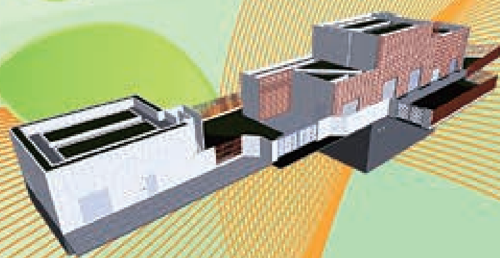
有利集團有限公司

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 0406



HUMAN-BASED **MANAGEMENT**
CONTINUOUS **R&D**
INDUSTRIALIZED **BUILDING PROCESS**

ANNUAL REPORT 2018

This annual report is printed on environmentally friendly paper

Contents

Corporate Information

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

Registered Office

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Hamilton HM11
Bermuda

Head Office and Principal Place of Business

10th Floor, Tower 1
Enterprise Square
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Kowloon Bay
Hong Kong

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

Company Secretary

Lam Kwok Fan

Principal Bankers

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

Independent Auditor

PricewaterhouseCoopers

Solicitors

Gallant
T.H. Koo & Associates

Hong Kong Share Registrar and Transfer Office

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

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 2018 to all the shareholders.

Result for the Year

2017 was a positive year for Yau Lee. The Group delivered a profitable result and forwarded along the right track leading to sustainable growth. We held strong positions in our core businesses. We made good progresses in new business developments. And, I am pleased to acknowledge that the Group has truly been regarded as a leading player in innovations and construction technologies. More and more parties came to us for advices or solutions for their green building plans. We are grateful that our customers entrusted us with their visionary plans. We envisage increasing benefits would be generated from our longstanding experience with innovative technologies.

For the reporting year, total revenue was HK$5,654 million, shrank by 7.7% year on year. The drop came mainly from Singapore and Macau markets as we presaged in the last report. The reduction in overseas revenue was partially compensated by the growth in our core market. Revenue generated from Hong Kong construction business and electrical and mechanical installation ("E&M") business had been up by 5% and 6% respectively as compared to last year. We believe that our strong presence in local market would support further growth in revenue.

Consolidated gross profits decreased from HK$459 million to HK$393 million. The drop in revenue from Singapore and Macau impacted also the gross profits. Besides, a further provision for rectification cost of HK$30 million for "lead water incidence" follow-up works was made which hit gross profits too. Yet, to our relief, these negative factors are non-recurring. The adverse impact on the Group's gross profits would not happen again next year.

Operating expenses increased only slightly by HK$10 million, or 2% to HK$456 million. As to the operating costs, staff costs are still the major concern. Hong Kong jobless rate falls to 20-year low. The booming employment market drives salaries upward continuously. We managed to control the size of the workforce and keep the staff costs stable.

This year, we attained a consolidated profit before tax of HK$51 million whilst last year was a loss of HK$22 million. Appreciation in Renminbi and Singapore dollar brought to the Group an exchange gain of HK$67 million. Earnings per share for the year was HK11.99 cents, compared with losses per share of HK6.8 cents last year. Net asset value attributable to equity holders of the Company as at 31 March 2018 was HK$1,476 million (2017: HK$1,395 million), equivalent to HK$3.37 (2017: HK$3.18) per share based on 438,053,600 ordinary shares in issue. The Group has enhanced its balance sheet strength and improved in term of cash flow. With an improved cash flow from project works, the Group has reduced total borrowing by HK$277 million.

Dividend

In the Board meeting held on 27 June 2018, the Directors recommended the payment of a final dividend of HK1.50 cents (2017: HK1.38 cents) per share. Together with the interim dividend of HK1.50 cents (2017: Nil) per share, total distribution was HK3.00 cents this year, representing a year-on-year increase of 117%. 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 15 August 2018 (Wednesday), will be payable on 12 September 2018 (Wednesday) to the shareholders whose names appear on the register of members of the Company on 31 August 2018 (Friday).

Review of Operations

Building construction, renovation and maintenance

The segment generated revenue of HK$4,017 million, 15% lower than prior year's sale at HK$4,738 million. The fall short came from Singapore and Macau operations which was anticipated in light of our strategic decisions. During the year we completed all the on-hand projects and halted bidding construction projects in Singapore. Singapore construction industry continued to contract in 2017 and plummeted by 8.4% year on year as a result of notable slowdown in private sector construction demands since 2015. Besides, rising competition from overseas and tightened control on the use of foreign workers caused contract prices dropped to low level that made paper-thin profit. As we maintained our disciplined approach to resources allocation focusing on sustainable financial return, we opt not to take on further construction projects until we find the expected return from the market opportunities justify the risk taken. Likewise in Macau, we take cautious approach in bidding new projects. In Macau, we focus primarily on hotel development projects which market activities were peak in 2015 and 2016. The market slowed down in 2017 and profit margin was deteriorated as a result of keen competition. We rather brought back resources to Hong Kong which is in good shape. Revenue earned from Hong Kong construction business was up by 5% as compared to last year. During the year, we completed on time a sizeable public housing project of over 4,000 number of public rental housing units, despite the fact that the relevant works were substantially delayed and disrupted by various external factors. We pride ourselves in timely delivery of projects while upholding high standards in quality.

Apart from the decrease in revenue, losses were reported from Singapore and Macau operations, resulted in a segment loss this year. As stated earlier, the Group did not take on new projects in both regions and worked to the completion of existing projects. Though we had trimmed down the operation scales as much as we can, there were unavoidable project overheads. In the absence of economies of scale, profitability was impacted. In any cases, these adverse impacts were not recurring. All projects in Singapore and Macau were completed and respective performance was at large reflected on book. Current operation costs have been reduced to very low level that would not impact the profit from next year onwards. Besides, the profit was hit by an additional provision of cost of HK$30 million as a result of delay in the completion of "lead water incidence" follow-up works. Regarding the water pipe replacement works, we have completed all permitted works. The additional provision of cost is adequate to the finalization of works.

The amount of new contracts awarded this year was only HK$404 million. In respect of new works public housing projects, we noted that numbers of small scale projects increased in the reporting year whilst sizeable projects were somewhat less. This, to some extent, affected our new business in-take opportunity because we tend to aim at large projects. In fact, we were awarded one large public housing project with a contract sum of HK$2,372 million after the year end. As to the fit-out and maintenance division, the team was fully engaged in executing current projects, comprising the four major contracts secured a year before. After the year end, we won a maintenance term contract worth HK$520 million.

Contracts in hand as at 31 March 2018 remained at a healthy level at HK$17,341 million whereas last year stood at HK$18,889 million.

Hong Kong's notoriously high construction costs make it ranked second highest, just next to New York globally. There is pressing need to improve the industry's productivity and efficiency. Building Information Modeling ("BIM"), a smart tool, to enhance the overall productivity of the industry was found to be more widely adopted in recent years. In fact, Hong Kong Government has stated in 2017 Policy Address that Government will actively seek to require consultants and contractors to use this modeling technology when undertaking design of major government capital works projects from 2018 onwards. Given the Group's widely recognized experience and expertise in Virtual Design and Construction ("VDC") technologies and BIM, revenue generated in this respect grew by almost 30% year-on-year. During the year, we have handled many distinctive projects, one of which was the Group's residential development in Tai Kok Tsui, developed jointly with URA. The project adopted the Micro to Macro Full Lifecycle Management. Through applying the "Big Room" Concept, the entire project team (architect, engineers, contractors, and subcontractors) completed the General Building Plan for submission to Buildings Department in only 37 days through 6 "Big Room" meetings. Also, we, as an owner, integrated first time BIM-GIS for better allocation of space and connectivity and achieved a full utilization of BIM-GIS by developing an ultimate project communication application namely BIMxVGIS. Besides, we also developed an add-on with local features by integrating a 3D modeling software into EcoDesignerSTAR for energy simulation in design stage and successfully attained BEAM Plus New Buildings (v.1.2) Provisional Platinum Certificate, issued by The Hong Kong Green Building Council. The tool makes the application for BEAM compliance assessment a lot easier and more efficient.

We are also active in the provision of BIM services in overseas markets. Our excellent performance and goodwill gained in the pre-construction consultancy services rendered to the Hong Kong Sanatorium & Hospital's medical centre brought to us another business of the kind. We were awarded a BIM services and provision of training contract for the construction of Singapore National Cancer Centre which houses a patron therapy center. Besides, we were engaged by Singapore Building Construction Authority Academy in the fourth consecutive year to provide 4D BIM site management and 5D BIM cost management seminars. In Malaysia, we provided 5D BIM consultancy and training services for a renowned property developer.

BIM and VDC technologies are the next great leap forward for Hong Kong's construction industry. The Group's expertise and experience in this respect differentiate us from others and would bring to us more business opportunities.

Electrical and mechanical installation

The E&M segment has delivered a very positive result achieving growths in both revenue and gross profit this year. With a solid order book built up over the years, the division accomplished an increase in revenue by HK$55 million, or 3% to HK$2,082 million year-on-year. The team had worked hard to catch up the fall short in work done happened in the first half year. Several major projects were delivered on time before the end of the year. Besides, our presence in Hong Kong has been expanding. In fact, this year's revenue was the second highest to date. As the market outlook is good, shortage in manpower especially engineers is severe. Total operating expenses rose by 5% year-on-year, caused mainly by pay rise. In any event, the segment delivered a growth in profits before tax by 10% compared with last year.

Though Hong Kong Government unveiled in 2015 an Energy Saving Plan for the Built Environment 2015 – 2025+, which sets a new target of reducing Hong Kong's energy intensity by 40% in 2025, it seemed market activities has not raised much in response as many clients may still in the planning stage or look for options. However, we found the market was gearing up in the year and more and more projects and opportunities unleashed. REC, our E&M subsidiary, is a well-recognized brand in the industry for green building and energy optimization solutions. It received a lot more enquiries and requests this year. Under the positive market sentiment, our revenue generated from green business was 70% up on the prior year figure. We delivered fifteen Energy Optimization Solutions (EOS) projects including North Point Government Office, Yaumatei Specialist Clinic at Queen Elizabeth Hospital, Hong Kong Air Cargo Terminal Limited etc., all of them achieved power saving exceeding the targets. Also, the sales of energy saving and environment protection products like intelligent Fan Coil Unit – iFCU™, Bamako Burner™ keep rising as a result of increasing repeated orders. Bamako Burner™, our developed product, featured with effective fly ash and smoke treatment system can reach 99.3% of pollutant removal rate without using any chemicals or additional filters. It is designed to minimize health and environmental impact of black smoke on neighbor residents, facility staff, and worshippers. Total sales of the product have been accumulated to around HK$50 million since its launch. According to the latest Private Columbaria Ordinance, all private columbaria must fulfill specified Environmental Protection Department's regulations. We see great business potentials for Bamako Burner.

For demonstrations of our inventions and competency in smart living technologies, we established a Smart BMS Lab to exhibit our products and applications in smart building management especially the technologies in integrated mobile solutions. A number of visits had been arranged with existing and prospective clients. We gained a lot of positive feedbacks and inputs through this kind of interactive activities which give insights of customer needs and future development direction.

To further extend our market position, we started pursuing strategically environmental engineering projects by partnering with different expertise a few years ago. This year we were awarded as joint venture an on-site chlorine generation for water treatment plants project amounted to HK$520 million, by far the largest-ever contract obtained by this sector. Profit margins erode in the highly competitive conventional E&M business. We are diversifying into a wider scope of relevant services for sustainable return.

New contracts secured in this year amounted to HK$1,832 million. As at 31 March 2018, value of contracts in hand remained at a high level of HK$7,288 million, representing a solid order book which gives a clear visibility of sales performance in coming periods.

Building materials supply

The Group made a successful entry to the prefabrication construction market in Mainland China last year. Building on that momentum, we extended our presence to Fuzhou and Hubei Yichang by forming two more joint ventures during the year. Soon after the existing joint venture factories established, our businesses would cover five major cities in four provinces. Our joint venture partners comprise property developers and main contractors who would be able to bring in businesses once the factories are ready.

The first joint venture factory is now under construction in Jurong District of Zhen Jiang City. Total site area of the development would reach 199,998 square meters to be delivered in three phases. The first phase is expected to be completed before the end of 2018 and to deliver first batch of sales early next year. Another piece of land was identified for the Yi Chang joint venture. The development plan of the factory has been confirmed and construction will commence soon. First phase of development is targeted to be completed and operated before end of 2018. Meanwhile, we are negotiating another two pieces of factory land which hopefully could be secured before the end of the year.

To facilitate the implementation of Government policy in promoting prefabrication and modular construction, Shenzhen City Housing and Construction Bureau issued the "Notice on Accelerating Prefabrication Construction" aiming to uplifting the skill of prefabrication construction workers in the City. As a renowned expert in prefabrication, Yau Lee Wah was honored to be Shenzhen City's first large integrated prefabrication construction field training center. By partnering with the Building Industrialization Association of Shenzhen, the authentic association for the training matters of the industry in Shenzhen, we provide accredited training courses to the industry workers. Besides, we provide management training too. We partner with Nanjing University to offer a program to senior management of the industry. The plan is to convert it to a degree course eventually. Meanwhile, a number of education and training cooperation is in discussion with various authentic associations and prestigious universities. Education and training is an important sector in Mainland China. We are glad to contribute our expertise to the industry whilst doing a business.

In term of sales, the division recorded a reduction of 21% from HK$608 million in the prior year to HK$481 million in the reporting year. During the year, some of the production resources had been used to support the prefabrication industrialization development, for example, formulating joint venture operations standards and practices. Business operation was therefore temporarily affected. Despite so, the segment reported a profit this year whilst last year was a loss because gross profits margin attained in this year improved and the exchange turned from loss to gain during the year due to appreciation in Renminbi. Actually, the operating expenses of the division had been increased this year because more manpower was recruited to develop the prefabrication construction business in Mainland China. When this new business comes into operation later, the overall profits shall be up further.

On process improvement and technology development, we invest relentlessly for advancement and innovation. More process automations have been implemented and applications of BIM in product design and production planning were extensively adopted. Our commitment to research and development will continuously strengthen our position as a leading player in prefabrication.

Hotel operation and property investment and development

Hong Kong recorded 58.47 million tourist arrivals in 2017, up by 3.2% from a year earlier according to the Hong Kong Tourism Board. Growth in overnight visitor arrival was even higher at over 5% year-on-year, with major growth from Mainland visitors at 6.7% and the rest at 1.9%. Overall hotel occupancy therefore rose 2% to 89% year-on-year. Despite so, overall room rate up only 0.1% as a result of intense competitions and increase in hotel room supply. Our hotel, reputed for the good services and convenience of location attains a balanced mix of customer base which enables us to enjoy the recoveries in both leisure and business travel visitors. Our growths in occupancy and average room rate outperformed the industry averages, leading to the increases in total room revenue and EBITA by 12% and 18% respectively year-on-year. The rising momentum continues as occupancy and room rates in first two months after the year end kept growing.

The hotel business contributes profits and steady cash flow to the Group even when the tourism industry was sluggish in past few years. We expect the financial return would rise further as market forecasts the number of total visitor arrivals would continue to grow after the Express Rail Link and Hong Kong-Zhuhai-Macau Bridge come into service later this year.

Regarding the commercial/residential mix development on Pine Street/Oak Street in Tai Kok Tsui, the expected completion date remains at before end of 2020 by then the development will provide a smart, green and healthy living environment to the community. As stated, the project has adopted Micro to Macro Full Lifecycle Management with several breakthrough, like Big Room Concept for shortened design process, localized add-on in EcoDesignerSTAR for energy simulation and BIMxVGIS for project communication, which improved greatly the productivity and efficiency. The development already attained BEAM Plus New Buildings (v.1.2) Provisional Platinum Certificate. At present, piling work is ongoing and should be completed in the third quarter of 2018. Meanwhile, we are in the process of applying the pre-sale consent. We will make all sales and marketing arrangements ready for launch once the approval obtained.

Outlook

The Express Rail Link and the future development of Greater Bay Area bring tremendous opportunities to Hong Kong. Hong Kong's economy is poised to grow at least in near term. The construction industry which has long been an engine to support the city development would remain prosperous. In light of the increasing construction demands, Government has in this year's budget report urged the industry to continue to upgrade through wider adoption of innovative technology to enhance productivity, built quality, environmental performance and site safety. We are proud to claim a frontrunner in innovations and construction technologies and would continue to invest inexorably in advanced and disruptive technologies at Industry 4.0 and adapt to local usage for better return and to contribute to the community as well. Recently, we start exploring the robot-based construction. We engaged a robotic company to develop robotic applications at site. In the first phase, we would develop robot to handle certain works at height and monotonous tasks. Fall from height is one of the most common causes of construction site fatalities. We aim to help the industry to boost productivity, quality as well as safety.

