有利集團有限公司*

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0406)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2019

HIGHLIGHTS

The Group reported revenue of HK$5,618,078,000 (2018: HK$5,653,938,000) for the year.

The gross profit was increased from HK$393,073,000 to HK$543,761,000.

Profit for the year was HK$30,408,000 (2018: HK$52,697,000).

Basic and diluted earnings per share was approximately HK6.87 cents (2018: HK11.99 cents).

The net asset value attributable to equity holders of the Company as at 31 March 2019 was HK$1,379,293,000 (2018: HK$1,475,823,000), equivalent to HK$3.15 (2018: HK$3.37) per share based on the 438,053,600 (2018: 438,053,600) ordinary shares in issue.

* *For identification purpose only*

The Board of Directors (the "Board") of Yau Lee Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2019 together with comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2019

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**1,191,001**	1,281,052
Investment properties		**241,962**	234,577
Leasehold land and land use rights		**68,064**	76,701
Intangible assets		**10,398**	11,454
Goodwill		**15,905**	15,905
Associate		**1,229**	1,285
Joint ventures		**87,577**	8,330
Deferred income tax assets		**7,945**	6,200
Available-for-sale financial assets		**–**	11,800
Financial assets at fair value through other comprehensive income		**12,200**	–
Mortgage loans receivable		**57,502**	–
Other non-current assets		**1,440**	1,069
		1,695,223	1,648,373
Current assets			
Cash and bank balances		**836,838**	781,757
Trade debtors, net	*10*	**783,573**	802,263
Due from customers on construction contracts		**–**	818,355
Contract assets		**747,186**	–
Prepayments, deposits and other receivables		**398,296**	429,739
Mortgage loans receivable		**2,199**	–
Inventories		**119,512**	95,357
Completed properties held for sale		**60,617**	176,017
Property under development for sale		**355,783**	305,444
Due from an associate		**114**	114
Due from joint ventures/joint operations		**35,549**	30,097
Prepaid income tax		**7,536**	1,828
		3,347,203	3,440,971
Total assets		**5,042,426**	5,089,344

CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Equity			
Share capital		**87,611**	87,611
Other reserves		**446,252**	490,724
Retained profits		**845,430**	897,488
Attributable to equity holders of the Company		**1,379,293**	1,475,823
Non-controlling interests		**4,066**	3,745
Total equity		**1,383,359**	1,479,568
Liabilities			
Non-current liabilities			
Long-term borrowings		**1,135,247**	1,242,526
Deferred income tax liabilities		**12,158**	12,957
		1,147,405	1,255,483
Current liabilities			
Short-term bank loans		**772,282**	867,831
Current portion of long-term borrowings		**431,878**	137,204
Payables to suppliers and subcontractors	*11*	**281,868**	321,929
Accruals, retention payables, deposits received and other liabilities	*12*	**502,109**	629,084
Derivative financial liabilities		**137**	–
Income tax payable		**8,011**	4,528
Obligation in respect of joint ventures		**1,609**	1,558
Due to customers on construction contracts		**–**	365,428
Contract liabilities		**481,641**	–
Due to joint operations		**2,799**	2,799
Due to other partners of joint operations		**29,328**	23,932
		2,511,662	2,354,293
Total liabilities		**3,659,067**	3,609,776
Total equity and liabilities		**5,042,426**	5,089,344

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to equity holders of the Company									
	Share capital	**Share premium**	**Capital redemption reserve**	**Currency translation reserve**	**Property revaluation reserve**	**Other reserve**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2017	87,611	413,776	359	1,017	43,226	(8,481)	857,569	1,395,077	328	1,395,405
Profit for the year	–	–	–	–	–	–	52,535	52,535	162	52,697
Other comprehensive income:										
Currency translation differences	–	–	–	31,254	–	–	–	31,254	–	31,254
Transactions with non-controlling interests	–	–	–	–	–	9,573	–	9,573	3,255	12,828
2017 final dividend	–	–	–	–	–	–	(6,045)	(6,045)	–	(6,045)
2018 interim dividend	–	–	–	–	–	–	(6,571)	(6,571)	–	(6,571)
As at 31 March 2018	87,611	413,776	359	32,271	43,226	1,092	897,488	1,475,823	3,745	1,479,568
As at 31 March 2018, as previously reported	**87,611**	**413,776**	**359**	**32,271**	**43,226**	**1,092**	**897,488**	**1,475,823**	**3,745**	**1,479,568**
Change in accounting policies										
Adjustment on adoption of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**–**	**(63,140)**	**(63,140)**	**–**	**(63,140)**
Adjustment on adoption of HKFRS 15	**–**	**–**	**–**	**–**	**–**	**–**	**(5,863)**	**(5,863)**	**–**	**(5,863)**
As at 1 April 2018, restated	**87,611**	**413,776**	**359**	**32,271**	**43,226**	**1,092**	**828,485**	**1,406,820**	**3,745**	**1,410,565**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**30,087**	**30,087**	**321**	**30,408**
Other comprehensive (loss)/income:										
Currency translation differences	**–**	**–**	**–**	**(56,612)**	**–**	**–**	**–**	**(56,612)**	**–**	**(56,612)**
Fair value gain on investment properties upon transfer from property, plant and equipment and leasehold land and land use right	**–**	**–**	**–**	**–**	**13,795**	**–**	**–**	**13,795**	**–**	**13,795**
Income tax related to fair value gain on investment properties	**–**	**–**	**–**	**–**	**(1,655)**	**–**	**–**	**(1,655)**	**–**	**(1,655)**
2018 final dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(6,571)**	**(6,571)**	**–**	**(6,571)**
2019 interim dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(6,571)**	**(6,571)**	**–**	**(6,571)**
As at 31 March 2019	**87,611**	**413,776**	**359**	**(24,341)**	**55,366**	**1,092**	**845,430**	**1,379,293**	**4,066**	**1,383,359**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New standards and interpretations not yet adopted

