有利集團有限公司

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 0406

BIM FOR FULL LIFECYCLE **MANAGEMENT**

INDUSTRIALIZED **BUILDING PROCESS**

MODULAR INTEGRATED **CONSTRUCTION**

2022 ANNUAL REPORT

This annual report is printed on environmentally friendly paper

Contents

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

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Company Secretary

Lam Kwok Fan

Principal Bankers

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

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Solicitors

Gallant
T.H. Koo & Associates

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Ltd.
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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby report the annual performance of Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2022 to all the shareholders.

Result for the Year

The Group has delivered a resilient result in the face of the fifth-wave of the pandemic, the worst outbreak since it began over two years ago. Before the fifth-wave, Hong Kong had managed to remain free of local cases of COVID-19 for almost 100 days and the economy was on the road to recovery. The fifth-wave then came fast and furious in early 2022. It swept through the society, severely impacting economic and social activities of the whole community. And it created severe workforce issues and supply chain disruption which put a halt to almost all economic activities. From the onset of the fifth-wave, we have worked with major stakeholders including our customers, employees, subcontractors and suppliers to implement a range of measures continuing to deliver for our customers wherever and however we could safely. Thanks to the team's dedication, we overcame the hurdles to a large extent and delivered a resilient performance.

The Group recorded a revenue of HK$6,733 million, which was comparable to that of last year at HK$6,795 million. The L • Living 23, our property development project joint with Urban Renewal Authority (URA), completed on schedule and all the pre-sale transactions were fulfilled which brought in a total revenue of HK$700 million. The increase in property development income compensated the reduction in construction related revenue arising from the pandemic business interruption.

The Group's consolidated gross profits increased year-on-year by 15% to HK$659 million. Besides the property development profit, the major growth driver in this year, the construction segment gross margin was up too.

The yearly operating expenses rose to HK$545 million, as compared with HK$430 million in last year. The increase was caused by a few factors. First of all, last year staff costs were lessened by the subsidy received from the HKSAR Government Employment Support Scheme ("ESS"). Part of the rise in staff costs reflected the non-recurrence of such receipt in this year. Also, a lot more sales and marketing costs were spent this year for the sales of L • Living 23. And, office rental increased as additional space was leased to accommodate the expanding Electrical and Mechanical Installation ("E&M") team. Besides, more tender costs were expended as a result of rising tender activities carried out in the year. Furthermore, an amount of HK$35 million, being a full provision for our equity investment in the Nanjing joint venture was made. The joint venture partner is a main contractor in China. The slow-down in property market exerted great pressure to its financials. It is now facing some financial disputes. Since it is the major shareholder of the joint venture and runs the business, the operation of the entity is adversely impacted. We believe the issue will not be resolved in near term and are unable to predict the consequence at this moment. For the sake of prudence, we decided to make a full provision for our investment cost in the joint venture.

Consolidated net profits before tax was HK$86 million whereas last year was HK$163 million. The reduction caused mainly by the non-recurrence of ESS subsidy and the provision of investment costs in joint venture, as reported above. In fact, this year's operation profits increased if these non-recurring items were excluded.

CHAIRMAN'S STATEMENT

We ended the financial year with a solid order book of HK$21,427 million (2021: HK$23,953 million). During the year, the Group secured HK$9,321 million new contracts, up by 106% year on year. Construction segment got a big increase of HK$5,653 million or 346% over prior year whilst the E&M segment maintained a high level of new orders at around HK$3,298 million. The building materials supply segment also reported a rise in new order of 36% versus 2021. The strong level of contract on hand provides good visibility to our short to medium term performance.

The Group achieved a very positive net cash inflow in the year. Sales proceed of HK$700 million from the disposal of L • Living 23 residential units was received. The net debt to capital ratio (Calculated as net debt divided by total capital. Net debt is calculated as total borrowings plus lease liabilities less cash and bank balances. Total capital is calculated as equity plus net debt.) was reduced to 0.17 versus 0.41 in 2021. The Group's strong financial strength underpins future business growth.

Dividend

In the Board meeting held on 29 June 2022, the Directors recommended the payment of a final dividend of HK2.50 cents per share (2021: HK6.80 cents). Together with the interim dividend of HK2.50 cents per share (2021: HK1.00 cent), total distribution is HK5.00 cents per share this year. The recommended final dividend, subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting ("AGM") which is scheduled to be held on 25 August 2022 (Thursday), will be payable on 11 October 2022 (Tuesday) to the shareholders whose names appear on the register of members of the Company on 23 September 2022 (Friday).

Review of Operations

Building construction, renovation and maintenance

The last twelve months have been unprecedented. The outbreak of Omicron caught the city by surprise. The construction supply chain was massively disrupted. Tightened social distancing and safety measures greatly impacted on-site work. For a period of time, manpower was in great shortage as almost one third of the workforce, if not more, were on quarantine. Works were inevitably delayed. Thankfully, the five new-built projects scheduled to complete this year were successfully finished and handed over before the emergence of fifth-wave. There was no delay in our project completions. For those on-going projects, we shall catch up the works in remaining period.

The segment reported total revenue at HK$3,993 million, dropped by 25% compared with the prior year. The decline was caused mainly by the completion of several sizeable projects during the year. And the work disruption encountered in the fifth-wave led to a reduction in work done in first quarter of Year 2022. Notwithstanding the drop in yearly work done, the segment secured a strong level of new contracts at HK$7,288 million, a three-fold increase from HK$1,635 million in last year. Another new contracts of around HK$1,600 million were awarded post balance sheet date. Our position in core market remains strong.

Our technical prowess was once again validated by the successful and early completion of two demountable transitional housing projects during the year. Both projects adopted our patented demountable concrete MiC system, the first-ever of its kind in Hong Kong. The two projects were completed ahead of schedule by around 1.5 months and 3.5 months respectively. Apart from the demountable concrete MiC technology, we adopted also 5G-connected Artificial Intelligence ("AI") construction robots, for instance, MobiScanning for surveying and MobiLog for patrolling, to replace manual work in order to speed up construction process and reduce costs. The two clients were very pleased with our works and one of them awarded us another phase of work afterwards.

CHAIRMAN'S STATEMENT

As a leader in technical solutions in the industry, we keep moving forward with new ideas and innovation. We are actively enriching our MiC full lifecycle by integrating with autonomous solutions like robots, AI technologies to enhance productivity, buildability, quality and safety. BEANiE, Hong Kong's first BIM-enabled blockchain multifunctional digital platform supporting the MiC lifecycle has been evolving into the third generation. A logistic and fleet monitoring module was created in BEANiE 3.0. The Fleet Management System in BEANiE 3.0 is used to monitor the transportation of MiC elements from off-site factory to the construction sites and to ensure 'just-in-time' for delivery and installation. With the use of 4G/5G connectivity, cross-border real time traffic data and driver conditions are monitored. Using a cloud-based command center, BEANiE 3.0 can advise driver for better logistics route and each MiC location can therefore be easily tracked. With an additional Indoor Air Quality (IAQ) monitoring sensor within the driver area, air pollutants, such as Carbon Dioxide (CO_2), Nitrogen Dioxide (NO_2) and Ozone (O_3), can be detected. Warning messages will be displayed when the air quality is not safe for work. BEANiE 3.0 can also communicate with driver to remind him/her to take rest and ensure a safe journey. BEANiE 3.0 was launched and welcomed by many clients. It would be used in a Dedicated Rehousing Estate which employs also MiC technology.

It has been five years since the Government promoted MiC in 2017. With more and more prominent MiC projects including the Married Quarters for the Fire Services Department in Tseung Kwan O completed by our Group, seen in the market, benefits arising from the use of this innovative construction method were well proven and recognized. MiC is gaining popularity and more widely adopted in different applications. On hand, we are working on six MiC projects encompassing residential, Government Complex, school and demountable transitional housing.

The maintenance and renovation division is now working on more than ten major projects with total contract sum amounted to around HK$6,000 million. Leveraging on the Group's cutting edge prefabrication technology and full value chain across the construction cycle, the division has developed a Design for Manufacture and Assembly ("DfMA") system that best fits renovation and refurbishment projects. We worked jointly with Architectural Services Department (ASD) in its first DfMA approach public toilet makeover project. On site construction time, wastage and nuisance created to public were substantially minimized and the output was of high quality. Again, the client was highly satisfied with our performance. The work becomes a showcase for our capabilities in DfMA. The division just finished another public toilet makeover pilot project with the Food and Environmental Hygiene Department. We successfully reduced the construction time with high quality of work to only one month whereas it took on average four months in the past. Our expertise in DfMA is well acknowledged in the market. Given the use of DfMA is now strongly advocated, our competency would bring good business growth.

At Yau Lee, we are committed to actively participating in community affairs to give back to society. Being a trusted partner, we were commissioned by the Government to carry out the conversion of three community isolation facilities when the city was overwhelmed by the fifth-wave. The renovation team and the E&M team mobilized hundreds of workers, working day and night to complete the conversion within extremely short period of time. Our technical competency serves not only business, but also our services to the community.

CHAIRMAN'S STATEMENT

Electrical and mechanical installation

The strong order book built up in past few years represents a strong foundation to underpin the business in this year. Notwithstanding the various impacts of pandemic to the industry, the segment achieved a yearly revenue of HK$2,271 million which was comparable to that of last year at HK$2,318 million. And thanks to the dedicated management team, segment profit adjusting last year's non-recurrent ESS subsidy received from the HKSAR Government, remained steady at around HK$46 million amidst the worsening business environment caused by surging operation costs and severe manpower shortage. Furthermore, the value of contracts in hand as at end of the year reached the record high at approximately HK$10 billion. We capitalized the investment on technology development by achieving again a good level of new contracts at HK$3,298 million (2021: HK$3,490 million). Around 40% of the new orders were secured by the General Engineering team which expertise and capabilities goes much beyond an ordinary E&M contractor by leveraging on the Group's full value chain and technical excellence. It develops a new E&M business model by collaborating with Global Virtual Design and Construction Limited (GVDC), the Group's virtual design & construction technology promoter to provide a wide spectrum of digital technologies in E&M discipline. Besides the widely advocated MiMEP and BIM, a series of emerging technologies such as 3D laser scanning, drone for aerial geomapping, augment reality and virtual reality technologies and AI enabled solutions are adopted. Our involvement goes from design to plan, to build and to maintain. The new business model allows project team to coordinate and optimize the entire design, build and operate lifecycle with connected, reliable and constructible data which raise efficiencies, reduce errors and wastage, and save time, effort and cost. All parties including customers shall be benefited. Our competitive edge in job bidding is thus strengthened.

Apart from E&M services, the segment grew also in green, automation and data-centric A.I. solution businesses. The division recorded a double-digit percentage increase in this revenue stream. The market is expected to grow exponentially considering the various new urban development plans initiated by the HKSAR Government. We shall take the opportunity by enriching our product and solution offering through strategic partnership and invention. Our Automated Car Parking system is one of the many successful solutions we developed through strategic partnership with a renowned vendor in this sector. On invention, we established our own research and development laboratory and partner with academies to develop new technologies. During the year, we launched three in-house developed AI-driven solutions namely AI Confined Space Safety Monitoring Solution, AI Site Safety Monitoring System and AI Camera Detection Basket Screen Monitoring System, aiming to address job sites safety issues which is one of the major concerns in the industry. Certainly, environment protection and A.I. solutions are key trends to develop. We would invest relentlessly in these area to ensure sustainable future growth.

Building materials supply

The segment sales were HK$594 million, up by 10% year on year. The increase was in Mainland China market. As to the Hong Kong businesses, the unprecedented challenges to the cross border transportation caused by the outbreak of fifth-wave led to a nosedive of deliveries after Chinese New Year. For our factory, the volume of deliveries had been sharply cut down to less than one third of average. Sales in last two months of the financial year tumbled. At the time of writing the report, the land-based cross border logistic problem is yet to be fully resolved. Should the logistic arrangement return to normal in next few months, we endeavor to clear the backlog soonest for a higher sales figures in next year. Yearly profits fell because of inadequate sales to cover the factory overhead and surged transportation costs as a result of additional pandemic-prevention measures implemented. The result of this segment shrank to a loss of HK$57 million, partly due to the aforesaid business interruption and partly due to an impairment provision of HK$35 million for our investment in Nanjing Joint Venture. Our Nanjing joint venture partner, a PRC main contractor, is involved in several financial disputes in the face of the contraction of Mainland property market. Our joint venture operation is adversely affected too because it runs mainly by the partner. As the issues may not be settled in near term, the impact on our joint venture would last for some time. After thorough assessment, we decide to make a full provision for our investment in the Joint Venture for conservative purpose.

CHAIRMAN'S STATEMENT

Despite the hiccups in short run, the business outlook is bright and clear. The segment obtained new contracts of HK$946 million, representing a growth of 36% year on year. The two transitional housing projects secured in last year using our patent demountable concrete MiC system were delivered successfully ahead of schedule. The customers were very pleased with our products and one of them awarded us another phase of work. The HKSAR Government announced to increase the transitional housing supply from 15,000 units to 20,000 units in the coming few years. Our reputation earned from the two completed projects shall bring to us more businesses. In Hong Kong, MiC has become a trend and has been gathering momentum in recent years. In China, the Ministry of Housing and Construction issued the "14th Five-Year Plan" for the development of the construction industry, which proposes to vigorously develop prefabricated buildings. By 2025, prefabricated building will account for more than 30% of the country's new construction. Business opportunities in both markets are massive.

Hotel operation and property investment and development

With the outbreak of Omicron variant and the stringent boarding and compulsory quarantine requirements still in force, Hong Kong's tourism industry had a tough time in the second consecutive year. The Hong Kong Tourism Board reported a 97.4 per cent drop in the number of visitors in 2021. We continue to defer the hotel's operation temporarily while keeping the leasable area fully let. The reported loss was comparable to that of last year. Majority costs were depreciation and cash outlay were only costs to up-keeping the building condition.

With the variant strains of COVID-19 emerging, it seems not realistic to predict a substantial travel rebound in the remaining period of the year. We take the opportunity to carry out a conversion of the Hotel. The pandemic changes the world of travel. People are now more than ever into digitalization, less face-to-face interactions and flexibility in use of space as remote working is widely accepted. Our hotel's new design would take into account these new guest demands which may not be crucial before the pandemic. We anticipated the conversion to be completed in first half of next year, by then we shall share more with you the new features of the Hotel.

As to the property development business, the L • Living 23, our project with Urban Renewal Authority (URA) completed on schedule in early 2022. All the pre-sale transactions were completed and the properties were handed over to the buyers. The project is a successful one as over 90% were sold on first sales day which brought in sales proceed of around HK$700 million. The sales of the remaining units was put on hold when the city was overwhelmed by the fifth-wave of COVID-19 in past few months. We are now preparing the re-launch in next few months. For the commercial portion, we are working with URA on the disposal plan. Tai Kok Tsui, a few minute walk away from the Olympics MTR station and Mongkok, is where Hong Kong's next commercial and residential hub lies. More and more exciting development led by URA and various property developers are in motion. We anticipated the value of the commercial portion of our development would grow in next few years.

Regarding the property development on our ex-Longhua Shenzhen factory site, of which the Group is entitled to 10,000 m^2 of the new residential properties upon completion, the building work is ongoing. The development has two phases. Phase one was completed and launched for sales at end of 2021. Despite China residential property market cooled down in second half of 2021, the properties selling prices in the district were rather stable and price cut pressure was not notable. Our properties under phase two which comprises shopping mall and residential units are expected to be completed in early 2023. Considering its excellent location, right next to the Metro station, we think the profits derived from the sales shall be good.

CHAIRMAN'S STATEMENT

Outlook

With a strong order book and healthy financial strength, the Group is on solid ground to move forward. We have a strong presence in our core markets i.e. Hong Kong and Mainland China which outlooks are clear and bright.

In Hong Kong, the construction industry is benefited from the Government's stimulus plans in housing and infrastructure. In 2021, the approved funding for capital work projects has reached a record high of HK$200 billion. It is expected that the annual capital works expenditure will exceed HK$100 billion in the coming years. Also, the Government is determined to resolve the housing issues. Some 330,000 public housing units will be built in coming ten-year period i.e. (from 2022-23 to 2031-32). The supply of transition housing will be increased from 15,000 units to 20,000 units. To deliver more units as early as possible, MiC and other innovative construction technology will be more widely adopted. The Group, known as a leading player in construction technologies, has a long and strong presence in public works market. We got a range of patented MiC systems, proven DfMA and MiMEP capabilities and digitalized full lifecycle management solutions including 5D BIM and BEANiE 3.0, that form our competitive edges to gain more market share.

In Mainland China, the construction work sector was growing steadily, reaching a total output value of around RMB29 trillion in 2021, albeit the pandemic. The nation has unveiled a development plan for the construction industry over the 14th Five-Year Plan period (2021-2025) to push the sector onto a greener, smarter and safer path. Specifically, prefabricated building will account for more than 30% of the country's new construction, representing a vast market potential for prefabrication supplies which is our priority to develop in coming years. Nonetheless, given the current production capacity and economic condition, we shall expand cautiously. We anticipate a mild and steady business growth in this area.

The key challenges faced in the construction industry i.e. manpower shortage and rising costs remain from the past few years. The public health crisis and geopolitical issues causing supply chain disruption and hikes in inflation rates and interest rates add more pressures to the operation. To tide over the challenging time, we will continue to focus on our core priorities: innovation, tight control on project execution and selective approach to the project taken on.

To help the industry to address the challenges and ensure a bright and prosperous future, the HKSAR Government led the industry to reform a few years ago by advocating "Innovation", "professionalization" and "revitalization" via the implementation of "Construction 2.0". The industry is in the new era of transformation. New approaches like MiC, DfMA, MiMEP, AI, robotics, digital and data-driven processes and green solutions are key areas to pursue. Being one of the leading players in construction technologies, the Group has invested heavily in technology development and is poised to capture all these opportunities. Looking ahead, we would continue to move forward with new ideas, cutting-edges technology and innovation that will drive future sustainable growth and return.

We have once again gone through another tough year. I am proud of our team who again demonstrated great commitment, discipline and flexibility during the difficult period of time. Their tireless contribution and extraordinary performance are integral to our success. I also thank the Board for the visionary leadership that keep us going in each challenging period. And finally I would like to sincerely thank our shareholders for your support and confidence on the Group.

Wong Ip Kuen
Chairman

Hong Kong, 29 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 31 March 2022, the Group's total cash and bank balances was HK$1,045 million (2021: HK$728 million) and total borrowings decreased to HK$1,318 million (2021: HK$1,711 million). The increase in cash was largely from sale proceeds from the Group's residential property development project L • Living 23. The decrease in borrowings was primarily due to repayments of some project loans. The current ratio (total current assets: total current liabilities) as at 31 March 2022 was 1.1 (2021: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK$337 million (2021: HK$836 million). The decrease resulted from a project loan which fell due within one year upon project completion. 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 2022, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$4,071 million (2021: HK$4,558 million), of which HK$1,632 million (2021: HK$2,071 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 2022, the Group had approximately 3,200 (2021: 3,200) employees. There are approximately 2,500 (2021: 2,500) employees in Hong Kong, Macau and Singapore and 700 (2021: 700) in Mainland China. Yau Lee aims to be a good and attractive employer as we understand people are key to long-term success. The Group offers competitive remuneration packages and employees are rewarded on a performance related basis. The Group also invests substantially on training and staff development. We promote continuing learning and help the professional and personal development of our employees.