In respect of prefabrication industrialization development in Mainland China, I am very much looking forward to sharing with you exciting progress next year. Last year, we had a lot of deep conversations with various prospective partners. At large, we set the development blueprint and framework. More partnerships could be signed next year as the process would be speed up. Also, we will build more joint venture factories and we may probably share with you operation results of one or two in next report.

For the compensation of entitlements to a total construction area of 10,000 m^2 in the new residential properties to be constructed on the former Longhua factory site area, the anticipated handover date remain to be Year 2020. The construction work commenced. Though the progress is slightly behind, there is still plenty of time to catch up. Recent market prices of residential properties in the related area reach over RMB50,000 per square meter. Considerable upward in return would be realized upon the handover of assets to the Group.

Looking ahead, we continue to firmly commit to innovation and sustainability which are key aspects of our strategy. Our aspiration to excellence will help us weather the volatile economic, political and social circumstances that we note today.

In conclusion, I, on behalf of the Board, would like to thank our colleagues for their efforts and contributions. I also thank our shareholders for their support to all the necessary changes we made to the Group over the years. Your patience is appreciated and we look forward to bringing rewarding returns to you.

By order of the Board

Wong Ip Kuen
Chairman

Hong Kong, 27 June 2018

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 2018, the Group's total cash and bank balances was HK$782 million (2017: HK$738 million) and total borrowings decreased to HK$2,248 million (2017: HK$2,525 million). The decrease in borrowings was primarily due to improved project cash flow to repay some loans. The current ratio (total current assets: total current liabilities) as at 31 March 2018 was 1.5 (2017: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK$1,243 million (2017: HK$989 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 2018, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,173 million (2017: HK$5,084 million), of which HK$2,701 million (2017: HK$3,007 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 2018, the Group had approximately 2,800 (2017: 3,100) employees. There are approximately 2,100 (2017: 2,300) employees in Hong Kong, Macau and Singapore and 700 (2017: 800) 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.

Movement of incomplete contracts

For the year ended 31 March 2018

Contract value

	31 March 2017 HK$'million	Contracts Secured HK$'million	Contracts Completed HK$'million	**31 March 2018 HK$'million**
Building construction, renovation and maintenance	18,889	404	(1,952)	**17,341**
Electrical and mechanical installation	6,328	1,832	(872)	**7,288**
Building materials supply	1,768	261	(365)	**1,664**
Others	15	18	(11)	**22**
Less: Inter-segment contracts	(3,441)	(800)	251	**(3,990)**
	23,559	1,715	(2,949)	**22,325**

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2018

Contracts

Building Works at Punggol East Contract 39B in Singapore

Building Works for Park Hotel at Rangoon Road in Singapore

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

Building construction, renovation and maintenance segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2018

Contracts

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

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

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

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

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

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

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

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

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

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

Construction of Public Rental Housing Development at Fanling Area 49

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

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Designated Contract Area: Kowloon City, Sai Kung and Outlying Islands (Sai Kung))

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Designated Contract Area: Wong Tai Sin and Sha Tin)

Building construction, renovation and maintenance segment (continued)

Contract secured in current year

Contract

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

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

Contracts

Advance Works for Central Market, Central District, Hong Kong

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

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2018

Contracts

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

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

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

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

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

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

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

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

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

* Inter-segment contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2018

Contracts

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

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

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

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

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

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

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

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

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

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

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

* Inter-segment contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2018 (continued)

Contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

* Inter-Segment contracts

Electrical and mechanical installation segment (continued)

Contracts secured in current year

Contracts

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which Architectural Services Department (Property Services Branch) is Responsible (Designated Contract Area: Kowloon City, Sai Kung and Outlying Islands (Sai Kung))*

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which Architectural Services Department (Property Services Branch) is Responsible (Designated Contract Area: Wong Tai Sin and Sha Tin)*

Design, Supply and Installation of H2 Lighting Control System & Installation of H2 Lighting Fittings at New World Centre

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

MVAC Services/Electrical/Fire Services/Plumbing & Drainage Installation for the Proposed Development for URA Project at Pine Street/Oak Street, Tai Kok Tsui, Kowloon*

Maintenance Services for Building Services at South Island Line (East)

Triennial Contract for Maintenance & Repair of, Alteration, Addition to, Fire Service Installations in Municipal Venues for The Government of The Hong Kong Special Administrative Region

Four Years Term Contract for the Maintenance & Repair, Alteration & Additions to Fire Service Installation in Venues of the Government of the Hong Kong SAR Maintained by General Engineering Services Division In Kowloon & New Territories

HVAC, BMS, P&D Supply and Installation for Wuxi Hang Lung Centre 66 Phase 1 Office Tower 2

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

Contract

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

Contracts secured by a joint operation in current 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

Executive directors

Mr. Wong Ip Kuen

aged 82, is the Chairman of the Group. Mr. Wong has over 60 years of experience in the building construction industry of Hong Kong. He is responsible for the overall strategic development and management of the Group. Mr. Wong is the father of Ir. Wong Tin Cheung and Ms. Wong Wai Man.

Ir. Wong Tin Cheung, BBS, JP

aged 54, has been with Yau Lee Group for almost 30 years. He is the Vice Chairman of the Company, undertaking the posts of Managing Director of Yau Lee Construction Company Limited.

Ir. Wong is responsible for formulating the Group's overall strategic planning and overseeing business development as well as investment strategy. Ir. Wong is committed to the research and development of green building technologies and green building materials manufacturing, precast construction technologies and the technologies in automation for mould manufacturing, energy efficient electrical and mechanical systems and the use of renewable energy to fulfill the global carbon reduction needs. Started from 2017, Ir. Wong put a great effort in developing construction Robotics and implementing artificial intelligence to promote smart construction techniques in the construction industry.

Ir. Wong holds a Bachelor Degree in Civil Engineering from the University of Southampton, Master Degree in Foundation Engineering from the University of Birmingham, Master Degree in Business Administration from The Chinese University of Hong Kong and Bachelor Degree in Religious Studies from the Holy Spirit Seminary College of Theology & Philosophy. He is a Fellow of both the Chartered Institute of Building and the Institute of Civil Engineers (United Kingdom). In 2009, he was conferred a Honorary Fellow by the Vocational Training Council and a Honorary Fellow by the University of Central Lancashire in recognition of his contributions. He was admitted as Fellow of the Hong Kong Institution of Engineers in March 2015.

In public services, Ir. Wong is appointed as the Deputy Chairman of Vocational Training Council, Member of the Advisory Council on the Environment, as well as Member of the Trade and Industry Advisory 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 Asian and Western Pacific Contractors' Associations, the Chairman of Pneumoconiosis Compensation Fund Board, the Member of Construction Industry Council, the Member of the Antiquities Advisory Board, the Member of the Panel on Promoting Testing and Certification Services in Construction Materials Trade and the Director of the World Green Building Council.

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

He was awarded the "2001 Hong Kong Outstanding Young Digi Persons Award" and the "Bauhinia Cup Outstanding Entrepreneur Award 2002" presented by The Hong Kong Polytechnic University.

Ir. Wong was a Member of 11th Guizhou Province Committee of the Chinese People's Political Consultative Conference. Ir. Wong was appointed and served as Justice of the Peace (JP) in 2008 and awarded the Bronze Bauhinia Star (BBS) by the Government of the HKSAR in the year of 2013 for recognition of his outstanding contributions made to Construction Industry.

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

Ms. Wong Wai Man

aged 51, has been appointed as an Executive Director of the Company since 2008, after working with different entities in the Group since 2003.

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

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

Ms. Wong is also a Director of Hong Kong Cyberport Management Company Limited, Vice President of Smart City Consortium and the Chairperson of its Smart Living Committee, Deputy Director of China Green Building (Hong Kong) Council, Member of Transport Advisory Committee of The Government of the HKSAR, Member of the Environment and Conservation Fund Committee of The Government of the HKSAR, Member of the Long-Term Decarbonisation Strategies Support Group of Council for Sustainable Development of The Government of the HKSAR, Founder and Chairperson of Smart Generation Leadership Council, Council Member of The Better Hong Kong Foundation, Member of The Zonta Club of Kowloon, Exponential Advisory Board Member of Singularity University and Advisory Board Member of Center for Integrated Facility Engineering (CIFE) at Stanford University.

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

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

Mr. Sun Chun Wai

aged 57, earned a Bachelor Degree in Britain. He joined the Group in 1992 to manage the Group's property development, construction works, manufacturing and supply of building materials, and development and marketing of computer software in Mainland China. Mr. Sun was appointed as an Executive Director of the Company in 1994 and is responsible for the Group's business management and development in Mainland China.

Independent non-executive directors

Mr. Chan, Bernard Charnwut

aged 53, has been an Independent Non-Executive Director of the Company since 2000. He is a graduate of Pomona College in California, USA and he holds the positions of Executive Director and President of Asia Financial Holdings Limited and Asia Insurance Company Limited. Mr. Chan is a Hong Kong Deputy to the National People's Congress of the People's Republic of China and the Convenor of the Non-Official Members of the Executive Council. He is Chairman of the Hong Kong Palace Museum Ltd., Chairman of the Committee on Reduction of Salt & Sugar in Food and the Steering Committee on Restored Landfill Revitalisation Funding Scheme. He is an Independent Non-Executive Director of Chen Hsong Holdings Limited and China Resources Beer (Holdings) Limited, all of which are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). In addition, he is also an Advisor of the Bangkok Bank (China) Company Limited, the Chairman of Hong Kong-Thailand Business Council, the Chairperson of The Hong Kong Council of Social Service and a Trustee of the Pomona College, California, USA.

Mr. Wu King Cheong

aged 66, 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 72, has been an Independent Non-Executive Director of the Company since 1993. Dr. Yeung is Director and Vice President of Perfekta Enterprises Limited, a toy manufacturing company. He holds directorships of companies in Hong Kong, Macau, Mainland China, USA and Australia, which are engaged in electronics, trading and agricultural businesses. He is a Standing Committee Member of the National Committee, The Chinese People's Political Consultative Conference, an Executive Committee Council Member of the Hong Kong Management Association, the Chairman of Macau Productivity and Technology Transfer Centre, a Member of World Presidents' Organisation. He was awarded the Medal of Merit by the Macau Government in 1994, Commander of the Order of Merit by the Government of Portugal in 1998, the Medal of Professional Merit by the Macau SAR Government in 2001 and Gold Lotus Medal of Honor by the Macau SAR Government in 2010. He is also listed in "The Marquis Who's Who in the World" and "The International Who's Who of Professionals".

Senior management#

Mr. Au Kam Fai Eric, Commercial Director

aged 64, 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

Mr. Chan Chi Ming Antonio, Executive Director of REC Engineering Company Limited
aged 56, joined the Group in 1996 as a Building Services Project Manager and became Building Services Manager in 2002. He was appointed as Executive Director in 2008 upon successful acquisition of REC Engineering Company Limited as part of the Group. He was promoted to Deputy Managing Director starting from January 2018 and is now responsible for the overall operation of the company in Hong Kong, China, Macau and Singapore. Under the directions of the Board of Directors, he successfully leads his team to achieve triple platinum international green awards plus Three Star Rating awarded by China Green Building Design Label in the Group's hotel development – Holiday Inn Express Hong Kong SoHo.

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

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

Mr. Hui Yuet Chun, Executive Director of REC Engineering Company Limited
aged 63, joined REC Engineering Company Limited in 1992 as Manager of the Environmental Engineering Department and was appointed as Executive Director in 2018. Over the years, he has been involved in the Hong Kong and Macau projects.

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

Ms. Lam Kwok Fan, Chief Financial Officer and Company Secretary
aged 52, joined the Group in 2012. She holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and Executive Master Degree in Business Administration from The Chinese University of Hong Kong. She is a Practicing Member of the Hong Kong Institute of Certified Public Accountants, a Fellow Member of the Association of Chartered Certified Accountants and an Associate Member of the Hong Kong Institute of Chartered Secretaries. She has almost 30 years of experience in auditing, accounting, finance and company secretarial field. Prior to joining the Company, she has worked for one of the big four international audit firms and has held senior finance positions in international bank and large corporation.

Mr. Lee Shiu Ming, General Manager

aged 61, joined the Group in 1987. He has held various posts within the Group namely, Quality Control Engineer, Research, Design and Development Manager, Project Manager and Deputy General Manager (Engineering) before promotion to the present position in 2016. He has over 30 years working experience, particularly in the precast construction technology. He holds a Higher Diploma in Structural Engineering and a Master Degree in Business Administration (Total Quality Management). He is a Chartered Engineer in UK and a Corporate Member of the Institution of Structural Engineers. He is also a Fellow Member of the Hong Kong Institution of Engineers and a Registered Professional Engineers (Structural). He has been appointed as an Adjunct Associate Professor in the Department of Civil and Environmental Engineering of The Hong Kong Polytechnic University. He is currently serving as a council member and a Vice-Chairman in Building Committee of Hong Kong Construction Association.

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

aged 60, joined REC Engineering Company Limited in 1981 and was appointed as Executive Director in 2018. Over the years, he has been involved mainly in the Hong Kong operation.

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

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

aged 59, joined REC Engineering Company Limited in 1986 as Assistant Engineer of the Electrical Installation Department and was appointed as Executive Director in 2011. Over the years, he has been involved in the Hong Kong and Macau operations.

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

He is a Member of the Hong Kong Institution of Engineers and the Institution of Engineering and Technology. Currently he is the Chairman of the Hong Kong Electrical Contractors' Association, Council Member of The Hong Kong Federation of Electrical and Mechanical Contractors Limited, Council Member of The Hong Kong E&M Contractors' Association Limited, Member of the Factories and Industrial Undertakings (Safety Management) Regulation – Disciplinary Board Panel, Member of the Electrical and Mechanical Services Training Board of the Vocational Training Council, Member of the Electrical Safety Advisory Committee, Member of the EMSD Customer Liaison Group and Member of the Electrical & Mechanical Services Industry Training Advisory Committee of the Qualifications Framework.

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

aged 59, 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 2018.

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 HK1.50 cents (2017: Nil) per share was paid during the year ended 31 March 2018.

In the Board meeting held on 27 June 2018, the Directors recommended the payment of a final dividend of HK1.50 cents (2017: HK1.38 cents) per share, totalling of HK$6,571,000 (2017: HK$6,045,000) for the year ended 31 March 2018.

Closure of register of members for AGM

The register of members of the Company will be closed from 10 August 2018 (Friday) to 15 August 2018 (Wednesday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 15 August 2018 (Wednesday).

In order to qualify for attendance to the AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 9 August 2018 (Thursday).

Closure of register of members for payment of final dividend

The register of members of the Company will be closed from 29 August 2018 (Wednesday) to 31 August 2018 (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 2018, 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 28 August 2018 (Tuesday).

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$554,000 (2017: HK$378,000).

Principal properties

Details of the principal properties held for investment purposes are set out on page 131 of this annual report.

Distributable reserves

At 31 March 2018, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK$926,287,000 (2017: HK$937,461,000).

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 132 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 2018.

Directors

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

Executive Directors

Mr. Wong Ip Kuen *(Chairman)*
Ir. Wong Tin Cheung *(Vice Chairman)*
Ms. Wong Wai Man
Mr. Sun Chun Wai

Independent Non-Executive Directors

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

In accordance with the Company's bye-laws and the Corporate Governance Code and Corporate Governance Report (the "Code") under The Rules Governing the Listing of Securities on The SEHK ("Listing Rules"), Ir. Wong Tin Cheung, Mr. Wu King Cheong and Dr. Yeung Tsun Man, Eric 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 2018, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

Management contracts

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

Major suppliers and customers

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

Purchases

–	five largest suppliers	13%
–	the largest supplier	5%

Sales

–	five largest customers	75%
–	the largest customer	52%

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 2018, which do not constitute connected transactions under the Listing Rules are disclosed in Note 39 to the consolidated financial statements.

Sufficiency of public float

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

Corporate governance

The Company's Corporate Governance Report is set out on pages 27 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, 27 June 2018

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 17 to 21 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.

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

	Number of meetings attended/held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	General Meeting
Mr. Wong Ip Kuen	4/4	N/A	N/A	N/A	N/A	1/1
Ir. Wong Tin Cheung	4/4	N/A	1/1	N/A	1/1	1/1
Ms. Wong Wai Man	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Sun Chun Wai	3/4	N/A	N/A	N/A	N/A	1/1
Mr. Chan, Bernard Charnwut	4/4	2/2	1/1	1/1	1/1	1/1
Mr. Wu King Cheong	4/4	2/2	1/1	1/1	1/1	1/1
Dr. Yeung Tsun Man, Eric	3/4	1/2	1/1	1/1	0/1	1/1

Committees of the Board

In accordance with the Code, the Board has established Audit, Remuneration, Nomination and Corporate Governance Committees, each with defined terms of reference and is chaired by an Independent Non-Executive Director. The duties of the four committees are as 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 2018, the Audit Committee held two meetings to review the results, the accounting principles and practices adopted by the Company and discuss with senior management and the independent auditor on the matters arising from audits and the effectiveness of the Company's internal control and risk management system. The record of attendance of the members is listed above.

