obtain their feedback on an ongoing basis for continuous improvement.

Regulators
- Company website
- Enquiry mailbox
- Relevant laws and regulations review meetings

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

Industry associations
- Company website
- Industry association activities and conferences

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

Local communities and NGOs
- Company website
- Community and NGO activities

Business Partners
- Factory visits
- Meetings

Ideas exchanged through these stakeholder engagement activities 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.

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

Environment
- Carbon and energy
- Waste
- Green procurement

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

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

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

Ethics

Corporate Values and Ethical Standards

At Yau Lee, we strive to operate with the highest ethical, moral and legal standards. By upholding our vision of "We build, We serve, We create", we conduct our business responsibility while building and serving the communities to create sustainable future. We are also committed to going beyond regulatory compliances in environmental, social and governance aspects in all areas we operate.

Corporate Governance

Our approach to managing environmental and social matters is built upon a solid foundation of corporate governance. The Yau Lee Board of Directors (the Board) is the highest governing body to monitor the ESG performance and its implementation.

To manage our environmental performance, we have various policies and measures in place, such as Environment Policy, Energy Policy, Green Practice and Green Lifestyle. The effectiveness of these policies and measures is governed under a robust environmental management system oversight by the top management. We also devise a very clear management structure with well-defined responsibility of each level of personnel, from top management to Green Manager, Green Supervisors to frontline workers on the construction sites to ensure the policies and measures are implemented thoroughly throughout the organisation.

Top Management

- CSR performance review
- Define CSR direction & policies

Management

- Establish & procedures
- Monitor CSR implementation status

Supervisors

- Ensure frontline workers understand and implement CSR procedures
- Record CSR related performance

Frontline workers

- Execute CSR procedures

We also have a set of policies in place to monitor our social performance, including but not limited to, Health and Safety Policy, Quality Policy, Human Resources Policy, Suppliers Assessment, Procurement Policy and CSR Policy.

We believe that integrity is a key element of good corporate governance. We comply fully with local laws and regulations in every jurisdiction we operate. In 2019, we maintain our effort in operating our day-to-day business ethically guided by our Code of Conduct, which includes anti-bribery, anti-fraud, fair competition, protection of privacy and protection of intellectual property rights (IPR). We have also established a Whistleblowing Policy to provide a formal channel for employees and related third parties to report in confidence about possible misconducts, malpractice or irregularities in any matters related to Yau Lee. The whistleblowers will be protected from any retaliatory acts directed against them.

During the reporting period, there was no reported breaches of anti-corruption practices or other laws and regulations related to ESG aspects in 2019.

Quality Control

At Yau Lee, we are committed to providing professional services and high-quality products to our customers by achieving our vision "We Build, We Serve, We Create" as well as our innovative and adaptable operations. To this end, we encourage our subsidiaries to reach international standards, such as ISO 9001 Quality Management System. As of 2019, subsidiaries that contributed 93% of the Group's revenue obtained this standard.

We believe that innovation is the key to maintain our competitiveness, quality delivery and continuous improvement. We are committed to investing considerable resources in research and development in innovative building methods to enhance construction quality. This, in turn, enhances our health and safety as well as environmental performance.

Our efforts in quality control are reflected by the industrial awards and recognitions we gained in 2019.

Local Grand Prize of the CIC Construction Innovation Award 2019


LOCAL GRAND PRIZE
of the
CIC CONSTRUCTION INNOVATION AWARD 2019
is bestowed upon
YAU LEE HOLDINGS LTD.
ARCHITECTURAL SERVICES DEPARTMENT, THE GOVERNMENT OF HKSAR
YAU LEE CONSTRUCTION CO. LTD.
YAU LEE WAH CONCRETE PRECAST PRODUCTS CO. LTD.
for the project
YAU LEE HIGH RISE CONCRETE MiC SYSTEM
on 18 December 2019
and the winner is hereby duly congratulated on this significant achievement

Ir Ringo YU Shek-man
Panel Chair
CIC Construction Innovation Award 2019

Mr. CHAN Ka-kui, SBS, JP
Chairman
Construction Industry Council

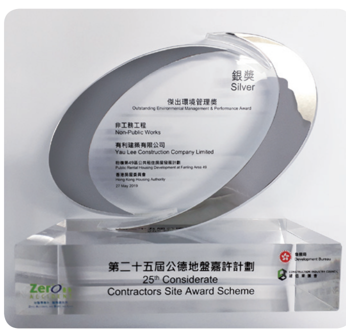
In December 2019, we were tremendously pleased to receive the Local Grand Prize of the CIC Construction Innovation Award 2019 in recognition of our innovative effort in construction productivity and quality by introducing a groundbreaking construction technological system — Yau Lee High Rise Concrete MiC System on the design and construction of five quarter blocks with 16 to 17 stories for the Fire Services Department.

While Hong Kong is under high pressure of housing supply and the construction industry is facing the challenge of shortage and aging of labour, Yau Lee has made considerable resources and efforts in developing MiC system to tackle such challenges. By using MiC, most of the internal and external fitting-out works are carried out in the off-site factory under a well-controlled environment with better quality control. Comparing to the traditional construction method, MiC can greatly reduce construction time by about 20% and on-site labour by around 30-40% in our first MiC project.

Apart from this, we also won several awards in the 25th Considerate Contractors Site Award Scheme and Quality Public Housing Construction & Maintenance Awards 2019.

25th Considerate Contractors Site Award Scheme


Bronze Award in Non-Public Works for the construction of public housing developments at North West Kowloon Reclamation Site 6 and Fat Tseung Street West



Silver Award in Non-Public Works for the construction of public housing developments at Fanling Area 49

Quality Public Housing Construction & Maintenance Awards 2019

Outstanding Partnering Teams Award (Maintenance & Improvement Projects)

Environmental, Social and Governance Report

Environment

Yau Lee is committed to going beyond compliance with environmental regulatory requirements in every jurisdiction we operate. To achieve this, we established a robust Environmental Management System (EMS) to lessen our environmental impact in carbon emission, energy consumption, solid waste generation as well as water consumption.

As of 2019, subsidiaries which contributed 95% of the Group's revenue, obtained ISO 14001 Environmental Management System Certification for their environmental management systems. We are also committed to supporting our subsidiaries to improve their energy performance by obtaining ISO 50001 Energy Management System.

To support the implementation of the System, we have various green procurement guidelines in place to guide us for the greenest products, instruments and services.

Awards Highlights

2019 is a fruitful year for Yau Lee, as we were very honoured to receive a number of prominent awards for our outstanding environmental performance on our construction sites and in our offices. Thanks for the concerted efforts of the Yau Lee's team, we were immensely pleased to be awarded the Silver Award of Green Management Award — Corporate (Large Corporation) and Sustained Performance (9 years+) under Hong Kong Green Awards 2019 for our exceptional performance on green purchasing and green management.

Silver Award of Green Management Award - Corporate (Large Corporation) under Hong Kong Green Awards 2019

Our Energy Optimisation Solution (EOS) with Artificial Intelligence Algorithms for the Heating, Ventilation and Air-conditional System was awarded the Hanson Supreme Grand Award by the Environment Bureau, recognising our innovative contribution in energy saving.

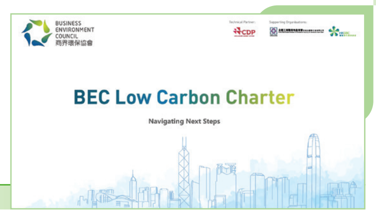
We also receive the Certificate of Eco Challenger and 3 Years+ Eco Pioneer by Bank of China (Hong Kong) and Federation of Hong Kong (FHKI), and the Merit Award of Outstanding Environmental Performance for the year 2018 of HKCA Hong Kong Construction Environmental Awards 2019 by the Hong Kong Construction Association.

Certificate of Eco Challenger and 3 Years+ Eco Pioneer

Merit Award of Outstanding Environmental Performance for the year 2018 of HKCA Hong Kong Construction Environmental Awards 2019

Energy Efficiency

We recognise our responsibility to address the climate change issue and are committed to making continuous improvement of our energy performance and reducing our carbon emission. Our Energy Policy outlines the principles of our approach for not only legal compliance and consuming energy wisely, but also supporting the purchase of energy efficient products, services and design as well as clean fuel on our construction sites. To demonstrate our commitment, we signed the BEC Low Carbon Charter to play our part to work towards Hong Kong's long-term decarbonisation.



Certificate of BEC Low Carbon Charter

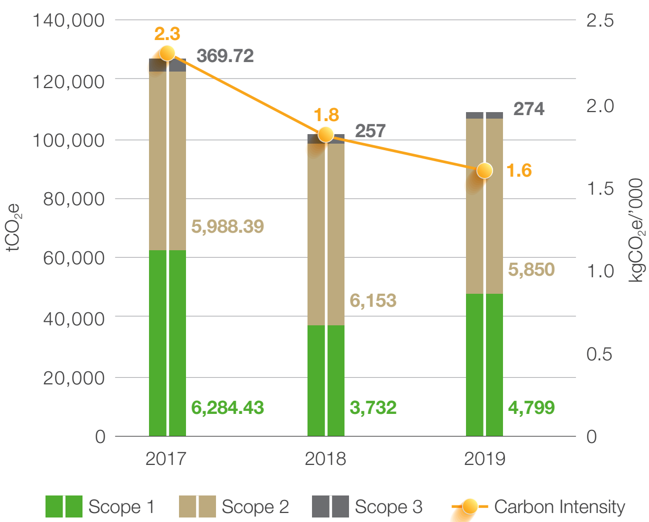
Environmental, Social and Governance Report

Certificate of Energy Saving Charter to encourage community-wide participation in saving energy, we support the Government's Energy Saving Charter 2019 in the Climate Ready@HK

In addition, we continue our commitment to encourage company-wide participation in saving energy and signed the Energy Saving Charter 2019 by EMSD. Our efforts in energy saving is recognised by the World Green Organisation and we were very pleased to receive a Green Office Label and Eco-Healthy Workplace Label in Green Office Awards Labelling Scheme (GOALS).

Green Office Label and Eco-Healthy Workplace Label in Green Office Awards Labelling Scheme (GOALS)

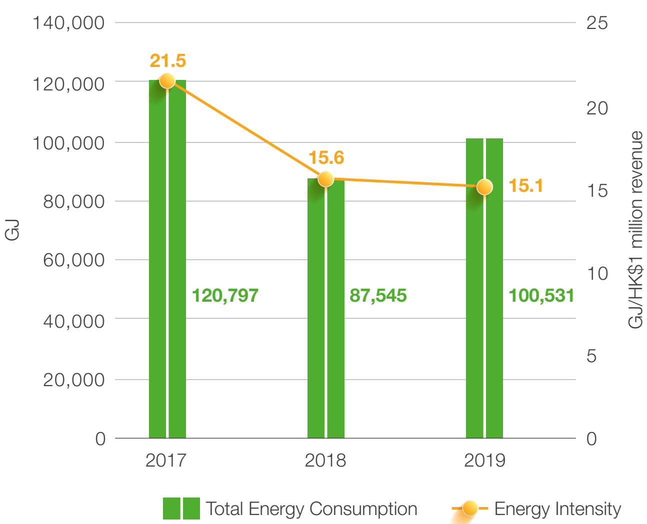
Carbon Intensity



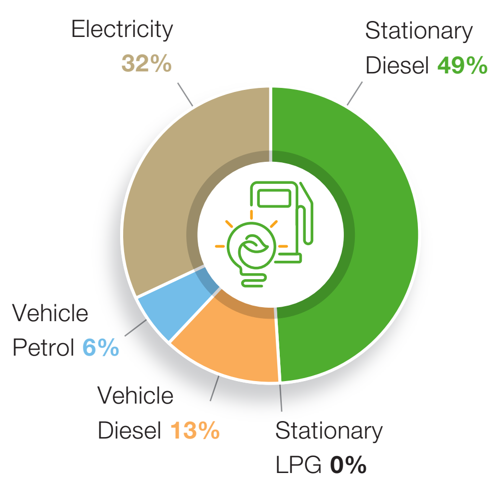
We are very pleased to see that both our carbon intensity and energy intensity decreased in 2019, a reduction of 9% and 3% respectively. Our absolute greenhouse gas emission increased by 7%, mainly due to the increase in the use of stationary diesel for our construction projects where no electricity was supplied at the initial stage.