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

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

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

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$21,110,000 (Note 13(e)). The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease.

Date of adoption by Group

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies

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

(a) Impact on the consolidated financial statements

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

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

Consolidated balance sheet (extract)

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

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

Consolidated balance sheet (extract) *(Continued)*

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(a) *Impact on the consolidated financial statements* (Continued)

Consolidated income statement (extract)

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

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

(i) Classification and measurement

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) HKFRS 9, "Financial Instruments" *(Continued)*

(ii) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

3 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.

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

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

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

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

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

3 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 2019							
Total sales	**3,956,836**	**1,800,347**	**406,722**	**135,724**	**121,464**	**158,762**	**6,579,855**
Inter-segment sales	**(34,263)**	**(572,369)**	**(253,811)**	**–**	**–**	**(101,334)**	**(961,777)**
External sales	**3,922,573**	**1,227,978**	**152,911**	**135,724**	**121,464**	**57,428**	**5,618,078**
Segment results	**17,893**	**34,792**	**(9,577)**	**11,972**	**32,001**	**(18,476)**	**68,605**
Share of profit of an associate	**–**	**58**	**–**	**–**	**–**	**–**	**58**
Share of loss of joint ventures	**–**	**–**	**(3,087)**	**–**	**–**	**–**	**(3,087)**
	17,893	**34,850**	**(12,664)**	**11,972**	**32,001**	**(18,476)**	**65,576**
Unallocated income							**4,260**
Finance costs							**(29,474)**
Profit before income tax							**40,362**
Income tax expense							**(9,954)**
Profit for the year							**30,408**

	Construction HK$'000	Electrical & Mechanical Installation HK$'000	Building Materials Supply HK$'000	Property Investment and Development HK$'000	Hotel Operations HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2018							
Total sales	4,017,214	2,082,119	480,567	2,723	109,620	123,476	6,815,719
Inter-segment sales	(43,737)	(655,294)	(368,608)	–	–	(94,142)	(1,161,781)
External sales	3,973,477	1,426,825	111,959	2,723	109,620	29,334	5,653,938
Segment results	(7,046)	14,569	46,897	1,807	27,051	(11,363)	71,915
Share of loss of an associate	–	(8)	–	–	–	–	(8)
Share of loss of joint ventures	–	–	(202)	–	–	–	(202)
	(7,046)	14,561	46,695	1,807	27,051	(11,363)	71,705
Unallocated income							6,207
Finance costs							(27,048)
Profit before income tax							50,864
Income tax credit							1,833
Profit for the year							52,697

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

The analysis of revenue by geographical area is as follows:

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

Revenue of approximately HK$3,478,871,000 (2018: HK$3,637,902,000) are derived from two (2018: two) major customers each contributing 10% or more of the total revenue.

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

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

4 OTHER INCOME AND (LOSSES)/GAINS, NET

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

5 EXPENSES BY NATURE

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

6 FINANCE COSTS

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

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

7 INCOME TAX EXPENSE/(CREDIT)

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

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

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

8 DIVIDEND

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

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

9 EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of earnings per share is based on:

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

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

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

10 TRADE DEBTORS, NET

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

10 TRADE DEBTORS, NET *(Continued)*

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

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

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

11 PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

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

12 ACCRUALS, RETENTION PAYABLES, DEPOSITS RECEIVED AND OTHER LIABILITIES

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

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

13 COMMITMENTS AND CONTINGENT LIABILITIES

The Group has the following outstanding commitments and contingent liabilities:

(a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 31 March 2019, the Group has various liquidated damages claims on certain contracts for which the respective extension of time claims have been forwarded and filed to the clients. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

(b) In 2010 a subsidiary of the Company instigated legal proceedings against a subcontractor, claiming a sum of approximately HK$10,000,000 in respect of the subcontractor's failure to perform certain contractual duties and for recovery of over-payments made to the subcontractor. The subcontractor's director was also joined in as co-defendant, for liabilities owed under a personal guarantee for the subcontractor's liabilities. The subcontractor also filed a counterclaim, for payment allegedly payable under the subcontract, at around HK$5,000,000. The trial of the case was concluded in early June 2016. Judgment handed down on 15 August 2016 awarded the subsidiary the full aggregate amount as claimed under various heads, at HK$9,020,775, together with interests and legal costs. However, a Notice of Appeal was filed in September 2016 by the subcontractor for appeal against some of the awarded claims which has yet been set down in the List of Appeal. The subsidiary has since taken active steps to enforce the Judgment and has been able to recover a partial payment of $4,116,237 in satisfaction of part of the Judgment sum and is currently pursuing enforcement proceedings for the remaining balance thereof.