Remuneration Committee

The Remuneration Committee was established in 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 2018 and the record of attendance of the members is listed on page 28. 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 2018 and the record of attendance of the members is listed on page 28. The members of the Nomination Committee are:

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

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

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

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

Corporate Governance Committee

The Corporate Governance Committee was established in 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 2018 and the record of attendance of the members is listed on page 28. The members of the Corporate Governance Committee are:

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

Directors' training

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

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

Name	Attending seminar(s) or programme(s)/reading relevant materials
Executive Directors	
Mr. Wong Ip Kuen	✓
Ir. Wong Tin Cheung	✓
Ms. Wong Wai Man	✓
Mr. Sun Chun Wai	✓
Independent Non-Executive Directors	
Mr. Chan, Bernard Charnwut	✓
Mr. Wu King Cheong	✓
Dr. Yeung Tsun Man, Eric	✓

Auditor's remuneration

The Company engaged PricewaterhouseCoopers as the Company's independent auditor. For the year ended 31 March 2018, PricewaterhouseCoopers provided the following services to the Group:

	2018	2017
	HK$'000	*HK$'000*
Audit services	**5,375**	5,340
Non-audit services	**495**	462
	5,870	5,802

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 2018, 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.

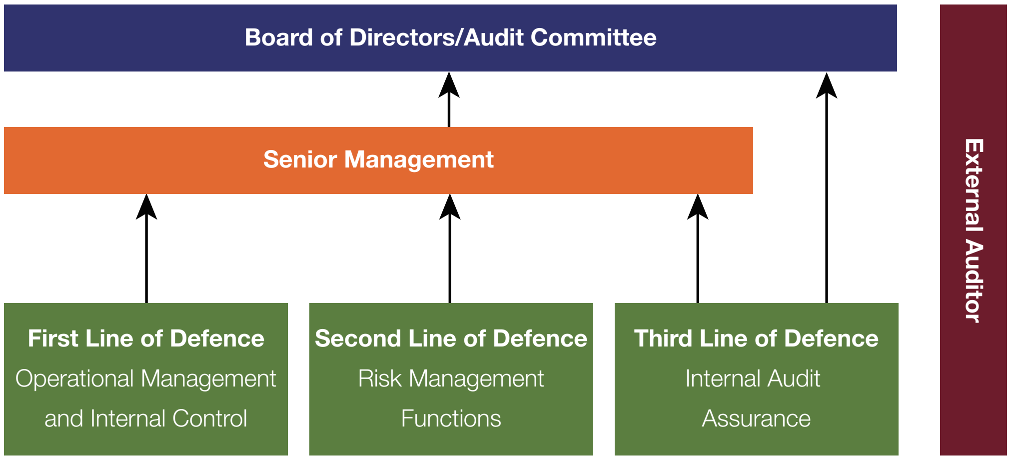
Risk management and internal control

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.

Risk management framework

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



Risk management procedures

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

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

During the reported year, management has engaged an independent international accounting firm, Baker Tilly Hong Kong, for an enterprise risk assessment which was conducted under the approach adopted in the "COSO Enterprise Risk Management – Integrated Framework". According to the assessment result, management has updated the enterprise risk register with the changes of risk factors, 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. Accordingly, effective channels will be set up to encourage employees to report incidents of alleged misconduct or fraud.

Internal Audit

The Company has implemented an internal control system to minimise the risks to which the Company is exposed to and used as a management tool for day-to-day business operation. The internal control system is reviewed once a year. Same as the past, the Board has appointed Baker Tilly Hong Kong, to conduct a review of the Company's internal control system for the year ended 31 March 2018. The review covered financial, operational and compliance controls on selected operation cycles according to the Company's 3-year internal audit plan. In the review report, corrective action and improvement programs have been proposed for the internal control problems or deficiencies found. The results of the internal control review have been submitted to the Corporate Governance Committee for consideration.

Based on the review results for the year, management has made a confirmation to the Board that the Company's risk management and internal control systems are effective and sufficient. The Board is satisfied with the review results and pleased to receive management's acknowledgement. As part of the annual review process, the Board has performed evaluation of the Company's accounting and financial reporting function to ensure that there is adequacy of resources, staff qualifications and experience, training programmes and budget of the function.

The Board will continue to review and improve the Company's risk management and internal control systems in accordance with the existing regulatory requirements, the interests of shareholders and the growth and development of the Company's business.

Directors' and employees' securities transactions

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions by the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2018.

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 2018 except for deviations from the code provisions as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. However, the roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Wong Ip Kuen. The current structure enables the Company to make and facilitate the implementation of decisions promptly and efficiently.

Shareholders' rights

Procedures for shareholders to convene a special general meeting

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

Procedures for shareholders to put forward proposals at general meetings

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

Procedures for shareholders to send enquiries to the Board

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

Communication with shareholders

The Company's AGM provide good opportunities for shareholders to air their views and ask questions regarding the Company. In the AGM, the chairman of the Board and the chairmen of Board Committees (in their absence, another member of the committee or failing this his duly appointed delegate) will attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The independent auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

Separate resolutions are required at general meetings on each distinct issue. Each shareholder is permitted to appoint one or more proxies to attend and vote in his/her stead.

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

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

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

Voting by poll

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

Changes in constitutional documents

There is no change in the Company's constitutional documents during the year ended 31 March 2018.

Our Approach

Yau Lee Group ("Yau Lee") is a Hong Kong-based construction company with a diversified portfolio of construction-related businesses ranging from building materials supply and construction through construction technology service to hotel operations, serving the Greater China Region and Southeast Asia. To us, adopting good sustainability practice is not only the right thing to do; it's also the smart thing to do. Nowadays, our clients are setting the bar higher than ever before, in terms of not only cost efficiency in product delivery and throughout the lifecycle of their assets, but also sustainable outcomes at all levels that minimize environmental impacts and social impacts. Our ability to meet these objectives is, therefore, critical to our success as a business.

We focus on the sustainability areas where we can make the most significant positive contributions: Environment, Safety, Ethics, People and Community. All of these areas are closely related to our core business and expertise, and are interconnected.

Led by our Chairman, our Group's Corporate Social Responsibility (CSR) Policy has been in place since 2012 to pave our way to sustainability. Yau Lee has integrated sustainable elements into different aspects of our businesses from internal staff management to external stakeholder engagement; from green building design to robotic automation for speedy, safe and efficient construction.

Feature of the Report

This Report covers the Yau Lee's diversified operations in Hong Kong, Macau and Mainland China for the calendar year 2017 unless otherwise stated. It is based on information collected from about 80 subsidiaries with operational control under Yau Lee Holdings Limited, representing about 97% of the Group's business scope. Principal businesses include construction, electrical and mechanical installation, building materials supply, property investment and development, and hotel operations.

This Report complies with The Stock Exchange of Hong Kong Limited's (SEHK) Environmental, Social, and Governance Guide (ESG Guide), including specific recommended disclosures set out therein . The Content Index section showcases the alignment of our Report with the ESG Guide.

In line with the ESG Guide's materiality principles, report content is determined in light of the most significant and relevant sustainability risks identified by Yau Lee's management through a risk management framework.

Ethics

Positioning ourselves as one of the leading construction solution providers in Hong Kong, we aim at exceeding regulatory compliances and helping to raise the industry standards in environmental, social and governance performances.

We believe that maintaining high standards of ethics and corporate governance is essential to the success of our business, and is what our stakeholders expect from us. Our Code of Conduct sets out the standards of behavior that we expect our employees to meet at all times on a range of ethical issues, including anti-bribery, fair competition, protection of customer privacy and protection of intellectual property rights (IPR). Clear IPR protection guidelines have been set up and staff are requested to follow.

A Whistleblowing Policy has been established, allowing employees to raise concerns, in confidence, about misconduct, malpractice or irregularities in any matters related to Yau Lee. And we ensure that proper arrangements are in place for fair and independent investigations and appropriate follow-up actions.

Our dedicated efforts were proven effective, with no reported breach of anti-corruption practices or other laws and regulations related to CSR in 2017.

ISO 14001:
Over 70% operations*

ISO 50001:
Over 60% operations*

**Based on business revenue*

Environment

"Construction" or "Built Environment" has been well recognized as the single biggest contributor to global carbon emissions. If we are part of the problem, we should also make ourselves a part of the solution.

Yau Lee embraces these challenges and has worked closely with our business partners to positively influence the whole-life cycle of construction from design, manufacture, construction to operation. An internationally recognized ISO 14001 Environmental Management System and an ISO 50001 Energy Management System have been widely adopted in our subsidiaries as a management tool to control our environmental footprint.

Green Design and Build

A full life cycle approach to sustainability management with the application of Open BIM technologies has been adopted for the Pine Street / Oak Street residential development project. By implementing the "Big Room" Concept for Virtual Design and Construction (VDC), the entire project team (the architect, engineers, contractors, and subcontractors) completed the General Building Plan for submission to the Buildings Department in only 37 days following six "Big Room" meetings.

To facilitate robust project planning, ARCHICAD and EcoDesignerSTAR (BEAM Plus Edition) were used for highly integrated Building Information Models (BIM) as well as energy simulation and analysis to produce excellent energy-efficient building design. It streamlined the transformation of BIM into multiple thermal-zone Building Energy Models (BEM). Ultimately, EcoDesignerSTAR generated green building assessment reports for submission to the Green Building Council (GBC) for performance assessment. HoloLens was also brought in to give the designer and the developer a mixed reality experience with enhanced visual and spatial effects. In late 2017, this project attained a BEAM Plus New Buildings (v.1.2) Provisional Platinum Certificate, issued by the Hong Kong Green Building Council.

120,797 GJ
energy consumed

carbon intensity of
2.25 kg CO_2e per HK$ '000

Combating Climate Change

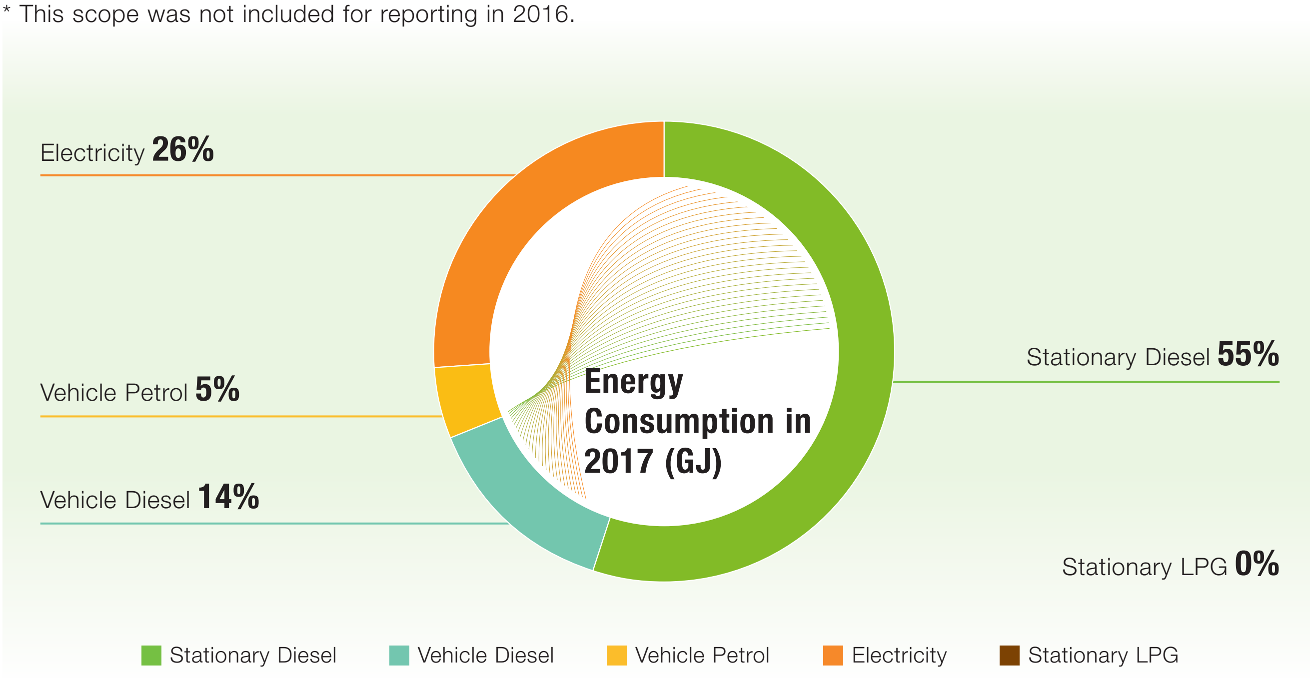
"Global Warming", "Extreme Weather", "Sea Level Rise"… In today's world, we are no longer finding such threats remote from us. As good global citizens, we should take action to combat climate change and make our buildings more resilient to future change.

We continuously innovate, develop and implement various green building initiatives. With an aim to facilitate our clients' efforts to achieve a Certificate of Green Building Design Label (China 3 Star), we have developed a platform with the incorporation of BIM into Mainland China's "Green Building Assessment Standard" framework. Different green elements can be considered for integration at the initial stage to make green building design a lot easier. A trial run of the platform is scheduled for the first quarter of 2019. We have explored and successfully undertaken a project to digitalize documents and streamline construction processes (VHSmart, eForm) so as to reduce paper waste and enhance efficiency. We have also introduced the concept of Full Life Cycle Management with sustainable Open BIM for our clients to facilitate their "cradle to cradle" green building approach. Yau Lee is quick to adopt energy efficient equipment whenever possible, an example being the replacement of less energy efficient T8 fluorescent tubes with LED tubes in our Head Office, achieving over 50% energy savings. We also signed the Energy Saving Charter organized by EMSD and the 4Ts to demonstrate our commitment to energy efficiency and conservation.

With an enhanced data collection system, we have expanded the scope of our environmental data reporting to include the Group's two business streams, Electrical & Mechanical and Building Materials Supply. Due to growing construction business in Hong Kong with more energy intensive works underway, our carbon intensity increased by 13.2% to 2.01 kg CO_2e per HK$'000 compared with the same scope in the previous year. At the construction site level, various energy saving initiatives have been adopted, ranging from energy saving instructions and equipment with energy efficiency labels through motion sensors, LED lightings and central A/C to PV panels. Encouraging improvements have been achieved in terms of individual site performance. For instance, at the Anderson Road construction site, we recorded a 17.2% reduction in energy intensity when compared with 2016.

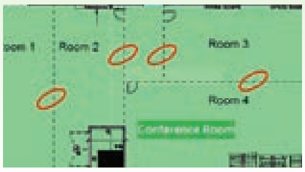
		Construction business (include building construction, office)		Hotel		Electrical & mechanical		Building materials supply	
	Unit	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Energy consumed	*GJ*	**91,825**	81,684	**6,252**	6,150	**2,431**	Nil*	**20,289**	Nil*
Greenhouse Gas Emissions	*tCO_2e*	**7,428**	6,311	**1,390**	1,367	**417**	Nil*	**3,407**	Nil*

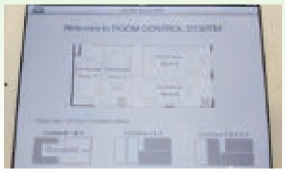
* This scope was not included for reporting in 2016.



Smart Office

The carbon footprint of offices is mainly generated by the use of electricity. Electricity wastage is normally found in big rooms with low utilization rates and only one single control. As a solution to this problem, we have adopted a well-integrated intelligent Room Control System, along with the installation of room dividers to split a big room into smaller units to fit different purposes. With a staff card and an iPad, the user can adjust the air conditioning unit, lighting, projector, door locks and computers in each room in one go. This saves energy by allowing A/C and other equipment to be switched on by demand for specific areas. Big rooms can also be partitioned to create different sub-units based on user needs. This wise design is now adopted for our Head Office.