Legend: Scope 1 emissions – direct emissions from owned or controlled sources, e.g. diesel combustion. Scope 2 emissions – indirect emissions from the generation of purchased energy, e.g. electricity. Scope 3 emissions - indirect emissions (not included in scope 2) that occur in the operations, e.g. paper purchase, wastewater discharge, etc.

Energy Intensity



Energy Consumption in 2019 (GJ)



Environmental, Social and Governance Report

Promote the use of Power Optimizer for Photovoltaic (PV) System

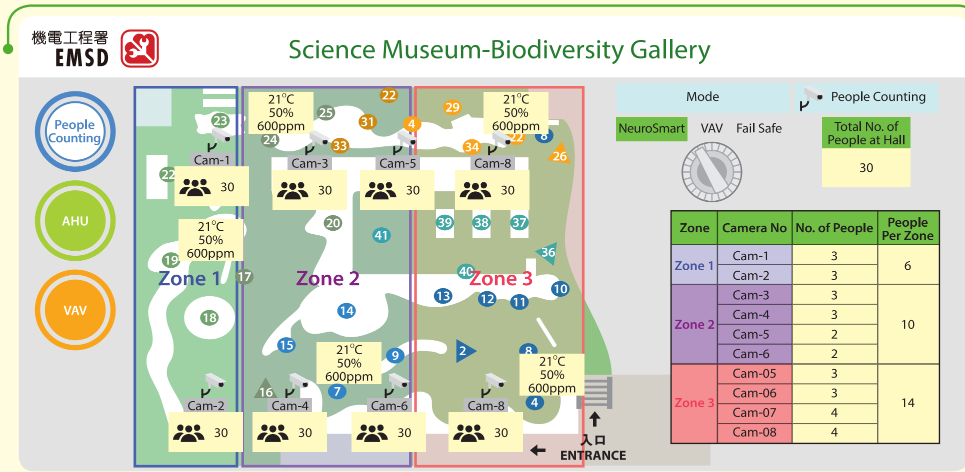
In 2018, we introduced a groundbreaking solar renewable energy solution called the Power Optimizer. It is proven that the Power Optimizer can generate 34% more renewable power compared to the traditional inverter, for each of the solar panels can regulate its current and voltage.

In 2019, our dedicated Team made their utmost efforts to promote the Power Optimizer and good results were achieved. Within a year, we successfully installed this System for a 34.2kWp thin-film PV System at the Stonecutters Island Sewage Treatment Works of the Drainage Services Department, and the estimated annual output is around 37.62 MWh. We also used the Power Optimizer for a 100kWp PV System at the Siu Ho Wan Sewage Treatment Works, which will be completed in the fourth quarter of 2020. We will continue our efforts in promoting this System in the coming years.

Increase energy efficiency of the air-conditioning system

Our electrical and mechanical installation business is committed to developing innovative energy efficiency solutions for our customer. During the year, we launched the AI video analysis technology and energy optimisation system to increase the energy efficiency of the air-conditioning system. We successfully ran the pilot project at the Science Museum Biodiversity Gallery.

As shown in the accompanying illustration, the video analysis technology helps us collect data of the patrons' flow, i.e. the number of patrons entering and leaving the venue, to provide corresponding instructions to the optimisation computing system to adjust the indoor temperature of a designated area. This not only provides the best indoor temperature to ensure the comfortability of patrons, but also maintains sufficient ventilation to ensure the indoor air quality being at an optimal level, and most importantly, reduces energy consumption as a whole.



Sustainable sourced energy at our construction sites

At Yau Lee, we not only make our utmost efforts to reduce our ecological footprints by using energy wisely, but also endeavour to look for energy from other sustainable sources, such as solar and wind.

We installed six solar photovoltaic panels on iron racks to capture the solar energy during the daytime, which will be converted into electricity for immediate or later use. We successfully supplied lighting for the toilets onsite and plan to extend the supply to the workers' common rooms and showers.

We also installed windmills on top of our site office to collect wind energy to supplement the solar energy. This generates sufficient electricity for the outdoor LED display panels, without any external power source.

Resource Efficiency and Waste Reduction

In 2019, we continued to make every effort to meet our all waste reduction targets across the Group.

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 sent to public fill during the reporting period was 244,008 tonnes and 3,729 tonnes of rebar steel were recycled. The inert materials to public fill dropped by 67% because all our construction works were in progress where no large scale of scaffolding dismantling and other inert materials removal took place. We recycled more rebar steel and less paper as well, an increase by 25% and decrease by 51% respectively.

	2019	2018	2017	% Change in 19/18
Inert material to Public Fill (tonnes)	244,008	736,227	591,290	-67%
Rebar steel recycled (tonnes)	3,729	2,991	1,725	25%
Waste paper recycled (tonnes)	13,522	27,388	25,423	-51%

The inert materials to public fill dropped by 67% because all our construction works were in progress where no large scale of scaffolding dismantling and other inert materials removal took place.

In addition to waste, we are aware that water became one of the biggest impacts triggered by human activities. In this respect, we are committed to reducing our water consumption and wastewater discharge as much as possible. To this end, we have stringent procedures to ensure that all our wastewater is treated before discharge as required by the laws and regulations where we operate.

During the year, the Group's water intensity was 30.7L per HK$'000, which was 13.3% lower than 2018. Apart from our new construction sites, we recorded a reduction in water consumption in all other businesses, reflecting that our water saving measures are effective and water conservation awareness are enhanced.

Environmental, Social and Governance Report

Re-use the cable as railing – giving gondola cables a second life

Accidents caused by metal fatigue can be fatal, so metal cables, in particular those used on gondola, must be replaced regularly. The old cables are usually treated as scrap iron to be abandoned in landfills even though they are still in good conditions and have not yet reached their end of life. In this respect, our dedicated team made an attempt to lengthen their life of these useful materials by making fences for canopies and the surrounding roof on the North West Kowloon Reclamation Site to prevent workers from falling from height.

The fences are easy to install, while fulfilling the safety requirement, meaning all construction sites will be able to utilise their old iron cables until they reach their end of life. To date, this Construction Site has already reused more than 900m of old gondola cables.

Upcycling metal curbs for vehicle washing basin

Conventionally, the vehicle washing basin on a construction site is built by pouring concrete in a wooden structure. After the construction is completed, the whole structure needs to be removed. The waste generated by this structure - old concrete and wooden board, cannot be reused or recycled and have to be disposed to landfill.

To reduce waste, we made use of metal curbs and prefabricated parts to build a vehicle washing basin, which can be completely moved from one construction site to another. Even when the metal curbs reached the end of life and cannot be reused again, they can be recycled. Compared to the concrete basin, it saves 10 tonnes of concrete. Without the demolition need of the concrete basin, no further dust or noise pollution would be arise afterwards.

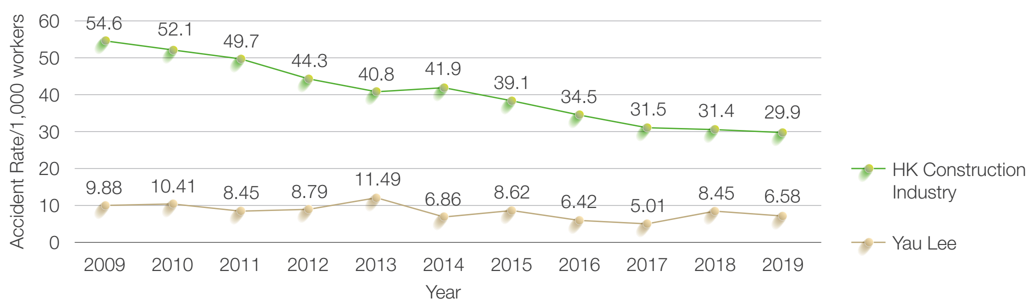
In addition to material efficiency, the basin is equipped with infrared sensors, which is more water efficient. The water can be reused after on-site treatment as well.

Safety

Occupational Health and Safety of Employees

Safety is the number one priority of the construction industry. To protect our staff, contractors and everyone in the community, we put in place an occupational health and safety management system in accordance to the international OHSAS 18001 standard. We have a Health and Safety Policy with a suite of measures to guide us operate with the best safety practices. We are committed to supporting all our subsidiaries to achieve it. During the year, we maintained our record of zero fatalities and the accident rate per 1000 workers achieving 6.58 while the construction industry average is 29.9. The total number of lost day due to work injury was 3,894 days.

Accident Rate Performance



Strive for continuous improvement through innovation

In addition to our comprehensive measures to ensure health and safety, we believe that innovation is the key to help us increase the safety level. We have developed a range of innovative tools to support and enhance our safety operation on site.

Robotic chlorine gas leakage detector

To protect our workers and inspectors from the possibility of danger, we use robotic gas detector, a programmed robot, to detect chlorine gas leakage. The robotic gases detector can move along the potential hazard points in the working area and analyse the gas concentration without the presence of an inspector. In case of gas leakage, inspectors can avoid getting caught in dangerous situations and take necessary measures accordingly.

Automatic temperature-modulated uPVC conduit bender

To bend an uPVC conduit to a certain angle is not an easy task, a great deal of physical strength is needed to make one. Our Site Team developed an automatic temperature-modulated uPVC conduit bender to protect our workers from excessive physical work; quality and productivity are also improved.

Environmental, Social and Governance Report

Site Remote Carwash Bay

Traditionally, workers wash the trucks manually and accidents are often caused by the moving vehicles, when they squat beside the truck. To avoid such accidents from happening again, we invented the Site Remote Carwash Bay.

This design has various safety features to protect the workers as illustrated in the accompanying photo.

The system is completely automated, and our workers do not need to enter the carwash area to observe the washing situation, which significantly reduces the risk of workers from being hit by heavy vehicles. We are very pleased that our innovation is well recognised and won the Innovative Safety Initiative Award.

Awards Highlights

Our safety performance is well recognised in the industry, and we are very pleased to receive 15 safety awards in 2019. Here are some highlights:

Hong Kong Occupational Safety and Health Award

Safety Performance Award (Construction Industries) by the Occupational Health and Safety Council

Environmental, Social and Governance Report

Construction Safety Day

Gold Award of Best Program for Work Safety in Hot Weather and Employees' Health Protection

Silver Award of Best Safety Enhancement Program for Working at Height

Quality Public Housing Construction and Maintenance Awards 2019

Best Site Safety – Safety Innovation Award of New Works Projects

Training on Occupational Health and Safety

As part of our Safety Management System, we arrange sufficient training for our workers not only to teach professional safety precautionary measures but also enable them to understand the importance of work safety. At Yau Lee, we have various safety training courses and seminars which all our workers are required to attend, such as potential hazards, work at height, heat stroke prevention under hot weather.