SUMMARY OF CONTRACTS

Movement of incomplete contracts

For the year ended 31 March 2022

Contract value

	31 March 2021 *HK$'million*	Contracts Secured *HK$'million*	Contracts Completed *HK$'million*	**31 March 2022** ***HK$'million***
Building construction, renovation and maintenance	16,796	7,288	(9,874)	**14,210**
Electrical and mechanical installation	9,876	3,298	(3,187)	**9,987**
Building materials supply	1,213	946	(420)	**1,739**
Others	15	17	(17)	**15**
Less: Inter-segment contracts	(3,947)	(2,228)	1,651	**(4,524)**
	23,953	9,321	(11,847)	**21,427**

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2022

Contracts

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

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

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by 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

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

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

Design and Build of Modular Integrated Construction (MiC) Units at Yen Chow Street, Kowloon

Main Contract for Renovation Works on Shelled Floors for Hong Kong Adventist Hospital at Tsuen Wan

Design and Build of Ying Wa Module Community Transitional Social Housing Project at Ying Wa Street, Kowloon

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2022

Contracts

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

Term Contract for the Alterations, Additions, Maintenance and Repair of Aided Schools, Buildings and Lands and Other Properties for which the Education Bureau is responsible (Designated Contract Area: Wong Tai Sin, Kwun Tong and Sai Kung) (2020/2022)

Term Contract for the Alterations, Additions, Maintenance and Repair of Aided Schools, Buildings and Lands and Other Properties for which the Education Bureau is responsible (Designated Contract Area: Central & Western, Wan Chai, Eastern and Southern) (2020/2022)

Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is responsible (Designated Contract Area: Kowloon and New Territories) (2020/2023)

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

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible (Designated Contract Area: Kowloon City, Sai Kung and Outlying Islands (Sai Kung)) (2020/2024)

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible (Designated Contract Area: Wong Tai Sin and Sha Tin) (2020/2024)

Design and Construction of a Community Health Centre cum Social Welfare Facilities at Pak Wo Road, North District

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in current year

Contracts

Hospital Authority Term Contract for Minor Works for Kowloon Central Cluster

Construction of a Primary School at Tai Po

Public Rental Housing Project at Shek Pai Wan Road

Design and Construction of Chai Wan Government Complex and Vehicle Depot

Dedicated Rehousing Estate at Hung Shui Kiu Phase 1A

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: Hong Kong Island and Outlying Islands)

Construction of Public Housing Development at Tung Chung Area 99, Tung Chung

The Construction of Footbridge Linking 3AKN and 5AKN for HKSH Eastern District Advanced Medical Centre

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

Contracts

Construction of Public Housing Development at Anderson Road Quarry Site R2-5

District Term Contract for The Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin Region (3) 2022/2025

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2022

Contracts

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

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

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

* Inter-Segment Contracts

Summary of Contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2022

Contracts

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

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

Design and Construction of a Community Health Centre cum Social Welfare Facilities at Pak Wo Road, North District*

Design, Supply and Installation of Seawater Supply System for Seawater Pump House 1 & 7 at Hong Kong International Airport

Term Contract for Inspection, Repair, Overhaul & Testing of Electrical & Mechanical Installations at Various Sewage Treatment Works and Pumping Stations in New Territories West and New Territories North (2020-2023)

Contracts secured in current year

Contracts

Building Services Installation for Hospital Authority Term Contract for Minor Works at Kowloon Central Cluster*

Design & Construction of Chai Wan Government Complex and Vehicle Depot*

Term Contract for the Design & Contruction of Fitting-Out Works to Buildings & Lands & Other Properties for which the Architectural Services Department is Responsible (Designated Contract Area: HK Island & Outlying Islands)*

Electrical Installation for Construction of Public Housing Development at Tung Chung Area 99*

Electrical Term Maintenance Contract (HKI Region) 2022/2025 for Housing Authority Estate, Areas and Buildings

Plumbing & Drainage Installation for Construction of Public Housing Development at Tung Chung Area 99*

* Inter-Segment Contracts

Summary of Contracts

Electrical and mechanical installation segment (continued)

Contracts secured by a joint operation in prior year

Contracts

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

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

Term Contract for Maintenance and Operation Support of On-site Chlorine Generation Plants (Phase 2) of Water Supplies Department (2022-2026) (50% effective interest by the Group)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Wong Ip Kuen

aged 86, 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. Dr. Wong Tin Cheung and Ms. Wong Rosana Wai Man.

Ir. Dr. Wong Tin Cheung, BBS, JP

aged 58, is a professional engineer who has over 30 years of building construction experience. He is the Vice Chairman of the Company, undertaking the post of Managing Director of Yau Lee Construction Company Limited.

Ir. Dr. Wong is responsible for the overall strategy formulation of the Group, including overseeing business and technologies development. Ir. Dr. Wong has particular passion for green building technologies, Building Information Modeling (BIM), modular and precast construction as well as manufacturing automation. Under his leadership, Yau Lee has successfully introduced the first concrete Modular Integrated Construction (MiC) in Hong Kong for a government quarter project. Since 2017, Ir. Dr. Wong has been putting a great deal of effort in developing various robotic and Artificial Intelligence (AI) applications for the construction industry.

Ir. Dr. Wong holds a Bachelor Degree of Science in Civil Engineering from the University of Southampton, Master Degree of Science (Engineering) in Foundation Engineering from the University of Birmingham, Master Degree of 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 member of the Hong Kong Institution of Engineers, the Chartered Institute of Building, the Institution of Civil Engineers (United Kingdom), the Hong Kong Institute of Building Information Modelling as well as the Hong Kong Institute of Construction Managers. In October 2020, Ir. Dr. Wong completed his Doctor of Philosophy Degree in City University of Hong Kong. His speciality is adopting AI to optimise energy consumption for large scale central air conditioning system. Ir. Dr. Wong has also been appointed as the Adjunct Professor by the Department of Civil Engineering in the University of Hong Kong.

Ir. Dr. Wong is very active in public and community services. Currently, he is the Chairman of the Council of the Hong Kong Metropolitan University, the Chairman of the New Energy Transport Fund Steering Committee, the Member of the Energy Advisory Committee, the Member of the Trade and Industry Advisory Board, the Member of the Environmental Campaign Committee and the Chairman of the Awards Committee on the Hong Kong Awards for Environmental Excellence, the Member of the Town Planning Board, and the Member of the Court of the City University of Hong Kong. In the past, Ir. Dr. Wong served as the Deputy Chairman of Vocational Training Council, 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 Advisory Council on the Environment and the Director of the World Green Building Council.

Ir. Dr. Wong 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. In 2009, he was conferred the Honorary Fellow by the Vocational Training Council and the Honorary Fellow by the University of Central Lancashire in recognition of his contributions.

Ir. Dr. Wong was a Member of 10th and 11th Guizhou Province Committee of the Chinese People's Political Consultative Conference and he was appointed Justice of the Peace (J.P.) in 2008 and awarded the Bronze Bauhinia Star (B.B.S.) by the Government of the HKSAR in the year of 2013 for recognition of his outstanding contributions made to Construction Industry.

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

Biographical Details of Directors and Senior Management

Ms. Wong Rosana Wai Man

aged 55, has been appointed as an Executive Director of the Company since 2008, after working with different entities in the Group since 2003.

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

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

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

Ms. Wong is also a Director of Hong Kong Cyberport Management Company Limited, Vice President of Smart City Consortium (the "SCC"), Chairperson of SCC's Smart Living Committee, Deputy Director of China Green Building (Hong Kong) Council, Member of Construction Industry Council's Committee on Building Information Modelling, Council Member of HKTDC Mainland Business Advisory Committee, Council Member of The Better Hong Kong Foundation, Member of The Zonta Club of Kowloon, Member of the Federation of Hong Kong Hotel Owners, Founding Member of the Built World Technology Alliance of Asia and Member of Center for Integrated Facility Engineering (CIFE) at Stanford University.

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

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

Mr. Sun Chun Wai

aged 61, earned a Bachelor Degree in Britain. He joined the Group in 1992 to manage the Group's property development, construction works, manufacturing and supply of building materials, and development and marketing of computer software in Mainland China. Mr. Sun was appointed as an Executive Director of the Company in 1994 and is responsible for the Group's business management and development in Mainland China.

Biographical Details of Directors and Senior Management

Independent non-executive directors

Mr. Chan, Bernard Charnwut

aged 57, 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 Chairman & President of Asia Financial Holdings Limited and Chairman of Asia Insurance Company Limited. Mr. Chan is a Hong Kong Deputy to the National People's Congress of the People's Republic of China and the Convenor of the Non-Official Members of the Executive Council. He is Chairman of the Hong Kong Palace Museum Limited, Chairman of the Tai Kwun Culture & Arts Company Limited and Chairman of the Executive Committee of the Hong Kong Chronicles Institute. He is an Independent Non-Executive Director of Cathay Pacific Airways Limited, Chen Hsong Holdings Limited and China Resources Beer (Holdings) Limited, all of which are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). In addition, he is also an Advisor of the Bangkok Bank (China) Company Limited, the Chairman of Hong Kong-Thailand Business Council, the Chairperson of The Hong Kong Council of Social Service and a Trustee Emeritus of the Pomona College, California, USA.

Mr. Wu King Cheong

aged 70, 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 76, has been an Independent Non-Executive Director of the Company since 1993. Dr. Yeung is Managing Director of Perfekta Toys Lda. He holds directorships of companies in Hong Kong, Macau and Mainland China, which are engaged in electronics, respirator, trading and agricultural businesses. He was a Standing Committee Member of the National Committee, 10th, 11th and 12th session of the Chinese People's Political Consultative Conference, the Chairman of Macau Productivity and Technology Transfer Centre, a Member of YPO Gold 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 68, 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. 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 40 years of experience in quantity surveying and has been appointed as Expert Witness in respect of the valuation of variations and assessment of claims for a number of arbitration and litigation cases. He has an in-depth working knowledge of contract administration and construction law and of the various standard forms of contract, methods of measurement, specifications and other related documentation. He also has substantial experience in dealing with additional costs/loss & expenses/damages claims and the causes and effects of delays to construction works. Mr. Au is now responsible for managing both the contractual and commercial matters of the projects handled by the Group.

In alphabetical order

Biographical Details of Directors and Senior Management

Mr. Chan Chi Ming Antonio, Deputy Managing Director of REC Engineering Company Limited
aged 60, 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 and Macau. Under the directions of the Board of Directors, he successfully leads the team to implement many pilot projects including the first Floating PV System in Shek Pik Reservoir, the first Automated Parking System in EMSD Headquarters. He also leads the team actively participating in smart building, smart mobility, sustainability and advanced construction technology including robotic welding.

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

He is a Chartered Engineer of Engineering Council UK, a Fellow Member of the Hong Kong Institution of Engineers, a Member of the Institution of Engineering and Technology, a Member of the Institution of Fire Engineers and a Member of the European Federation of Engineers. In addition, he is also a Registered Professional Engineer as well as a BEAM Professional. Currently he is the Council Member of the Hong Kong Federation of Electrical and Mechanical Contractors, Council Member of the Hong Kong E&M Contractors' Association, Vice President of Hong Kong Energy Conservation Association, Committee Member of the Guangzhou Association for Science and Technology, Committee Member of the Industrial Liaison Group to the SCOPE of City University of Hong Kong, Member of the Steering Committee of Construction Innovation and Technology Fund, Member of the Electrical Safety Advisory Committee, Member of the CIC BIM Committee, Member of the VTC Electrical and Mechanical Training Board, Member of the VTC Engineering Discipline Advisory Board. He is also the Immediate Past President of Hong Kong Air Conditioning and Refrigeration Association, Past Chairman of the HKIE-Building Services Division and Ex-Director of the Hong Kong Green Building Council.

Mr. Hui Yuet Chun, Executive Director of REC Engineering Company Limited
aged 67, 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 Hong Kong and Macau projects.

He holds a Higher National Diploma in Mechanical Engineering in Dorset Institute of Higher Education (UK) and a Graduate Diploma in Business Systems from Monash University of Melbourne (Australia). He is a Fellow Member of the Hong Kong Institution of Engineers. Currently he is the Member of the Registered Energy Assessors (REA) and Member of the Registered Professional Engineer (RPE).

Ms. Lam Kwok Fan, Chief Financial Officer and Company Secretary
aged 56, 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 and an Associate Member of the Hong Kong Institute of Chartered Secretaries. She has over 30 years of experience in auditing, accounting, finance and company secretarial field. Prior to joining the Company, she has worked for one of the big four international audit firms and has held senior finance positions in international bank and large corporation.

Biographical Details of Directors and Senior Management

Mr. Lee Shiu Ming, General Manager

aged 65, 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 40 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 the Deputy Honorary Secretary, a Vice-Chairman in Building Committee and a Vice-Chairman in Health and Safety Committee of Hong Kong Construction Association.

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

aged 63, 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 Standardisation (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 2022.

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 9 of this annual report.

Particulars on the Group's environmental policies and performance, and key relationships with employees, customers, suppliers and others were set out in the Environmental, Social and Governance Report on pages 36 to 57 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 64.

An interim dividend of HK2.50 cents (2021: HK1.00 cent) per share was paid during the year ended 31 March 2022.

In the Board meeting held on 29 June 2022, the Directors recommended the payment of a final dividend of HK2.50 cents (2021: HK6.80 cents) per share, totalling of HK$10,951,000 (2021: HK$29,788,000) for the year ended 31 March 2022.

Closure of register of members for AGM

The register of members of the Company will be closed from 22 August 2022 (Monday) to 25 August 2022 (Thursday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 25 August 2022 (Thursday).

In order to qualify for attendance to the AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 19 August 2022 (Friday).

Closure of register of members for payment of final dividend

The register of members of the Company will be closed from 21 September 2022 (Wednesday) to 23 September 2022 (Friday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK2.50 cents per share for the year ended 31 March 2022, following the approval at the AGM.

In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 20 September 2022 (Tuesday).

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$1,158,000 (2021: HK$1,369,000).

Principal properties

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

Distributable reserves

At 31 March 2022, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK$1,007,623,000 (2021: HK$1,045,662,000).

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws of Bermuda.

Five year financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 144 of this annual report.

Purchase, sale or redemption of shares

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold the Company's listed securities during the year ended 31 March 2022.

Report of the Directors

Directors

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

Executive Directors

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

Independent Non-Executive Directors

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

In accordance with the Company's bye-laws and the Corporate Governance Code (the "Code") under The Rules Governing the Listing of Securities on The SEHK ("Listing Rules"), Ms. Wong Rosana Wai Man and Mr. Chan, Bernard Charnwut shall retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Group which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation

At the date of this report, the interests of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Shares of HK$0.2 each in the Company

Director	Number of shares held (long position) Corporate interest	Percentage
Mr. Wong Ip Kuen	267,642,599	61.10%

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 36,963,000 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 2022, 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	11%
–	the largest supplier	3%

Sales

–	five largest customers	54%
–	the largest customer	23%

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 2022, which do not constitute connected transactions under the Listing Rules are disclosed in Note 39 to the consolidated financial statements.

Sufficiency of public float

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

Corporate governance

The Company's Corporate Governance Report is set out on pages 25 to 35.

Independent auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Ip Kuen
Chairman

Hong Kong, 29 June 2022

CORPORATE GOVERNANCE REPORT

The Board believes that corporate governance is fundamental to corporate long-term success and the enhancement of shareholders' value. The Company has adopted the principles and practices of the Code as set out in the Appendix 14 of Listing Rules. The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders through prudent management, investment and treasury policies.

The Board of Directors

During the year, the Board of Directors of the Company comprises four Executive Directors and three Independent Non-Executive Directors, whose biographical details are set out on pages 15 to 19 of this annual report.

The Company forms its Board of Directors based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required experience and management expertise. In order to balance the power between the Executive Directors and Independent Non-Executive Directors, the Company appointed three qualified candidates to become its Independent Non-Executive Directors to ensure the independence of the policy making process of the Board and protect the interests of its shareholders. The Company has received written annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers them independent.

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

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

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

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. Dr. Wong Tin Cheung	4/4	N/A	2/2	N/A	1/1	1/1
Ms. Wong Rosana Wai Man	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Sun Chun Wai	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Chan, Bernard Charnwut	4/4	2/2	2/2	1/1	1/1	1/1
Mr. Wu King Cheong	4/4	2/2	2/2	1/1	1/1	1/1
Dr. Yeung Tsun Man, Eric	4/4	2/2	2/2	1/1	1/1	1/1

Diversity Policy

Purpose

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

Vision

Building a diverse and inclusive culture is integral to the success of the Company. The Company recognises the benefits of having a diverse Board and believes that Board diversity will enhance decision-making capability and quality of its performance. A truly diverse Board will include and make good use of differences in the skill, regional and industry experience, background, race, gender and other qualities of directors.

Policy statement

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

Gender

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

Cultural and education background

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

Professional experience, skills, knowledge and length of service

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

Commitment by shareholders

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

Measurable objectives

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

Review and monitoring

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

Committees of the Board

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

Audit Committee

The Audit Committee was established in 1999 and comprises three Independent Non-Executive Directors. The Board is satisfied that the current mix of experience of the committee members facilitates an effective functioning of their roles. The members of the Audit Committee are:

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

The Audit Committee is responsible for monitoring the integrity of the financial statements of the Company, reviewing the Company's risk management process and system and overseeing the relationships between the Company and its independent auditor. The terms of reference of the Audit Committee are posted on the Company's website.

During the year ended 31 March 2022, the Audit Committee held two meetings to review the results, the accounting principles and practices adopted by the Company and discuss with senior management and the independent auditor on the matters arising from audits and the effectiveness of the Company's internal control and risk management system. The record of attendance of the members is listed on page 26.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee was established in 2005 and comprises four Directors, three of whom are Independent Non-Executive Directors. The Remuneration Committee is responsible for reviewing and advising on the remuneration packages (including non-monetary benefits, retirement benefits and share option scheme) for all Directors and some senior management, who are not on the Board. The Remuneration Committee met twice during the year ended 31 March 2022 and the record of attendance of the members is listed on page 26. The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are posted on the Company's website. The members of the Remuneration Committee are:

Mr. Chan, Bernard Charnwut – Chairman of the Committee
Ir. Dr. 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 2022 and the record of attendance of the members is listed on page 26. The members of the Nomination Committee are:

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

Nomination Policy

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

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

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

Selection criteria

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

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

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

Nomination procedures for new and replacement directors

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

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

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

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

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

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

Review and monitoring

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

Corporate Governance Report

Corporate Governance Committee

The Corporate Governance Committee was established in 2012 and comprises four Directors, three of whom are Independent Non-Executive Directors. The terms of reference of the Corporate Governance Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The committee is responsible for monitoring, reviewing and enhancing the corporate governance of the Company. It assists the Board in performing the corporate governance duties as required under the Listing Rules.