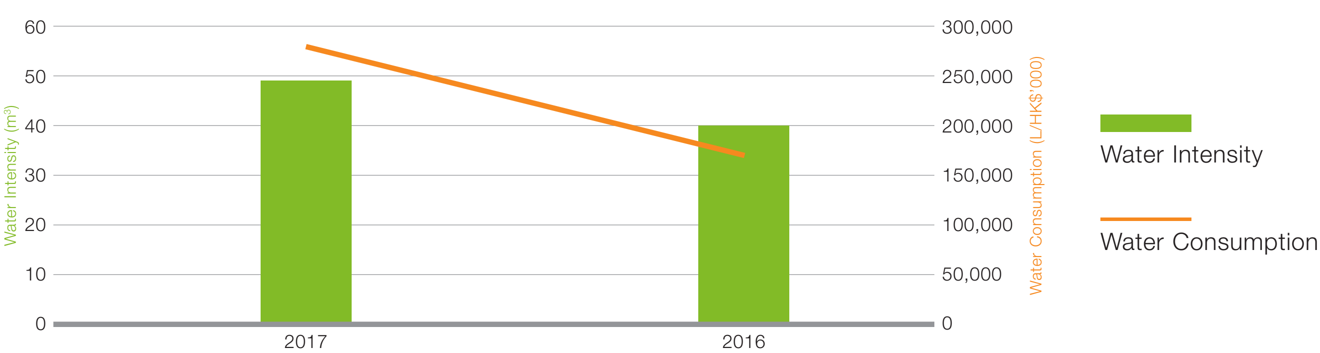


Further improvement will require the support of new technology, more sophisticated analytics for identifying improvement opportunities, and concerted efforts in driving behavioral change.

Water

Water is a precious and limited resource, the value of which is very often underestimated. We have incorporated a wide spectrum of water saving initiatives into our projects in the form of low-flow water faucets and on-site wastewater recycling systems. For example, Yau Lee has installed semi-automatic shoe polishing machines on construction sites. Grey water treated is recycled back to the shoe polishing machines for further use. This not only prevents dirt from spreading to the road outside the site, but also saves water. Water intensity for 2017 was 49.13L per HK$'000, 20.9% higher than in 2016. The increase was mainly due to the inclusion into the report of water consumption in the electrical & mechanical and building materials supply businesses.

Water Performance



Waste

In 2017, all the 11 waste reduction targets, including inert material recycling, rebar steel reduction, office paper recycling and electrical appliances recycling, were either reached or exceeded. Waste to landfill and the amount of recyclable waste collected for recycling each recorded a reduction of about 10% or more. This proved our widely adopted precast elements construction system and behavioral change can effectively help reduce our construction waste and enhance resource utilization.

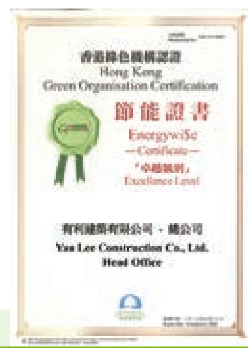
	2017	2016	% Change
Inert material to Public Fill (tonnes)	591,290	703,541	**-16%**
Rebar steel recycle (tonnes)	1,725	2,834	**-39%**
Waste paper recycled (kg)	22,969	25,423	**-10%**

Awards Highlights

Our dedication to driving green industry practices has been recognized and rewarded.

Silver Award of Green Management Award - Corporate (Large Corporation) under Hong Kong Green Awards 2017

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



Hong Kong Green Organisation Certification – Excellence Level for Energywi$e Certificate

Merit Award of Outstanding Environmental Performance of HKCA Hong Kong Construction Environmental Awards 2017

Hong Kong Green Awards 2017

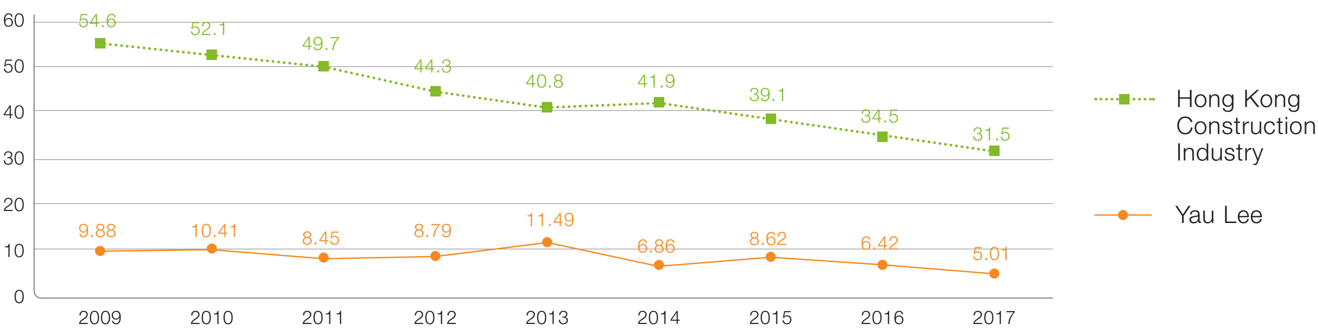
Health and Safety

Health and safety are integral to our business. We are committed to providing a "zero harm" working environment for staff, and will ensure that safety always takes priority over everything else. We comply with all applicable regulations, codes of practice and other guidelines issued by the government authorities in the communities where we operate.

At Yau Lee, we have established the Occupational Health & Safety Assessment Series (OHSAS 18001) to manage safety risks. It provides a framework for monitoring and evaluating the implementation of our safety policies and measures.

Our safety record remains impressive when compared to the construction industry average. It was 5.01 in 2017 with zero fatality.

Accident Rate Performance



"Cool Express"（貼心清涼快車）: Heat stroke prevention measures

In Hong Kong's very hot and humid summer, our construction site and road repairing staff are exposed to a higher risk of heat stroke working in high temperatures. It is our responsibility to take appropriate precautionary measures to ensure the safety and health of employees at work. To prevent the risk of heat stroke, we used to provide drinks with high sugar content or temporary sunshades to staff. However, as providing drinks was not cost effective and not healthy for employees, we initiated a new program -- "Cool Express", providing our employees with a healthier choice to prevent heat stroke.

This program involves the distribution of fruits on construction sites via a trolley cart. Designed by our engineers, the trolley cart, with a maximum capacity of 100kg, features a beach umbrella, with a basket to store fruits and two tables for fruit handling. Trained employees take the responsibility to distribute fruits to other colleagues in specific areas. Due to its flexibility, the trolley cart makes it easier to reach different areas of a construction site and benefit more employees. With the implementation of this program, we won the "Innovative Safety Initiative Award (Health and Welfare)", a featured event of the Construction Safety Week jointly organized by the Development Bureau and the Construction Industry Council.

Safety Phonograph(安全留聲機)：

We participated in the Safety Culture Competition as part of the "Construction Safety Promotional Campaign 2017" with one of our projects, Design and Construction of Kwun Tong Staff Quarters at 4 Tseung Kwan O Road. Entries were judged based on five criteria for best safety culture, namely: informed culture, reporting culture, learning culture, risk awareness and planning culture, and just and caring culture.

To set ourselves apart from more than 100 competitors, we have adopted a series of measures to enhance safety management, showing care especially for our front-line employees. We have developed Safety Phonograph (安全留聲機) to encourage employees to express their views on safety issues by leaving a message. By referring to the messages collected, the management team can develop better safety strategies for specific construction sites. Reflecting the judging panel's recognition of our efforts, we won the Gold Award at the Construction Safety Forum and Award Presentation 2017 for Best Safety Culture Site. We will remain committed to maintaining a high standard of site safety culture, enhancing safety awareness, and reducing work injuries on our construction sites.

LED Strip Warning Lightings(LED警示燈帶)：

An increase in accidents caused by site vehicles and mobile plant in recent years has sparked widespread concerns in the community. As a new measure to prevent accidents, we installed LED strip warning lightings on different kinds of site vehicles, including mobile cranes, bulldozers and forklifts.

According to the research done by Purdue University of U.S.A, LED lights, being brighter than other lighting devices, are a preferred option for warning lighting. LED warning lights installed on moving vehicles on a construction site will raise the alertness of workers and therefore help to prevent accidents. LED lights are also more environment-friendly, as they are waterproof, long-lasting, cheaper and more energy efficient. This successful application will be extended to other types of site vehicles and mobile plant.

Awards Highlights

Gold Award of Best Safety Culture Site on Construction Safety Day - Design and Construction of Kwun Tong Staff Quarters at 4 Tseung Kwan O Road, Kowloon

Bronze Award of Best Refurbishment and Maintenance Contractor in Occupational Safety and Health on Construction Safety Day

Silver Award of Best Presentation on Construction Safety Day - Design and Construction of Kwun Tong Staff Quarters at 4 Tseung Kwan O Road, Kowloon

Best Site Safety – Completed Project Site Safety Award (Building) of New Works Projects in Quality Public Housing Construction and Maintenance Awards 2017

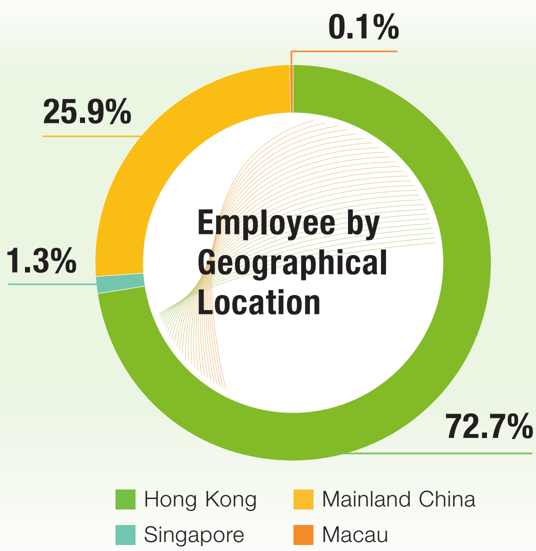
People

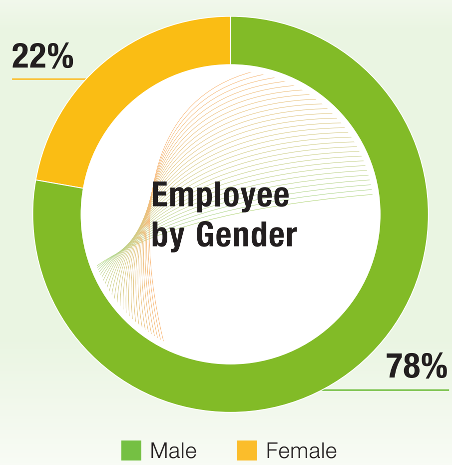
Our people

We are committed to high standards of ethical, moral and legal business conduct, and firmly believe they are essential to the success and sustainability of our business. As of 31 March 2018, we had approximately 2,800 employees, with 72.7% of whom are located in Hong Kong and 25.9% in Mainland China. All of them are full time/permanent staff. Due to our business nature, male employees account for a higher proportion.

With keen competition of labor in the industry, a staff turnover rate of 32% was recorded in 2017 which was mainly attributed to construction site workers. The Group's lost day due to work injury was 1,875 days.

We embrace differences and recognize that diverse perspectives are important to our business success. We are committed to promoting equal opportunities in all aspects of employment and maintaining workplaces that are free from discrimination on the basis of sex, sexual orientation, disability, age, race, national or ethnic origin, family status or other personal characteristics. Our Anti-Discrimination and Anti-Harassment Code and Guideline reinforces our determination in the elimination of discrimination and harassment in the workplace. No cases of non-compliance with relevant standards, rules and regulations on equal opportunity and diversity were identified during the reporting period.





Talent Attraction

We offer employment conditions that meet the legislative requirements and accepted conventions and do not use involuntary labor or restrict the free movement of our employees.

For new employees, competitive packages are offered based on individual academic and professional qualifications, relevant years of experience, job scopes and responsibilities. Depending on the specific employment terms and conditions, we offer different benefits including competitive remuneration packages, examination and study leave, marriage leave, comprehensive medical disability insurance coverage and retirement scheme.

The construction industry has been suffering from manpower shortage for a long time. To meet future challenges, we will ensure that our remuneration packages, pay levels and fringe benefits match with or even exceed our principal competitors in order for us to attract, motivate and retain qualified applicants who share our vision and values.

Talent Retention

We believe investing in training is an important factor in retaining the right individuals as we work hard to help staff develop their careers with us. We provide a variety of training and development programs to develop our employees and assist them to pursue fulfilling career paths.

Our training programs cover wide-ranging subjects, including health, safety and environmental management, engineering capabilities development, procurement and legal requirements, and quality management. In addition, we arrange site visits, sharing sessions and seminars. Apart from job-related training, we also care for our employees' personal development. Various workshops (work-life balance courses) are provided to fulfil the needs of employees at different development stages. Through these comprehensive training programs, we offer our employees a career development opportunity rather than just a job. More than 2,000 employees received trainings during the reporting period.

Our Vice Chairman, Ir. Wong Tin Cheung hosted this year's Annual Management Workshop. With "Communication in the 21st Century" as the topic of the workshop, we focused on improving the communication abilities of our management team. More than 200 staff participated in this one-day workshop, to learn about Maslow's hierarchy of needs, the Left-Right Circles Theory and other communication theories and tools. All participants went away having a better understanding of how to communicate with their younger subordinates by using those communication tools and theories.

Staff Engagement

We have engaged with staff in many ways over the past year. We are well aware that two-way communication and investment in human capital can boost employees' sense of belonging and loyalty to the Group as a whole. As a tradition, the Vice Chairman of the Group presents the Group's performance, direction and outlook during roadshows to the employees of different business units every year. To actively listen to and address employees' concerns and interests in work-life activities, the Group conducts employee surveys every year. Other communication channels, including internal newsletters and intranet, are also in place to ensure staff's voices are heard by management.

In appreciation of the hard work of our employees as well as reinforcing the unity across different departments and among all staff, we host Lu Pan Dinner, Christmas Party, cheese cake workshops, company travel and other recreational activities at which staff can build better working relationships and enjoy fellowship with their colleagues.

Awards Highlights

10 Years+ Caring Company Award presented by The Hong Kong Council of Social Service

Outstanding Corporate Social Responsibility Award at the 6th Outstanding Corporate Social Responsibility Award Ceremony organized by The Mirror Post of Hong Kong

Certificate of Quality Excellence Award in Quality Building Award 2018 organized jointly by nine professional organizations in Hong Kong

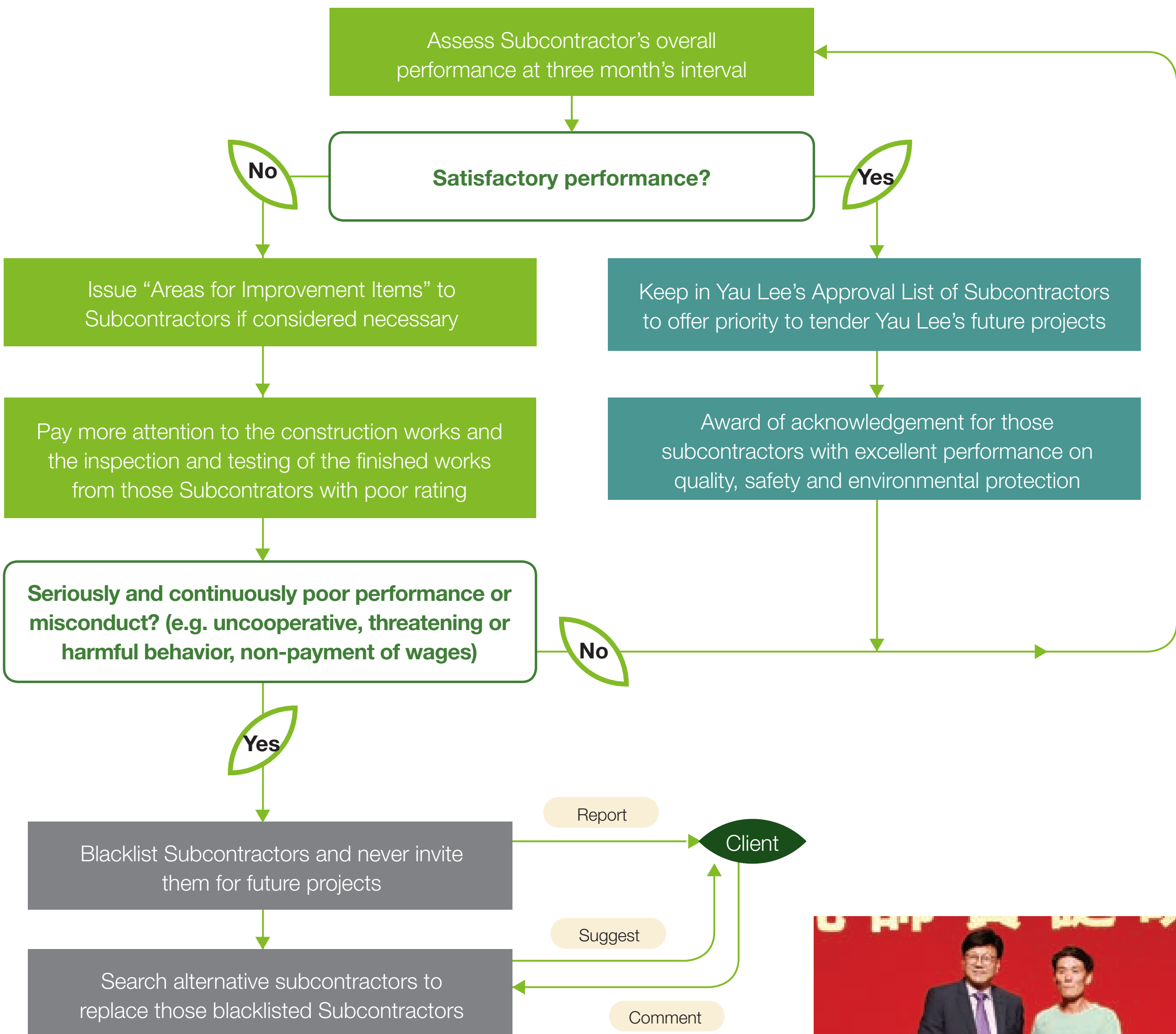
Silver Award at the Contractor Cooperative Training Scheme from the Construction Industry Council

Four of our site foremen and four of our site workers received "Outstanding Site Foreman Award" and "Outstanding Worker Award" in Quality Public Housing Construction and Maintenance Awards

Supply Chain

Yau Lee collaborates with suppliers, service providers, material manufacturers and subcontractors in order to provide the best solutions to our clients. We have a robust process and database for managing our Supply Chain. We have policies and plans to govern our procurement process from selection to evaluation. It is our policy to act fairly and equally in business dealings with vendors, and at the same time to purchase responsibly and obtain the best possible value for money in procuring materials, services and equipment.