Supply Chain Management

We maintain a thorough supply chain management system to ensure proper measures and controls are in place for selection, assessment and evaluation of our suppliers as shown in the accompanying illustration.

Selection
⇓
Tender Assessment
⇓
Subcontractor appointment

Assessment
⇓
performance assessment at a three-month interval
⇓
Issue improvement plan when necessary

Evaluation
⇓
Additional inspection and review

Performance improvement
⇓
Continuous engagement

No performance improvement
⇓
Eliminate unqualified subcontractors

Environmental, Social and Governance Report

Our Subcontractors Management Plan guides us to select and manage our strategic subcontractors, including quality control, site safety, environmental performance, resource utilisation, further subletting, etc. We value every worker working on our construction sites. To safeguard their right, our subcontractors are required to meet a number of contractual obligations.

Our ultimate goal is to work collaboratively with our suppliers and subcontractors for quality work, while conducting business fairly and ethically. To foster growth amongst our suppliers and subcontractors is also our responsibility, as they are our long-term business partners. By sharing industry knowledge with them, we promote a culture of mutual growth for continuous improvement. In 2019, we attended the Graphisoft launch event in Guangzhou to promote EcoDesignerSTAR with a view to sharing the latest green building knowledge and trends with our suppliers and subcontractor.

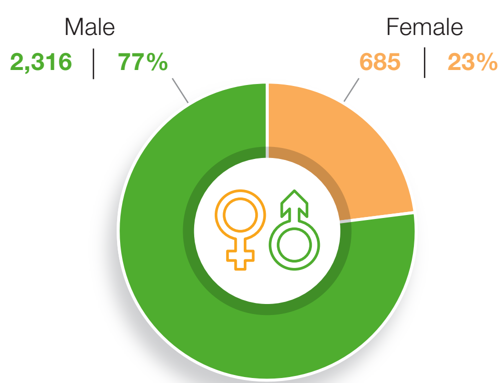
Engage with our long-term working partners

Lu Pan Dinner is our annual event to engage with our suppliers and subcontractors. In July 2019, there were over 1000 attendees joining such a joyful evening. At the dinner, we not only expressed our gratitude to our suppliers and subcontractors, but also shared the latest industry trends and our expectation with them. In addition, we took the opportunity to show our appreciation to our subcontractors by presenting various awards, including Best Performance Contractor Award and Environmental Contractor Award.

People

Our Talent

Our talents are doubtlessly our valuable asset. To maintain and foster professional and energetic workforce, we endeavour to recruit high-calibre talents and provide them with a supportive environment. We strictly comply with labour laws and regulations and offer competitive remuneration packages, including examination and study leave, marriage leave, comprehensive medical disability insurance coverage and retirement scheme.



With the guidance of the Staff Handbook, we uphold the principles of equality, diversity and inclusion in all aspects of employment where discrimination is not tolerated. During the reporting period, there were no cases of non-compliance with relevant standards, rules and regulations on equal opportunity and diversity.

Awards Highlights

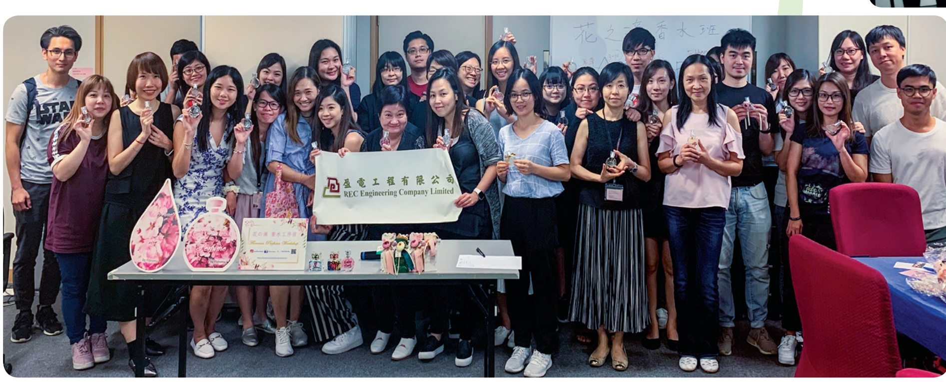
Appreciation for the Proactive Contractor for participation in Cooperative Training Scheme for the year of 2018 in the Employer Recognition Ceremony of Construction Industry Council

15 Years+ Caring Company 2019/2020

Talent Attraction and Retention

In 2019, we maintained our efforts in attracting and retaining talent to ensure that our employees feel supportive and challenged to excel their potentials. We also made genuine efforts in engaging our staff to help them build a sense of belonging. In 2019, our staff turnover rate is 21%. We are very proud of having experienced staff contributing their knowledge, skills and experience to Yau Lee with some of them serving for 10, 20, 30 and even 40 years. We presented Long-serving Service Award at the Lu Pan Dinner to express our deepest gratitude to them.

Staff engagement is a key element to build a harmonious workplace at Yau Lee. Various activities were organised during the year across various business units, including baking class, war games, karaoke night, handmade ceramic class, to meet the diverse interests of our staff.



Environmental, Social and Governance Report

Training and Development

We believe that providing a supportive and challenging working environment is essential for the growth of our staff and the Group. In 2019, we organised various types of training programmes, including Yau Lee Management Workshop 2019 for management enhancement, Yau Lee Construction Experience Sharing Seminar, REC Construction Experience Sharing Seminar and Pak Shing Kok Fire Services Department Site Visit for Industry knowledge sharing, as well as Presentation Skills Workshop and Conflict Management and Negotiation Skills Workshop for communication skills enhancement. In additional to internal training, we subsidised a total of HK$1,432,000 for our employees to participate in external training.

In 2019, there were a total of 1,227 male staff and 316 female staff attended our training, accounting for 80% and 71% respectively. A total of 342 management staff and 1,201 non-management staff attended our training, accounting for 90% and 75% respectively.

Intermediate Tradesman Collaborative Training Scheme

In 2019, we took part in the Intermediate Tradesman Collaborative Training Scheme by Construction Industry Council to provide training for industry new joiners onsite with a view to alleviating the labour shortage problem.

The Scheme is on a first-hire-then-train basis. We recruited a total of 94 trainees for various building sites, namely North West Kowloon Site and Pak Shing Kok Site and Queen’s Hill Site, where they had the opportunity to learn a suite of skills, covering metal worker, general welder fire, quantity surveying, service mechanical fitter, etc. It is estimated that the trainees will take part in the Intermediate Trade Tests in mid-2020.

In addition, we actively encouraged our staff to take part in the Advanced Construction Manpower Training Scheme - Pilot Scheme (Skills Enhancement Courses) to advance their qualification from the Intermediate Tradesman to Construction Craftsman. It is estimated that five of our Intermediate Tradesmen will take part in the Civil & Building Trade Tests for Skilled Workers in 2020.

Community

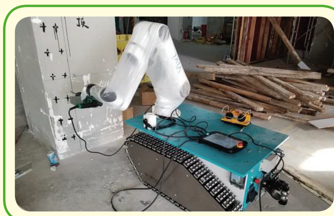
In 2019, we maintained our efforts to contribute the community by volunteering, cash and in-kind donations and minimising environmental impacts of the construction activities.

We continued to take part in the Happy Rice Delivery and Caring Joyful Lunch 2019 to show our love and care to the elderly. We also supported the Mother's Group under the Rights of Industrial Accident Victims to organise a banquet, which aims at extending our care to the youngsters from single-parent families and recognising their achievement of academic performance.

To encourage cash and in-kind donation, we established Yau Lee In-kind Donation Scheme, a stamp collection scheme. Staff can redeem their stamps for food and supermarket vouchers. We are very pleased that staff actively participated in the Scheme, which helped us collect a total of 23 boxes of well-conditioned secondhand clothes, toys, stationeries and home appliances for the Recycling Programme of Christmas Action and Salvation Army. We also donated 10 computers, 22 monitors and 11 printers to Caritas Computer Workshop to support the underprivileged families who needed digital devices. In 2019, we donated HK$479,000 to various NGOs.

Minimising our adverse impact in the community

At Yau Lee, we are committed to minimising our impacts, including in the communities we operate. Every year, we make our best effort to introduce some new mitigation measures on our construction sites. For example, we upgraded our dust control system to air-and-water spraying system on our Queen's Hill site. We also installed the system on the roadside to reduce the airborne dust level. The mist is well-generated without making the ground too wet or muddy to cause inconvenience to the pedestrians. It helped lower the temperature of the surrounding area.



To lower our noise level, we introduced remote demolition robots for the campus renovation project of the Hong Kong Institute of Construction. It effectively reduced the noise level of campuses where students could still have their lectures as usual.

Moving Forward

It is foreseeable that 2020 will be one of the most challenging years in decades, particularly because of the unfavourable global economic outlook caused by COVID-19. However, we will remain focussed to work efficiently without compromising our quality. We also take this opportunity to innovate, exploring ways to bring in innovative technology into our daily work, not just on our construction sites but also other workplaces to enable everyone at Yau Lee to work more safely and efficiently. Most important of all, we are committed to building a professional and resilient team by training our current staff, empowering them to excel their talents and cope with the challenges ahead at ease.

Environmental, Social and Governance Report

Content Index

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

Aspect	ESG Guide	Remarks and References
Employment	B1.1	People – Our Talent Geographical breakdown: Hong Kong: 75.9%; Mainland China: 23.7%; Macau: 0.1%; Singapore: 0.3%
	B1.2	People – Our Talent
Health and Safety	B2.1	Safety
	B2.2	Safety
	B2.3	Safety
Development and Training	B3.1	Male: 80% Female: 71% Management: 90% Non-management: 75% *Remarks: The above data does not include YL Construction (sites) because the training inventory is still being developed.*
	B3.2	Average training hours: Male: 7.2hours; Female: 5.4 hours Management: 9.7 hours; Non-management: 6.1 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 Management This aspect applies to management of our supply chain only, as there is no risk of child or forced labour occurring within our organisation.
Supply Chain Management	B5.1	Hong Kong: 74.26%; PRC: 21.26%; Macau: 2.44%; Others: 2.04%
	B5.2	Supply Chain Management
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 Management
	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
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 59 to 142, which comprise:

- the consolidated balance sheet as at 31 March 2020;
- 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 2020, 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.