In accordance with the terms of reference of the Corporate Governance Committee, the committee shall meet not less than once a year to consider corporate governance issues. In addition to reviewing the result of the internal control review, the committee meets with the independent auditor to discuss the matters arising from the review and makes recommendations to the Board. The Corporate Governance Committee met once during the year ended 31 March 2022 and the record of attendance of the members is listed on page 26. The members of the Corporate Governance Committee are:

Mr. Chan, Bernard Charnwut – Chairman of the Committee
Ir. Dr. 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. Dr. Wong Tin Cheung	✓
Ms. Wong Rosana Wai Man	✓
Mr. Sun Chun Wai	✓
Independent Non-Executive Directors	
Mr. Chan, Bernard Charnwut	✓
Mr. Wu King Cheong	✓
Dr. Yeung Tsun Man, Eric	✓

Auditor's remuneration

The Company engaged PricewaterhouseCoopers as the Company's independent auditor. For the year ended 31 March 2022, PricewaterhouseCoopers provided the following services to the Group:

	2022	2021
	HK$'000	*HK$'000*
Audit services	**4,718**	4,777
Non-audit services	**374**	587
	5,092	5,364

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 2022, 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 58 to 63 of this annual report.

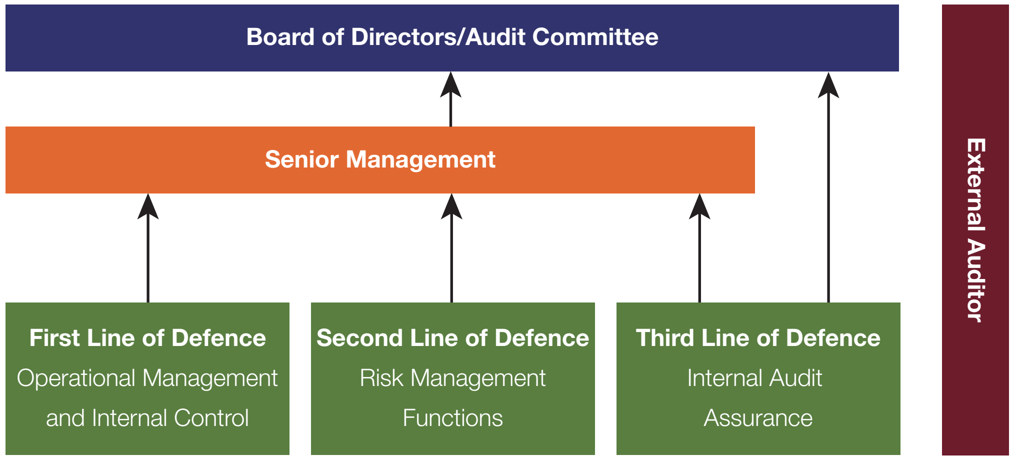
Risk management and internal control

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 systems.

Risk management framework

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



Risk management procedures

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

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

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

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

Internal Audit

The Company has implemented an internal control system to minimise the risks to which the Company is exposed to and used it as a management tool for day-to-day business operation. The internal control system is reviewed once a year. Same as the past, the Board has appointed BTCG to conduct a review of the Company's internal control system for the year ended 31 March 2022. The review covered financial, operational and compliance controls on selected operation cycles according to the Company's 3-year internal audit plan. In the review report, corrective actions and improvement programs have been proposed for the internal control problems or deficiencies found. The results of the internal control review have been submitted to the Corporate Governance Committee for consideration.

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

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

Directors' and employees' securities transactions

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions by the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2022.

Dividend Policy

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

Corporate Governance Report

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

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

Compliance with Listing Rules

In the opinion of the Directors, the Company has complied with the requirements of the Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2022 except for deviations from the code provision as described below.

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

Shareholders' rights

Procedures for shareholders to convene special general meetings

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

Procedures for shareholders to put forward proposals at general meetings

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

Procedures for shareholders to send enquiries to the Board

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

Communication with shareholders

The Company's AGM provides 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 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Feature of the Report

We are delighted to present our seventh Environmental and Social and Governance (ESG) Report (the Report) on our ESG performance to date. It covers the reporting period of the financial year from 1 April 2021 – 31 March 2022 (FY2021/22) of about 80 subsidiaries with operational guidance and supervision under Yau Lee Holdings Limited, equivalent to about 99.98% business scope.

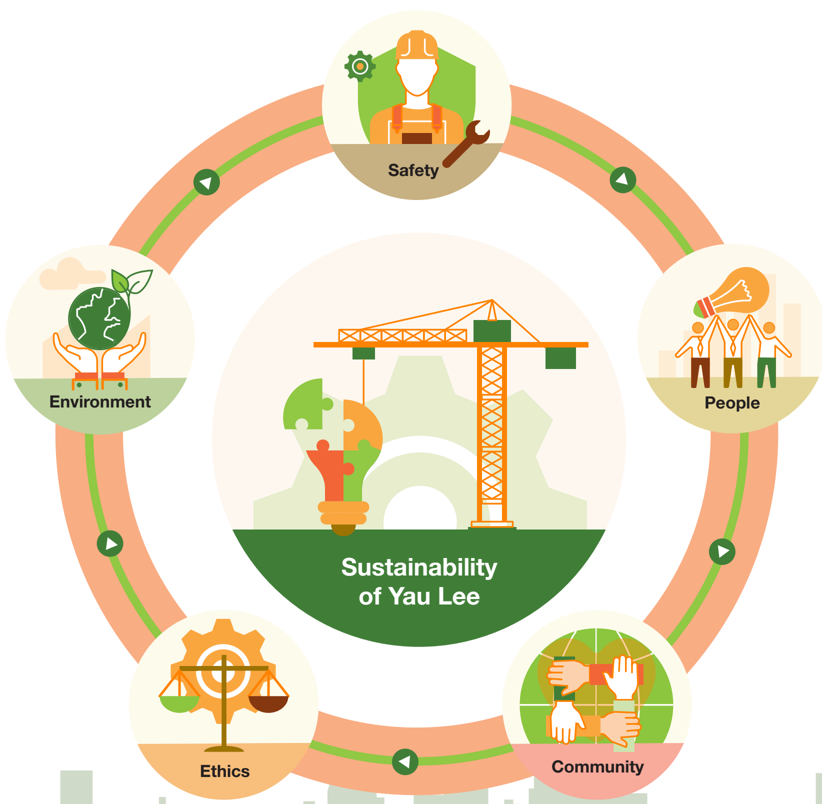
Information on our ESG performance covers the principal activities of the Group, including construction, electrical and mechanical installation, building materials supply, property investment and development and hotel operations.

This Report was developed in accordance with the "mandatory disclosure requirements" and "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide (ESG Guide), under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (HKEx). A Content Index is available on pages 56 and 57 to help readers locate relevant information within this Report.

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

Our Approach

Since the launch of the Corporate Social Responsibility (CSR) Policy in 2012, we have aimed at running our business responsibly for environmental and social good. The five major areas, namely ethics, environment, safety, people and community align with our vision to build long-term business success and positive impact to all our stakeholders in the communities we serve. This means we run our business ethically and environmentally, while caring all our people and everyone in the community in terms of their safety and wellbeing.



The Board Commitment on ESG

At Yau Lee, we believe ESG governance is a vital part of our robust Corporate Governance. The Board of Directors (the Board) has the overall responsibility of the Yau Lee's ESG performance with its role to steer the overall approach, review the performance and endorse the ESG report. Every year, the Board assesses ESG risks during the enterprise risk assessment exercise, including risks arising due to economic, political and social uncertainties, market, industry and customer needs, business development and climate change risk. On our day-to-day management, the senior management of the Group implements the overall ESG approach and strategies adopted by the Board. The detailed ESG governance structure can be seen in Our ESG Governance.

Our ESG Governance

To put our ESG approach into practice, the Board delegates our management to embed ESG throughout our operations. To this end, we developed a very clear management structure with well-defined responsibility of each level of personnel from the Board and management to the supervisors and frontline staff and workers.

Our management is responsible for establishing a suite of policies and measures, which cover environmental, social and governance aspects, while aligning which to the supervisors of different departments. In terms of environmental performance, we have, for example, Environmental Policy and Energy Policy to guide our actions in emission and energy efficiency. To manage our social performance, we have policies, such as Health and Safety Policy, Human Resources Policy, Suppliers Assessment and Procurement Policy. In addition, we have a Code of Conduct to govern our corporate governance's performance.

The Board

- Steering the overall sustainability approach
- Sustainability performance review

Management

- Establish policies and procedures
- Monitor and review progress and results

Supervisors

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

Frontline staff and workers

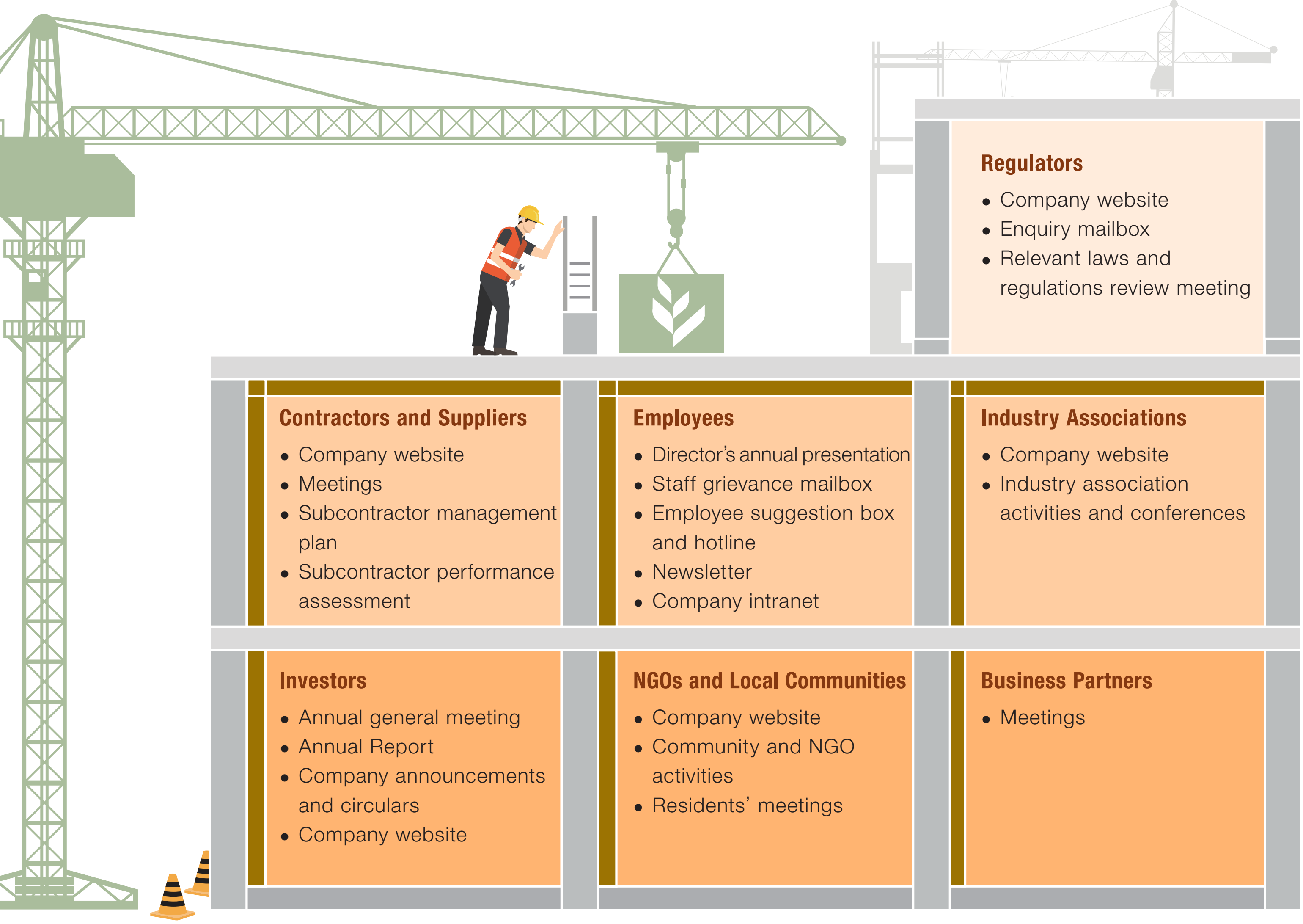
- Execute sustainability procedures

Climate-related risks

We recognise that climate change can have significant implications for businesses, in particular construction activities. In FY2021/22, we identified our climate risks to strengthen the resilience of our business, construction sites, communities, customers, and people. During our enterprise risk assessment exercise, we found that climate-related risks could result in substantial financial loss and/or reduce operational efficiency for the business; national policies on environment, for example, will affect the way we operate and run our current and future business. Moving forward, our Board and management will keep abreast of the imminent risks brought by climate change and continue to evaluate current and potential risks faced by our business.

Stakeholder Engagement and Materiality

Stakeholder engagement is a continuous process that guides us to run our business responsibly. To this end, we listen to the expectations and concerns of diverse stakeholder groups via various channels regularly.

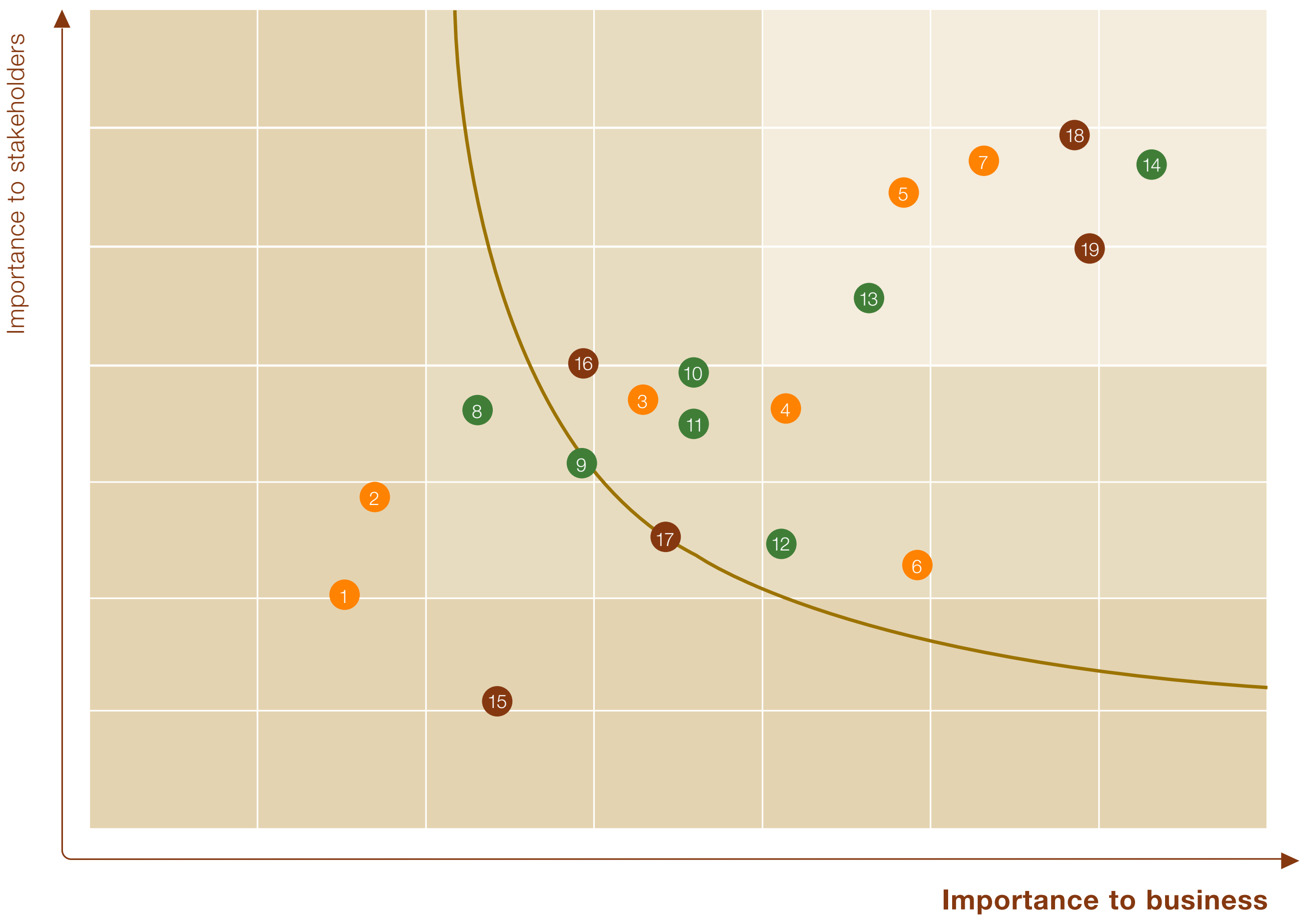


As we see the stakeholders' concerns and expectations have changed due to the evolving of industry best practices as well as the rising of the global imminent risks such as climate change and the pandemic, we conducted a stakeholder engagement exercise and materiality assessment in March 2022 to gauge what ESG issues they think are most critical to Yau Lee's business and update the list of material ESG topics for reporting.

We conducted interviews and online survey with our key internal and external stakeholders, including our senior management, employees, contractors and business partners. Upon receipt of the survey results and completion of the interviews, we analysed the responses, material ESG topics rankings, and general insights.

The resulting 2021 material ESG topics:

Materiality matrix



1. Community
2. Diversity and equal opportunities
3. Supply chain management
4. Customer feedback
5. Staff's safety, health and wellbeing
6. Quality products & service through innovation
7. Talent attraction, retention and development
8. Climate change
9. Water conservation
10. Green procurement
11. Decarbonisation
12. Waste management
13. Building material efficiency
14. Energy efficiency
15. Grievance mechanisms
16. Risk and crisis
17. Information privacy
18. Ethics and integrity
19. Corporate Governance

The top right quadrant lists out highly material issues, whereas the least material issues are shown at the bottom left. The top 15 issues plotted above the curve line in the materiality matrix, correspond closely to the top issues identified by our stakeholders, which Yau Lee continues to consider important and aims to address.

Running our Business Responsibly

Corporate Governance

At Yau Lee, we understand that good corporate governance is the cornerstone of a responsible and successful business. For many years, we have adopted a systematic approach to ensure effective oversight with the support of our policies and management systems.

In accordance with the Corporate Governance Code, the Board has established the Audit, Remuneration, Nomination and Corporate Governance Committees, each with defined terms of reference and is chaired by an Independent Non-Executive Director. In terms of risk management, we employ a Three Lines of Defence model, a widely accepted model, to assist our Board to monitor the effectiveness of our risk and control systems. In addition to this, we maintain our board diversity as guided by the Diversity Policy to our decision-making process takes into consideration of our diverse stakeholders.