The environmental and social performance of both suppliers and subcontractors (covering environmental compliance, workplace safety, child labor, forced labor, etc.) will be assessed before tender. We are guided by our Subcontractors Management Plan when selecting our preferred/strategic subcontractors.



To encourage our subcontractors and suppliers to embrace environmental protection and a working culture of health and safety, we organize competitions and awards to recognize their commitment.

HK$554,120
donated for charity

Community

Being a socially aware company, we treat community engagement as a valuable part of our business decision-making process. We are committed to the community and has a long history of contributing to the construction industry. We offer donations and sponsorships in the areas of education, environmental protection, construction health and safety, and the nurturing of construction talents. Our community engagement is not limited to cash or in-kind donations, but extended to volunteer services and cooperation with charitable organizations.

Volunteering

We support and encourage our employees to use their talent, skills and time to maximize their positive impact on society. Our volunteer team, "Yau Lee Tender-Love-Care Group", has been in operation for over 10 years, helping the elderly, the disabled, children and disadvantaged families. In August 2017, we supported Mother's Group under the Rights of Industrial Accident Victims to organize a buffet to show our care to the youngsters from broken families and encourage them to excel in academic performance.

Donations

In addition to our involvement in voluntary work, we encourage our people to participate in in-kind donations, make the best of their resources, and help our neighborhoods. This year, we have organized two recycling programs to collect used but clean clothing and goods for donation. The collections were donated to the Rights of Industrial Accident Victims and Christian Action to help vulnerable groups.

We have also set up a scholarship program in the Hong Kong Institute of Vocational Education (Tsing Yi) to support students pursuing construction and related courses, particularly for year 1 students who study Civil Engineering and Surveying courses. The aim of the scholarship is to provide financial support to needy students with good academic standing to enable them to focus on their studies, while at the same time encouraging their involvement in community services.

The Group has been a long-standing supporter of a number of charity groups. This year we have made cash donations on Flag Day to these organizations, including the Tung Wah Group of Hospitals, Hong Kong Red Cross, Pok Oi Hospital, Pneumoconiosis Mutual Aid Association, and Hong Kong Blind Union.

Nurturing Industry Talents

To enhance the awareness of safe working at height, the Occupational Safety & Health Council and the Labour Department jointly organized the Work-at-height Safety Seminar on 25 April 2017. It is our pleasure to be part of it and Mr. Ho Chi Fai, the General Manager of our Building Renovation Department, gave a talk to share our experience in the safety management of working at height. Currently, it is an industry practice to use wood planks to construct working platforms for building scaffolds. However, as the gaps in wood planks may increase the risk of falling, we now use reusable metal planks to ensure planking work is carried out in a safe and proper manner. The metal plank platforms, together with custom-designed fittings, can be used in place of massive bamboo scaffolds to help enhance the safety of working at height.

Falls from height are one of the biggest causes of workplace fatalities and major injuries in the construction industry. We hope our sharing on safety management of work-at-height can help the industry create a better work environment and reduce the risk of falling and other accidents related to work-at-height. We will continue to explore ways to reduce the accident rate and enhance the safety performance of the industry.

Moving Forward

For the local construction industry that has long been suffering from an acute manpower shortage, technology transformations using robotics and automation are an inevitable trend. We have begun to conduct research and development work on Artificial Intelligence technology applications in our day-to-day working environment. One of our notable pilot projects is the use of robots to deal with challenging tasks at height as well as the use of wired robots to do painting at height. All these innovative ideas aim at improving work efficiency and reducing safety incidents.

The construction industry in Hong Kong is expected to maintain steady growth at a slow pace. For the sustainable development of our business, it is time to explore opportunities in the Greater China Region, in particular the Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區). With green construction still a new hot topic to potential clients in Mainland China, we will seek to bring in new business as well as strategically influence the whole supply chain to look at the bigger picture of sustainable development.

Content Index

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

Environment and Natural Resources	A3.1	Environment
Employment	B1.1	People – Our People
	B1.2	People – Our People
Health and Safety	B2.1	Health and Safety
	B2.2	People – Our People
	B2.3	Health and Safety
Development and Training	B3.1	Male: 86% Female: 14% Management: 38% Non-management: 62% Remarks: The above data does not include Yau Lee Construction (sites) because the training inventory is still being developed.
	B3.2	Average training hours: Male: 10.5 hours; Female: 9.1 hours Management: 7.9 hours; Non-management: 12.1 hours Remarks: The above data does not include Yau Lee Construction (sites) because the training inventory is still being developed.
Labor Standards	B4.1& B4.2	Supply Chain This aspect applies to management of our supply chain only as there is no risk of child or forced labor occurring within our organization
Supply Chain Management	B5.1	Hong Kong: 79.40%; PRC: 15.80%; USA: 0.04%; Australia: 0.10%; Macau: 2.62%; Other: 2.12%
	B5.2	Supply Chain
Product Responsibility	B6.1	This KPI is not relevant to our businesses.
	B6.2	This KPI is not relevant to our businesses.
	B6.3	Ethics
	B6.4	Supply Chain
	B6.5	It is not determined as being highly material to Yau Lee. Our Holiday Inn Express Hong Kong SoHo has a Privacy Statement available for inspection by customers.
Anticorruption	B7.1	No incidents of corruption during the reporting period
	B7.2	Ethics; Corporate Governance Report
Community Investment	B8.1	Community
	B8.2	Community

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 130, which comprise:

- the consolidated balance sheet as at 31 March 2018;
- 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

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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 accounting for construction contracts, including profit recognition and construction contracts in progress.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for construction contracts – including profit recognition and construction contracts in progress Refer to Note 2(m), Note 4(a), Note 4(b), Note 5 and Note 27 to the consolidated financial statements. For the year ended 31 March 2018, the Group recognised revenue from construction contracts relating to the following operating segments; construction, electrical and mechanical installation which totalled HK$5,400,302,000. The construction contracts in progress amounted to HK$452,927,000 as at 31 March 2018. The recognition of revenue and cost of sales for the Group's construction contracts is based on the stage of completion of contract activity. Stage of completion is measured by reference to work performed up to the end of the reporting period as a percentage of total contract value. Recognition of profit on contracts requires significant judgement and estimates of the forecast costs to complete and revenue by management.	Our work in relation to management's estimated forecast costs to complete and revenue focused on the following procedures for material construction contracts within the Group: • We tested the key controls over determining the stage of completion, including the controls on estimating costs to complete and budgeted margin of construction contracts; • We discussed with the Group's quantity surveyors and project managers the status of the projects, to identify any variations, claims and provision on loss-making contracts, and to obtain explanations for fluctuations in margins and the expected recovery of variations; • We obtained corroborative evidence, in relation to the above point, by reviewing the project budgets, external architect's certificates and inspecting minutes of management's regular internal meetings, on a sample basis; • We inspected signed contracts to identify the total contract sum and terms;

Key Audit Matters (continued)

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

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2018

Consolidated Income Statement

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5	5,653,938	6,124,053
Cost of sales	7	(5,260,865)	(5,664,562)
Gross profit		393,073	459,491
Other income and gains/(losses), net	6	140,658	(4,097)
Selling and distribution costs	7	(17,813)	(29,608)
Administrative expenses	7	(433,530)	(411,124)
Other operating expenses	7	(4,266)	(5,365)
Operating profit		78,122	9,297
Finance costs	9	(27,048)	(31,982)
Share of (loss)/profit of associates	20	(8)	436
Share of loss of joint ventures	21	(202)	(54)
Profit/(loss) before income tax		50,864	(22,303)
Income tax credit/(expense)	10	1,833	(7,453)
Profit/(loss) for the year		52,697	(29,756)
Attributable to:			
Equity holders of the Company		52,535	(29,798)
Non-controlling interests		162	42
		52,697	(29,756)
Dividend	11	13,142	6,045
Earnings/(losses) per share (basic and diluted)	12	HK11.99 cents	HK(6.80 cents)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	2018 *HK$'000*	2017 *HK$'000*
Profit/(loss) for the year	52,697	(29,756)
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Currency translation differences	31,254	(20,211)
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on investment properties upon transfer from property, plant and equipment	–	43,226
Total comprehensive income/(loss) for the year	83,951	(6,741)
Attributable to:		
Equity holders of the Company	83,789	(6,783)
Non-controlling interests	162	42
Total comprehensive income/(loss) for the year	83,951	(6,741)

Consolidated Balance Sheet

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	**1,281,052**	1,207,674
Investment properties	15	**234,577**	228,075
Leasehold land and land use rights	16	**76,701**	71,233
Intangible assets	18	**11,454**	12,510
Goodwill	18	**15,905**	15,905
Associates	20	**1,285**	1,407
Joint venture	21	**8,330**	–
Deferred income tax assets	30	**6,200**	13,143
Available-for-sale financial assets	22	**11,800**	11,800
Other non-current assets	23	**1,069**	46,165
		1,648,373	1,607,912
Current assets			
Cash and bank balances	24	**781,757**	737,877
Trade debtors, net	25(a)	**802,263**	1,123,864
Due from customers on construction contracts	27	**818,355**	1,057,607
Prepayments, deposits and other receivables	25(b)	**429,739**	436,462
Inventories	26	**95,357**	77,023
Completed properties held for sale	28	**176,017**	176,017
Property under development for sale	17	**305,444**	266,481
Due from associates	20	**114**	495
Due from joint ventures/joint operations	21	**30,097**	33,250
Due from other partners of joint operations	21	**–**	56,797
Prepaid income tax		**1,828**	1,845
		3,440,971	3,967,718
Total assets		**5,089,344**	5,575,630
Equity			
Share capital	33	**87,611**	87,611
Other reserves	34	**490,724**	449,897
Retained profits	34	**897,488**	857,569
Attributable to equity holders of the Company		**1,475,823**	1,395,077
Non-controlling interests		**3,745**	328
Total equity		**1,479,568**	1,395,405

Consolidated Balance Sheet

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Liabilities			
Non-current liabilities			
Long-term borrowings	29	**1,242,526**	989,186
Deferred income tax liabilities	30	**12,957**	23,192
		1,255,483	1,012,378
Current liabilities			
Short-term bank loans	29	**867,831**	1,101,597
Current portion of long-term borrowings	29	**137,204**	434,473
Payables to suppliers and subcontractors	31	**321,929**	361,744
Accruals, retention payables, deposits received and other liabilities	32	**629,084**	804,828
Income tax payable		**4,528**	3,817
Obligation in respect of joint ventures	21	**1,558**	1,511
Due to customers on construction contracts	27	**365,428**	373,041
Due to joint operations	21	**2,799**	59,596
Due to other partners of joint operations	21	**23,932**	27,240
		2,354,293	3,167,847
Total liabilities		**3,609,776**	4,180,225
Total equity and liabilities		**5,089,344**	5,575,630

The financial statements on pages 59 to 130 were approved by the Board of Directors on 27 June 2018 and were signed on its behalf.

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

Consolidated Statement of Changes in Equity

As at 31 March 2018

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Property revaluation reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2016	87,611	413,776	359	21,228	–	(8,481)	887,367	1,401,860	286	1,402,146
(Loss)/profit for the year	–	–	–	–	–	–	(29,798)	(29,798)	42	(29,756)
Other comprehensive (loss)/income:										
Currency translation differences	–	–	–	(20,211)	–	–	–	(20,211)	–	(20,211)
Fair value gain on investment properties upon transfer from property, plant and equipment	–	–	–	–	43,226	–	–	43,226	–	43,226
As at 31 March 2017	87,611	413,776	359	1,017	43,226	(8,481)	857,569	1,395,077	328	1,395,405
As at 1 April 2017	87,611	413,776	359	1,017	43,226	(8,481)	857,569	1,395,077	328	1,395,405
Profit for the year	–	–	–	–	–	–	52,535	52,535	162	52,697
Other comprehensive income:										
Currency translation differences	–	–	–	31,254	–	–	–	31,254	–	31,254
Transactions with non-controlling interests *(Note)*	–	–	–	–	–	9,573	–	9,573	3,255	12,828
2017 final dividend	–	–	–	–	–	–	(6,045)	(6,045)	–	(6,045)
2018 interim dividend	–	–	–	–	–	–	(6,571)	(6,571)	–	(6,571)
As at 31 March 2018	87,611	413,776	359	32,271	43,226	1,092	897,488	1,475,823	3,745	1,479,568

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

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

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

Consolidated Cash Flow Statement

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Net cash from/(used in) operations	*35(a)*	**290,097**	(114,504)
Hong Kong profits tax refunded		**161**	388
Hong Kong profits tax paid		**(412)**	(2,826)
Overseas tax paid		**(1,625)**	(9,953)
Net cash from/(used in) operating activities		**288,221**	(126,895)
Cash flows from investing activities			
Investment in a joint venture		**(8,485)**	–
Purchase of property, plant and equipment		**(69,443)**	(84,109)
Additions to investment properties		**(268)**	(42)
Net proceeds from disposal of joint operations		**124,072**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	9,298
Proceeds from disposal of property, plant and equipment		**1,605**	5,915
Dividend received from an associate		**494**	494
Interest received		**5,775**	5,421
Net cash from/(used in) investing activities		**53,750**	(63,023)

	Note	2018 HK$'000	2017 HK$'000
Cash flows from financing activities	35(b)		
Repayment of bank loans		**(674,899)**	(326,917)
Drawdown of bank loans		**401,479**	675,000
Decrease in restricted deposits		**24,428**	5,003
Capital element of finance lease payments		**(8,756)**	(19,018)
Interest element of finance lease payments		**(152)**	(416)
Realised loss on derivative financial liabilities, net		**–**	(3,014)
Dividend paid		**(12,616)**	–
Interest paid		**(26,897)**	(31,519)
Disposal of interests in subsidiaries that do not result in change of control		**12,828**	–
Net cash (used in)/from financing activities		**(284,585)**	299,119
Net increase in cash and cash equivalents		**57,386**	109,201
Cash and cash equivalents at beginning of year		**552,451**	448,711
Exchange gain/(loss) on cash and cash equivalents		**10,922**	(5,461)
Cash and cash equivalents at end of year		**620,759**	552,451
Analysis of cash and cash equivalents	24		
Cash and bank balances		**596,804**	529,247
Time deposits		**23,955**	23,204
		620,759	552,451

1 General information

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

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

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 June 2018.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Amendments to existing standards adopted by the Group

During the year, the Group adopted the following amendments to existing standards which are effective in accounting period beginning on 1 April 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interests in Other Entities

The adoption of these amendments to existing standards does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

(ii) New standards, amendments to existing standards, interpretations and improvements that are not yet effective

Certain new standards, amendments to existing standards, interpretations and improvements have been published which are mandatory for the Group's accounting periods beginning on or after 1 April 2018 and have not been early adopted by the Group are as follows:

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures[2]
HKAS 40 (Amendment)	Transfers of Investment Property[1]
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendment)	Clarifications to HKFRS 15[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Annual Improvements	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

(1) Effective for accounting periods beginning on 1 January 2018
(2) Effective for accounting periods beginning on 1 January 2019
(3) Effective for accounting periods beginning on 1 January 2021
(4) Effective date to be determined

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards, amendments to existing standards, interpretations and improvements that are not yet effective (Continued)

HKFRS 9, "Financial instruments"

The new standard addresses and introduces new requirements for the classification, measurement and derecognition of financial instruments, hedge accounting, and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group has assessed that its financial assets currently measured at amortised cost or fair value through profit or loss will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The Group has also assessed on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It may result in an earlier recognition of credit losses.