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 2.25(a), Note 4(a), Note 4(b) and Note 5 to the consolidated financial statements. For the year ended 31 March 2020, the Group recognised revenue from construction contracts relating to the following operating segments: construction, electrical and mechanical installation which totalled HK$6,538,593,000. 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 judgment. This judgment includes 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 judgment 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;

Independent Auditor's Report

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 the 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

Independent Auditor's Report

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

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

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

From the matters communicated with the 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, 24 June 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	**6,694,157**	5,618,078
Cost of sales	7	**(6,234,399)**	(5,074,317)
Gross profit		**459,758**	543,761
Other income and losses, net	6	**21,654**	26,120
Selling and distribution costs	7	**(20,702)**	(26,724)
Administrative expenses	7	**(454,377)**	(465,724)
Other operating expenses	7	**(7,354)**	(4,568)
Operating (loss)/profit		**(1,021)**	72,865
Finance costs	9	**(31,624)**	(29,474)
Share of (loss)/profit of an associate	20	**(75)**	58
Share of loss of joint ventures	21	**(6,509)**	(3,087)
(Loss)/profit before income tax		**(39,229)**	40,362
Income tax expense	10	**(3,249)**	(9,954)
(Loss)/profit for the year		**(42,478)**	30,408
Attributable to:			
Equity holders of the Company		**(41,561)**	30,087
Non-controlling interests		**(917)**	321
		(42,478)	30,408
Dividend	11	**10,952**	13,142
(Loss)/earnings per share (basic and diluted)	12	**(HK9.49 cents)**	HK6.87 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 *HK$'000*	2019 *HK$'000*
(Loss)/profit for the year	**(42,478)**	30,408
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(48,946)**	(56,612)
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on financial assets at fair value through other comprehensive income	**(388)**	–
Fair value gain on investment properties upon transfer from property, plant and equipment and leasehold land and land use rights	**–**	13,795
Income tax related to fair value gain on investment properties	**–**	(1,655)
Total comprehensive loss for the year	**(91,812)**	(14,064)
Attributable to:		
Equity holders of the Company	**(90,895)**	(14,385)
Non-controlling interests	**(917)**	321
Total comprehensive loss for the year	**(91,812)**	(14,064)

CONSOLIDATED BALANCE SHEET

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	**1,181,326**	1,191,001
Investment properties	15	**229,412**	241,962
Leasehold land and land use rights	16	**–**	68,064
Intangible assets	18	**9,342**	10,398
Goodwill	18	**16,662**	15,905
Associate	20	**1,154**	1,229
Joint ventures	21	**108,135**	87,577
Deferred income tax assets	30	**8,219**	7,945
Financial assets at fair value through other comprehensive income	22	**11,800**	12,200
Mortgage loans receivables	25(c)	**64,006**	57,502
Other non-current assets	23	**1,133**	1,440
		1,631,189	1,695,223
Current assets			
Cash and bank balances	24	**663,957**	836,838
Trade debtors, net	25(a)	**788,695**	783,573
Contract assets	27	**869,620**	747,186
Prepayments, deposits and other receivables	25(b)	**481,301**	398,296
Mortgage loans receivables	25(c)	**2,429**	2,199
Inventories	26	**87,102**	119,512
Completed properties held for sale	28	**49,317**	60,617
Property under development for sale	17	**415,039**	355,783
Due from an associate	20	**–**	114
Due from joint ventures/joint operations	21	**44,408**	35,549
Prepaid income tax		**17,494**	7,536
		3,419,362	3,347,203
Total assets		**5,050,551**	5,042,426
Equity			
Share capital	33	**87,611**	87,611
Other reserves	34	**396,918**	446,252
Retained profits	34	**792,917**	845,430
Attributable to equity holders of the Company		**1,277,446**	1,379,293
Non-controlling interests		**3,202**	4,066
Total equity		**1,280,648**	1,383,359

Consolidated Balance Sheet

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Liabilities			
Non-current liabilities			
Long-term borrowings	29	1,443,657	1,135,247
Deferred income tax liabilities	30	7,695	12,158
Other non-current liabilities	14(c)	6,940	–
		1,458,292	1,147,405
Current liabilities			
Short-term bank loans	29	691,204	772,282
Current portion of long-term borrowings	29	142,016	431,878
Payables to suppliers and subcontractors	31(a)	323,410	281,868
Accruals, retention payables, deposits received and other liabilities	31(b)	753,526	502,109
Derivative financial liabilities	32	85	137
Income tax payable		2,903	8,011
Obligation in respect of joint ventures	21	–	1,609
Contract liabilities	27	343,838	481,641
Due to joint operations	21	4,106	2,799
Due to other partners of joint operations	21	50,523	29,328
		2,311,611	2,511,662
Total liabilities		3,769,903	3,659,067
Total equity and liabilities		5,050,551	5,042,426

The financial statements on pages 59 to 142 were approved by the Board of Directors on 24 June 2020 and were signed on its behalf.

Wong Ip Kuen
Director

Wong Tin Cheung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2020

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Currency translation reserve HK$'000	Property revaluation reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2018	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 rights	–	–	–	–	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 *(Note 11)*	–	–	–	–	–	–	(6,571)	(6,571)	–	(6,571)
2019 interim dividend *(Note 11)*	–	–	–	–	–	–	(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
As at 1 April 2019	87,611	413,776	359	(24,341)	55,366	1,092	845,430	1,379,293	4,066	1,383,359
Loss for the year	–	–	–	–	–	–	(41,561)	(41,561)	(917)	(42,478)
Other comprehensive loss:										
Currency translation differences	–	–	–	(48,946)	–	–	–	(48,946)	–	(48,946)
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(388)	–	(388)	–	(388)
Non-controlling interests arising from step acquisition of a subsidiary *(Note 37)*	–	–	–	–	–	–	–	–	53	53
2019 final dividend *(Note 11)*	–	–	–	–	–	–	(6,571)	(6,571)	–	(6,571)
2020 interim dividend *(Note 11)*	–	–	–	–	–	–	(4,381)	(4,381)	–	(4,381)
As at 31 March 2020	87,611	413,776	359	(73,287)	55,366	704	792,917	1,277,446	3,202	1,280,648

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Net cash from operations	*35(a)*	**72,813**	233,399
Hong Kong profits tax refunded		**138**	1,576
Hong Kong profits tax paid		**(21,733)**	(15,788)
Non-Hong Kong tax paid		**(1,215)**	(1,259)
Net cash from operating activities		**50,003**	217,928
Cash flows from investing activities			
Investment in joint ventures		**(33,727)**	(82,283)
Purchase of property, plant and equipment		**(15,411)**	(38,888)
Additions to investment properties		**(47)**	(671)
Additions to financial assets at fair value through other comprehensive income		**–**	(400)
Acquisition of a subsidiary, net of cash acquired	*37*	**(713)**	–
Proceeds from disposal of property, plant and equipment		**1,013**	1,054
Proceeds from disposal of investment property		**–**	9,886
Dividend received from an associate		**114**	114
Dividend received from financial assets at fair value through other comprehensive income		**–**	1,200
Interest received		**6,201**	4,737
Net increase in mortgage loan receivables		**(6,715)**	(59,578)
Net cash used in investing activities		**(49,285)**	(164,829)

Consolidated Cash Flow Statement

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from financing activities	35(b)		
Repayment of bank loans		(231,246)	(233,851)
Drawdown of bank loans		169,412	328,638
(Increase)/decrease in restricted deposits		(3,688)	71,296
Capital element of lease payments (2019: capital element of finance lease payments)		(12,729)	(4,500)
Interest element of lease payments (2019: interest element of finance lease payments)		(978)	(84)
Dividend paid		(10,952)	(13,142)
Interest paid		(80,340)	(68,775)
Net cash (used in)/from financing activities		(170,521)	79,582
Net (decrease)/increase in cash and cash equivalents		(169,803)	132,681
Cash and cash equivalents at beginning of year		747,136	620,759
Exchange loss on cash and cash equivalents		(6,766)	(6,304)
Cash and cash equivalents at end of year		570,567	747,136
Analysis of cash and cash equivalents	24(b)		
Cash and bank balances		390,047	559,785
Time deposits		180,520	187,351
		570,567	747,136

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 24 June 2020.

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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following new standard, amendments to standards and interpretations for the first time for their annual reporting period commencing 1 April 2019:

Amendments to HKFRSs	Annual improvement to HKFRS 2015-2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC) – Interpretation 23	Uncertainty over income tax treatments

The Group has changed its accounting policies and made certain adjustments following the adoption of HKFRS 16 as disclosed in Note 2.2. Other than HKFRS 16, the adoption of the other amendments to standards and interpretations do not have any significant impact on the Group.

(b) New and amended standards and annual improvements not yet adopted

Certain new standards, amendments to standards and improvements have been published that are not mandatory for 31 March 2020 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
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
Amendment to HKFRS 16	COVID-19-related rent concession	1 June 2020
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest rate benchmark reform	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of the above new and amended standards and annual improvements and does not expect that they would have any significant impact to its results of operation and financial position.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

The Group has adopted HKFRS 16 "Leases" from its mandatory adoption date of 1 April 2019. The Group has applied the simplified transition approach, and has not restated comparative amounts for the prior year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 April 2019. The new accounting policies are disclosed in Note 2.27.

(a) Adjustments recognised on the adoption of HKFRS 16

On adoption of HKFRS 16, the Group, as a lessee, recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.4%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application.

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	21,110
Discounted using the lessee's incremental borrowing rate at the date of initial application	(868)
Add: finance lease liabilities recognised as at 31 March 2019	1,066
Less: short-term leases recognised on straight-line basis as expenses	(1,347)
Lease liabilities recognised as at 1 April 2019	19,961
Of which are included in:	
– Accruals, retention payables, deposits received and other liabilities	8,563
– Other non-current liabilities	11,398
	19,961

The associated right-of-use assets were measured as an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 1 April 2019. There was no onerous lease contract that would have required an adjustment to the right-of-use assets at the date of initial application.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) Adjustments recognised on the adoption of HKFRS 16 (continued)

Right-of-use assets are included in "Property, plant and equipment" in the consolidated balance sheet.

The land use rights previously presented as a separate item on the consolidated balance sheet are grouped as part of "Property, plant and equipment" with effect from 1 April 2019.

Changes in accounting policies affected the following items in the consolidated balance sheet on 1 April 2019:

Consolidated balance sheet (extract)

	At 31 March 2019 (as previously reported) *HK$'000*	Adoption of HKFRS 16 *HK$'000*	1 April 2019 (restated) *HK$'000*
Non-current assets			
Property, plant and equipment	1,191,001	86,959	1,277,960
Land use rights	68,064	(68,064)	–
Current liabilities			
Current portion of long-term borrowings	431,878	(766)	431,112
Accruals, retention payables, deposits received and other liabilities	502,109	8,563	510,672
Non-current liabilities			
Long-term borrowings	1,135,247	(300)	1,134,947
Other non-current liabilities	–	11,398	11,398

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) Adjustments recognised on the adoption of HKFRS 16 (continued)

(i) Impact on segment disclosures

Right-of-use assets and lease liabilities are now included in segment assets and liabilities respectively. The change in accounting policy resulted in increases in segment assets and segment liabilities as at 31 March 2020, and increase in segment results for the year ended 31 March 2020 as follows:

	Segment results *HK$'000*	Segment assets *HK$'000*	Segment liabilities *HK$'000*
Construction	65	5,019	5,154
Electrical and mechanical installation	124	7,660	7,906
Building materials supply	5	125	127
Others	–	1,117	1,117

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an arrangement contains a lease".

2 Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including 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.

2 Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

(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.

(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.

(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 2.11.

2 Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

(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.

2.4 Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

Acquisition-related costs are expensed as incurred.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.4 Business combinations (continued)

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

2.5 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, 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)

2.6 Property, plant and equipment

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.

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 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 2.11).

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

The right-of-use assets of leases are presented as the relevant underlying assets of the property, plant and equipment. Details of the accounting policies of leases are disclosed in Note 2.27.

2 Summary of significant accounting policies (continued)

2.7 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.

2.8 Land use rights

Until 31 March 2019, 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 land use rights is recognised in the consolidated income statement.