More details on our corporate governance and risk management can be found in the **Corporate Governance Report** of our Annual Report 2022.

Responding to Crises

The aforementioned risk management supports us to develop relevant policies and procedures for necessary actions and critical crises recovery, such as serious accidents, natural disaster, pandemic and leakage of customers information. A communication mechanism is also established to ensure effective internal communication as well as external interaction with media, government departments and customers.

Ethics and Integrity

To uphold the highest business ethic, moral and legal standards, we have a Code of Conduct in place to provide guidance in aspects such as anti-bribery, anti-fraud, fair competition, protection of information privacy and respecting intellectual property rights. We have also established a Whistleblowing Policy to ensure that a robust mechanism is in place for employees and related third parties to report in confidence about possible misconducts, malpractice or irregularities in any matters related to Yau Lee.

Anti-Corruption

To ensure all our employees fully understand our approach in ethical business, all the related policies can be found in the internal portals of our subsidiaries. In addition, it is mandatory for the new joiners to attend a seminar conducted by ICAC about the Anti-Corruption and the Prevent of Bribery Ordinance in the orientation program. In FY2021/22, we also organised a one-hour training on anti-corruption for our Board members. In order to promote the integrity culture in our factory in Mainland China, we held the training course “Integrity Employment, Anti-Corruption, and Anti-Bribery” where the subcontractors, the factory’s managers, directors, team leaders, personnel of procurement, materials, quality control and finance were trained.

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

A Commitment to Uphold our Integrity

Operating with integrity not only enables us to gain trusts of our customers and business partners, but also elevates the ethical business standards of the industry as a whole.

As a key player of the construction industry, we were very pleased to sign the Integrity Charter in September 2021 jointly launched by the Development Bureau (DEVB), the Independent Commission Against Corruption (ICAC) and the Construction Industry Council (CIC). The Charter aims to enhance the awareness of corruption prevention and the corporate governance of the construction companies through implementation of an Integrity Management System, thereby enhancing the long-term competitiveness of the industry.

To fulfill the Charter, we are committed to developing our Integrity Policy, conducting integrity training to our senior management staff as well as deploying an Integrity Management System. In January 2022, a new Integrity Management Policy was launched as our commitment to uphold the Charter. The Policy outlines the Group's expectation for all directors and staff members with regards to ethical business practices as well as avoidance of bribery, conflict of interest and misuse of information. We also strive to work with business partners who share our commitment to integrity.

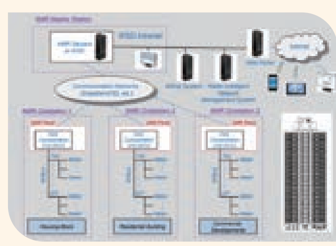
Quality and Innovative Solutions for our Customers

We strive to maintain our quality through stringent internal control and external quality certification. Our subsidiaries, which contributed about 86% of revenue, are certified by ISO 9001 Quality Management System. To meet the ever-changing needs of our customers, innovation and technology are necessary for us to deliver quality solutions and stay relevant in the construction industry.

In FY2021/22, our construction business continued to use Modular Integrated Construction (MiC) as well as BEANiE that combines BIM and blockchain for greater traceability and transparency, while our electrical and mechanical installation business made considerable efforts in developing innovative and smart solutions to meet the customers' needs, for example:

Automatic Meter Reading System (AMR) for Water Supplies Department (WSD)

Under the digitisation plan of the HKSAR, the Automatic Meter Reading Scheme has been implemented by various Government departments and utility companies. In this respect, our E&M business has developed a PLC-based AMR to interface with digital meters with the ability to communicate with each consumer meter so as to read and record water consumption via M-Bus communication protocol.



All data collected via the AMR will be stored in the Data Communication Unit before transmitting to the AMR server in WSD via internet. The AMR not only improves the meter reading efficiency by avoiding human errors but also helps in water conservation by detecting abnormal water consumption such as pipe leakage. AMR has been implementing in various projects and Tuen Mun Hin Fat Lane Housing Project is one of them.

Environmental, Social and Governance Report

Solar P.V. Systems at Sewage Treatment Plant

Our electrical and mechanical installation business is committed to providing innovative solutions to bring reliable, safe and efficient renewable energy projects to our customers. In FY2021/22, we completed a total of seven public and private projects with a total annual production capacity of more than 550,000 kWh.

One of our signature projects is Siu Ho Wan Sewage Treatment Works, the first public project of photovoltaic system with a combination of "stepable" photovoltaic panels, monocrystalline photovoltaic panels and thin-film photovoltaic panels. The "stepable" photovoltaic system comes with an anti-skid function that can avoid slippery surface while bearing the weight of pedestrian stepping on them. By using different types of photovoltaic modules, the generation of renewable energy can be maximised.

Automated Parking System (APS) in Operation

APS is one of the most innovative solutions of our electrical and mechanical installation business. The System is capable of increasing parking spaces within a footprint for better land utilisation. Compared to the conventional multi-storey car parks, APS does not require any ramps, driveways, passenger lifts, etc.

In addition to providing more parking spaces, it can also offer a safer and more convenient parking experience for drivers for it being equipped with safety sensors, programmable logic controllers and a mobile app for reservations. The System is customisable and can be used in any locations. Our electrical and mechanical installation business is committed to offering a total solution to our customers including planning, design, optimisation, configuration and system selection to overcome project constraints in a smartest way while fulfilling all statutory requirements.

Building Excellence to Bridge the Communities Together

To bridge the communities of Hoi Tat Estate and Hoi Ying Estate together, we built the longest-span footbridge between two public housing estates in Hong Kong with our innovative technologies.

The footbridge has a total length of 145 metres and a span of 111 metres that crosses a total of 16 traffic lanes and three MTR lines.

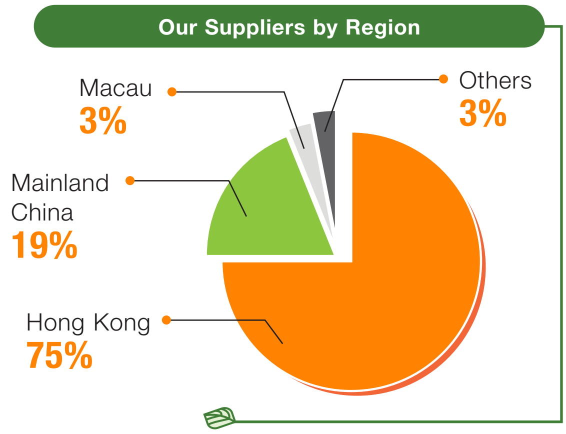
To tackle the challenges, our construction business worked closely with Global Virtual Design and Construction, one of our subsidiaries, to build the bridge seamlessly without bringing too much disturbance to the residents in the communities. To this end, we divided the arch bridge into two ends and added temporary supports in the design, so that the two sides of the arch bridge could be independently erected before the two ends were connected together. During the construction period, the Project Team used BIM and 3D laser scanning technology to maximise accuracy, enabling the footbridge to be built smoothly, efficiently with quality.

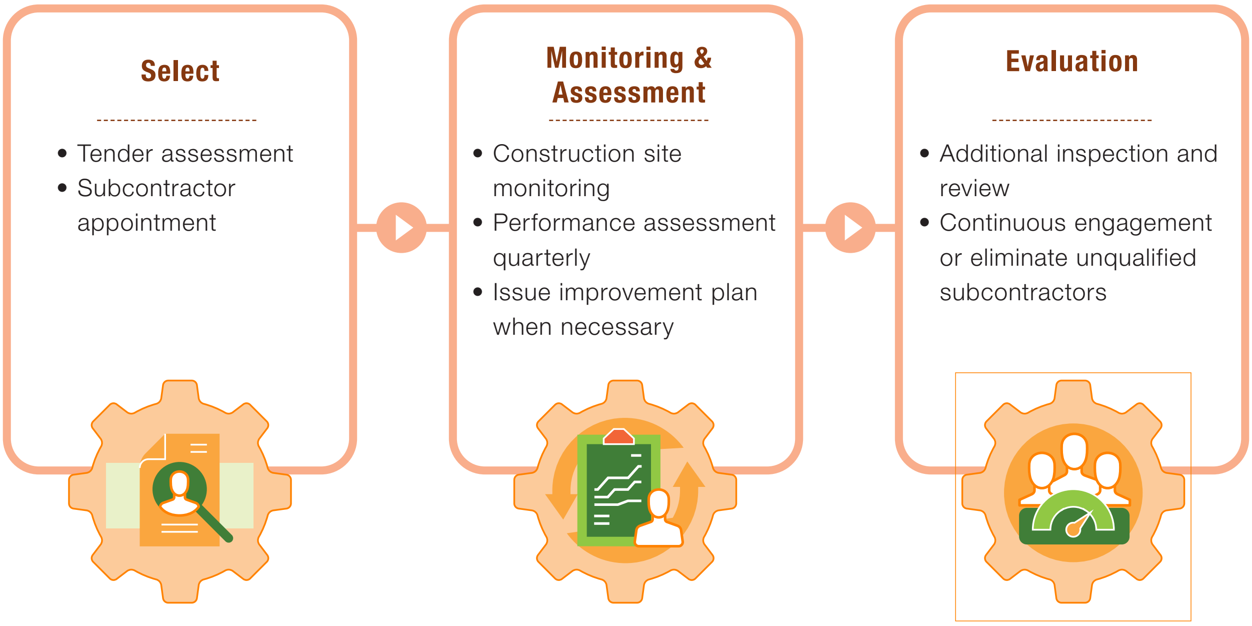
The project was highly recognised in the industry and won the Grand Award in the "Infrastructure and Footbridges" category at the "Structural Excellence Awards 2022" organised by the Hong Kong Institution of Engineers and the Honorable Mention (Project Category) at the "2022 Hong Kong openBIM/openGIS Awards Ceremony" organised by the Hong Kong Alliance of Built Asset & Environment Information Management Associations.

Environmental, Social and Governance Report

Bringing the best to our Customers with our Partners

Every year we collaborate with over 9000 suppliers to ensure our products and services are of high quality and achieve our environmental and social standards that meet our customers' needs. These suppliers include construction contractors, service providers as well as professional and technical consultants from Hong Kong, Mainland China, Macau and other places. In FY2021/22, 97% of our suppliers are located in the jurisdiction we operate.





For many years, we have implemented a Subcontractors Management Plan on our procurement process and subcontractor engagement to help us identify and evaluate supply chain related issues.

We have a Supplier Code of Conduct in place to help us with the screening process. To reduce our environmental impacts along our supply chain, we also have a Green Procurement Policy to provide guidance for our employees when purchasing goods and services. During the serving stage, we have a Construction Site Monitoring Protocol to ensure our suppliers and subcontractors fulfil the working requirement. As a key player in the construction industry, we also conduct regularly inspection to ensure suppliers and subcontractors comply with all the safety rules and regulations within our premises.

Effective Communication with Customers

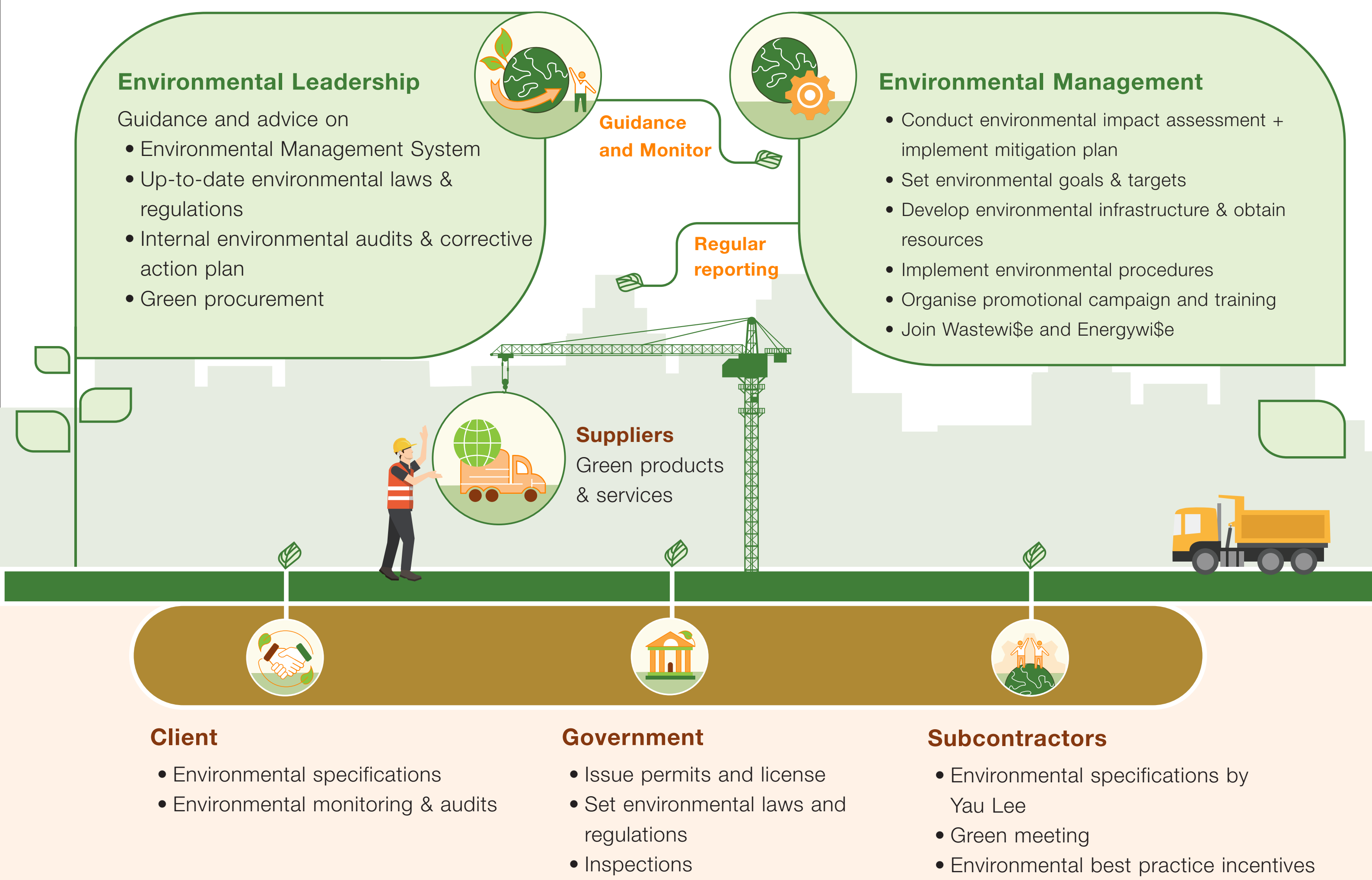
To ensure customer satisfaction, we have a Customer Communication Protocol in place to ensure that we work with our customers in a proper and effective manner throughout our engagement with them - from tendering to contracting, regular updates to emergency, etc. We also have a response system in place for customers to feedback on the quality of our products and services.

Environment

At Yau Lee, we are committed to protecting our planet by minimising our environmental impacts. For many years, we have made our utmost efforts to maintain ISO 14001 Environmental Management Systems throughout our operations. During this financial year, we are very pleased that about 86% of the Group's revenue achieved this internationally recognised standard. Together with our Environmental Policy, operational protocols and measures, we fulfil and exceed the requirements of relevant laws and regulations in every jurisdiction we operate.

In FY2021/22, we continued to implement our Green Construction Sites Workflow to minimise our environmental impacts with a view to tackling the problems of noise, dust, hazardous and non-hazardous waste arising from our construction activities. This Workflow enables our environmental leadership to engage with our diverse stakeholders to understand their needs, concerns and expectations, such as the latest legal requirements from the regulators, quality concerns from the customers, working challenges from our subcontractors and workers, etc.

At the same time, we always seek to adopt new technologies and best industry practices, while looking for opportunities for possible business partnerships for greater positive impacts. In the past 2 years, we were very pleased to secure a sustainability-linked loan. According to the agreement, interest rate of the loan is linked to our ESG performance targets, including our energy and waste performance. This demonstrates our commitment to embed our ESG throughout our operations.



Environmental, Social and Governance Report

Grand Award: Green Building Award 2021
The Public Rental Housing Development at Anderson Road Site B with Special Citation

The construction industry plays a crucial role in creating a sustainable environment for all. With this in mind, we always do our best to adopt eco-friendly practice to realise our sustainable design of a construction project.

In FY2021/22, we were very honoured to gain the Grand Award at the Green Building Award 2021 for the Public Rental Housing Development at Anderson Road Site. The Award is themed 'Shaping Liveability • Excellence in Sustainable Built Environment' with the aim to encourage the industry to stretch the boundaries in advancing sustainability throughout a building's life-cycle and accelerate Hong Kong's development into a more liveable city.

As the main contractor of this award-winning project, we went extra miles in adopting new technology. We used 5D BIM, a five dimensional visual and data modeling, to translate the project data into an accurate estimate at real-time based on the specific design, materials, site conditions. This greatly reduced the construction issues and additional costs incurred arising from the lack of transparency and coordination of traditional drawings, achieving "zero dismantling" effect. We also employed off-site prefabrication which enabled us to save 7,000 trees in formworks and reduce 70% construction waste. On-site Concrete Batching Plant also saved 25,000 tonnes of concrete waste and reduced 134.8 tonnes of carbon footprint.

Other Prominent Awards

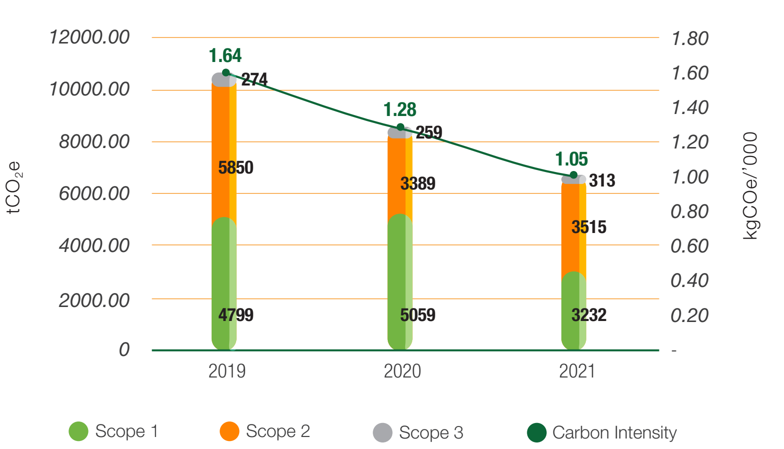
Sustained Performance (11 years+) under Hong Kong Green Awards 2021 by the Green Council

Silver Award of Green Management Award - Corporate (Large Corporation) under Hong Kong Green Awards 2021

Carbon Emission

We understand that stopping carbon emission is urgent to mitigate climate change. To this end, we do everything possible to reduce both our Scope 1 and 2 Green House Gas (GHG) emissions from stationary combustion and purchased electricity - the most significant sources of emissions for our operations. Under the CSR Policy, the Group's target is to reduce the carbon emission by setting up well-recognised environmental management system and energy management system while growing our business. In FY2021/22, we are very pleased that the measures we implemented have brought encouraging results, achieving a reduction in both our absolute carbon emissions and carbon intensity by 19% and 18% respectively.