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has assessed the effects of the applying the new standard on the consolidated financial statements and has not identified any material impact to the Group.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for Group's operating leases. At 31 March 2018, the Group had operating lease commitments of HK$28,873,000. Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

The Group has not early adopted the above standards, amendments and interpretations on the Group's accounting policies and financial statements. There are no other standards that are not yet effective and that would be expected to have a material impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies (continued)

(b) Consolidation

(i) Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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

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

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(iii) Associates (continued)

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

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

(iv) Joint arrangements

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

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

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

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

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(iv) Joint arrangements (continued)

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

(v) Partial disposal

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

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

(c) Investment properties

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(c) Investment properties (continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

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

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

(d) Property, plant and equipment

Buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

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

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

Hotel property	
– Leasehold land	Lease term
– Building	50 years
Leasehold land (classified as finance lease) and buildings	Shorter of lease term and 20-50 years
Leasehold improvements	4 years
Plant and machinery	4-10 years
Furniture, fixtures and office equipment	3-5 years
Motor vehicles	4-5 years
Construction in progress	–

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

2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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

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

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

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

(e) Goodwill

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

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

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

(f) Leasehold land and land use rights

Leasehold land and land use rights represent non-refundable rental payments for lease of land. The up-front payments are amortised on a straight-line basis over the period of the lease. The amortisation of the leasehold land and land use rights is recognised in the consolidated income statement.

(g) Intangible assets

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

2 Summary of significant accounting policies (continued)

(h) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

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

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

(i) Financial assets

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets when they are within the Group's normal operating cycle of the business. Otherwise, they are classified as non-current.

(iii) Available-for-sale financial assets

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

2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(iv) Recognition and measurement

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

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

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

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

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

(j) Derivative financial instruments and hedging activities

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

2 Summary of significant accounting policies (continued)

(k) Inventories

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

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

(l) Impairment of non-financial assets

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

(m) Construction contracts in progress

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(n) Trade and other receivables

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

(o) Cash and cash equivalents

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

(p) Borrowings

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

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

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

(q) 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 Summary of significant accounting policies (continued)

(r) Payables to suppliers and subcontractors

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

(s) Current and deferred income tax

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(t) Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(u) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

(iii) Bonus entitlements

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

2 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(iv) Termination benefits

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

(v) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Contract revenue

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

(ii) Sales of building materials and residential properties

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

(iii) Operating lease rental income

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

2 Summary of significant accounting policies (continued)

(v) Revenue recognition (continued)

(iv) Hotel revenue

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

(v) Interest income

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

(vi) Dividend income

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

(w) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses are presented in the consolidated income statement within "Other income and gains/(losses), net" or "Other operating expenses".

(iii) Group companies

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

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

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

2 Summary of significant accounting policies (continued)

(w) Foreign currency translation (continued)

(iii) Group companies (continued)

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(x) Segment reporting

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

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

Property under development for sale

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

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

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

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

Completed properties held for sale

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

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

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's management under the supervision of the Audit Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Audit Committee provides guidance for overall risk management.

(i) Market risk

(a) 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 2018, if Renminbi ("RMB") had strengthened/weakened by 5% against HK$ with all other variables held constant, the Group's profit for the year would have been approximately HK$5,158,000 higher/lower (2017: loss would have been HK$5,566,000 lower/higher), mainly as a result of net foreign exchange gains/(losses) on translation of Renminbi denominated cash and bank balances, and approximately HK$21,008,000 higher/lower (2017: loss would have been HK$19,072,000 lower/higher), mainly as a result of net foreign exchange gains/(losses) on translation of Hong Kong Dollar denominated intercompany payables.

(b) Cash flow interest rate risk

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

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

As at 31 March 2018, had interest rates been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK$17,494,000 lower/higher (2017: loss would have been HK$20,820,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings net of higher/lower interest income on cash deposits.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(ii) Credit risk

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

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

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

(iii) Liquidity risk

In order to maintain flexibility in funding, the Group has credit facilities available from various banks. The Group has bank borrowings as at 31 March 2018 and 2017 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 2018, the Group held cash and bank deposits of HK$781,757,000 (2017: HK$737,877,000) and trade debtors of HK$802,263,000 (2017: HK$1,123,864,000) 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.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	After 5 years HK$'000
At 31 March 2018				
Short-term bank loans and interest thereon	**889,207**	**–**	**–**	**–**
Long-term borrowings and interest thereon	**163,516**	**444,204**	**854,926**	**–**
Obligation under finance lease and interest thereon	**4,202**	**68**	**–**	**–**
Payables to suppliers and subcontractors	**321,929**	**–**	**–**	**–**
Accruals, retention payables and other liabilities	**541,944**	**53,797**	**2,021**	**7,135**
Due to joint operations	**2,799**	**–**	**–**	**–**
Due to other partners of joint operations	**23,932**	**–**	**–**	**–**
At 31 March 2017				
Short-term bank loans and interest thereon	1,129,653	–	–	–
Long-term borrowings and interest thereon	451,355	151,437	883,778	–
Obligation under finance lease and interest thereon	7,141	2,060	150	–
Payables to suppliers and subcontractors	361,744	–	–	–
Accruals, retention payables and other liabilities	721,732	13,007	41,855	152
Due to joint operations	59,596	–	–	–
Due to other partners of joint operations	27,240	–	–	–

3 Financial risk management (continued)

(b) Capital risk management

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

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

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

The Group's strategy is to maintain a debt to capital ratio at a minimal level. The debt to capital ratio at 31 March 2018 and 2017 were as follows:

	2018 *HK$'000*	2017 *HK$'000*
Total borrowings *(Note 29)*	2,247,561	2,525,256
Less: Cash and bank balances *(Note 24)*	(781,757)	(737,877)
Net debt	1,465,804	1,787,379
Total equity	1,479,568	1,395,405
Total capital	2,945,372	3,182,784
Debt to capital ratio	0.50	0.56

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.

4 Critical accounting estimates and judgements

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

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

(a) Percentage of completion of construction works

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

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

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

5 Revenue and segment information

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

	2018 HK$'000	2017 HK$'000
Revenue		
Construction	**3,973,477**	4,563,642
Electrical and mechanical installation	**1,426,825**	1,324,413
Building materials supply	**111,959**	112,562
Property investment and development	**2,723**	2,179
Hotel operations	**109,620**	98,268
Others	**29,334**	22,989
	5,653,938	6,124,053

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

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

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

5 Revenue and segment information (continued)

	Construction HK$'000	Electrical & Mechanical Installation HK$'000	Building Materials Supply HK$'000	Property Investment and Development HK$'000	Hotel Operations HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2018							
Total sales	4,017,214	2,082,119	480,567	2,723	109,620	123,476	6,815,719
Inter-segment sales	(43,737)	(655,294)	(368,608)	–	–	(94,142)	(1,161,781)
External sales	3,973,477	1,426,825	111,959	2,723	109,620	29,334	5,653,938
Segment results	(7,046)	14,569	46,897	1,807	27,051	(11,363)	71,915
Share of loss of associates	–	(8)	–	–	–	–	(8)
Share of loss of joint ventures	–	–	(202)	–	–	–	(202)
	(7,046)	14,561	46,695	1,807	27,051	(11,363)	71,705
Unallocated income							6,207
Finance costs							(27,048)
Profit before income tax							50,864
Income tax credit							1,833
Profit for the year							52,697
At 31 March 2018							
Segment assets	1,921,254	781,250	898,963	737,532	574,601	148,291	5,061,891
Interests in associates	–	1,260	–	–	–	25	1,285
Unallocated assets							26,168
Total assets							5,089,344
Segment liabilities	(627,653)	(603,810)	(54,136)	(48,253)	(9,793)	(5,954)	(1,349,599)
Bank loans							(2,243,369)
Obligation in respect of joint ventures	–	–	(1,558)	–	–	–	(1,558)
Unallocated liabilities							(15,250)
Total liabilities							(3,609,776)
Year ended 31 March 2018							
Capital expenditure	24,294	1,742	88,911	268	1,840	1,581	118,636
Depreciation	11,998	4,804	33,458	10	21,329	22,697	94,296
Amortisation of leasehold land and land use rights	56	–	1,923	–	–	–	1,979
Amortisation of intangible assets	–	1,056	–	–	–	–	1,056
Fair value gain on investment properties, net	–	–	–	(2,432)	–	–	(2,432)

5 Revenue and segment information (continued)

	Construction HK$'000	Electrical & Mechanical Installation HK$'000	Building Materials Supply HK$'000	Property Investment and Development HK$'000	Hotel Operations HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2017							
Total sales	4,738,480	2,027,398	608,388	2,349	98,268	75,070	7,549,953
Inter-segment sales	(174,838)	(702,985)	(495,826)	(170)	–	(52,081)	(1,425,900)
External sales	4,563,642	1,324,413	112,562	2,179	98,268	22,989	6,124,053
Segment results	21,033	5,656	(15,173)	(3,587)	16,845	(16,984)	7,790
Share of profit of associates	–	436	–	–	–	–	436
Share of loss of joint ventures	–	–	(54)	–	–	–	(54)
	21,033	6,092	(15,227)	(3,587)	16,845	(16,984)	8,172
Unallocated income							1,507
Finance costs							(31,982)
Loss before income tax							(22,303)
Income tax expense							(7,453)
Loss for the year							(29,756)
At 31 March 2017							
Segment assets	2,488,925	774,104	865,572	690,764	589,897	120,307	5,529,569
Interests in associates	–	1,382	–	–	–	25	1,407
Unallocated assets							44,654
Total assets							5,575,630
Segment liabilities	(856,123)	(598,783)	(121,488)	(22,246)	(6,504)	(32,254)	(1,637,398)
Bank loans							(2,516,149)
Obligation in respect of joint ventures	–	–	(1,511)	–	–	–	(1,511)
Unallocated liabilities							(25,167)
Total liabilities							(4,180,225)
Year ended 31 March 2017							
Capital expenditure	6,855	1,841	74,145	42	4,455	4,677	92,015
Depreciation	15,477	5,926	30,543	10	22,934	24,854	99,744
Amortisation of leasehold land and land use rights	56	–	1,885	–	–	–	1,941
Amortisation of intangible assets	–	1,056	–	–	–	–	1,056
Fair value loss on investment properties, net	–	–	–	1,960	–	–	1,960

5 Revenue and segment information (continued)

The analysis of revenue by geographical area is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**5,367,945**	5,106,180
Non-Hong Kong	**285,993**	1,017,873
	5,653,938	6,124,053

Revenue of approximately HK$3,637,902,000 (2017: HK$3,486,466,000) are derived from two (2017: 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:

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**896,844**	983,174
Non-Hong Kong	**732,460**	598,794
	1,629,304	1,581,968

6 Other income and gains/(losses), net

	2018 HK$'000	2017 HK$'000
Other income		
Bank interest income	**5,775**	5,421
Interest income from subcontractors	**8,749**	7,549
Management service income from a joint venture and a joint operation	**40**	32
Sundry income	**11,042**	16,725
	25,606	29,727
Other gains/(losses), net		
Gain on disposal of a joint operation	**45,616**	–
Gain/(loss) on disposal of property, plant and equipment, net	**192**	(208)
Fair value gain/(loss) on investment properties, net *(Note 15)*	**2,432**	(1,960)
Gain on financial assets at fair value through profit or loss	**–**	174
Exchange gain/(loss), net	**66,812**	(31,830)
	115,052	(33,824)
	140,658	(4,097)

7 Expenses by nature

	2018 *HK$'000*	2017 *HK$'000*
Cost of construction	**4,112,335**	4,441,134
Cost of inventories sold	**325,961**	374,040
Staff costs (excluding directors' emoluments) *(Note 13)*	**923,248**	913,003
Directors' emoluments *(Note 40)*	**21,121**	20,656
Depreciation *(Note 14)*		
Owned property, plant and equipment	**88,607**	92,704
Leased property, plant and equipment	**5,689**	7,040
	94,296	99,744
Operating lease rentals of		
Land and buildings	**11,113**	10,491
Other equipment	**70,965**	76,106
	82,078	86,597
Amortisation of leasehold land and land use rights *(Note 16)*	**1,979**	1,941
Amortisation of intangible assets *(Note 18)*	**1,056**	1,056
Provision for impaired receivables, net	**1,720**	16,585
Provision for inventories	**234**	96
Auditors' remuneration		
– Audit services	**5,637**	5,495
– Non-audit services	**495**	462
Direct operating expenses arising from investment properties		
– Generate rental income	**382**	335
– Not generate rental income	**29**	31
Selling and distribution costs	**17,813**	29,608
Others	**128,090**	119,876
Total cost of sales, selling and distribution costs, administrative and other operating expenses	**5,716,474**	6,110,659

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 (2017: three) Directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments paid and payable to the remaining one (2017: two) highest-paid individual in 2018 were as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries	**1,760**	4,453
Bonuses	**725**	459
Retirement benefits	**81**	277
	2,566	5,189

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
HK$2,500,001-HK$3,000,000	**1**	2

(b) During the years ended 31 March 2018 and 2017, 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 2018 and 2017:

	Number of individuals	
	2018	2017
HK$1,000,001-HK$1,500,000	**–**	1
HK$1,500,001-HK$2,000,000	**4**	6
HK$2,000,001-HK$2,500,000	**4**	1
	8	8

9 Finance costs

	2018 *HK$'000*	2017 *HK$'000*
Interest on overdrafts and short-term bank loans	**26,053**	35,612
Interest on long-term bank loans	**27,240**	25,802
Interest element of finance lease payments	**290**	511
Total borrowing costs incurred	**53,583**	61,925
Less: Classified as cost of construction	**(18,729)**	(22,875)
Capitalised in construction in progress	**(1,765)**	(2,174)
Capitalised in property under development for sale	**(6,041)**	(4,941)
	27,048	31,935
Loss on derivative financial liabilities	**–**	47
	27,048	31,982

For the year ended 31 March 2018, the interest rate applied in determining the amount of borrowing costs capitalised in construction in progress was 2.2% (2017: 2.3%) per annum.

10 Income tax (credit)/expense

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong profits tax provision for the year	**3,715**	243
Overseas tax provision for the year	**117**	2,304
Over-provision in prior years	**(1,345)**	(114)
Deferred income tax relating to the origination and reversal of temporary differences *(Note 30)*	**(4,320)**	5,020
	(1,833)	7,453

Hong Kong profits tax was calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

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

10 Income tax (credit)/expense (continued)

Subsidiaries operated in the PRC are subject to corporate income tax rate of 25% (2017: 25%). Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2017: 12%).

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

	2018 HK$'000	2017 HK$'000
Profit/(loss) before income tax	50,864	(22,303)
Share of loss/(profit) of associates and joint ventures	210	(382)
	51,074	(22,685)
Calculated at a taxation rate of 16.5% (2017: 16.5%)	8,427	(3,743)
Effect of different tax rates in other countries	3,752	3,873
Income not subject to taxation	(2,153)	(485)
Expenses not deductible for taxation purposes	186	1,763
Temporary differences not recognised	(151)	430
Tax losses not recognised	17,214	15,024
Recognition of previously unrecognised tax losses	(440)	(2,130)
Utilisation of previously unrecognised tax losses	(27,323)	(7,167)
Over-provision in prior years	(1,345)	(114)
Others	–	2
Income tax (credit)/expense	(1,833)	7,453

11 Dividend

	2018 *HK$'000*	2017 *HK$'000*
Interim dividend paid during the year		
Interim – HK1.50 cents (2017: Nil) per ordinary share	6,571	–
Proposed final dividend		
Final – HK1.50 cents (2017: HK1.38 cents) per ordinary share	6,571	6,045
	13,142	6,045

In the Board meeting held on 27 June 2018, the Directors recommended the payment of a final dividend of HK1.50 cents (2017: HK1.38 cents) per share, totalling of HK$6,571,000 (2017: HK$6,045,000) for the year ended 31 March 2018.

12 Earnings/(losses) per share (basic and diluted)

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

	2018 *HK$'000*	2017 *HK$'000*
Net profit/(loss) attributable to the equity holders of the Company	52,535	(29,798)

	2018	2017
Weighted average number of shares in issue during the year	438,053,600	438,053,600
Basic earnings/(losses) per share	HK11.99 cents	HK(6.80 cents)

Diluted earnings/(losses) per share for the years ended 31 March 2018 and 2017 are equal to basic earnings/(losses) per share as there are no potential dilutive shares in issue during the years.