From 1 April 2019, land use rights are accounted as right-of-use assets of leases and are presented as the relevant underlying assets of the property, plant and equipment. Details of the accounting policies of leases are disclosed in Note 2.27.

2.9 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.

2.10 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)

2.11 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.

2.12 Investments and other financial assets

(a) Classification

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.

(b) 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.

(c) 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.

2 Summary of significant accounting policies (continued)

2.12 Investments and other financial assets (continued)

(c) Measurement (continued)

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, 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, 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.

(d) Impairment

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.

2 Summary of significant accounting policies (continued)

2.13 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.

2.14 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, 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.

2.15 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.

2.16 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 2.12 for further information about the Group's accounting for trade and other receivables and a description of the Group's impairment policies.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.17 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.

2.18 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.

2.19 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.

2.20 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 Summary of significant accounting policies (continued)

2.21 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.

2.22 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.

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.

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

Deferred income tax (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due application of the initial recognition exemption.

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.

2.23 Employee benefits

(a) 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.

(b) 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.

(c) 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 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.

2.25 Revenue recognition

The Group recognises different types of revenue as follows:

(a) 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.

2 Summary of significant accounting policies (continued)

2.25 Revenue recognition (continued)

(b) 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.

(c) Property investment – Operating lease rental income

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

(d) 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.

(e) 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.

2.26 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 Summary of significant accounting policies (continued)

2.27 Leases

As explained in Note 2.2 above, the Group has changed its accounting policies for lease where the Group is the lessee. The new policy and impact of the change are described in Note 2.2.

Until 31 March 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 14(a)).

Finance leases were 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 was allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, were 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.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance for each period.

2 Summary of significant accounting policies (continued)

2.27 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonable certain to exercise a purchase option, the right-of-use is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.28 Property under development for sale and completed properties held for sale

(a) 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.

(b) 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 2020, if Renminbi ("RMB") had strengthened/weakened by 5% against HK$ with all other variables held constant, the Group's loss for the year would have been approximately HK$4,515,000 lower/higher (2019: Group's profit for the year would have been approximately HK$6,157,000 higher/lower).

(ii) Cash flow interest rate risk

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

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

As at 31 March 2020, had interest rates been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been HK$16,711,000 higher/lower (2019: post-tax profit would have been HK$17,330,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings and lease liabilities net of higher/lower interest income on cash deposits and mortgage loans receivables.

(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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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.

	Weighted average lifetime expected credit loss rate	Trade debtors and contract assets Gross carrying amount *HK$'000*	Lifetime expected credit loss *HK$'000*	Net carrying amount *HK$'000*
At 31 March 2020				
Not yet due	**0%**	**1,597,827**	**–**	**1,597,827**
1-30 days past due	**0%**	**9,516**	**–**	**9,516**
31-90 days past due	**2%**	**10,025**	**(248)**	**9,777**
91-180 days past due	**3%**	**10,811**	**(301)**	**10,510**
Over 180 days past due	**61%**	**79,119**	**(48,434)**	**30,685**
Total		**1,707,298**	**(48,983)**	**1,658,315**
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

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 2020, except for other receivables of HK$14,181,000 (2019: HK$14,382,000) 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.

(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 2020 and 2019 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 2020, the Group held cash and bank deposits of HK$663,957,000 (2019:HK$836,838,000) and trade debtors of HK$788,695,000 (2019: HK$783,573,000) 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 2020				
Short-term bank loans and interest thereon	**713,541**	**–**	**–**	**–**
Long-term borrowings and interest thereon	**190,551**	**665,645**	**825,257**	**–**
Lease liabilities	**14,165**	**5,407**	**1,580**	**–**
Payables to suppliers and subcontractors	**323,410**	**–**	**–**	**–**
Accruals, retention payables and other liabilities, excluding lease liabilities	**680,107**	**11,431**	**48,070**	**–**
Derivative financial liabilities	**85**	**–**	**–**	**–**
Due to joint operations	**4,106**	**–**	**–**	**–**
Due to other partners of joint operations	**50,523**	**–**	**–**	**–**
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	–	–	–

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) plus lease liabilities (included in accruals, retention payables, deposit received and other liabilities and other non-current liabilities) 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 2020 and 2019 were as follows:

	2020	2019
	HK$'000	*HK$'000*
Total borrowings *(Note 29)*	**2,276,877**	2,339,407
Lease liabilities *(Note 14(c))*	**20,858**	–
Less: Cash and bank balances *(Note 24)*	**(663,957)**	(836,838)
Net debt	**1,633,778**	1,502,569
Total equity	**1,280,648**	1,383,359
Total capital	**2,914,426**	2,885,928
Debt to capital ratio	**0.56**	0.52

The net debt position resulted primarily from normal operating and investing activities of the Group which include the acquisition of property, plant and equipment, investment properties and property under development for sale (Notes 14, 15 and 17) in prior years and during the year.

Notes to the Consolidated Financial Statements

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 2020 and 2019. Refer to Note 15 for disclosures of the investment properties that are measured at fair value.

	At 31 March 2020			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Financial assets at fair value through other comprehensive income	–	–	11,800	11,800
Liabilities				
Derivative financial instruments	–	85	–	85

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

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 2020 and 2019:

	2020 *HK$'000*	2019 *HK$'000*
Unlisted equity securities		
Beginning of year	12,200	11,800
Addition	–	400
Fair value loss recognised in other comprehensive income	(388)	–
Transfer out upon acquisition	(12)	–
End of year	11,800	12,200

4 Critical accounting estimates and judgments

Estimates and judgments 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.

	2020 HK$'000	2019 HK$'000
Revenue		
Construction	5,290,898	3,922,573
Electrical and mechanical installation	1,247,695	1,227,978
Building materials supply	46,626	152,911
Property investment and development	13,575	135,724
Hotel operations	60,963	121,464
Others	34,400	57,428
	6,694,157	5,618,078

(b) Segment information

For the year ended 31 March 2020, 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$46,626,000 (2019: HK$152,911,000), property sales of HK$10,641,000 (2019: HK$132,716,000) and others of HK$29,658,000 (2019: HK$50,408,000), which were recognised at a point in time. The revenue from other source (rental income included in property investment and development and hotel operations) amounted to HK$5,455,000 (2019: HK$5,421,000).

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.

Notes to the Consolidated Financial Statements

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 2020							
Total sales	5,366,321	1,816,950	467,266	13,575	60,963	139,778	7,864,853
Inter-segment sales	(75,423)	(569,255)	(420,640)	–	–	(105,378)	(1,170,696)
External sales	5,290,898	1,247,695	46,626	13,575	60,963	34,400	6,694,157
Segment results	38,588	30,373	(47,696)	(12,893)	(5,135)	(4,190)	(953)
Share of loss of an associate	–	(75)	–	–	–	–	(75)
Share of loss of joint ventures	–	–	(6,509)	–	–	–	(6,509)
	38,588	30,298	(54,205)	(12,893)	(5,135)	(4,190)	(7,537)
Unallocated expense							(68)
Finance costs							(31,624)
Loss before income tax							(39,229)
Income tax expense							(3,249)
Loss for the year							(42,478)
At 31 March 2020							
Segment assets	2,034,949	704,761	756,537	683,225	528,678	203,004	4,911,154
Interest in an associate	–	1,129	–	–	–	25	1,154
Interests in joint ventures	–	–	108,135	–	–	–	108,135
Unallocated assets							30,108
Total assets							5,050,551
Segment liabilities	(839,596)	(559,348)	(49,106)	(22,134)	(1,787)	(10,647)	(1,482,618)
Bank loans							(2,276,877)
Unallocated liabilities							(10,408)
Total liabilities							(3,769,903)
Year ended 31 March 2020							
Capital expenditure	13,680	2,356	4,289	47	1,078	7,662	29,112
Depreciation	13,309	9,251	47,545	–	19,345	6,791	96,241
Amortisation of intangible assets	–	1,056	–	–	–	–	1,056
Fair value loss on investment properties	–	–	–	10,537	–	–	10,537

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
Interest 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)

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

The analysis of revenue by geographical area is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Hong Kong	**6,554,133**	5,455,148
Non-Hong Kong	**140,024**	162,930
	6,694,157	5,618,078

Revenue of approximately HK$3,965,995,000 (2019: HK$3,478,871,000) are derived from two (2019: 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:

	2020 *HK$'000*	2019 *HK$'000*
Hong Kong	**845,020**	878,555
Non-Hong Kong	**701,011**	737,581
	1,546,031	1,616,136

6 Other income and losses, net

	2020 *HK$'000*	2019 *HK$'000*
Other income		
Bank interest income	6,201	4,737
Interest income from subcontractors	18,786	13,709
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	16	219
Sundry income	12,479	13,785
	37,482	33,650
Other losses, net		
Gain/(loss) on disposal of property, plant and equipment, net	43	(71)
Loss on disposal of investment properties	–	(65)
Fair value (loss)/gain on investment properties, net *(Note 15)*	(10,537)	2,329
Exchange loss, net	(5,334)	(9,723)
	(15,828)	(7,530)
	21,654	26,120

Notes to the Consolidated Financial Statements

7 Expenses by nature

	2020 *HK$'000*	2019 *HK$'000*
Cost of construction	**5,029,009**	3,931,566
Cost of inventories sold	**305,324**	240,376
Cost of properties sold	**11,410**	115,400
Staff costs (excluding directors' emoluments) *(Note 13)*	**1,007,815**	945,489
Directors' emoluments *(Note 41)*	**24,140**	23,280
Depreciation *(Note 14)*		
Owned property, plant and equipment	**80,946**	92,940
Leased property, plant and equipment	**15,295**	2,449
	96,241	95,389
Expenses relating to short-term leases of (2019: Operating lease rentals of)		
Land and buildings	**4,061**	13,078
Other equipment	**67,807**	49,757
	71,868	62,835
Amortisation of leasehold land and land use rights *(Note 16)*	**–**	2,013
Amortisation of intangible assets *(Note 18)*	**1,056**	1,056
Movement in loss allowance for trade debtors	**(9,047)**	(2,495)
Movement in loss allowance for other receivables	**1,091**	3,683
Written off of amount due from a joint venture	**1,681**	–
Provision/(write-back of provision) for inventories	**203**	(619)
Inventories written off	**22,445**	–
Auditors' remuneration		
– Audit services	**4,931**	5,073
– Non-audit services	**584**	799
Direct operating expenses arising from investment properties		
– Generate rental income	**636**	506
– Not generate rental income	**101**	45
Selling and distribution costs	**20,702**	26,724
Others	**126,642**	120,213
Total cost of sales, selling and distribution costs, administrative and other operating expenses	**6,716,832**	5,571,333

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 (2019: four) Directors whose emoluments are reflected in the analysis shown in Note 41. The emoluments paid and payable to the remaining one (2019: one) highest-paid individual in 2020 were as follows:

	2020 *HK$'000*	2019 *HK$'000*
Salaries	1,885	1,846
Bonuses	745	745
Retirement benefits	87	85
	2,717	2,676

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
HK$2,500,001-HK$3,000,000	1	1

(b) During the years ended 31 March 2020 and 2019, 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 2020 and 2019:

	Number of individuals	
	2020	2019
HK$1,500,001-HK$2,000,000	1	4
HK$2,000,001-HK$2,500,000	5	4
	6	8

Notes to the Consolidated Financial Statements

9 Finance costs

	2020 HK$'000	2019 HK$'000
Interest on short-term bank loans	34,622	29,080
Interest on long-term bank loans	45,718	39,695
Interest element of lease payments	978	84
Total borrowing costs incurred	81,318	68,859
Less: Classified as cost of construction	(37,202)	(27,535)
Capitalised in construction in progress	–	(2,322)
Capitalised in property under development for sale	(12,492)	(9,528)
	31,624	29,474

For the year ended 31 March 2020, the interest rate applied in determining the amount of borrowing costs capitalised in property under development for sale was from 2.5% to 4.1% (2019: capitalised in construction in progress and property under development for sales was from 2.8% to 3.2%) per annum.