Carbon Emission Intensity



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

Note: data of 2019 was in calendar year, while data of FY 2020 and FY 2021 were calculated in financial year, which were 1 April 2020 to 31 March 2021 and 1 April 2021 to 31 March 2022 respectively.

With our commitment to the BEC Low Carbon Charter and Power up Coalition, we strive to reduce our reliance on diesel for stationary power supply on our construction sites by using biodiesel, a renewable and cleaner fuel manufactured from vegetable oils, animal fats, waste cooking oil, etc. In FY2021/22, we had a trial run of using B5 biodiesel for the site of Community Health Centre cum Social Welfare Facilities at Pak Wo Road. Moving forward, more B5 biodiesel are being considered for future purchase.

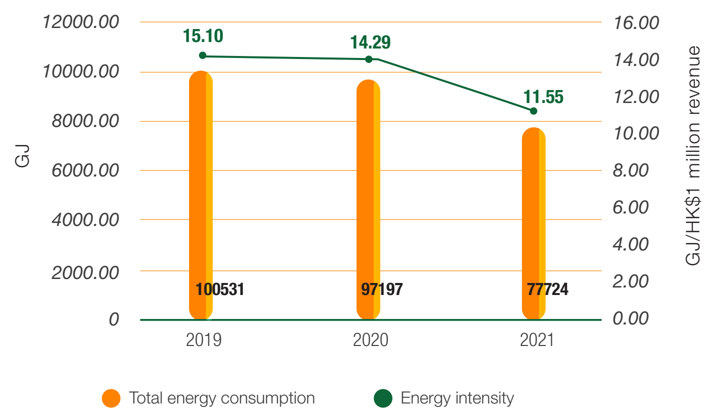
Resource Efficiency

Energy

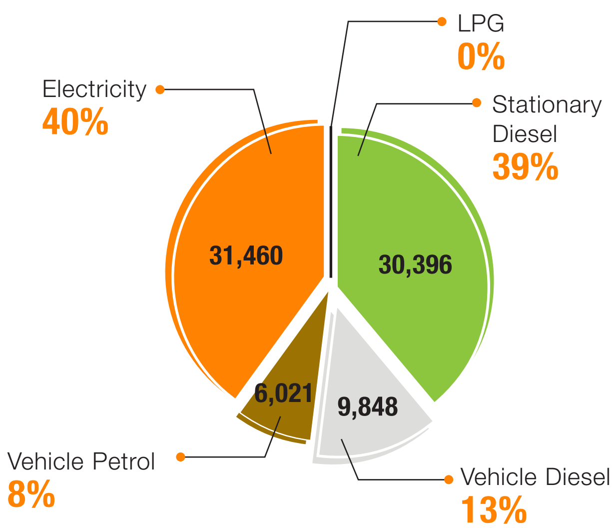
Diesel and Electricity represent the most significant sources of energy for our operations. In FY2021/22, we consumed approximately 30,396GJ of diesel for stationary power supply and 31,460GJ of electricity from non-renewable sources, accounting for 39% and 40% respectively for our total energy consumption. We feel very encouraging for both our total energy consumption and energy intensity decreased in FY2021/22, a reduction of 20% and 19% respectively.

Environmental, Social and Governance Report

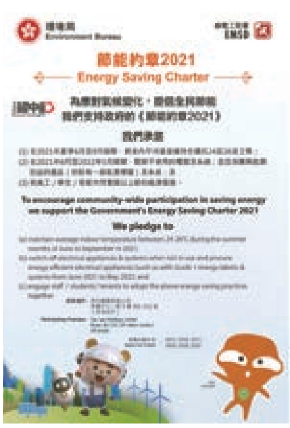
Energy Consumption and Energy Intensity



Energy Consumption (in GJ)



We achieved this with the concerted efforts of all our subsidiaries. In FY2021/22, our construction and electrical and mechanical installation businesses maintained the ISO 50001 Energy Management System. Under Energy Saving Charter Scheme, the Group set a target to reduce energy consumption by 1% with 2021 as the baseline. To achieve our target, we adopt measures to maintain an average indoor temperature between 24-26°C during the summer months, switch off electrical appliances and systems when not in use and procure energy efficient electrical appliances.



Across our construction and electrical and mechanical installation projects, we deploy equipment with proven high energy-efficiency, such as nano coating and LED lighting panel equipment, real-time lighting control via smartphone and QR Code and online energy data management system.

Material Efficiency

Striving for material efficiency is amongst our top priorities and we have adopted effective building technologies to maximise the utlilisation of materials, while minimise our cost, time, human resources as well as waste to the landfill. For years, our construction and building materials supply businesses have leveraged our strength in prefabrication by adopting Modular Integrated Construction (MiC) method for many of our construction projects.

As a key player in the construction industry, we constantly upgrade our design and installation technologies to achieve even higher resource efficiency. After our success of adopting MiC for the Architectural Services Department at Pak Shing Kok, Tseung Kwan O, in FY2021/22, we introduced the “demountable and rebuildable” method of concrete MiC for two transitional social housing projects, namely, the Ying Wa Module Community and St. James Concourse at Yen Chow Street. The housing so built can be reused, relocated to other developments upon disassembly with a lifespan of decades.

Waste

We seek to reduce, reuse, and recycle our waste, aiming to minimise our contribution to landfills. Our waste is always handled according to applicable laws and regulations of every jurisdiction we operate, and we aim to exceed legal requirements as best we can.

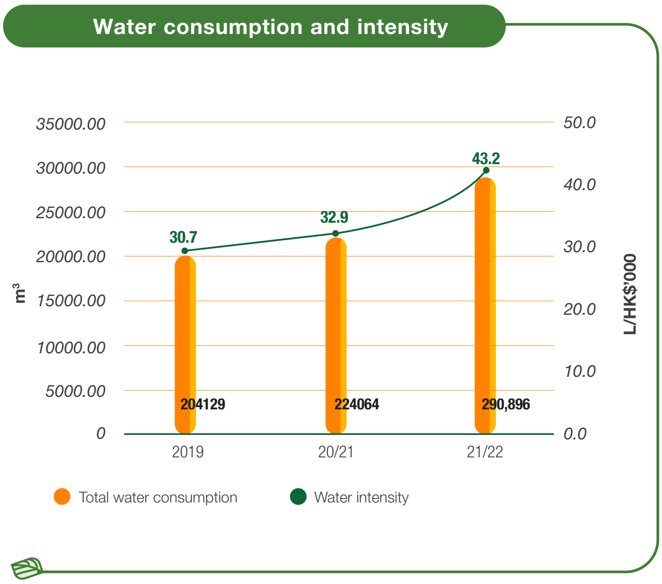
On our construction sites, we made extra efforts to reduce our inert materials sent to the landfill. In FY2021/22, our scrap iron rate was 3.95%, our target to control it within 5% of the total number of B.Q was achieved. The number of rebar steel recycled was 3,194 tonnes. We also donated tree trunks to Coutou Woodworking Studio to give a second life. With regard to the wastepaper, we set targets of recycling no less than 4000 kg for the office and no less than 2000 kg for each construction site during FY2021/22. We are pleased that these targets were achieved. With the introduction of MiC, we used much less rebar steel and thus lowered recycle amount.

	FY2021/22	FY2020/21	2019
Rebar steel recycled (tonnes)	3,194	3,743	3,729
Waste paper recycled (tonnes)	18,777	13,418	13,522

Item	Unit	Amount
Obsolete Computer	piece	30
Used laser toner and inkjet cartridge	piece	28
Old batteries	piece	71

Water

In addition to waste, we are aware that water became one of the biggest impacts triggered by human activities. We are committed to increasing water efficiency by setting a target to reduce 1% of water consumption with 2021 as a baseline. To raise awareness of water saving among our employees, we adopt measures such as displaying water saving signages in conspicuous places and encouraging immediate reporting of water leakages on working sites. We also set up Waste Water Recycle Plant for large construction site as far as practicable. During the year, the Group's water intensity was 43.2L per HK'000, which was 31.3% higher than FY2020. Water consumption increased as some new construction projects commenced while the others reached their peak construction stage during the year. We follow stringent procedures to treat our wastewater before discharge with a wastewater recycling and treatment system in place on our construction sites.



Healthy and Safe Working Environment

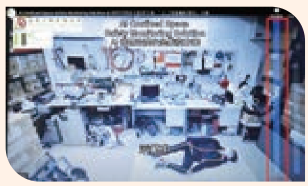
Yau Lee attaches great importance in providing an injury-free workplace for our employees, workers and everyone working in our premises. We are accredited by ISO 45001 Occupational Health and Safety Management System, which covers our corporate management and all-site supervision and management for both building and maintenance works. We also set up the Health and Safety Steering Committee, Overall Site Safety and Health Working Committee and Site Safety Committee to ensure our system is properly run and maintained. In FY2021/22, we signed up for OHS Strategic Partnership with Occupational Safety and Health Council to foster a strong culture of safety and health at work.

Over the years, we have implemented numerous safety measures that cover different safety aspects to prevent accidents. We particularly focus on using robotic and AI technologies to enhance our safety measures. For example:

Driving Workplace Safety with AI

Safety is always the number one priority of Yau Lee. To safeguard the life and health of everyone working at our premises, we introduce new measures from time to time by leveraging our business strength in new technology. For example, our electrical and mechanical installation business developed two new AI solutions during the reporting period with one helping with monitoring the working situation in a confined place and the other monitoring if workers wear Personal Protective Equipment (PPE) properly.

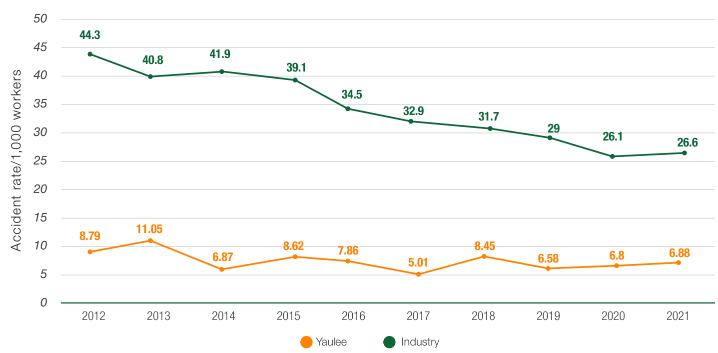
AI Confined Space Safety Monitoring Solution is designed to analyse human posture to identify the safety of a worker in a confined space. For example, if a worker's posture is kept frozen for more than 15 seconds, AI will consider it as an "unsafe" indicator. Notifications and visual images will then be shared remotely to our control panel with the project team at real time for further actions.



Another example is called **AI Site Safety Monitoring System**. It is used to inspect if workers wear proper PPE onsite. The two transitional social housing projects, namely the Ying Wa Module Community and St. James Concourse at Yen Chow Street piloted the use of this System to monitor the proper wearing of safety helmets and reflective safety vests amongst our workers on our construction sites. This System is proven to be effective and efficient to encourage safety behaviour and will be used for other projects.

Accident Rate per 1,000 Workers

Our efforts proved to be effective as our accident rate per 1,000 workers have been far lower than the industry average. During the reporting period, our rate is 6.88 while the construction industry average is 26.6 per 1000 workers. The total number of lost day due to work injury was 3,394 days.



Engaging with our Workers on Occupational Health and Safety

At Yau Lee, we see that engaging with our workers is integral to build a safety culture in our workplaces. In FY2021/22, our building materials supply business organised a number of engaging activities to increase the safety awareness amongst our workers, including setting up a safety notice board, introducing Safety Green Cross Campaign and organising training on the updated electrical row manual.

Quality and Safety training for MiC workers

In October 2021, our building material supply business organised a two-day training programme to increase knowledge in MiC method and safety awareness through a mix of theorical and practical training sessions.

A total of 42 workers gathered at our prefabrication plant in Shenzhen to refresh their knowledge in personal protective equipment as well as learning the latest knowledge in lifting and assembling prefabricated building components safely. Some accident cases were also shared to increase workers' safety awareness, in particular working in such a complex environment with multiple machineries.

Gold Award on Best Safety Culture Site at the Competition on Safety Culture

Safety culture cannot be built without concerted efforts of every stakeholder on the construction sites. Whenever we start a project, we always make use of engagement activities of various kinds to remind workers the importance of safety and their responsibility to safeguard it.

On our construction site of Community Health Centre cum Social Welfare Facilities at Pak Wo Road, our project team introduced a series of fun competitions, activities and programmes to increase safety awareness of everyone working within the project's premise.

To encourage workers to reflect their concerns on safety issues, we introduced the "e-Priest Confession". Through this, workers can express their thoughts freely by scanning a QR code on their mobile phone.

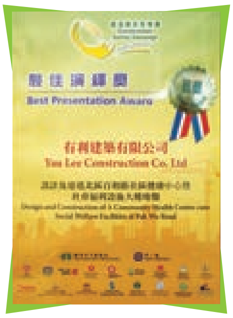
Environmental, Social and Governance Report

In addition, our site managers share their views on occupational safety and health with frontline workers through the "Yau Lee Letters from Home" campaign with a view to bridging the gap between management and frontline employees. Workers can find out the results of the Work Safety Climate Index and Work Safety Behavior Survey through crossword puzzles.

In November 2021, we were very proud to gain Gold Award on Best Site on Safety Culture as a recognition of the safety efforts we made for this project.

Other Prominent Awards

Silver, Best Presentation Award, Design and Construction of a Community Health Centre cum Social Welfare Facilities at Pak Wo Road



Contractor Safety Performance Awards 2019/2020 in Civil and Building Refurbishment Works Project (Safety Classification 2) Category by MTR

Our Talent

At Yau Lee, we always do our best to ensure our people practices comply and go beyond compliance in every jurisdiction we operate, enabling us to employ the best possible professionals with the right competencies for each position. Our remuneration packages are competitive, including examination and study leave, marriage leave, comprehensive medical disability insurance coverage and retirement scheme as guided by the Staff Handbook.

We have zero tolerance for discrimination of any kind, including gender, race, religion, disability, marital or family status, sexual orientation, or any other personal characteristic. We hire, transfer and promote our staff based on fair and equitable grounds. To bridge the gap between the employer and employees, we use various channels, such as newsletter, circulars, internal portal to share the Company's information, while making use of meetings, surveys and opinion boxes for our staff to express their concerns and opinions.

During the reporting period, there were approximately 3,200 in our workforce located in Hong Kong, Mainland China, Singapore and Macau with all of them working fulltime. There were no cases of non-compliance with any standards, rules and regulations related to labour practice. Our staff turnover rates in FY2021/22 were 33% for construction sites and 22% for the others.

Training and Development

In FY2021/22, there were a total of 1,700 male staff and 318 female staff attended training. A total of 306 management staff and 1,712 non-management staff received training.

Due to the pandemic, we provided both online and offline training to our staff based on the applicable social distancing measures promulgated by the Government. During the financial year, we provided professional training for all levels of our workforce across different business units. For example:

New Staff Orientation

Training for new hires to understand the Group's overall structure and operations, in particular health and safety, information security and anti-corruption.

Construction Experience Sharing Seminar

A total of seven sharing sessions with different practical topics, such as

- The latest development on MiC method
- Application of prefabrication in the construction industry
- measures adopted in order to gain the overall Championship of Energy Saving Championship Scheme
- knowledge and learnings sharing on sewage treatment system related works

Site Management Staff Development Programmme

A two-year programme for our managers to increase knowledge in team building, customer service, compliant handling, feedback and report, leadership as well as staff and subcontractor management.

Practical Engineering Training

A total of 13 sharing sessions on electrical and mechanical engineering services, such as

- NB IoT application in electrical and mechanical engineering projects
- ISO management systems
- Lighting control projects
- IT applications in the construction industry

MiC Production Training

- A two-day training programme at our prefabrication plant to learn about the latest development in MiC, technical knowledge and challenges as well as practicing opportunity onsite.

Environmental, Social and Governance Report

In FY2021/22, we continued to take part in the Intermediate Tradesman Collaborative Training Scheme by Construction Industry Council to provide training for industry new joiners onsite with a view to alleviating the labour shortage problem. We recruited a total of 161 trainees for various building sites in different areas, including civil engineering, building construction as well as electrical and mechanical engineering. In addition to internal training, the Group invested about HKD700,000 to subsidise 93 staff members to participate in external training programmmes.

Employee and Social Wellbeing

At Yau Lee, we believe that engaged employees are happier, leading to a lower turnover rate and high productivity. Due to the pandemic, we demonstrated our care to employees by providing paid vaccination leave and surgical masks and antigen rapid test kits for our frontline workers.   We also encouraged our staff to participate in online activities to maintain mental health, such as Construction Industry E-Sport Games 2021. Whenever possible, we resumed our in-person activities to engage our staff.

Giving back to society through volunteering and corporate donations is an intrinsic part of how we give expression to our caring corporate culture.

Building the City of the Future Together

On 21 November 2021, we organised a team building activity for our middle management of our building material business. On that day, participants formed a team of four to build a "future city" step-by-step together. Every team needed to purchase materials within a budget before building the city. They also needed to develop a marketing presentation that encompassed master planning as well as living environment with medical, education and transportation system to the judging panel.

This activity not only enhanced the participants' work motivation and team spirit, but also inspired creativity and mindset change.

Giving back to society

In FY2021/22, we donated about HKD1,158,000 in support of many worthy causes to express our care for local communities, such as the Association for the Rights of Industrial Accident Victims, Upward Mobility Scholarship, Orbis, Construction Charity Fund Integrated Service Centre, Pok Oi Hospital, etc. Despite challenges associated with the ongoing pandemic, our staff continued to deliver their time on voluntary service.

Happy Bags Delivery to People in Need

Our voluntary team participated in Delivering Care & Gifts to the Elderly on 6 November 2021 organised by the Hong Kong Federation of Electrical and Mechanical Contractors, the Air Conditioning and Refrigeration Association and the Open Doors Ministries. We also made cash donation for the use of purchasing food and daily necessities.

Construction Industry Shoreline Clean-up 2021

On 29 August 2021, about 20 staff and their family took part in the Construction Industry Shoreline Clean-up 2021. They gathered at the Stanley Beach early in the morning and collected more than 10 bags full of plastic and other waste.

Luban Caring Action –
Lunch Box Delivery to People in Need

Inheriting the spirit of Luban, Yau Lee took part in the lunch box delivery activities on 28 May and 16 July 2021. In addition to lunch boxes, we also distributed lucky bags to people who are in needs, including low-income family, elderly living alone, people with disabilities, ethnic minorities, etc.

We wish to take this opportunity to pass on the spirit of Luban, which symbolises the wisdom of the ancient labours, by showing the care and concern of the construction industry to the community.