13 Staff costs (excluding directors' emoluments)

	2018 *HK$'000*	2017 *HK$'000*
Salaries, wages and bonuses	875,950	871,877
(Write-back of)/provision for unutilised annual leave	(556)	1,165
Long service payments and pension costs	47,606	39,663
Termination benefits	248	298
	923,248	913,003

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 2017								
Opening net book value	480,409	379,158	109,897	176,840	35,158	14,462	58,120	1,254,044
Additions	–	–	9,997	6,926	7,211	11,166	56,673	91,973
Disposals	–	–	–	(4,837)	(422)	(864)	–	(6,123)
Transfer	–	12,508	–	–	–	–	(12,508)	–
Transfer to investment properties *(Notes (a) and 15)*	–	(4,774)	–	–	–	–	–	(4,774)
Depreciation *(Note 7)*	(2,954)	(16,832)	(20,129)	(37,243)	(15,117)	(7,469)	–	(99,744)
Currency translation differences	–	(17,785)	(82)	(4,406)	(498)	(207)	(4,724)	(27,702)
Closing net book value	477,455	352,275	99,683	137,280	26,332	17,088	97,561	1,207,674
At 31 March 2017								
Cost	490,993	422,956	188,454	315,683	152,249	65,205	97,561	1,733,101
Accumulated depreciation	(13,538)	(70,681)	(88,771)	(178,403)	(125,917)	(48,117)	–	(525,427)
Net book value	477,455	352,275	99,683	137,280	26,332	17,088	97,561	1,207,674
Year ended 31 March 2018								
Opening net book value	477,455	352,275	99,683	137,280	26,332	17,088	97,561	1,207,674
Additions	–	13,514	3,101	51,342	6,364	4,491	39,556	118,368
Disposals	–	–	–	(715)	(205)	(523)	–	(1,443)
Transfer	–	68,784	–	–	–	–	(68,784)	–
Depreciation *(Note 7)*	(2,954)	(18,312)	(19,141)	(36,568)	(10,852)	(6,469)	–	(94,296)
Currency translation differences	–	33,692	312	6,825	507	398	9,015	50,749
Closing net book value	474,501	449,953	83,955	158,164	22,146	14,985	77,348	1,281,052
At 31 March 2018								
Cost	490,993	543,998	190,988	370,177	152,472	66,315	77,348	1,892,291
Accumulated depreciation	(16,492)	(94,045)	(107,033)	(212,013)	(130,326)	(51,330)	–	(611,239)
Net book value	474,501	449,953	83,955	158,164	22,146	14,985	77,348	1,281,052

Note (a):

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

14 Property, plant and equipment (continued)

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

	2018 HK$'000	2017 HK$'000
Plant and machinery	205	12,128
Motor vehicles	7,236	9,366
	7,441	21,494

(b) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK$543,076,000 (2017: HK$548,405,000) (Notes 29 and 36(d)).

15 Investment properties

	2018 HK$'000	2017 HK$'000
Beginning of year	228,075	183,520
Additions	268	42
Transfer from property, plant and equipment *(Note 14)*	–	4,774
Fair value gain/(loss) credited/(charged) to consolidated income statement, net *(Note 6)*	2,432	(1,960)
Fair value gain upon transfer from property, plant and equipment	–	43,226
Currency translation differences	3,802	(1,527)
End of year	234,577	228,075

Valuation process

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31 March 2018 and 2017 have been determined on the basis of valuations carried out by independent valuers. Investment properties situated in Hong Kong were valued as at 31 March 2018 by Jones Lang LaSalle Limited, an independent firm of qualified property valuers. Investment properties situated in Singapore were valued as at 31 March 2018 by Savills (Singapore) Pte. Ltd., an independent firm of qualified property valuers. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method.

15 Investment properties (continued)

Fair value measurements using significant unobservable inputs

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

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

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

Location	Description	Fair value 2018 HK$'000	Fair value 2017 HK$'000	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Singapore	Residential units/ retail shops	53,877	50,075	Direct comparison	Comparable sales price – S$1,656 to S$1,943 per square feet (2017: S$1,566 to S$2,068 per square feet)	The higher the comparable sales price, the higher the fair value
Hong Kong	Residential units/ retail shops	180,700	178,000	Direct comparison	Comparable sales price – HK$7,647 to HK$58,878 per square feet (2017: HK$6,850 to HK$59,180 per square feet)	The higher the comparable sales price, the higher the fair value
		234,577	228,075			

Investment properties amounting to HK$167,801,000 (2017: HK$163,473,000) are pledged as security for the bank loans of the Group (Notes 29 and 36(d)).

16 Leasehold land and land use rights

	2018 HK$'000	2017 HK$'000
Beginning of year	**71,233**	77,647
Amortisation *(Note 7)*	**(1,979)**	(1,941)
Currency translation differences	**7,447**	(4,473)
End of year	**76,701**	71,233

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments. Leasehold land and land use rights with total net book values of HK$1,690,000 (2017: HK$1,746,000) were pledged as security for the Group's banking facilities (Note 36(d)).

17 Property under development for sale

	2018 HK$'000	2017 HK$'000
Beginning of year	**266,481**	–
Additions	**38,963**	266,481
End of year	**305,444**	266,481

Property under development for sale amounting to HK$305,444,000 (2017: Nil) are pledged as security for the bank loans of the Group (Notes 29 and 36(d)).

18 Goodwill and intangible assets

	Goodwill *HK$'000*	Intangible assets *HK$'000*	Total *HK$'000*
Year ended 31 March 2017			
Opening net book value	15,905	13,566	29,471
Amortisation *(Note 7)*	–	(1,056)	(1,056)
Closing net book value	15,905	12,510	28,415
At 31 March 2017			
Cost	15,905	21,837	37,742
Accumulated amortisation	–	(9,327)	(9,327)
Net book value	15,905	12,510	28,415
Year ended 31 March 2018			
Opening net book value	**15,905**	**12,510**	**28,415**
Amortisation *(Note 7)*	**–**	**(1,056)**	**(1,056)**
Closing net book value	**15,905**	**11,454**	**27,359**
At 31 March 2018			
Cost	**15,905**	**21,837**	**37,742**
Accumulated amortisation	**–**	**(10,383)**	**(10,383)**
Net book value	**15,905**	**11,454**	**27,359**

18 Goodwill and intangible assets (continued)

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

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

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

(i) gross margin ranging from 5% to 6% per annum (2017: 5% to 6%);

(ii) growth rate ranging from 1% to 2% per annum (2017: 1% to 2%); and

(iii) discount rate of 9% per annum (2017: 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 2018:

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%
Global Virtual Design and Construction (Singapore) Pte. Ltd.	Singapore	S$10,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Global Virtual Design and Construction Limited	Hong Kong	HK$1	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Global Virtual Design and Construction Sdn. Bhd.	Malaysia	RM10,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Grace Top Investment Limited	Hong Kong	HK$1	Property holding	–	100%	100%
Guangdong Yuean REC Mechanical and Electrical Engineering Company Limited	Mainland China	RMB3,204,836	Engineering services	–	100%	100%
Hanton (Asia) Limited	Hong Kong	HK$1	Property investment	–	60%	60%
InnoVision Architects & Engineers Limited	Hong Kong	HK$1	Architectural and engineering services	–	100%	100%
Leena Theme Painting Limited	Hong Kong	HK$1	Theme painting	–	100%	100%
Million Wealth Enterprises Limited	Hong Kong	HK$2	Property investment	–	100%	100%
REC (China) Company Limited	Hong Kong	HK$13,800,000	Electrical and mechanical engineering services and investment holding	–	100%	100%
REC Building Services (Macao) Limited	Macau	MOP100,000	Provision of design, installation and maintenance services of building services	–	100%	100%
REC Engineering (Singapore) Pte. Ltd.	Singapore	S$1,500,000	Electrical and mechanical engineering services	–	100%	100%

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 Engineering Company Limited	Hong Kong	HK$50,000,000	Electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services and investment holding	100%	–	100%
REC Engineering Contracting Company Limited	Hong Kong	HK$2,000,000	Electrical and mechanical engineering services	–	100%	100%
REC Green Energy Solutions (Singapore) Pte. Ltd.	Singapore	S$100,000	Development of environmental protection related software and programming activities	–	100%	100%
REC Green Energy Solutions Company Limited	Hong Kong	HK$1	Development of environmental protection related software and programming activities	–	100%	100%
REC Green Technologies (Singapore) Pte. Ltd.	Singapore	S$100,000	Engage in energy optimisation solution and environmental protection business	–	100%	100%
REC Green Technologies Company Limited	Hong Kong	HK$1	Engage in energy optimisation solution and environmental protection business	–	100%	100%
Rich Asia Management Limited	Hong Kong	HK$1	Property development	–	100%	100%
Right Motive Limited	Hong Kong	HK$6,000	Property investment	–	100%	100%
Steerers Engineering Limited	Hong Kong	HK$20	Engineering services	–	100%	100%
Tin Sing Chemical Engineers Limited	Hong Kong	HK$1,000,000	Water treatment services	–	100%	100%
VHSoft Technologies (Singapore) Pte. Ltd.	Singapore	S$10,000	Computer software development	–	100%	100%
VHSoft Technologies Company Limited	Hong Kong	HK$2	Computer software development	–	100%	100%
Yau Lee Building Construction and Decoration Company Limited	Hong Kong	HK$100,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Building Materials Trading Company Limited	Hong Kong	HK$2	Trading of building materials	–	100%	100%
Yau Lee Construction (Macau) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction (Singapore) Pte. Ltd.	Singapore	S$37,000,000	Building construction, maintenance and fitting-out	–	100%	100%

19 Subsidiaries (continued)

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Yau Lee Construction 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 Equipment Services Limited	Hong Kong	HK$1	Provision of plant and machineries services	–	100%	100%
Yau Lee Hing Materials Manufacturing Limited	Hong Kong	HK$1	Trading of building materials	–	100%	100%
Yau Lee Hotel Limited	Hong Kong	HK$2	Hotel management	–	100%	100%
Yau Lee Innovative Technology Limited	Hong Kong	HK$2	Licensing of patent	–	100%	100%
Yau Lee Investment Limited	The Cook Islands/ Hong Kong	US$100	Investment holding	100%	–	100%
Yau Lee Wah Concrete Precast Products Company Limited	Hong Kong	HK$10,000,000	Sale of precast products	–	100%	100%
Yau Lee Wah Precast Technology (Fuzhou) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
Yau Lee Wah Precast Technology (Nanjing) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
Yau Lee Wah Precast Technology (Shenzhen) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
Yau Lee Wah Precast Technology (Wuhan) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
Yau Lee Wah Technology Development Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
有利華建材（惠州）有限公司	Mainland China	HK$255,000,000	Manufacturing of precast products and building materials	–	100%	100%
有利華建築產業化科技（深圳）有限公司	Mainland China	HK$1,000,000	Sale of precast products	–	100%	100%

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
有利華建築產業文化（深圳）有限公司	Mainland China	HK$10,000	Books distribution and provision of training	–	100%	100%
有利華建築預制件（深圳）有限公司	Mainland China	HK$21,000,000	Manufacturing of precast products	–	100%	100%
全球模擬設計與建造（深圳）有限公司	Mainland China	HK$1,000,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
利盈電機電工程（上海）有限公司	Mainland China	US$13,920,000	Engineering services	–	100%	100%
利華泰建材貿易（深圳）有限公司	Mainland China	HK$2,100,000	Trading of building materials	–	100%	100%
盈電環保節能科技（廣州）有限公司	Mainland China	RMB1,500,000	Trading of environmental technology products	–	100%	100%
緯衡浩建科技（深圳）有限公司	Mainland China	HK$3,000,000	Computer software development	–	100%	100%

20 Associates

	2018 HK$'000	2017 HK$'000
Beginning of year	1,407	1,465
Share of (loss)/profit	(8)	436
Dividend	(114)	(494)
End of year	1,285	1,407
Due from associates	114	495

(a) The following are the details of the principal associates at 31 March 2018 and 2017:

Name	Particulars of issued share capital	Place of incorporation	Interest held 2018	Interest held 2017
Yau Lee Development Company Limited ("YLDC") *(Note (b))*	HK$100	Hong Kong	–	50%
EYE Lighting (Hong Kong) Limited ("Eye Lighting") *(Note (c))*	HK$2,000,000	Hong Kong	38%	38%

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

(b) YLDC was engaged in a residential and commercial property development project in Shunde, Mainland China ("Fuli Building") with Chinese parties. The Group did not recognise the loss of the associate for the year ended 31 March 2018 and 2017 as the Group's share of the accumulated losses exceeds its investment in YLDC. The associate has been deregistered during the year ended 31 March 2018.

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

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

21 Joint arrangements

	2018 HK$'000	2017 HK$'000
Investment in a joint venture		
Beginning of year	–	–
Additions	8,485	–
Share of loss	(155)	–
End of year	8,330	–
Obligation in respect of joint ventures		
Beginning of year	(1,511)	(1,457)
Share of loss	(47)	(54)
End of year	(1,558)	(1,511)
Due from joint ventures *(Note (f))*	2,924	2,818
Due from joint operations *(Note (f))*	27,173	30,432
	30,097	33,250
Due to joint operations *(Note (f))*	(2,799)	(59,596)
Due from other partners of joint operations *(Note (f))*	–	56,797
Due to other partners of joint operations *(Note (f))*	(23,932)	(27,240)

(a) The following is a list of the principal joint ventures at 31 March 2018 and 2017:

Name	Particulars of registered/issued share capital	Place of incorporation	Effective interest 2018	Effective interest 2017
江蘇省第一建築安裝集團（鎮江）產業化科技有限公司 *(Note (b))*	RMB100,000,000	Mainland China	35%	–
Yau Lee Formglas Limited ("YLFG") *(Note (c))*	HK$1,000,000	Hong Kong	51%	51%
Yau Lee Formglas (Macau) Limited ("YLFM") *(Note (d))*	MOP200,000	Macau	51%	51%

These joint ventures are accounted for using the equity method. There are no contingent liabilities relating to the Group's interest in the joint ventures.

21 Joint arrangements (continued)

(b) 江蘇省第一建築安裝集團（鎮江）產業化科技有限公司 is a joint venture with a Chinese party, and is engaged in precast development and distribution as at 31 March 2018.

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

(d) YLFM is a wholly-owned subsidiary of YLFG, and is inactive as at 31 March 2018.

(e) The following is a list of the principal joint operations at 31 March 2018 and 2017:

Name	Place of establishment	Principal activities	Effective interest 2018	Effective interest 2017
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%**	–
BYME-REC Joint Venture	Hong Kong	Electrical and mechanical services	**–**	50%
Paul Y. – Yau Lee Joint Venture	Macau	Building construction	**–**	40%

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

22 Available-for-sale financial assets

Unlisted equity securities

	2018 HK$'000	2017 HK$'000
Beginning and end of year	**11,800**	11,800

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

23 Other non-current assets

	2018 HK$'000	2017 HK$'000
Prepayments and deposits	**1,069**	46,165

24 Cash and bank balances

	2018 *HK$'000*	2017 *HK$'000*
Cash and bank balances	596,804	529,247
Time deposits	23,955	23,204
Restricted deposits *(Note a)*	160,998	185,426
	781,757	737,877

(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:

	2018 *HK$'000*	2017 *HK$'000*
Cash and bank balances	596,804	529,247
Time deposits with original maturity of less than three months	23,955	23,204
	620,759	552,451

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

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong dollars	434,403	410,520
Renminbi	278,356	175,680
Macau Patacas	52,831	120,347
Singapore dollars	13,539	29,960
Other currencies	2,628	1,370
	781,757	737,877

(d) Interest rates of time deposits and restricted deposits ranged from 0.01% to 3.52% (2017: 0.01% to 3.65%) per annum.

25 Trade and other receivables

(a) Trade debtors, net

	2018 HK$'000	2017 HK$'000
Trade debtors	474,889	656,547
Retention receivables *(Note 27)*	335,253	490,988
Provision for impairment	(7,879)	(23,671)
	802,263	1,123,864

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

	2018 HK$'000	2017 HK$'000
Current	662,155	1,012,908
1-30 days	21,441	7,327
31-90 days	17,855	16,659
91-180 days	10,559	3,652
Over 180 days	90,253	83,318
	140,108	110,956
	802,263	1,123,864

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2018, trade debtors of HK$140,108,000 (2017: HK$110,956,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

As at 31 March 2018, trade debtors of HK$7,879,000 (2017: HK$23,671,000) were impaired and fully provided for. The individually impaired receivables relate to customers who experienced unexpected difficult economic situations. All of these trade debtors were overdue by more than 180 days as at 31 March 2018 and 2017.

25 Trade and other receivables (continued)

(a) Trade debtors, net (continued)

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

	2018 HK$'000	2017 HK$'000
Beginning of year	23,671	7,352
Impairment loss recognised	31	17,695
Write back of impairment loss	(1,787)	(1,110)
Write off of impaired receivables	(14,815)	–
Currency translation differences	779	(266)
End of year	7,879	23,671

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

	2018 HK$'000	2017 HK$'000
Hong Kong dollars	696,638	917,126
Macau Patacas	81,779	118,415
Renminbi	20,569	13,061
Singapore dollars	3,171	74,955
United States dollars	106	307
	802,263	1,123,864

(b) Prepayments, deposits and other receivables

	2018 HK$'000	2017 HK$'000
Advances to subcontractors	293,575	261,119
Prepayments and deposits	52,599	42,765
Other receivables	83,565	132,578
	429,739	436,462

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$233,132,000 (2017: HK$194,547,000) which bear interest ranging from 4.0% to 9.0% (2017: 4.0% to 9.0%) per annum. All other advances to subcontractors are interest free and have no fixed terms of repayment. None of the prepayments, deposits and other receivables have been impaired.