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

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

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

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

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

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

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 30 August 2019 (Friday) to 4 September 2019 (Wednesday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 4 September 2019 (Wednesday).

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

CLOSURE OF REGISTER OF MEMBERS FOR PAYMENT OF FINAL DIVIDEND

The register of members of the Company will be closed from 25 September 2019 (Wednesday) to 27 September 2019 (Friday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK1.50 cents per share for the year ended 31 March 2019, following the approval at the AGM.

In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 24 September 2019 (Tuesday).

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

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

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

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

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

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

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

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

Electrical and mechanical installation

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

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

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

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

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

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

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

Building materials supply

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

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

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

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

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

Hotel operation and property investment and development

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

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

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

OUTLOOK

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

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

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

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

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

FINANCIAL POSITION

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 31 March 2019, the Group's total cash and bank balances was HK$837 million (2018: HK$782 million) and total borrowings increased to HK$2,339 million (2018: HK$2,248 million). The increase in borrowings was primarily due to finance existing constructing projects and set up joint venture factories in Mainland China. The current ratio (total current assets: total current liabilities) as at 31 March 2019 was 1.3 (2018: 1.5). The amount of bank loans and other facilities fall due beyond one year was HK$1,135 million (2018: HK$1,243 million). With prudent financial management policy in place, the Group considers the financial position as sound and healthy with sufficient liquidity.

All the bank borrowings are arranged on a floating rate basis. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangements when appropriate. As at 31 March 2019, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,295 million (2018: HK$5,173 million), of which HK$2,703 million (2018: HK$2,701 million) had been utilised. The Group considers it has sufficient committed and unutilised banking facilities to meet its current business operation, property development requirement and capital expenditure.

HUMAN RESOURCES

As at 31 March 2019, the Group had approximately 2,900 (2018: 2,800) employees. There are approximately 2,200 (2018: 2,100) employees in Hong Kong, Macau and Singapore and 700 (2018: 700) in Mainland China. Yau Lee aims to be a good and attractive employer as we understand people are key to long-term success. The Group offers competitive remuneration packages and employees are rewarded on a performance related basis. The Group also invests substantially on training and staff development. We promote continuing learning and help the professional and personal development of our employees.

MOVEMENT OF INCOMPLETE CONTRACTS

For the year ended 31 March 2019

Contract value

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

CORPORATE GOVERNANCE

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 Corporate Governance Code and Corporate Governance Report (the "Code") as set out in the Appendix 14 of The Rules Governing the Listing of Securities on The SEHK ("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.

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.

During the reported year, management has engaged an independent international professional consultancy firm, Corporate Governance Professionals Limited ("CGPL") (formerly known as "Baker Tilly Hong Kong Risk Assurance Limited"), for an enterprise risk assessment which was conducted under the approach adopted in the "COSO Enterprise Risk Management – Integrated Framework". According to the assessment result, management has updated the enterprise risk register with the changes of risk factors as well as submitted an assessment report containing recommendations to the Board to enable the Board to effectively monitor the business risk and understand how management responds and mitigates the risks.

In addition, 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 Board has appointed CGPL, to conduct a review of the Company's internal control system for the year ended 31 March 2019. The review covered financial, operational and compliance controls on selected operational 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.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding the securities transactions by the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2019.

COMPLIANCE WITH LISTING RULES

In the opinion of the Directors, the Company has complied with the requirements of the Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2019 except for deviations from the code 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold the Company's listed securities during the year ended 31 March 2019.

REVIEW BY AUDIT COMMITTEE

The Group's annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors. The Audit Committee, together with the management, has reviewed the audited consolidated financial statements for the year ended 31 March 2019 of the Group.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in this annual results announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2019. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 26 June 2019

As at the date of this announcement, the Board comprises Mr. Wong Ip Kuen (Chairman), Ir. Wong Tin Cheung, Ms. Wong Wai Man and Mr. Sun Chun Wai as Executive Directors and Mr. Chan, Bernard Charnwut, Mr. Wu King Cheong and Dr. Yeung Tsun Man, Eric as Independent Non-Executive Directors.

The full version of this announcement can also be accessed on the following websites:

(i) http://www.yaulee.com; and
(ii) http://www.irasia.com/listco/hk/yaulee/