Building for the Community - Lightening the Load at Public Hospitals

To assist the Government with the anti-epidemic measures and arrangements, we set up a special team to speed up the construction of the Kai Tak Cruise Terminal Isolation Centre. On 19 February 2022, we mobilised more than 200 Yau Lee's members of different businesses to build the facility. Despite the challenge of cross-border transportation due to increasing infections among the Hong Kong truck drivers, we managed to complete the construction within ten days. To this end, Director of Architectural Services also came to the site to cheer on the team. On 28 February 2022, 1,200 beds and other facilities were ready in operations, which greatly alleviated the pressure of public hospitals.

Moving Forward

In FY2021/22, the Group was slightly affected in terms of project progress and worker shortage by the challenges associated with the pandemic. Despite that, we still see numerous new opportunities in the construction industry, in particular, MiC construction method has been greatly promoted by the government. Moving forward, we will continue our commitment in innovative and environmental technology, such as AI, prefabricated and digital construction technologies, innovations and solutions to increase our competitiveness while protecting our planet.

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Aspect	ESG Guide	Remarks and References
Mandatory Disclosure Requirements		
Governance Structure		Our ESG Governance
Reporting principles		Feature of the Report; Stakeholder Engagement and Materiality
Reporting boundary		Feature of the Report
General disclosures		
Emissions and Waste	Aspect A1	Carbon emission Resource Efficiency: Energy, Material Efficiency, Water, Waste
Resources	Aspect A2	Resource Efficiency: Energy, Material Efficiency, Water, Waste
Environment and Natural Resources	Aspect A3	Resource Efficiency: Energy, Material Efficiency, Water, Waste
Climate Change	Aspect A4	Our ESG Governance: Climate-related Risks
Employment	Aspect B1	Our Talent
Health and Safety	Aspect B2	Healthy and Safe Working Environment
Development and Training	Aspect B3	Our Talent, Training and Development
Labor Standards	Aspect B4	Our Talent This aspect applies to management of our supply chain only as there is no risk of child or forced labor occurring within our organisation.
Supply Chain Management	Aspect B5	Bringing the best to our Customers with our Partners
Product Responsibility	Aspect B6	Healthy and Safe Working Environment Bringing the best to our Customers with our Partners We focus on policies and compliance related to health and safety.
Anti-corruption	Aspect B7	Ethics and Integrity: Anti-Corruption
Community Investment	Aspect B8	Employee and Social Wellbeing: Giving back to Society
KPIs		
Emissions and Waste	A1.1 & A1.2	Carbon emission emissions of NOx and particulate matter from gaseous fuel and vehicles are not determined to be highly material issues for our organisation.
	A1.3 & A1.4	Waste
	A1.5	Carbon emission; Energy
	A1.6	Waste
Resources	A2.1	Energy
	A2.2	Water
	A2.3	Energy
	A2.4	Water Sourcing water that is fit for purpose is not determined to be highly material issue for our organisation
	A2.5	Use of packaging material is not determined to be highly material issue for our organisation

Content Index

Aspect	ESG Guide	Remarks and References
KPIs		
Environment and Natural Resources	A3.1	Environment
Climate Change	A4.1	Our ESG Governance: Climate-related Risks
Employment	B1.1	Our Talent
	B1.2	
Health and Safety	B2.1	Healthy and Safe Working Environment
	B2.2	
	B2.3	
Development and Training	B3.1	Training and Development
	B3.2	Average training hours: Male: 5.86 hours; Female: 4.75 hours Management: 7.8 hours; Non-management: 5.31 hours
Labor Standards	B4.1 & B4.2	This aspect applies to management of our supply chain only as there is no risk of child or forced labor occurring within our organisation
Supply Chain Management	B5.1	Bringing the best to our Customers with our Partners
	B5.2	
	B5.3	
	B5.4	
Product Responsibility	B6.1	This KPI is not relevant to our businesses.
	B6.2	
	B6.3	Ethics and Integrity
	B6.4	Bringing the best to our Customers with our Partners
	B6.5	It is determined not highly material to Yau Lee Group. Our Holiday Inn Express Hong Kong SoHo has Privacy Statement available to our customers.
Anti-corruption	B7.1	Ethics and Integrity: Anti-corruption
	B7.2	Ethics and Integrity; Corporate Governance
	B7.3	Ethics and Integrity: Anti-corruption
Community Investment	B8.1	Employee and Social Wellbeing: Giving back to Society
	B8.2	

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Yau Lee Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 64 to 142, comprise:

- the consolidated balance sheet as at 31 March 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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 revenue recognition of construction contracts.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of construction contracts Refer to Note 2.23(a), Note 4(a), Note 4(b) and Note 5 to the consolidated financial statements. For the year ended 31 March 2022, the Group recognised revenue from construction contracts relating to the following operating segments: construction, electrical and mechanical installation which totalled HK$5,749,482,000. The recognition of revenue and cost of sales for the Group's construction contracts is based on the progress of contract activities, by reference to contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Management's estimate of revenue, budgeted costs, the progress of related contract work and loss provisions requires significant judgment. This judgment includes the expected recovery of costs arising from variations to contracts requested by customers, compensation events and claims made against contractors for delays. Due to the significant judgment and estimates involved, specific audit focus was placed on this area.	Our work in relation to management's estimates in revenue, budgeted costs and the progress of related contract work focused on the following procedures for material construction contracts within the Group: • We obtained an understanding of management's internal control and process of revenue recognition of construction contracts and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • We tested the key controls over estimating costs to complete and budgeted margin of construction contracts; • We discussed with the Group's quantity surveyors and project managers the status of the projects, to identify any variations, claims and provision on loss-making contracts, and to obtain explanations for fluctuations in margins and the expected recovery of variations;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We obtained corroborative evidence, in relation to the above point, by reviewing the project budgets, external architect's certificates and comparing the budgeted component costs to supporting documents including, but not limited to, price quotations of suppliers and subcontractors; • We inspected the signed contracts and correspondence with the customers and sub-contractors to obtain audit evidence on contract sum and terms, variations from customers, claims from customers and sub-contractors; • We tested on a sample basis the actual cost incurred on contract work during the reporting period; • We recalculated the estimate of the progress of contract work based on the latest budgeted costs and total actual costs incurred; and • We tested the calculations of contract revenue based on the estimate of the progress of contract work. We found management's estimates in determining the revenue, budgeted costs and the progress of related contract work for the reporting period as well as the revenue recognised are supported by the audit evidence available.

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 June 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	5	6,732,944	6,794,756
Cost of sales	7	(6,073,716)	(6,219,079)
Gross profit		659,228	575,677
Other income and losses, net	6	25,332	39,051
Selling and distribution costs	7	(41,639)	(23,670)
Administrative expenses	7	(500,628)	(402,582)
Other operating expenses	7	(3,191)	(3,460)
Operating profit		139,102	185,016
Finance costs	9	(9,476)	(13,707)
Share of loss of an associate	19	(614)	(179)
Share of loss of joint ventures	20	(8,478)	(7,672)
Impairment loss of investment in a joint venture	20	(35,000)	—
Profit before income tax		85,534	163,458
Income tax expense	10	(19,531)	(14,167)
Profit for the year		66,003	149,291
Attributable to:			
Equity holders of the Company		68,186	150,428
Non-controlling interests		(2,183)	(1,137)
		66,003	149,291
Dividend	11	21,902	34,169
Earnings per share (basic and diluted)	12	HK15.57 cents	HK34.34 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022 *HK$'000*	2021 *HK$'000*
Profit for the year	66,003	149,291
Other comprehensive income		
Item that may be reclassified to profit or loss:		
Currency translation differences	35,791	61,315
Total comprehensive income for the year	**101,794**	210,606
Attributable to:		
Equity holders of the Company	103,977	211,743
Non-controlling interests	(2,183)	(1,137)
Total comprehensive income for the year	**101,794**	210,606

CONSOLIDATED BALANCE SHEET

As at 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	*14*	**1,171,205**	1,185,289
Investment properties	*15*	**177,240**	183,040
Other intangible assets	*17*	**7,230**	8,286
Goodwill	*17*	**17,898**	16,662
Associate	*19*	**361**	975
Joint ventures	*20*	**93,789**	131,960
Deferred income tax assets	*29*	**7,214**	8,382
Financial assets at fair value through other comprehensive income	*21*	**–**	11,800
Mortgage loans receivables	*24(c)*	**25,931**	53,973
Other non-current assets	*22*	**–**	1,106
		1,500,868	1,601,473
Current assets			
Cash and bank balances	*23*	**1,045,149**	728,119
Trade debtors, net	*24(a)*	**672,666**	789,528
Contract assets	*26*	**814,519**	703,420
Prepayments, deposits and other receivables	*24(b)*	**293,383**	399,806
Mortgage loans receivables	*24(c)*	**1,561**	2,119
Inventories	*25*	**80,093**	76,183
Completed properties held for sale	*27*	**222,760**	49,486
Property under development for sale	*16*	**–**	658,377
Due from joint ventures/joint operations	*20*	**46,473**	46,889
Prepaid income tax		**59,986**	54,428
		3,236,590	3,508,355
Total assets		**4,737,458**	5,109,828
Equity			
Share capital	*32*	**87,611**	87,611
Other reserves	*33*	**494,024**	458,233
Retained profits	*33*	**959,840**	932,393
Attributable to equity holders of the Company		**1,541,475**	1,478,237
Non-controlling interests		**(118)**	2,065
Total equity		**1,541,357**	1,480,302

Consolidated Balance Sheet

As at 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
Liabilities			
Non-current liabilities			
Long-term borrowings	28	336,600	835,571
Deferred income tax liabilities	29	7,455	7,632
Other non-current liabilities	31(b)	23,725	37,842
		367,780	881,045
Current liabilities			
Short-term bank loans	28	459,480	263,076
Current portion of long-term borrowings	28	522,400	611,947
Payables to suppliers and subcontractors	30	247,082	259,267
Accruals, retention payables, deposits received and other liabilities	31(a)	822,985	722,300
Income tax payable		10,059	10,205
Contract liabilities	26	721,496	833,145
Due to joint operations	20	2,799	2,799
Due to other partners of joint operations	20	42,020	45,742
		2,828,321	2,748,481
Total liabilities		3,196,101	3,629,526
Total equity and liabilities		4,737,458	5,109,828

The financial statements on pages 64 to 142 were approved by the Board of Directors on 29 June 2022 and were signed on its behalf.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	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 2020	87,611	413,776	359	(73,287)	55,366	704	792,917	1,277,446	3,202	1,280,648
Profit/(loss) for the year	–	–	–	–	–	–	150,428	150,428	(1,137)	149,291
Other comprehensive income:										
Currency translation differences	–	–	–	61,315	–	–	–	61,315	–	61,315
2020 final dividend	–	–	–	–	–	–	(6,571)	(6,571)	–	(6,571)
2021 interim dividend	–	–	–	–	–	–	(4,381)	(4,381)	–	(4,381)
As at 31 March 2021	87,611	413,776	359	(11,972)	55,366	704	932,393	1,478,237	2,065	1,480,302
As at 1 April 2021	87,611	413,776	359	(11,972)	55,366	704	932,393	1,478,237	2,065	1,480,302
Profit/(loss) for the year	–	–	–	–	–	–	68,186	68,186	(2,183)	66,003
Other comprehensive income:										
Currency translation differences	–	–	–	35,791	–	–	–	35,791	–	35,791
2021 final dividend *(Note 11)*	–	–	–	–	–	–	(29,788)	(29,788)	–	(29,788)
2022 interim dividend *(Note 11)*	–	–	–	–	–	–	(10,951)	(10,951)	–	(10,951)
As at 31 March 2022	**87,611**	**413,776**	**359**	**23,819**	**55,366**	**704**	**959,840**	**1,541,475**	**(118)**	**1,541,357**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Net cash from operations	34(a)	837,817	721,435
Hong Kong profits tax refunded		24	5,152
Hong Kong profits tax paid		(22,430)	(5,765)
Non-Hong Kong tax paid, net		(1,971)	(43,634)
Net cash from operating activities		813,440	677,188
Cash flows from investing activities			
Investment in joint ventures		–	(22,194)
Purchase of property, plant and equipment		(62,951)	(20,486)
Disposal of financial assets at fair value through other comprehensive income		11,800	–
Acquisition of a subsidiary, net of cash acquired	36	(1,236)	–
Proceeds from disposal of property, plant and equipment		281	285
Proceeds from disposal of investment property		–	42,716
Interest received		3,280	4,866
Net decrease in mortgage loan receivables		28,550	10,328
Net cash (used in)/from investing activities		(20,276)	15,515

Consolidated Cash Flow Statement

For the year ended 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from financing activities	*34(b)*		
Repayment of bank loans		**(799,440)**	(570,188)
Drawdown of bank loans		**407,022**	3,510
(Increase)/decrease in restricted deposits		**(33,466)**	16,019
Capital element of lease payments		**(25,940)**	(23,834)
Interest element of lease payments		**(915)**	(1,195)
Dividend paid		**(40,739)**	(10,952)
Interest paid		**(24,237)**	(40,919)
Net cash used in financing activities		**(517,715)**	(627,559)
Net increase in cash and cash equivalents		**275,449**	65,144
Cash and cash equivalents at beginning of year		**650,748**	570,567
Exchange gain on cash and cash equivalents		**8,115**	15,037
Cash and cash equivalents at end of year		**934,312**	650,748
Analysis of cash and cash equivalents	*23(b)*		
Cash and bank balances		**928,138**	638,904
Time deposits		**6,174**	11,844
		934,312	650,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 June 2022.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) *Amendments to standards adopted by the Group*

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing on 1 April 2021:

Amendment to HKFRS 16	COVID-19-Related Rent Concession
Amendment to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

(b) *New standard, amendments to standards, annual improvements, guideline and interpretation not yet adopted by the Group*

Certain new standard, amendments to standards, annual improvements, guideline and interpretation have been published that are not mandatory for 31 March 2022 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Associates

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

(c) Joint arrangements

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

(i) Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

(ii) Joint ventures

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

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

(d) Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(e) Changes in ownership interests

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

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

2 Summary of significant accounting policies (continued)

2.3 Business combinations

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

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

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.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses are presented in the consolidated income statement within "Other income and losses, net".

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Hotel property	
– Leasehold land	Remaining lease period
– Building	50 years
Leasehold land	Remaining lease period
Buildings	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

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

The right-of-use assets of leases are presented as the relevant underlying assets of the property, plant and equipment. Details of the accounting policies of leases are disclosed in Note 2.25.

2.6 Investment properties

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

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

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

2.7 Other intangible assets

Other 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.8 Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

2.9 Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets as subsequently measured at fair value (either through other comprehensive income ("OCI") or through profit or loss) and at amortised cost.

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

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

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

2 Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(b) Recognition and derecognition

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

(c) Measurement

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

Debt instruments

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

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

Equity instruments

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

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.11 Offsetting financial instruments

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

2.12 Derivative financial instruments which do not qualify for hedge accounting

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

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

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

2.13 Inventories

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

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

2.14 Trade and other receivables

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10 for further information about the Group's accounting for trade and other receivables and a description of the Group's impairment policies.

2 Summary of significant accounting policies (continued)

2.15 Contract assets and contract liabilities

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

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

2.16 Cash and cash equivalents

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

2.17 Payables to suppliers and subcontractors

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

2.18 Borrowings

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.19 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.

2.20 Current and deferred income tax

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

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

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

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

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

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

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

Deferred income tax (continued)

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

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

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

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

2.21 Employee benefits

(a) Employee leave entitlements

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

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

(b) Retirement benefit obligations

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

(c) Bonus entitlements

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

2 Summary of significant accounting policies (continued)

2.22 Provisions

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

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

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

2.23 Revenue recognition

The Group recognises different types of revenue as follows:

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(b) Building materials supply – Sales of goods

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

(c) Property investment – Operating lease rental income

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

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

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

(e) Property sales – Sales of goods

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

2.24 Interest income

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

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

2 Summary of significant accounting policies (continued)

2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.25 Leases (continued)

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

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

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

(a) Property under development for sale

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

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

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

Deposits and instalments received on properties sold prior to transfer of the legal titles of the properties are included under contract liabilities.

(b) Completed properties held for sale

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

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

2 Summary of significant accounting policies (continued)

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are deducted in reporting the related expenses, when appropriate.

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign currency risk

The Group mainly operates in Hong Kong, Macau, Singapore and Mainland China. Entities within the Group are exposed to foreign exchange risk arising from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entities' functional currency.

As at 31 March 2022, if Renminbi ("RMB") had strengthened/weakened by 5% against HK$ with all other variables held constant, the Group's pre-tax profit for the year would have been approximately HK$3,708,000 higher/lower (2021: Group's pre-tax profit for the year would have been approximately HK$3,525,000 higher/lower).

(ii) Cash flow interest rate risk

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

The Group closely monitors and manages its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangement when appropriate.

As at 31 March 2022, had interest rates been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK$10,622,000 lower/higher (2021: post-tax profit for the year would have been HK$11,909,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings net of higher/lower interest income on cash deposits and mortgage loans receivables.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

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

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

(i) Impairment of financial assets

Trade debtors and contract assets

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (Continued)

(i) Impairment of financial assets (Continued)

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

	Weighted average lifetime expected credit loss rate	Trade debtors and contract assets		
		Gross carrying amount	Lifetime expected credit loss	Net carrying amount
		HK$'000	*HK$'000*	*HK$'000*
At 31 March 2022				
Not yet due	**0%**	**1,372,441**	**–**	**1,372,441**
1-30 days past due	**0%**	**45,100**	**–**	**45,100**
31-90 days past due	**1%**	**18,720**	**(218)**	**18,502**
91-180 days past due	**1%**	**15,146**	**(146)**	**15,000**
Over 180 days past due	**56%**	**82,837**	**(46,695)**	**36,142**
Total		**1,534,244**	**(47,059)**	**1,487,185**
At 31 March 2021				
Not yet due	0%	1,427,176	–	1,427,176
1-30 days past due	0%	8,118	–	8,118
31-90 days past due	1%	20,027	(137)	19,890
91-180 days past due	1%	4,693	(46)	4,647
Over 180 days past due	58%	78,985	(45,868)	33,117
Total		1,538,999	(46,051)	1,492,948

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Impairment of financial assets (continued)

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

As at 31 March 2022, except for other receivables of HK$10,955,000 (2021: HK$14,421,000) which was impaired, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognised was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognised during the year.

(c) Liquidity risk

In order to maintain flexibility in funding, the Group has credit facilities available from various banks. The Group has bank borrowings as at 31 March 2022 and 2021 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, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at 31 March 2022, the Group held cash and bank deposits of HK$1,045,149,000 (2021: HK$728,119,000) and trade debtors of HK$672,666,000 (2021: HK$789,528,000) that are expected to generate cash inflows in the next twelve months for managing liquidity risk.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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.