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

26 Inventories

	2018 HK$'000	2017 HK$'000
Raw materials	48,444	38,401
Finished goods	42,383	34,788
Others	4,530	3,834
	95,357	77,023

27 Construction contracts in progress

	2018 HK$'000	2017 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	40,062,813	34,790,300
Progress billings to date	(39,609,886)	(34,105,734)
	452,927	684,566
Included in current assets/(liabilities) are the following:		
Due from customers on construction contracts	818,355	1,057,607
Due to customers on construction contracts	(365,428)	(373,041)
	452,927	684,566

Retention receivables from customers in respect of construction contracts in progress of HK$335,253,000 (2017: HK$490,988,000) are classified under trade debtors, net (Note 25(a)).

28 Completed properties held for sale

	2018 *HK$'000*	2017 *HK$'000*
Beginning and end of year	**176,017**	176,017

29 Borrowings

	2018 *HK$'000*	2017 *HK$'000*
Non-current		
Obligations under finance lease	**67**	2,176
Long-term bank loans – secured	**1,242,459**	987,010
	1,242,526	989,186
Current		
Short-term bank loans – secured	**867,831**	1,101,597
Current portion of obligations under finance lease	**4,125**	6,931
Current portion of long-term bank loans – secured	**133,079**	427,542
	1,005,035	1,536,070
Total borrowings	**2,247,561**	2,525,256

(a) The maturity of borrowings is as follows:

	Bank loans		Obligations under finance lease	
	2018 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2017 *HK$'000*
Within 1 year	**1,000,910**	1,529,139	**4,125**	6,931
Between 1 and 2 years	**421,173**	132,974	**67**	2,028
Between 2 and 5 years	**821,286**	854,036	**–**	148
	2,243,369	2,516,149	**4,192**	9,107

29 Borrowings (continued)

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

	2018	2017
	%	%
Short-term bank loans	2.5	2.6
Long-term bank loans	2.3	2.1
Obligations under finance lease	2.0	2.1

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

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong dollars	2,242,652	2,518,890
Singapore dollars	4,909	6,366
	2,247,561	2,525,256

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

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	4,202	7,141
In the second to fifth year	68	2,210
	4,270	9,351
Future finance charges on finance lease	(78)	(244)
Present value of obligations under finance lease	4,192	9,107

30 Deferred income tax

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

	2018 HK$'000	2017 HK$'000
Beginning of year	(10,049)	(6,260)
Credited/(charged) to consolidated income statement *(Note 10)*	4,320	(5,020)
Currency translation differences	(1,028)	1,231
End of year	(6,757)	(10,049)

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

	Tax losses		Intangible assets		Accelerated depreciation allowance		Relocation compensation		Total	
Assets/(liabilities)	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Beginning of year	33,946	49,031	(1,945)	(2,119)	(27,649)	(29,671)	(14,401)	(23,501)	(10,049)	(6,260)
(Charged)/credited to consolidated income statement	(14,455)	(15,085)	174	174	3,458	2,022	15,143	7,869	4,320	(5,020)
Currency translation differences	–	–	–	–	(286)	–	(742)	1,231	(1,028)	1,231
End of year	19,491	33,946	(1,771)	(1,945)	(24,477)	(27,649)	–	(14,401)	(6,757)	(10,049)

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:

	2018	2017
	HK$'000	*HK$'000*
Deferred income tax assets		
Recoverable more than twelve months	**5,985**	8,810
Recoverable within twelve months	**215**	4,333
	6,200	13,143
Deferred income tax liabilities		
Payable or settle more than twelve months	**(9,325)**	(20,996)
Payable or settle within twelve months	**(3,632)**	(2,196)
	(12,957)	(23,192)

As at 31 March 2018, the Group has unrecognised tax losses of approximately HK$837,623,000 (2017: HK$961,455,000) to carry forward against future taxable income.

	2018	2017
	HK$'000	*HK$'000*
With no expiry date	**748,702**	771,265
Expiring not later than one year	**3,644**	13,788
Expiring later than one year and not later than five years	**85,277**	176,402
	837,623	961,455

31 Payables to suppliers and subcontractors

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

	2018 *HK$'000*	2017 *HK$'000*
Current	279,010	337,157
1-30 days	34,410	16,320
31-90 days	2,585	1,549
91-180 days	292	496
Over 180 days	5,632	6,222
	42,919	24,587
	321,929	361,744

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

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong dollars	299,491	291,501
Renminbi	14,629	16,413
Singapore dollars	4,036	47,071
Macau Patacas	3,771	6,759
Others	2	–
	321,929	361,744

32 Accruals, retention payables, deposits received and other liabilities

	2018 *HK$'000*	2017 *HK$'000*
Retention payables	410,402	495,214
Other deposits and receipts in advance	81,329	71,957
Due to non-controlling interests *(Note)*	16,305	520
Others	121,048	237,137
	629,084	804,828

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

33 Share capital

	Number of shares 2018	Number of shares 2017	Amount 2018 HK$'000	Amount 2017 HK$'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 HK$'000	Capital redemption reserve HK$'000	Currency translation reserve HK$'000	Property revaluation reserve HK$'000	Other reserve HK$'000	Total HK$'000	Retained profits HK$'000
At 1 April 2016	413,776	359	21,228	–	(8,481)	426,882	887,367
Loss for the year	–	–	–	–	–	–	(29,798)
Currency translation differences	–	–	(20,211)	–	–	(20,211)	–
Fair value gain on investment properties upon transfer from property, plant and equipment	–	–	–	43,226	–	43,226	–
At 31 March 2017	413,776	359	1,017	43,226	(8,481)	449,897	857,569
At 1 April 2017	**413,776**	**359**	**1,017**	**43,226**	**(8,481)**	**449,897**	**857,569**
Profit for the year	–	–	–	–	–	–	**52,535**
Currency translation differences	–	–	**31,254**	–	–	**31,254**	–
Transactions with non-controlling interests	–	–	–	–	**9,573**	**9,573**	–
2017 final dividend	–	–	–	–	–	–	**(6,045)**
2018 interim dividend	–	–	–	–	–	–	**(6,571)**
At 31 March 2018	**413,776**	**359**	**32,271**	**43,226**	**1,092**	**490,724**	**897,488**

35 Notes to consolidated cash flow statement

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

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Operating profit	78,122	9,297
Interest income	(14,524)	(12,970)
(Gain)/loss on disposal of property, plant and equipment, net	(192)	208
Fair value (gain)/loss on investment properties, net	(2,432)	1,960
Amortisation of intangible assets	1,056	1,056
Amortisation of leasehold land and land use rights	1,979	1,941
Depreciation	94,296	99,744
Provision for impaired receivables, net	1,720	16,585
Provision for inventories	234	96
Provision for replacement of related water pipes for "the use of leaded solder materials in the solder joints"	11,017	–
Gain on disposal of a joint operation	(45,616)	–
Gain on financial assets at fair value through profit or loss	–	(174)
Operating profit before working capital changes	125,660	117,743
Trade debtors, net	283,562	65,379
Inventories	(10,662)	40,848
Prepayments, deposits and other receivables	(100,648)	29,655
Due from customers on construction contracts	162,776	76,997
Property under development for sale	(38,963)	(266,481)
Due from associates	1	(1)
Net change in balances with joint ventures/joint operations/ other partners of joint operations	(155)	(1,859)
Payables to suppliers and subcontractors	(43,389)	(197,095)
Accruals, retention payables, deposits received and other liabilities	(79,327)	(3,214)
Due to customers on construction contracts	(8,758)	23,524
Net cash from/(used in) operations	290,097	(114,504)

35 Notes to consolidated cash flow statement (continued)

(b) Reconciliation of liabilities arising from financing activities

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

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$3,761,000 (2017: HK$7,864,000).

36 Banking facilities

As at 31 March 2018, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,172,637,000 (2017: HK$5,083,647,000), of which HK$2,700,526,000 (2017: HK$3,006,667,000) had been utilised. These banking facilities are secured by the following:

(a) Restricted deposits of HK$160,998,000 (2017: HK$185,426,000) (Note 24);

(b) Guarantees of HK$5,164,188,000 (2017: HK$5,070,710,000) provided by the Company;

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

(d) Property, plant and equipment of HK$543,076,000 (2017: HK$548,405,000), investment properties of HK$167,801,000 (2017: HK$163,473,000) and leasehold land and land use rights of HK$1,690,000 (2017: HK$1,746,000) and property under development for sale of HK$305,444,000 (2017: Nil) (Notes 14, 15, 16 and 17).

37 Commitments and Contingent Liabilities

The Group has the following outstanding commitments and contingent liabilities:

(a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 31 March 2018, 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 awards the subsidiary the full aggregate amount as claimed under various heads, at HK$9,020,775, together with interests and legal costs. However, a Notice of Appeal was filed 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 total outstanding indebtedness, as at 31 January 2017, amounts to HK$15,379,062 (principal sum and interests accrued). During the year, the subsidiary received a payment of HK$4,116,237 which is recognised in income statement. For the remaining balance of the judgment debt, the subsidiary is currently pursuing statutory demand action.

37 Commitments and Contingent Liabilities (continued)

(c) The Group has provided performance bonds amounting to approximately HK$645,458,000 (2017: HK$811,136,000) in favour of the Group's customers.

(d) As at 31 March 2018, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and a joint venture of approximately HK$9,315,000 (2017: HK$23,537,000) and RMB28,000,000 (2017: Nil) respectively.

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

	2018	2017
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**10,020**	11,261
One year to five years	**18,853**	19,309
	28,873	30,570

38 Future minimum rental payments receivable

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**4,273**	3,932
One year to five years	**2,330**	2,251
	6,603	6,183

39 Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. In addition to those disclosed elsewhere in the consolidated financial statement the following transactions were carried out with related parties:

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:

	2018	2017
	HK$'000	*HK$'000*
Salaries and fees	**18,320**	18,190
Discretionary bonuses	**1,965**	1,640
Pension costs – defined contribution scheme	**804**	798
Others	**32**	28
	21,121	20,656

40 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

Name	Fees	Salaries	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to retirement benefit scheme	Total
		(Note (i))			*(Note (ii))*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2018							
Mr. Wong Ip Kuen	–	8,450	475	–	8	390	9,323
Ir. Wong Tin Cheung	–	2,824	470	1,076	8	180	4,558
Ms. Wong Wai Man	–	3,250	420	–	8	150	3,828
Mr. Sun Chun Wai	–	1,820	600	–	8	84	2,512
Mr. Chan, Bernard Charnwut	300	–	–	–	–	–	300
Mr. Wu King Cheong	300	–	–	–	–	–	300
Dr. Yeung Tsun Man, Eric	300	–	–	–	–	–	300
	900	16,344	1,965	1,076	32	804	21,121
For the year ended 31 March 2017							
Mr. Wong Ip Kuen	–	8,450	410	–	7	390	9,257
Ir. Wong Tin Cheung	–	2,824	390	1,076	7	180	4,477
Ms. Wong Wai Man	–	3,250	340	–	7	150	3,747
Mr. Sun Chun Wai	–	1,690	500	–	7	78	2,275
Mr. Chan, Bernard Charnwut	300	–	–	–	–	–	300
Mr. Wu King Cheong	300	–	–	–	–	–	300
Dr. Yeung Tsun Man, Eric	300	–	–	–	–	–	300
	900	16,214	1,640	1,076	28	798	20,656

Notes:

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

(ii) Other benefits include insurance premium.

40 Benefits and interests of directors (continued)

(b) Directors' retirement benefits and termination benefits

The directors did not receive or will receive any retirement or termination benefits for the year ended 31 March 2018 (2017: 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 2018 (2017: 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 2018 (2017: 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 2018 (2017: Nil).

41 Balance sheet and reserve movement of the Company

Balance sheet of the Company

As at 31 March 2018

		2018	2017
		HK$'000	*HK$'000*
Assets			
Non-current asset			
Subsidiaries		571,615	571,615
Other non-current assets		144	–
		571,759	571,615
Current assets			
Cash and bank balances		16,363	27,833
Prepayments, deposits and other receivables		422	332
Due from subsidiaries		1,273,798	1,211,969
Due from a joint venture		522	440
		1,291,105	1,240,574
Total assets		1,862,864	1,812,189
Equity			
Share capital		87,611	87,611
Other reserves	*Note*	414,135	414,135
Retained profits	*Note*	926,287	937,461
Total equity		1,428,033	1,439,207
Liabilities			
Current liabilities			
Accruals and other liabilities		1,308	929
Due to subsidiaries		433,523	372,053
Total liabilities		434,831	372,982
Total equity and liabilities		1,862,864	1,812,189

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

Note: Reserve movement of the Company
For the year ended 31 March 2018

	Other reserves			
	Share premium *HK$'000*	**Capital redemption reserve** *HK$'000*	**Total** *HK$'000*	**Retained profits** *HK$'000*
At 1 April 2016	413,776	359	414,135	938,538
Loss attributable to equity holders of the Company	–	–	–	(1,077)
At 31 March 2017	413,776	359	414,135	937,461
At 1 April 2017	**413,776**	**359**	**414,135**	**937,461**
Profit attributable to equity holders of the Company	**–**	**–**	**–**	**1,442**
2017 final dividend	**–**	**–**	**–**	**(6,045)**
2018 interim dividend	**–**	**–**	**–**	**(6,571)**
At 31 March 2018	**413,776**	**359**	**414,135**	**926,287**

Property	Location and lease term	Area	Existing use	Group's interest
1. 40 Prinsep Street, Singapore 188666	Lot No. 491K Town Subdivision 11 for a term of leasehold 99 years with effect from 1 March 1995	Approximate building floor area 4,306 sq.ft.	The property is currently leased out	100%
2. 10 Gopeng Street, #38-26 Icon, Singapore 078878	Lot No. U2246A Town Subdivision 3 for a term of leasehold 99 years with effect from 29 January 2002	Approximate strata floor area 936 sq.ft.	The property is currently leased out	100%
3. Rear Portion of 4th Floor, 33 & 33A Pok Fu Lam Road, Pok Fu Lam, Hong Kong	Inland Lot No. 5821 for a term of 999 years commencing on 30 June 1862	Approximate saleable area 654 sq.ft.	The property is currently leased out	90%
4. G/F and Cockloft of No. 30 Western Street, Sai Ying Pun, Hong Kong	Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860	Approximate shop saleable area 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%
5. G/F and Cockloft of No. 32 Western Street, Sai Ying Pun, Hong Kong	Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860	Approximate shop saleable area 462 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 309 sq.ft.	The property is currently leased out	60%
6. Shop A on Ground Floor and Shop B on 1st Floor, L•Harbour 18, No. 18 Chi Kiang Street, Kowloon	Kowloon Inland Lot No. 9673 for a term of 75 years from 19 January 1970 renewable for 75 years	Approximate shops gross floor area of 7,352 sq.ft.	The property is currently vacant	100%
7. Shop No. 1 on the Ground Floor and Flat Nos. A and B on the 1st Floor, Tak Wai Building, No. 25 Cheong Lok Street, Yau Ma Tei, Kowloon	Kowloon Inland Lot Nos. 8688, 7960 & 8116 for a term of 150 years commencing on 25 December 1888	Shop unit on the Ground Floor with an approximate gross floor area 504 sq.ft. and two office units on the 1st Floor with an approximate total gross floor area 2,678 sq.ft.	The property is currently vacant	100%

Five Year Financial Summary

Consolidated results

For the year ended 31 March

	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	**2018** **HK$'000**
Revenue	6,552,586	9,476,494	7,450,278	6,124,053	**5,653,938**
Profit/(loss) before income tax	47,025	95,852	(141,976)	(22,303)	**50,864**
Income tax (expense)/credit	(7,791)	(19,781)	(13,857)	(7,453)	**1,833**
Profit attributable to non-controlling interests	(619)	(7)	(3,514)	(42)	**(162)**
Profit/(loss) attributable to equity holders of the Company	38,615	76,064	(159,347)	(29,798)	**52,535**

Consolidated assets and liabilities

As at 31 March

	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	**2018** **HK$'000**
Total assets	6,242,116	6,472,028	5,452,086	5,575,630	**5,089,344**
Total liabilities and non-controlling interests	(4,710,506)	(4,875,872)	(4,050,226)	(4,180,553)	**(3,613,521)**
Shareholders' equity	1,531,610	1,596,156	1,401,860	1,395,077	**1,475,823**

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