10 Income tax expense

	2020 HK$'000	2019 HK$'000
Hong Kong profits tax provision for the year	8,036	11,501
Non-Hong Kong tax provision for the year	445	1,265
Over-provision in prior years	(674)	(900)
Deferred income tax relating to the origination and reversal of temporary differences *(Note 30)*	(4,558)	(1,912)
	3,249	9,954

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2019: 8.25% and 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 non-Hong Kong profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries/regions in which the Group operates.

Subsidiaries operated in the People's Republic of China ("PRC") are subject to corporate income tax rate of 25% (2019: 25%). Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2019: 12%).

10 Income tax expense (continued)

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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(39,229)**	40,362
Share of loss of an associate and joint ventures	**6,584**	3,029
	(32,645)	43,391
Calculated at a taxation rate of 16.5% (2019: 16.5%)	**(5,386)**	7,160
Effect of different tax rates in other countries	**(865)**	(5,421)
Income not subject to taxation	**(1,324)**	(837)
Expenses not deductible for taxation purposes	**3,084**	3,811
Temporary differences not recognised	**(1,200)**	(1,172)
Tax losses not recognised	**19,385**	18,710
Utilisation of previously unrecognised tax losses	**(9,649)**	(11,336)
Over-provision in prior years	**(674)**	(900)
Others	**(122)**	(61)
Income tax expense	**3,249**	9,954

Notes to the Consolidated Financial Statements

11 Dividend

	2020 HK$'000	2019 HK$'000
Interim dividend paid during the year		
Interim – HK1.00 cent (2019: HK1.50 cents) per ordinary share	4,381	6,571
Proposed final dividend		
Final – HK1.50 cents (2019: HK1.50 cents) per ordinary share	6,571	6,571
	10,952	13,142

In the Board meeting held on 24 June 2020, the Directors recommended the payment of a final dividend of HK1.50 cents (2019: HK1.50 cents) per share, totalling of HK$6,571,000 (2019: HK$6,571,000) for the year ended 31 March 2020.

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

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

	2020 HK$'000	2019 HK$'000
Net (loss)/profit attributable to the equity holders of the Company	(41,561)	30,087

	2020	2019
Weighted average number of shares in issue during the year	438,053,600	438,053,600
Basic (loss)/earnings per share	(HK9.49 cents)	HK6.87 cents

Diluted (loss)/earnings per share for the years ended 31 March 2020 and 2019 are equal to basic (loss)/earnings per share as there are no potential dilutive shares in issue during the years.

13 Staff costs (excluding directors' emoluments)

	2020 HK$'000	2019 HK$'000
Salaries, wages and bonuses	951,592	893,842
Provision for/(write-back of) unutilised annual leave	1,010	(371)
Long service payments and pension costs	53,773	50,599
Termination benefits	1,440	1,419
	1,007,815	945,489

Notes to the Consolidated Financial Statements

14 Property, plant and equipment

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 March 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

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Land use rights HK$'000	Leased properties HK$'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 2020										
Opening net book value, as previously reported	471,547	403,854	-	-	65,755	133,850	23,581	12,962	79,452	1,191,001
Adjustment on adoption of HKFRS 16 *(Note 2.2)*	-	-	68,064	18,895	-	-	-	-	-	86,959
Opening net book amount, restated	471,547	403,854	68,064	18,895	65,755	133,850	23,581	12,962	79,452	1,277,960
Additions	-	91	-	4,193	2,272	10,248	9,048	3,077	136	29,065
Disposals	-	-	-	-	-	(140)	(96)	(734)	-	(970)
Transfer	-	77,306	-	-	-	-	-	-	(77,306)	-
Acquisition of a subsidiary *(Note 37)*	-	-	-	-	124	1,315	6	-	-	1,445
Depreciation *(Note 7)*	(2,954)	(21,724)	(1,841)	(9,154)	(16,338)	(28,652)	(9,714)	(5,864)	-	(96,241)
Currency translation differences	-	(20,229)	(3,749)	(13)	(100)	(3,112)	(272)	(176)	(2,282)	(29,933)
Closing net book value	468,593	439,298	62,474	13,921	51,713	113,509	22,553	9,265	-	1,181,326
At 31 March 2020										
Cost	490,993	566,190	77,483	23,068	193,132	364,985	154,265	55,296	-	1,925,412
Accumulated depreciation	(22,400)	(126,892)	(15,009)	(9,147)	(141,419)	(251,476)	(131,712)	(46,031)	-	(744,086)
Net book value	468,593	439,298	62,474	13,921	51,713	113,509	22,553	9,265	-	1,181,326

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.

Notes to the Consolidated Financial Statements

14 Property, plant and equipment (continued)

(a) The net book value of property, plant and equipment held under finance lease obligations as at 31 March 2019 comprises:

	2019 *HK$'000*
Motor vehicles	2,076

(b) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK$531,690,000 (2019: HK$536,998,000) (Notes 29 and 36(d)).

(c) Leases

This note provides information for leases where the Group is a lessee.

The Group leases a number of premises mainly for use as office premises, staff quarter and warehouses. The leases are typically made for fixed periods from 2 to 5 years.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2020 ***HK$'000***	1 April 2019 *HK$'000*
Right-of-use assets		
Hotel property	**361,978**	362,418
Leasehold land	**51,296**	53,178
Land use rights	**62,474**	68,064
Leased properties	**13,921**	18,895
Plant and machinery	**5,393**	–
Motor vehicles	**3,274**	2,076
	498,336	504,631
Lease liabilities		
Current (included in accruals, retention payables, deposits received and other liabilities)	**13,918**	8,563
Non-current (included in other non-current liabilities)	**6,940**	11,398
	20,858	19,961

Addition to the right-of-use assets during the 2020 financial year were HK$13,654,000.

For the adjustments recognised upon the adoption of HKFRS 16 on 1 April 2019, please refer to Note 2.2.

14 Property, plant and equipment (continued)

(c) Leases (continued)

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2020
	HK$'000
Depreciation charge of right-of-use assets	
Hotel property	440
Leasehold land	1,882
Land use rights	1,841
Leased properties	9,154
Plant and machinery	952
Motor vehicles	1,026
	15,295
Interest expense (included in cost of sales and finance costs)	978
Expense relating to short-term leases *(Note 7)*	71,868

The total cash outflow for leases during the year ended 31 March 2020 was HK$85,575,000.

15 Investment properties

	2020 *HK$'000*	2019 *HK$'000*
Beginning of year	**241,962**	234,577
Additions	**47**	671
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 rights	**–**	13,795
Disposals	**–**	(9,951)
Fair value (loss)/gain recognised in the consolidated income statement, net *(Note 6)*	**(10,537)**	2,329
Currency translation differences	**(2,060)**	(2,164)
End of year	**229,412**	241,962

Valuation process

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31 March 2020 and 2019 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 2020 by Jones Lang LaSalle Limited, an independent firm of qualified property valuers. Investment properties situated in Singapore were valued as at 31 March 2020 by Savills (Singapore) Pte. Ltd., an independent firm of qualified property valuers. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method.

Fair value measurements using significant unobservable inputs

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

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

15 Investment properties (continued)

Fair value measurements using significant unobservable inputs (continued)

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

Location	Description	Fair value 2020 HK$'000	Fair value 2019 HK$'000	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Singapore	Residential units/ retail shops	**39,702**	41,762	Direct comparison	Comparable sales price – S$1,371 to S$2,867 per square feet (2019: S$1,358 to S$2,581 per square feet)	The higher the comparable sales price, the higher the fair value
Hong Kong	Residential units/ retail shops	**173,210**	183,700	Direct comparison	Comparable sales price – HK$10,109 to HK$54,135 per square feet (2019: HK$9,783 to HK$56,045 per square feet)	The higher the comparable sales price, the higher the fair value
Macau	Commercial unit	**16,500**	16,500	Direct comparison	Comparable sales price – HK$10,685 to HK$12,547 per square feet (2019: HK$9,404 to HK$11,559 per square feet)	The higher the comparable sales price, the higher the fair value
		229,412	241,962			

Investment properties amounting to HK$158,002,000 (2019: HK$184,362,000) 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

	2020	2019
	HK$'000	*HK$'000*
Beginning of year	**68,064**	76,701
Adjustment on adoption of HKFRS 16 *(Note 2.2)*	**(68,064)**	–
Amortisation *(Note 7)*	**–**	(2,013)
Transfer to investment properties *(Note 15)*	**–**	(1,634)
Currency translation differences	**–**	(4,990)
End of year	**–**	68,064

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments.

17 Property under development for sale

	2020	2019
	HK$'000	*HK$'000*
Beginning of year	**355,783**	305,444
Additions	**59,256**	50,339
End of year	**415,039**	355,783

Property under development for sale amounting to HK$415,039,000 (2019: HK$355,783,000) 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 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
Year ended 31 March 2020			
Opening net book value	**15,905**	**10,398**	**26,303**
Acquisition of a subsidiary *(Note 37)*	**757**	**–**	**757**
Amortisation *(Note 7)*	**–**	**(1,056)**	**(1,056)**
Closing net book value	**16,662**	**9,342**	**26,004**
At 31 March 2020			
Cost	**16,662**	**21,837**	**38,499**
Accumulated amortisation	**–**	**(12,495)**	**(12,495)**
Net book value	**16,662**	**9,342**	**26,004**

18 Goodwill and intangible assets (continued)

(a) Goodwill arising from the acquisition of REC Engineering Company Limited group ("REC") and the acquisition of O-Link Limited 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 6% to 7% per annum (2019: 5% to 6%);

(ii) growth rate ranging from 1% to 2% per annum (2019: 1% to 2%); and

(iii) discount rate of 9.5% per annum (2019: 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 2020:

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%
O-Link Limited	Hong Kong	HK$2,000,000	Provision of welding services for pipes and fillings	–	55%	55%

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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 (China) Company Limited	Hong Kong	HK$13,800,000	Electrical and mechanical engineering services and investment holding	–	100%	100%
REC Building Services (Macao) Limited	Macau	MOP100,000	Provision of design, installation and maintenance services of building services	–	100%	100%
REC Engineering 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%

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 Building Materials Trading Company Limited	Hong Kong	HK$2	Trading of building materials	–	100%	100%
Yau Lee Construction (Macau) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction (Singapore) Pte. Ltd.	Singapore	S$37,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK$236,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction 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 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 (Baoshan) Company Limited	Hong Kong	HK$10,000	Investment holding	–	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 (Weifang) 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%

* the subsidiary is registered as a Wholly Owned Foreign Enterprise under PRC law