	Less than 1 year *HK\$'000*	Between 1 and 2 years *HK\$'000*	Between 2 and 5 years *HK\$'000*
At 31 March 2022			
Short-term bank loans and interest thereon	**466,809**	**–**	**–**
Long-term borrowings and interest thereon	**530,151**	**42,138**	**302,990**
Lease liabilities	**18,056**	**13,110**	**2,488**
Payables to suppliers and subcontractors	**247,082**	**–**	**–**
Accruals, retention payables and other liabilities, excluding lease liabilities	**738,993**	**63,034**	**11,719**
Due to joint operations	**2,799**	**–**	**–**
Due to other partners of joint operations	**42,020**	**–**	**–**
At 31 March 2021			
Short-term bank loans and interest thereon	267,530	–	–
Long-term borrowings and interest thereon	630,646	752,714	87,672
Lease liabilities	24,786	14,595	11,299
Payables to suppliers and subcontractors	259,267	–	–
Accruals, retention payables and other liabilities, excluding lease liabilities	628,521	11,406	70,932
Due to joint operations	2,799	–	–
Due to other partners of joint operations	45,742	–	–

3 Financial risk management (continued)

3.2 Capital risk management

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

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

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

The Group's strategy is to maintain a debt to capital ratio at a minimal level. The debt to capital ratio at 31 March 2022 and 2021 were as follows:

	2022	2021
	HK$'000	*HK$'000*
Total borrowings *(Note 28)*	**1,318,480**	1,710,594
Lease liabilities *(Note 14(b))*	**32,964**	49,283
Less: Cash and bank balances *(Note 23)*	**(1,045,149)**	(728,119)
Net debt	**306,295**	1,031,758
Total equity	**1,541,357**	1,480,302
Total capital	**1,847,652**	2,512,060
Net debt to capital ratio	**0.17**	0.41

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 16) in prior years and during the year.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.3 Fair value estimation

(a) Fair value hierarchy

The table below analyses financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value as at 31 March 2021. Refer to Note 15 for disclosures of the investment properties that are measured at fair value.

	At 31 March 2021			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Financial assets at fair value through other comprehensive income	–	–	11,800	11,800

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

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

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

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

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

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

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

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

The following table presents the changes in Level 3 items for the year ended 31 March 2022 and 2021:

	2022	2021
	HK$'000	*HK$'000*
Unlisted equity securities		
Beginning of year	**11,800**	11,800
Disposal of financial assets at fair value through other comprehensive income	**(11,800)**	–
End of year	**–**	11,800

4 Critical accounting estimates and judgments

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

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

(a) Progress of construction works

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

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

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

5 Revenue and segment information

(a) Disaggregation of revenue

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

	2022 *HK$'000*	2021 *HK$'000*
Revenue		
Construction	**3,926,319**	5,030,075
Electrical and mechanical installation	**1,823,163**	1,605,096
Building materials supply	**230,801**	123,990
Property investment and development	**712,276**	1,577
Hotel operations	**2,588**	1,521
Others	**37,797**	32,497
	6,732,944	6,794,756

(b) Segment information

For the year ended 31 March 2022, 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$230,801,000 (2021: HK$123,990,000), property sales of HK$710,155,000 (2021: Nil) and others of HK$33,149,000 (2021: HK$29,030,000), which were recognised at a point in time. The revenue from other source (rental income included in property investment and development and hotel operations) amounted to HK$4,709,000 (2021: HK$3,098,000).

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

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

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

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

	Construction HK$'000	Electrical & Mechanical Installation HK$'000	Building Materials Supply HK$'000	Property Investment and Development HK$'000	Hotel Operations HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2022							
Total sales	3,992,657	2,271,068	593,634	712,276	2,588	144,376	7,716,599
Inter-segment sales	(66,338)	(447,905)	(362,833)	–	–	(106,579)	(983,655)
External sales	3,926,319	1,823,163	230,801	712,276	2,588	37,797	6,732,944
Segment results	73,195	46,837	(13,729)	64,773	(23,537)	(11,453)	136,086
Share of loss of an associate	–	(614)	–	–	–	–	(614)
Share of loss of joint ventures	–	–	(8,478)	–	–	–	(8,478)
Impairment loss of investment in a joint venture	–	–	(35,000)	–	–	–	(35,000)
	73,195	46,223	(57,207)	64,773	(23,537)	(11,453)	91,994
Unallocated income							3,016
Finance costs							(9,476)
Profit before income tax							85,534
Income tax expense							(19,531)
Profit for the year							66,003
At 31 March 2022							
Segment assets	1,732,726	962,681	812,260	442,553	488,419	173,677	4,612,316
Interest in an associate	–	336	–	–	–	25	361
Interests in joint ventures	–	–	93,789	–	–	–	93,789
Unallocated assets							30,992
Total assets							4,737,458
Segment liabilities	(871,039)	(822,547)	(44,846)	(112,982)	(1,414)	(13,220)	(1,866,048)
Bank loans							(1,318,480)
Unallocated liabilities							(11,573)
Total liabilities							(3,196,101)
Year ended 31 March 2022							
Capital expenditure	8,077	8,445	18,045	36,004	–	3,765	74,336
Depreciation	12,945	16,688	44,067	3,847	18,830	9,464	105,841
Amortisation of other intangible assets	–	1,056	–	–	–	–	1,056
Fair value loss on investment properties	–	–	–	5,800	–	–	5,800
Impairment loss of investment in a joint venture	–	–	35,000	–	–	–	35,000

5 Revenue and segment information (continued)

(b) Segment information (continued)

	Construction HK$'000	Electrical & Mechanical Installation HK$'000	Building Materials Supply HK$'000	Property Investment and Development HK$'000	Hotel Operations HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2021							
Total sales	5,323,886	2,318,221	541,259	1,577	1,521	147,055	8,333,519
Inter-segment sales	(293,811)	(713,125)	(417,269)	–	–	(114,558)	(1,538,763)
External sales	5,030,075	1,605,096	123,990	1,577	1,521	32,497	6,794,756
Segment results	140,646	74,305	(4,133)	(2,843)	(25,760)	(2,992)	179,223
Share of loss of an associate	–	(179)	–	–	–	–	(179)
Share of loss of joint ventures	–	–	(7,672)	–	–	–	(7,672)
	140,646	74,126	(11,805)	(2,843)	(25,760)	(2,992)	171,372
Unallocated income							5,793
Finance costs							(13,707)
Profit before income tax							163,458
Income tax expense							(14,167)
Profit for the year							149,291
At 31 March 2021							
Segment assets	1,696,001	868,116	792,889	901,988	505,960	182,764	4,947,718
Interest in an associate	–	950	–	–	–	25	975
Interests in joint ventures	–	–	131,960	–	–	–	131,960
Unallocated assets							29,175
Total assets							5,109,828
Segment liabilities	(1,007,074)	(795,554)	(52,364)	(26,062)	(1,315)	(26,052)	(1,908,421)
Bank loans							(1,710,594)
Unallocated liabilities							(10,511)
Total liabilities							(3,629,526)
Year ended 31 March 2021							
Capital expenditure	15,712	41,308	2,463	4,785	234	10,466	74,968
Depreciation	14,748	13,048	46,017	2,308	19,467	7,138	102,726
Amortisation of other intangible assets	–	1,056	–	–	–	–	1,056
Fair value loss on investment properties	–	–	–	4,451	–	–	4,451

5 Revenue and segment information (continued)

(b) Segment information (continued)

The analysis of revenue by geographical area is as follows:

	2022 HK$'000	2021 HK$'000
Hong Kong	6,499,768	6,622,414
Non-Hong Kong	233,176	172,342
	6,732,944	6,794,756

Revenue of approximately HK$2,645,722,000 (2021: HK$4,368,314,000) are derived from two (2021: 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:

	2022 HK$'000	2021 HK$'000
Hong Kong	839,066	852,017
Non-Hong Kong	628,657	674,195
	1,467,723	1,526,212

6 Other income and losses, net

	2022 HK$'000	2021 HK$'000
Other income		
Bank interest income	**3,280**	4,866
Interest income from subcontractors	**8,294**	13,500
Management service income from a joint venture and a joint operation	**16**	16
Sundry income	**19,042**	22,575
	30,632	40,957
Other losses, net		
Loss on disposal of property, plant and equipment, net	**(126)**	(609)
Fair value loss on investment properties, net *(Note 15)*	**(5,800)**	(4,451)
Exchange gain, net	**626**	3,154
	(5,300)	(1,906)
	25,332	39,051

Notes to the Consolidated Financial Statements

7 Expenses by nature

	2022 HK$'000	2021 HK$'000
Cost of construction	4,224,916	5,066,266
Cost of inventories sold	332,371	325,049
Cost of properties sold *(Note 27)*	602,780	–
Staff costs (excluding directors' emoluments)* *(Note 13)*	1,079,304	921,325
Directors' emoluments *(Note 40)*	25,412	24,218
Depreciation *(Note 14)*		
Owned property, plant and equipment	78,152	77,967
Leased property, plant and equipment	27,689	24,759
	105,841	102,726
Expenses relating to short-term leases of		
Land and buildings	2,542	4,555
Other equipment	44,120	74,825
	46,662	79,380
Amortisation of other intangible assets *(Note 17)*	1,056	1,056
Movement in loss allowance for trade debtors	955	(2,982)
Write-off of other receivables	1,022	–
(Write-back of provision)/provision for inventories	(202)	99
Inventories written off	–	4,475
Auditors' remuneration		
– Audit services	4,924	5,163
– Non-audit services	374	587
Direct operating expenses arising from investment properties		
– Generate rental income	715	427
– Not generate rental income	60	67
Selling and distribution costs	41,639	23,670
Others	151,345	97,265
Total cost of sales, selling and distribution costs, administrative and other operating expenses	6,619,174	6,648,791

* During the year ended 31 March 2021, subsidies of approximately HK$107,453,000 from the Employment Support Scheme under Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region were recognised in "cost of sales" and "administrative expenses" and offset against the "staff costs".

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 (2021: four) Directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments paid and payable to the remaining one (2021: one) highest-paid individual in 2022 were as follows:

	2022 HK$'000	2021 HK$'000
Salaries	1,346	1,885
Bonuses	2,801	745
Retirement benefits	60	87
	4,207	2,717

The emoluments fell within the following bands:

	Number of individuals 2022	2021
HK$2,500,001-HK$3,000,000	–	1
HK$4,000,001-HK$4,500,000	1	–

(b) During the years ended 31 March 2022 and 2021, 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 2022 and 2021:

	Number of individuals 2022	2021
HK$1,500,001-HK$2,000,000	1	1
HK$2,000,001-HK$2,500,000	3	5
HK$2,500,001-HK$3,000,000	2	–
	6	6

Notes to the Consolidated Financial Statements

9 Finance costs

	2022 HK$'000	2021 HK$'000
Interest on short-term bank loans	9,962	15,848
Interest on long-term bank loans	14,275	25,071
Interest element of lease payments *(Note 14(b)(ii))*	915	1,195
Total borrowing costs incurred	25,152	42,114
Less: Classified as cost of construction	(10,423)	(20,068)
Capitalised in property under development for sale	(5,253)	(8,339)
	9,476	13,707

For the year ended 31 March 2022, the interest rate applied in determining the amount of borrowing costs capitalised in property under development for sale was from 1.4% to 1.5% (2021: 1.4% to 3.2%) per annum.

10 Income tax expense

	2022 HK$'000	2021 HK$'000
Hong Kong profits tax provision for the year	18,545	14,281
Non-Hong Kong tax provision for the year	388	745
Over-provision in prior years	(274)	(418)
Deferred income tax relating to the origination and reversal of temporary differences *(Note 29)*	872	(441)
	19,531	14,167

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2021: 8.25% and 16.5%) on the estimated assessable profits for the year. Under the two-tiered profits tax rates regime introduced on 29 March 2018, Hong Kong profits tax rate for the first HK$2 million of assessable profits is 8.25%. Assessable profits above HK$2 million is at the rate of 16.5%.

Taxation on non-Hong Kong profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries/regions in which the Group operates.

Subsidiaries operated in the People's Republic of China ("PRC") are subject to corporate income tax rate of 25% (2021: 25%). Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2021: 12%).

10 Income tax expense (continued)

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

	2022	2021
	HK$'000	*HK$'000*
Profit before income tax	**85,534**	163,458
Share of loss of an associate and joint ventures	**9,092**	7,851
	94,626	171,309
Calculated at a taxation rate of 16.5% (2021: 16.5%)	**15,613**	28,266
Effect of different tax rates in other countries	**(1,575)**	(1,384)
Income not subject to taxation	**(1,447)**	(20,298)
Expenses not deductible for taxation purposes	**7,444**	5,876
Temporary differences not recognised	**119**	(1,060)
Tax losses not recognised	**15,299**	13,781
Utilisation of previously unrecognised tax losses	**(15,348)**	(10,198)
Over-provision in prior years	**(274)**	(418)
Others	**(300)**	(398)
Income tax expense	**19,531**	14,167

11 Dividend

	2022	2021
	HK$'000	*HK$'000*
Interim dividend paid during the year		
Interim – HK2.50 cents (2021: HK1.00 cent) per ordinary share	**10,951**	4,381
Proposed final dividend		
Final – HK2.50 cents (2021: HK6.80 cents) per ordinary share	**10,951**	29,788
	21,902	34,169

In the Board meeting held on 29 June 2022, the Directors recommended the payment of a final dividend of HK2.50 cents (2021: HK6.80 cents) per share, totalling of HK$10,951,000 (2021: HK$29,788,000) for the year ended 31 March 2022.

Notes to the Consolidated Financial Statements

12 Earnings per share (basic and diluted)

The calculation of earnings per share is based on:

	2022 *HK$'000*	2021 *HK$'000*
Net profit attributable to the equity holders of the Company	**68,186**	150,428

	2022	2021
Weighted average number of shares in issue during the year	**438,053,600**	438,053,600
Basic earnings per share	**HK15.57 cents**	HK34.34 cents

Diluted earnings per share for the years ended 31 March 2022 and 2021 are equal to basic earnings per share as there are no potential dilutive shares in issue during the years.

13 Staff costs (excluding directors' emoluments)

	2022 *HK$'000*	2021 *HK$'000*
Salaries, wages and bonuses	**1,014,322**	871,102
Provision for unutilised annual leave	**3,853**	3,172
Long service payments and pension costs	**60,049**	44,211
Termination benefits	**1,080**	2,840
	1,079,304	921,325

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such considerations) to offset existing contributions under the defined contribution schemes.

Notes to the Consolidated Financial Statements

14 Property, plant and equipment

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Land use rights HK$'000	Leased properties HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 March 2021									
Opening net book value	468,593	439,298	62,474	13,921	51,713	113,509	22,553	9,265	1,181,326
Additions	–	–	–	21,273	7,224	6,401	4,267	8,940	48,105
Disposals	–	–	–	–	–	(710)	(28)	(156)	(894)
Lease modification	–	–	–	24,645	–	–	–	–	24,645
Depreciation *(Note 7)*	(2,954)	(23,136)	(1,849)	(17,060)	(16,530)	(26,042)	(9,619)	(5,536)	(102,726)
Currency translation differences	–	26,567	4,578	80	38	3,158	251	161	34,833
Closing net book value	465,639	442,729	65,203	42,859	42,445	96,316	17,424	12,674	1,185,289
At 31 March 2021									
Cost	490,993	600,109	83,247	55,649	200,697	310,483	158,852	61,693	1,961,723
Accumulated depreciation	(25,354)	(157,380)	(18,044)	(12,790)	(158,252)	(214,167)	(141,428)	(49,019)	(776,434)
Net book value	465,639	442,729	65,203	42,859	42,445	96,316	17,424	12,674	1,185,289
Year ended 31 March 2022									
Opening net book value	465,639	442,729	65,203	42,859	42,445	96,316	17,424	12,674	1,185,289
Additions	–	39,007	–	11,370	647	9,243	9,988	4,066	74,321
Disposals	–	–	–	–	(62)	(294)	(14)	(37)	(407)
Lease modification	–	–	–	(1,712)	–	–	–	–	(1,712)
Depreciation *(Note 7)*	(2,954)	(24,739)	(1,957)	(21,198)	(16,374)	(24,561)	(9,247)	(4,811)	(105,841)
Currency translation differences	–	15,081	2,647	26	3	1,559	146	93	19,555
Closing net book value	462,685	472,078	65,893	31,345	26,659	82,263	18,297	11,985	1,171,205
At 31 March 2022									
Cost	490,993	659,453	86,678	58,914	201,366	318,994	167,275	59,980	2,043,653
Accumulated depreciation	(28,308)	(187,375)	(20,785)	(27,569)	(174,707)	(236,731)	(148,978)	(47,995)	(872,448)
Net book value	462,685	472,078	65,893	31,345	26,659	82,263	18,297	11,985	1,171,205

14 Property, plant and equipment (continued)

(a) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK$521,073,000 (2021: HK$526,381,000) (Notes 28 and 35(d)).

(b) Leases

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

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

(i) Amounts recognised in the consolidated balance sheet

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

	2022	2021
	HK$'000	*HK$'000*
Right-of-use assets		
Hotel property	**361,098**	361,538
Leasehold land	**78,596**	49,414
Land use rights	**65,893**	65,203
Leased properties	**31,345**	42,859
Plant and machinery	**–**	4,124
Motor vehicles	**1,164**	5,835
	538,096	528,973
Lease liabilities		
Current (included in accruals, retention payables, deposits received and other liabilities)	**17,559**	23,921
Non-current (included in other non-current liabilities)	**15,405**	25,362
	32,964	49,283

Additions to the right-of-use assets during the year ended 31 March 2022 were HK$42,844,000 (2021: HK$27,619,000).

14 Property, plant and equipment (continued)

(b) Leases (continued)

(ii) Amounts recognised in the consolidated income statement

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

	2022 *HK$'000*	2021 *HK$'000*
Depreciation charge of right-of-use assets		
Hotel property	**440**	440
Leasehold land	**2,292**	1,882
Land use rights	**1,957**	1,849
Leased properties	**21,198**	17,060
Plant and machinery	**212**	1,269
Motor vehicles	**1,590**	2,259
	27,689	24,759
Interest expense (included in cost of sales and finance costs) *(Note 9)*	**915**	1,195
Expense relating to short-term leases *(Note 7)*	**46,662**	79,380

The total cash outflow for leases during the year ended 31 March 2022 was HK$73,517,000 (2021: HK$104,409,000).

(c) Compensation for relocation of ex-Longhua Shenzhen factory

Pursuant to the Relocation Compensation Agreement entered into between the Group and the landlord for the relocation of ex-Longhua Shenzhen factory, the Group received cash compensation of RMB100,000,000 in the year ended 31 March 2016. In addition, the Group is entitled to 10,000 square metres of the new residential properties upon completion of the development, for which the building work is ongoing.

Notes to the Consolidated Financial Statements

15 Investment properties

	2022 HK$'000	2021 HK$'000
Beginning of year	**183,040**	229,412
Disposals	**–**	(42,716)
Fair value loss recognised in the consolidated income statement, net *(Note 6)*	**(5,800)**	(4,451)
Currency translation differences	**–**	795
End of year	**177,240**	183,040

Valuation process

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31 March 2022 and 2021 have been determined on the basis of valuations carried out by independent valuers. Investment properties situated in Hong Kong and Macau were valued as at 31 March 2022 by Jones Lang LaSalle Limited, an independent firm of qualified property valuers. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method.