** the subsidiary is registered as a Sino-foreign Equity Joint Venture under PRC law

20 Associate

	2020 *HK$'000*	2019 *HK$'000*
Beginning of year	1,229	1,285
Share of (loss)/profit	(75)	58
Dividend	–	(114)
End of year	1,154	1,229
Due from an associate	–	114

(a) The following are the details of the Group's associate at 31 March 2020 and 2019:

Name	Particulars of issued share capital	Place of incorporation	Interest held 2020	Interest held 2019
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

	2020	2019
	HK$'000	*HK$'000*
Investments in joint ventures		
Beginning of year	**87,577**	8,330
Additions	**33,727**	82,283
Share of loss	**(8,118)**	(3,036)
Currency translation differences	**(5,051)**	–
End of year	**108,135**	87,577
Obligation in respect of joint ventures		
Beginning of year	**(1,609)**	(1,558)
Share of profit/(loss)	**1,609**	(51)
End of year	**–**	(1,609)
Due from joint ventures *(Note (i))*	**1,471**	3,071
Due from joint operations *(Note (i))*	**42,937**	32,478
	44,408	35,549
Due to joint operations *(Note (i))*	**(4,106)**	(2,799)
Due to other partners of joint operations *(Note (i))*	**(50,523)**	(29,328)

21 Joint arrangements (continued)

(a) The following is a list of the Group's joint ventures at 31 March 2020 and 2019:

Name	Particulars of registered/issued share capital	Place of incorporation	Effective interest 2020	Effective interest 2019
江蘇益建拓華智能建築科技有限公司 *(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%**	40%
河南安華建築科技有限公司 *(Note (d))*	RMB100,000,000	Mainland China	**40%**	40%
濰坊三建建材科技有限公司 *(Note (e))*	RMB100,000,000	Mainland China	**40%**	–
Yau Lee Formglas Limited ("YLFG") *(Note (f))*	HK$1,000,000	Hong Kong	**51%**	51%
Yau Lee Formglas (Macau) Limited ("YLFM") *(Note (g))*	MOP200,000	Macau	**–**	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) 江蘇益建拓華智能建築科技有限公司 (formerly known as 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) 濰坊三建建材科技有限公司 is a joint venture with a Chinese party, and is engaged in precast development and distribution.

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

(g) YLFM is a wholly-owned subsidiary of YLFG, and has been deregistered during the year ended 31 March 2020.

Notes to the Consolidated Financial Statements

21 Joint arrangements (continued)

(h) The following is a list of the Group's joint operations at 31 March 2020 and 2019:

Name	Place of establishment	Principal activities	Effective interest	
			2020	2019
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%

(i) 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 Financial assets at fair value through other comprehensive income

The movement of unlisted equity securities are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Financial assets at fair value through other comprehensive income		
Beginning of year	12,200	11,800
Addition	–	400
Fair value loss recognised	(388)	–
Transfer out upon acquisition *(Note 37)*	(12)	–
End of year	11,800	12,200

As at 31 March 2020 and 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 accounting policy and the fair value measurements are set out in Note 2.12 and 3.3 respectively.

23 Other non-current assets

	2020 *HK$'000*	2019 *HK$'000*
Other receivables	1,133	1,440

Notes to the Consolidated Financial Statements

24 Cash and bank balances

	2020 HK$'000	2019 HK$'000
Cash and bank balances	390,047	559,785
Time deposits	180,520	187,351
Restricted deposits *(Note a)*	93,390	89,702
	663,957	836,838

(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:

	2020 HK$'000	2019 HK$'000
Cash and bank balances	390,047	559,785
Time deposits with original maturity of less than three months	180,520	187,351
	570,567	747,136

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

	2020 HK$'000	2019 HK$'000
Hong Kong dollars	408,817	521,551
Renminbi	197,640	230,634
Macau Patacas	36,932	61,068
Japanese yen	10,888	5,494
Singapore dollars	8,352	17,847
Other currencies	1,328	244
	663,957	836,838

(d) Interest rates of time deposits and restricted deposits ranged from 0.30% to 2.00% (2019: 0.35% to 2.30%) per annum.

25 Trade and other receivables

(a) Trade debtors, net

	2020 HK$'000	2019 HK$'000
Trade debtors	460,095	507,053
Retention receivables	377,583	338,768
Loss allowance	(48,983)	(62,248)
	788,695	783,573

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

	2020 HK$'000	2019 HK$'000
Current	728,207	721,581
1-30 days	9,516	16,682
31-90 days	9,777	12,574
91-180 days	10,510	15,294
Over 180 days	30,685	17,442
	60,488	61,992
	788,695	783,573

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:

	2020 *HK$'000*	2019 *HK$'000*
Beginning of year	62,248	64,804
Movement in loss allowance	(9,047)	(2,495)
Write off of impaired receivables	(4,187)	(27)
Currency translation differences	(31)	(34)
End of year	48,983	62,248

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

	2020 *HK$'000*	2019 *HK$'000*
Hong Kong dollars	745,253	719,717
Macau Patacas	32,885	33,174
Renminbi	9,855	15,813
Singapore dollars	596	14,763
United States dollars	106	106
	788,695	783,573

25 Trade and other receivables (continued)

(b) Prepayments, deposits and other receivables

	2020 HK$'000	2019 HK$'000
Advances to subcontractors	373,023	320,884
Prepayments and deposits	32,025	40,586
Other receivables	76,253	36,826
	481,301	398,296

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$317,473,000 (2019: HK$250,040,000) which carry interest ranging from 4.0% to 9.0% (2019: 4.0% to 9.125%) 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 receivables

	2020 HK$'000	2019 HK$'000
Mortgage loans receivables	66,293	59,578
Interest receivable	142	123
	66,435	59,701
Included in:		
Non-current	64,006	57,502
Current	2,429	2,199
	66,435	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 2020 and 2019, none of loan and interest receivables were past due or impaired.

26 Inventories

	2020 HK$'000	2019 HK$'000
Raw materials	63,628	65,391
Finished goods	19,530	49,851
Others	3,944	4,270
	87,102	119,512

27 Contract assets and contract liabilities

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

	2020 HK$'000	2019 HK$'000
Contract assets related to		
Construction contracts and electrical and mechanical installation contracts	869,620	747,186
Contract liabilities related to		
Construction contracts and electrical and mechanical installation contracts	341,959	476,296
Others	1,879	5,345
	343,838	481,641

(i) Revenue recognised in relation to contract liabilities

Revenue of HK$360,100,000 (2019: 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.

Revenue of HK$15,696,000 (2019: 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 2020, 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$12,016,709,000 (2019: HK$13,265,890,000). The amounts expected to be recognised within 1 year is HK$5,523,826,000 (2019: HK$5,641,856,000) for construction contracts and electrical and mechanical installation contracts. The remaining amounts expected to be recognised over 1 year.

28 Completed properties held for sale

	2020 HK$'000	2019 HK$'000
Beginning of year	60,617	176,017
Properties sold	(11,300)	(115,400)
End of year	49,317	60,617

29 Borrowings

	2020 HK$'000	2019 HK$'000
Non-current		
Obligations under finance lease	–	300
Long-term bank loans – secured	1,443,657	1,134,947
	1,443,657	1,135,247
Current		
Short-term bank loans – secured	691,204	772,282
Current portion of obligations under finance lease	–	766
Current portion of long-term bank loans – secured	142,016	431,112
	833,220	1,204,160
Total borrowings	2,276,877	2,339,407

(a) The maturity of borrowings is as follows:

	Bank loans		Obligations under finance lease	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Within 1 year	833,220	1,203,394	–	766
After 1 year but within 2 years	626,947	104,073	–	300
After 2 years but within 5 years	816,710	1,030,874	–	–
	2,276,877	2,338,341	–	1,066

Notes to the Consolidated Financial Statements

29 Borrowings (continued)

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

	2020 %	2019 %
Short-term bank loans	3.2	3.2
Long-term bank loans	3.2	3.0
Obligations under finance lease	–	1.8

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

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

	2020 HK$'000	2019 HK$'000
Hong Kong dollars	2,275,783	2,336,772
Singapore dollars	1,094	2,635
	2,276,877	2,339,407

(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) Finance lease – 2019

Finance lease liabilities were included in borrowings until 31 March 2019, but were reclassified to lease liabilities on 1 April 2019 in the process of adopting the new leasing standard. See Note 2.2 for further information about the change in accounting policy for leases.

	2019 HK$'000
Within 1 year	794
After 1 year but within 5 years	303
	1,097
Future finance charges on finance lease	(31)
Present value of obligations under finance lease	1,066

30 Deferred income tax

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

	2020 HK$'000	2019 HK$'000
Beginning of year	(4,213)	(4,700)
Credited to consolidated income statement *(Note 10)*	4,558	1,912
Charged to other comprehensive income	–	(1,655)
Currency translation differences	179	230
End of year	524	(4,213)

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		Property revaluation		Total	
Assets/(liabilities)	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Beginning of year	19,708	21,548	(1,596)	(1,771)	(20,670)	(24,477)	(1,655)	–	(4,213)	(4,700)
Credited/(charged) to consolidated income statement	1,779	(1,840)	175	175	2,604	3,577	–	–	4,558	1,912
Charged to other comprehensive income	–	–	–	–	–	–	–	(1,655)	–	(1,655)
Currency translation differences	–	–	–	–	179	230	–	–	179	230
End of year	21,487	19,708	(1,421)	(1,596)	(17,887)	(20,670)	(1,655)	(1,655)	524	(4,213)

Notes to the Consolidated Financial Statements

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:

	2020	2019
	HK$'000	*HK$'000*
Deferred income tax assets		
Recoverable more than twelve months	**1,874**	1,716
Recoverable within twelve months	**6,345**	6,229
	8,219	7,945
Deferred income tax liabilities		
Payable or settle more than twelve months	**(4,916)**	(8,406)
Payable or settle within twelve months	**(2,779)**	(3,752)
	(7,695)	(12,158)

As at 31 March 2020, the Group has unrecognised tax losses of approximately HK$925,997,000 (2019: HK$943,290,000) to carry forward against future taxable income.

	2020	2019
	HK$'000	*HK$'000*
With no expiry date	**823,436**	760,790
Expiring not later than one year	**32,049**	87,761
Expiring later than one year and not later than five years	**70,512**	94,739
	925,997	943,290

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:

	2020 *HK$'000*	2019 *HK$'000*
Current	**300,533**	260,217
1-30 days	**16,659**	17,975
31-90 days	**3,112**	1,139
91-180 days	**462**	150
Over 180 days	**2,644**	2,387
	22,877	21,651
	323,410	281,868

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

	2020 *HK$'000*	2019 *HK$'000*
Hong Kong dollars	**303,435**	262,950
Renminbi	**15,442**	12,196
United States dollars	**2,960**	1,204
Singapore dollars	**1,423**	2,467
Macau Patacas	**75**	297
Japanese Yen	**–**	2,636
Other currencies	**75**	118
	323,410	281,868

Notes to the Consolidated Financial Statements

31 Trade and other payables (continued)

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

	2020 HK$'000	2019 HK$'000
Retention payables	**397,981**	357,527
Other deposits	**12,673**	10,704
Due to non-controlling interests *(Note)*	**16,305**	16,305
Lease liabilities *(Note 14(c))*	**13,918**	–
Others	**312,649**	117,573
	753,526	502,109

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 2020, the Group entered into several foreign currency forward contracts (with maturity period within one year) in exchanging Euro (2019: 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$85,000 (2019: HK$137,000) as at 31 March 2020.

The total notional amount of the entered foreign currency forward contracts at 31 March 2020 were HK$7,855,000 (2019: HK$12,465,000).

33 Share capital

	Number of shares		Amount	
	2020	2019	2020 HK$'000	2019 HK$'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

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*
As at 1 April 2018	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 *(Note 11)*	–	–	–	–	–	–	(6,571)
2019 interim dividend *(Note 11)*	–	–	–	–	–	–	(6,571)
As at 31 March 2019	413,776	359	(24,341)	55,366	1,092	446,252	845,430
As at 1 April 2019	**413,776**	**359**	**(24,341)**	**55,366**	**1,092**	**446,252**	**845,430**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(41,561)**
Other comprehensive loss:							
Currency translation differences	**–**	**–**	**(48,946)**	**–**	**–**	**(48,946)**	**–**
Fair value loss on financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(388)**	**(388)**	**–**
2019 final dividend *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**(6,571)**
2020 interim dividend *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**(4,381)**
As at 31 March 2020	**413,776**	**359**	**(73,287)**	**55,366**	**704**	**396,918**	**792,917**

35 Notes to consolidated cash flow statement

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

	2020 HK$'000	2019 HK$'000
Cash flows from operating activities		
Operating (loss)/profit	(1,021)	72,865
Interest income	(24,987)	(18,446)
Interest expense	37,202	27,535
Dividend income from financial assets at fair value through other comprehensive income	–	(1,200)
(Gain)/loss on disposal of property, plant and equipment, net	(43)	71
Fair value loss/(gain) on investment properties, net	10,537	(2,329)
Loss on disposal of investment property	–	65
Amortisation of intangible assets	1,056	1,056
Amortisation of leasehold land and land use rights	–	2,013
Depreciation	96,241	95,389
Movement in loss allowance for trade debtors	(9,047)	(2,495)
Movement in loss allowance for other receivables	1,091	3,683
Written off of amount due from a joint venture	1,681	–
Provision/(write-back of provision) for inventories	203	(619)
Inventories written off	22,445	–
Provision for replacement of related water pipes for "the use of leaded solder materials in the solder joints"	8,500	2,000
Operating profit before working capital changes	143,858	179,588
Trade debtors, net	5,253	(42,050)
Inventories	3,342	(29,640)
Prepayments, deposits and other receivables	(64,575)	35,271
Contract assets	(122,697)	66,656
Property under development for sale	(46,764)	(40,811)
Completed properties held for sale	11,300	115,400
Net change in balances with joint ventures/joint operations/other partners of joint operations	11,962	(56)
Payables to suppliers and subcontractors	41,542	(39,130)
Accruals, retention payables, deposits received and other liabilities	227,386	(126,167)
Contract liabilities	(137,794)	114,338
Net cash from operations	72,813	233,399

35 Notes to consolidated cash flow statement (continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans HK$'000	Lease liabilities HK$'000	Obligation under finance lease HK$'000	Total HK$'000
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
Accrued interest	68,775	–	84	68,859
Interest paid	(68,775)	–	(84)	(68,859)
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
Balance at 1 April 2019, as previously reported	**2,338,341**	**–**	**1,066**	**2,339,407**
Adjustment on adoption of HKFRS 16 *(Note 2.2)*	**–**	**19,961**	**(1,066)**	**18,895**
Balance at 1 April 2019, restated	**2,338,341**	**19,961**	**–**	**2,358,302**
Repayment of bank loans	**(231,246)**	**–**	**–**	**(231,246)**
Drawdown of bank loans	**169,412**	**–**	**–**	**169,412**
Amortisation charges of prepaid loan arrangement fee	**370**	**–**	**–**	**370**
Accrued interest	**80,340**	**978**	**–**	**81,318**
Interest paid	**(80,340)**	**(978)**	**–**	**(81,318)**
Capital element of lease payments	**–**	**(12,729)**	**–**	**(12,729)**
Inception of leases *(Note (c))*	**–**	**13,654**	**–**	**13,654**
Currency translation differences	**–**	**(28)**	**–**	**(28)**
Balance at 31 March 2020	**2,276,877**	**20,858**	**–**	**2,297,735**

(c) Major non-cash transactions

During the year, the Group entered into lease arrangements (2019: finance lease arrangements) in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$13,654,000 (2019: HK$1,403,000).

(d) Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

36 Banking facilities

As at 31 March 2020, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,201,297,000 (2019: HK$5,294,551,000), of which HK$2,676,039,000 (2019: HK$2,703,041,000) had been utilised. These banking facilities are secured by the following:

(a) Restricted deposits of HK$93,390,000 (2019: HK$89,702,000) (Note 24);

(b) Guarantees of HK$5,193,649,000 (2019: HK$5,290,851,000) provided by the Company;

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

(d) Property, plant and equipment of HK$531,690,000 (2019: HK$536,998,000), investment properties of HK$158,002,000 (2019: HK$184,362,000) and property under development for sale of HK$415,039,000 (2019: HK$355,783,000) (Notes 14, 15 and 17).

Notes to the Consolidated Financial Statements

37 Business combination

The Group held 10% equity interest of O-Link Limited, which was classified as financial assets at fair value through other comprehensive income of the Group before the step acquisition. On 31 March 2020, the Group completed the acquisition of additional 45% of equity interest of O-Link Limited, which became a 55% owned subsidiary of the Group.

The following table summarises the consideration paid for the step acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date. The non-controlling interests are measured at proportionate share in the recognised amounts of identifiable net assets as at the acquisition date.

	HK$'000
Consideration paid as at acquisition date	
Cash	810
Fair value of the shares held by the Group *(Note 22)*	12
	822
Recognised amounts of identifiable assets acquired, liabilities assumed and non-controlling interests	
Property, plant and equipment	1,445
Trade debtors, net	60
Deposits	129
Cash and bank balances	97
Accruals, deposits received and other liabilities	(1,613)
Total identifiable net assets	118
Goodwill	757
Less: Non-controlling interest initially recognised as at acquisition date	(53)
Net assets acquired	822
Net cash outflow arising from the acquisitions	
Cash and cash equivalents acquired	97
Less: Cash consideration	(810)
	(713)

The goodwill is attribute to the synergies expected to arise after the Group's acquisition of a new subsidiary. The acquired business contributed nil of revenues and net profit to the Group for the year ended 31 March 2020.

If the acquisition had occurred on 1 April 2019, consolidated revenue and loss for the year ended 31 March 2020 would have been HK$6,694,475,000 and HK$43,014,000 respectively.

38 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 2020, 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 HK$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$516,347,000 (2019: HK$616,033,000) in favour of the Group's customers.

(d) As at 31 March 2020, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and joint ventures of approximately HK$1,043,000 (2019: HK$1,361,000) and RMB58,000,000 (2019: RMB36,000,000) respectively.

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

From 1 April 2019, the Group has recognised right-of-use assets and lease liabilities for non-cancellable operating leases as lessee, see Note 2.2 for further information.

	2020 ***HK$'000***	2019 *HK$'000*
Land and buildings		
Within one year	–	9,666
One year to five years	–	11,444
	–	21,110

Notes to the Consolidated Financial Statements

39 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:

	2020 *HK$'000*	2019 *HK$'000*
Within one year	5,516	4,819
One year to five years	4,810	3,549
	10,326	8,368

40 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

	2020 *HK$'000*	2019 *HK$'000*
Revenue from sales of goods to joint ventures	11,526	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:

	2020 *HK$'000*	2019 *HK$'000*
Salaries and fees	21,317	20,147
Discretionary bonuses	1,841	2,165
Pension costs – defined contribution scheme	939	885
Others	43	83
	24,140	23,280

41 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

Name	Fees *HK$'000*	Salaries *(Note (i))* *HK$'000*	Discretionary bonuses *HK$'000*	Housing allowance *HK$'000*	Estimated money value of other benefits *(Note (ii))* *HK$'000*	Employer's contribution to retirement benefit scheme *HK$'000*	Total *HK$'000*
For the year ended 31 March 2020							
Mr. Wong Ip Kuen	–	9,230	446	–	19	426	10,121
Ir. Wong Tin Cheung	–	3,420	442	1,130	8	210	5,210
Ms. Wong Rosana Wai Man	–	4,030	400	–	8	186	4,624
Mr. Sun Chun Wai	–	2,535	553	–	8	117	3,213
Mr. Chan, Bernard Charnwut	324	–	–	–	–	–	324
Mr. Wu King Cheong	324	–	–	–	–	–	324
Dr. Yeung Tsun Man, Eric	324	–	–	–	–	–	324
	972	19,215	1,841	1,130	43	939	24,140
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 Rosana 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

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.

41 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 2020 (2019: 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 2020 (2019: 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 2020 (2019: 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 2020 (2019: Nil).

42 Balance sheet and reserve movement of the Company

Balance sheet of the Company

As at 31 March 2020

		2020	2019
		HK$'000	*HK$'000*
Assets			
Non-current asset			
Subsidiaries		571,615	571,615
Other non-current assets		–	51
		571,615	571,666
Current assets			
Cash and bank balances		18,727	24,191
Prepayments, deposits and other receivables		439	449
Due from subsidiaries		1,463,419	1,394,444
Due from a joint venture		1,471	662
		1,484,056	1,419,746
Total assets		2,055,671	1,991,412
Equity			
Share capital		87,611	87,611
Other reserves	*Note*	414,135	414,135
Retained profits	*Note*	902,752	914,302
Total equity		1,404,498	1,416,048
Liabilities			
Current liabilities			
Accruals and other liabilities		1,724	1,832
Due to subsidiaries		649,449	573,532
Total liabilities		651,173	575,364
Total equity and liabilities		2,055,671	1,991,412

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

Note: Reserve movement of the Company
For the year ended 31 March 2020

	Other reserves			
	Share premium *HK$'000*	**Capital redemption reserve** *HK$'000*	**Total** *HK$'000*	**Retained profits** *HK$'000*
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
At 1 April 2019	**413,776**	**359**	**414,135**	**914,302**
Loss attributable to equity holders of the Company	**–**	**–**	**–**	**(598)**
2019 final dividend	**–**	**–**	**–**	**(6,571)**
2020 interim dividend	**–**	**–**	**–**	**(4,381)**
At 31 March 2020	**413,776**	**359**	**414,135**	**902,752**

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 vacant	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 N° 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

	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	**2020** ***HK$'000***
Revenue	7,450,278	6,124,053	5,653,938	5,618,078	**6,694,157**
(Loss)/profit before income tax	(141,976)	(22,303)	50,864	40,362	**(39,229)**
Income tax (expense)/credit	(13,857)	(7,453)	1,833	(9,954)	**(3,249)**
(Profit)/loss attributable to non-controlling interests	(3,514)	(42)	(162)	(321)	**917**
(Loss)/profit attributable to equity holders of the Company	(159,347)	(29,798)	52,535	30,087	**(41,561)**

Consolidated assets and liabilities

As at 31 March

	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	**2020** ***HK$'000***
Total assets	5,452,086	5,575,630	5,089,344	5,042,426	**5,050,551**
Total liabilities and non-controlling interests	(4,050,226)	(4,180,553)	(3,613,521)	(3,663,133)	**(3,773,105)**
Shareholders' equity	1,401,860	1,395,077	1,475,823	1,379,293	**1,277,446**

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