Fair value measurements using significant unobservable inputs

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

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

15 Investment properties (continued)

Fair value measurements using significant unobservable inputs (continued)

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

Location	Description	Fair value 2022 HK$'000	Fair value 2021 HK$'000	Valuation Techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong	Residential units/ retail shops	161,200	167,000	Direct comparison	Comparable sales price – HK$7,864 to HK$53,680 per square feet (2021: HK$10,246 to HK$49,231 per square feet)	The higher the comparable sales price, the higher the fair value
Macau	Commercial unit	16,040	16,040	Direct comparison	Comparable sales price – HK$9,372 to HK$14,517 per square feet (2021: HK$9,271 to HK$11,867 per square feet)	The higher the comparable sales price, the higher the fair value
		177,240	183,040			

Investment properties amounting to HK$109,300,000 (2021: HK$113,800,000) are pledged as security for the bank loans of the Group (Notes 28 and 35(d)).

16 Property under development for sale

	2022 HK$'000	2021 HK$'000
Beginning of year	658,377	415,039
Additions	117,662	243,338
Transfer to completed properties held for sale *(Note 27)*	(776,039)	–
End of year	–	658,377

As at 31 March 2021, property under development for sale amounting to HK$658,377,000 are pledged as security for the bank loans of the Group (Notes 28 and 35(d)).

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17 Goodwill and other intangible assets

	Goodwill (Note (a)) HK$'000	Other intangible assets (Note (b)) HK$'000	Total HK$'000
Year ended 31 March 2021			
Opening net book value	16,662	9,342	26,004
Amortisation *(Note 7)*	–	(1,056)	(1,056)
Closing net book value	16,662	8,286	24,948
At 31 March 2021			
Cost	16,662	21,837	38,499
Accumulated amortisation	–	(13,551)	(13,551)
Net book value	16,662	8,286	24,948
Year ended 31 March 2022			
Opening net book value	**16,662**	**8,286**	**24,948**
Acquisition of a subsidiary *(Note 36)*	**1,236**	**–**	**1,236**
Amortisation *(Note 7)*	**–**	**(1,056)**	**(1,056)**
Closing net book value	**17,898**	**7,230**	**25,128**
At 31 March 2022			
Cost	**17,898**	**21,837**	**39,735**
Accumulated amortisation	**–**	**(14,607)**	**(14,607)**
Net book value	**17,898**	**7,230**	**25,128**

17 Goodwill and other intangible assets (continued)

(a) Goodwill arising from the acquisition of REC Engineering Company Limited group ("REC"), the acquisitions of O-Link Limited and Hoi Fai Lift Engieering and Services Limited are allocated to REC's CGUs identified according to operating segments.

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

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

(i) gross margin ranging from 6% to 7% per annum (2021: 6% to 7%);

(ii) growth rate ranging from 1% to 2% per annum (2021: 1% to 2%); and

(iii) discount rate of 9.5% per annum (2021: 9.5%).

Management determined budgeted gross margin based on past performance and the expectations for the market development.

(b) Other 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.

Notes to the Consolidated Financial Statements

18 Subsidiaries

The following is a list of the principal subsidiaries as at 31 March 2022:

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Bellaglade Company Limited	Hong Kong	HK$2	Property holding	–	100%	100%
Best Fortune Investment Limited	Hong Kong	HK$5,000,000	Property investment	–	100%	100%
City Hope Limited	The British Virgin Islands/Hong Kong	US$10	Property investment	–	90%	90%
First Smart Investment Limited	Hong Kong	HK$2	Financing services	–	100%	100%
Global Virtual Design and Construction (Singapore) Pte. Ltd.	Singapore	S$10,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Global Virtual Design and Construction Limited	Hong Kong	HK$1	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Global Virtual Design and Construction Sdn. Bhd.	Malaysia	RM10,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Grace Top Investment Limited	Hong Kong	HK$1	Property holding	–	100%	100%
Guangdong Yuean REC Mechanical and Electrical Engineering Company Limited**	Mainland China	RMB6,704,836	Engineering services	–	100%	100%
Hanton (Asia) Limited	Hong Kong	HK$1	Property investment	–	60%	60%
Hoi Fai Lift Engineering and Services Limited	Hong Kong	HK$300,000	Provision of lift repair and maintenance services	–	100%	100%
InnoVision Architects & Engineers Limited	Hong Kong	HK$1	Architectural and engineering services	–	100%	100%
Leena Theme Painting Limited	Hong Kong	HK$1	Theme painting	–	100%	100%
Million Wealth Enterprises Limited	Hong Kong	HK$2	Property investment	–	100%	100%
O-Link Limited	Hong Kong	HK$2,000,000	Provision of welding services for pipes and fillings	–	55%	55%

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

18 Subsidiaries (continued)

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
REC (China) Company Limited	Hong Kong	HK$13,800,000	Electrical and mechanical engineering services and investment holding	–	100%	100%
REC Building Services (Macao) Limited	Macau	MOP100,000	Provision of design, installation and maintenance services of building services	–	100%	100%
REC Engineering Company Limited	Hong Kong	HK$50,000,000	Electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services and investment holding	100%	–	100%
REC Engineering Contracting Company Limited	Hong Kong	HK$2,000,000	Electrical and mechanical engineering services	–	100%	100%
REC Green Energy Solutions Company Limited	Hong Kong	HK$1	Development of environmental protection related software and programming activities	–	100%	100%
REC Green Technologies Company Limited	Hong Kong	HK$1	Engage in energy optimisation solution and environmental protection business	–	100%	100%
Rich Asia Management Limited	Hong Kong	HK$1	Property development	–	100%	100%
Right Motive Limited	Hong Kong	HK$6,000	Property investment	–	100%	100%
Tin Sing Chemical Engineers Limited	Hong Kong	HK$1,000,000	Water treatment services	–	100%	100%
VHSoft Technologies 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%

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18 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 (Singapore) Pte. Ltd.	Singapore	S$37,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK$236,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Management Company Limited	Hong Kong	HK$2	Project management & consultancy services	–	100%	100%
Yau Lee Curtain Wall and Steel Works Limited	Hong Kong	HK$25,000,000	Curtain wall installation	–	100%	100%
Yau Lee Development (Singapore) Pte. Ltd.	Singapore	S$50,000	Property and investment holding	–	100%	100%
Yau Lee Hotel Limited	Hong Kong	HK$2	Hotel management	–	100%	100%
Yau Lee Innovative Technology Limited	Hong Kong	HK$2	Licensing of patent	–	100%	100%
Yau Lee Investment Limited	The Cook Islands/ Hong Kong	US$100	Investment holding	100%	–	100%
Yau Lee Wah Concrete Precast Products Company Limited	Hong Kong	HK$10,000,000	Sale of precast products	–	100%	100%
Yau Lee Wah Precast Technology (Luoyang) 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 (Weifang) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
Yau Lee Wah Precast Technology (Yichang) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%

18 Subsidiaries (continued)

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Yau Lee Wah Technology Development Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
有利華建材(惠州)有限公司*	Mainland China	HK$255,000,000	Manufacturing of precast products and building materials	–	100%	100%
有利華建築產業化科技(深圳)有限公司*	Mainland China	HK$1,000,000	Sale of precast products	–	100%	100%
有利華建築產業文化(深圳)有限公司*	Mainland China	HK$10,000	Books distribution and provision of training	–	100%	100%
有利華建築預制件(深圳)有限公司*	Mainland China	HK$21,000,000	Manufacturing of precast products	–	100%	100%
全球模擬設計與建造(深圳)有限公司*	Mainland China	HK$1,000,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
利盈電機電工程(上海)有限公司*	Mainland China	US$13,920,000	Engineering services	–	100%	100%
利華泰建材貿易(深圳)有限公司*	Mainland China	HK$2,100,000	Trading of building materials	–	100%	100%
盈電環保節能科技(廣州)有限公司*	Mainland China	RMB6,500,000	Trading of environmental technology products	–	100%	100%
緯衡浩建科技(深圳)有限公司*	Mainland China	HK$3,000,000	Computer software development	–	100%	100%

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

19 Associate

	2022	2021
	HK$'000	*HK$'000*
Beginning of year	975	1,154
Share of loss	(614)	(179)
End of year	361	975

(a) The following are the details of the Group's associate at 31 March 2022 and 2021:

Name	Particulars of issued share capital	Place of incorporation	Interest held	
			2022	2021
EYE Lighting (Hong Kong) Limited ("Eye Lighting") *(Note (b))*	HK$2,000,000	Hong Kong	38%	38%

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

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

20 Joint arrangements

	2022 HK$'000	2021 HK$'000
Investments in joint ventures		
Beginning of year	131,960	108,135
Additions	–	22,194
Share of loss	(8,478)	(7,672)
Impairment loss of investment in a joint venture *(Note (b))*	(35,000)	–
Currency translation differences	5,307	9,303
End of year	93,789	131,960
Due from joint ventures *(Note (f))*	–	1,568
Due from joint operations *(Note (f))*	46,473	45,321
	46,473	46,889
Due to joint operations *(Note (f))*	(2,799)	(2,799)
Due to other partners of joint operations *(Note (f))*	(42,020)	(45,742)

Notes to the Consolidated Financial Statements

20 Joint arrangements (continued)

(a) The following is a list of the Group's joint ventures at 31 March 2022 and 2021:

Name	Particulars of registered/issued share capital	Place of incorporation	Effective interest 2022	Effective interest 2021
江蘇益建拓華智能建築科技有限公司 *(Note (b))*	RMB100,000,000	Mainland China	**35%**	35%
湖北廣盛建築產業化科技有限公司 *(Note (c))*	RMB100,000,000	Mainland China	**40%**	40%
河南安華建築科技有限公司 *(Note (c))*	RMB100,000,000	Mainland China	**40%**	40%
濰坊三建建材科技有限公司 *(Note (c))*	RMB100,000,000	Mainland China	**40%**	40%
Yau Lee Formglas Limited ("YLFG") *(Note (d))*	HK$1,000,000	Hong Kong	**–**	51%

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

(b) 江蘇益建拓華智能建築科技有限公司 (formerly known as 江蘇省第一建築安裝集團(鎮江)產業化科技有限公司) is a joint venture with a Chinese party, and is engaged in precast development and distribution. During the year ended 31 March 2022, the Chinese partner faced financial issues that created adverse effect to the normal operations of such joint venture. After considering the financial position of such joint venture and the likelihood of recovering the net investment in the joint venture, management made a full impairment of HK$35,000,000 against its carrying amount of this investment in joint venture.

(c) 湖北廣盛建築產業化科技有限公司, 河南安華建築科技有限公司 and 濰坊三建建材科技有限公司 are joint ventures with Chinese parties, and are engaged in precast development and distribution.

(d) YLFG is a joint venture with a Canadian party, and has been deregistered during the year ended 31 March 2022.

20 Joint arrangements (continued)

(e) The following is a list of the Group's joint operations at 31 March 2022 and 2021:

Name	Place of establishment	Principal activities	Effective interest 2022	Effective interest 2021
Hsin Chong-Yau Lee Joint Venture	Hong Kong	Building construction	**50%**	50%
Yau Lee-Hsin Chong Joint Venture	Hong Kong	Building construction	**60%**	60%
REC-CEL Joint Venture	Hong Kong	Electrical and mechanical services	**50%**	50%

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

21 Financial assets at fair value through other comprehensive income

The movement of unlisted equity securities are as follows:

	2022 HK$'000	2021 HK$'000
Financial assets at fair value through other comprehensive income		
Beginning of year	**11,800**	11,800
Disposal of financial assets at fair value through other comprehensive income	**(11,800)**	–
End of year	**–**	11,800

As at 31 March 2021, financial assets at fair value through other comprehensive income comprises of unlisted equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Details on accounting policy and the fair value measurements are set out in Note 2.10 and 3.3 respectively.

22 Other non-current assets

	2022 HK$'000	2021 HK$'000
Other receivables	**–**	1,106

23 Cash and bank balances

	2022 HK$'000	2021 HK$'000
Cash and bank balances	928,138	638,904
Time deposits	6,174	11,844
Restricted deposits *(Note a)*	110,837	77,371
	1,045,149	728,119

(a) Restricted deposits of HK$78,395,000 (2021: HK$77,371,000) are funds which are pledged as security for the banking facilities of the Group (Notes 28 and 35(a)). The remaining HK$32,442,000 (2021: Nil) represents proceeds received from sale of properties of certain property projects deposited into designated stakeholders' accounts.

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

	2022 HK$'000	2021 HK$'000
Cash and bank balances	928,138	638,904
Time deposits with original maturity of less than three months	6,174	11,844
	934,312	650,748

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

	2022 HK$'000	2021 HK$'000
Hong Kong dollars	850,438	489,970
Renminbi	153,519	186,879
Macau Patacas	19,392	23,597
Singapore dollars	12,004	18,665
Japanese yen	7,647	8,245
Other currencies	2,149	763
	1,045,149	728,119

(d) Interest rates of time deposits and restricted deposits ranged from 0.01% to 2.34% (2021: 0.02% to 2.48%) per annum.

24 Trade and other receivables

(a) Trade debtors, net

	2022 HK$'000	2021 HK$'000
Trade debtors	330,801	461,938
Retention receivables	388,924	373,641
Loss allowance	(47,059)	(46,051)
	672,666	789,528

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

	2022 HK$'000	2021 HK$'000
Current	557,922	723,756
1-30 days	45,100	8,118
31-90 days	18,502	19,890
91-180 days	15,000	4,647
Over 180 days	36,142	33,117
	114,744	65,772
	672,666	789,528

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

Notes to the Consolidated Financial Statements

24 Trade and other receivables (continued)

(a) Trade debtors, net (continued)

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

	2022 *HK$'000*	2021 *HK$'000*
Beginning of year	46,051	48,983
Movement in loss allowance	955	(2,982)
Currency translation differences	53	50
End of year	47,059	46,051

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

	2022 *HK$'000*	2021 *HK$'000*
Hong Kong dollars	570,580	726,606
Renminbi	67,217	28,524
Macau Patacas	34,173	33,770
Singapore dollars	533	522
United States dollars	163	106
	672,666	789,528

(b) Prepayments, deposits and other receivables

	2022 *HK$'000*	2021 *HK$'000*
Advances to subcontractors	192,929	306,261
Prepayments and deposits	39,953	40,035
Other receivables	60,501	53,510
	293,383	399,806

The Group's prepayments, deposits and other receivables are mainly denominated in Hong Kong dollars and Renminbi. Included in advances to subcontractors are amounts of HK$138,474,000 (2021: HK$235,654,000) which carry interest ranging from 4.0% to 9.0% (2021: 4.0% to 9.0%) per annum. All other advances to subcontractors are interest free and have no fixed terms of repayment.

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

24 Trade and other receivables (continued)

(c) Mortgage loans receivables

	2022	2021
	HK$'000	*HK$'000*
Mortgage loans receivables	27,415	55,965
Interest receivable	77	127
	27,492	56,092
Included in:		
Non-current	25,931	53,973
Current	1,561	2,119
	27,492	56,092

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

As at 31 March 2022 and 2021, none of loan and interest receivables were past due or impaired.

25 Inventories

	2022	2021
	HK$'000	*HK$'000*
Raw materials	56,516	54,802
Finished goods	19,131	18,072
Others	4,446	3,309
	80,093	76,183

26 Contract assets and contract liabilities

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

	2022 HK$'000	2021 HK$'000
Contract assets related to		
Construction contracts and electrical and mechanical installation contracts	**814,519**	703,420
Contract liabilities related to		
Construction contracts and electrical and mechanical installation contracts	**719,666**	831,313
Others	**1,830**	1,832
	721,496	833,145

(i) Revenue recognised in relation to contract liabilities

Revenue of HK$760,141,000 (2021: HK$285,393,000) was recognised in the current reporting period relating to carried-forward contract liabilities of construction contracts and electrical and mechanical installation contracts.

Revenue of HK$22,663,000 (2021: HK$4,338,000) was recognised in the current reporting period relating to performance obligations satisfied or partially satisfied in previous periods.

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

As at 31 March 2022, the aggregate amount of the transaction price allocated to construction contracts and electrical and mechanical installation contracts that are partially or fully unsatisfied is HK$12,585,140,000 (2021: HK$12,954,269,000). The amounts expected to be recognised within 1 year is HK$5,821,447,000 (2021: HK$6,490,050,000) for construction contracts and electrical and mechanical installation contracts. The remaining amounts expected to be recognised over 1 year.

27 Completed properties held for sale

	2022 HK$'000	2021 HK$'000
Beginning of year	49,486	49,317
Additions	15	169
Transfer from property under development for sale *(Note 16)*	776,039	–
Properties sold *(Note 7)*	(602,780)	–
End of year	222,760	49,486

28 Borrowings

	2022 HK$'000	2021 HK$'000
Non-current		
Long-term bank loans – secured	336,600	835,571
Current		
Short-term bank loans – secured	459,480	263,076
Current portion of long-term bank loans – secured	522,400	611,947
	981,880	875,023
Total borrowings	1,318,480	1,710,594

(a) The maturity of borrowings is as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	981,880	875,023
After 1 year but within 2 years	37,400	748,571
After 2 years but within 5 years	299,200	87,000
	1,318,480	1,710,594

Notes to the Consolidated Financial Statements

28 Borrowings (continued)

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

	2022	2021
	%	%
Short-term bank loans	**1.6**	1.7
Long-term bank loans	**1.4**	1.5

(c) The carrying amounts of borrowings approximate their fair values and are denominated in Hong Kong dollars.

(d) 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, 16, 23 and 35).

29 Deferred income tax

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

	2022 HK$'000	2021 HK$'000
Beginning of year	750	524
(Charged)/credited to consolidated income statement *(Note 10)*	(872)	441
Currency translation differences	(119)	(215)
End of year	(241)	750

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

	Tax losses		Intangible assets		Accelerated depreciation allowance		Property revaluation		Total	
Assets/(liabilities)	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Beginning of year	18,920	21,487	(1,247)	(1,421)	(15,322)	(17,887)	(1,601)	(1,655)	750	524
(Charged)/credited to consolidated income statement	(4,648)	(2,567)	174	174	3,602	2,780	–	54	(872)	441
Currency translation differences	–	–	–	–	(119)	(215)	–	–	(119)	(215)
End of year	14,272	18,920	(1,073)	(1,247)	(11,839)	(15,322)	(1,601)	(1,601)	(241)	750

29 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:

	2022 *HK$'000*	2021 *HK$'000*
Deferred income tax assets	7,214	8,382
Deferred income tax liabilities	(7,455)	(7,632)

As at 31 March 2022, the Group has unrecognised tax losses of approximately HK$947,109,000 (2021: HK$953,514,000) to carry forward against future taxable income.

	2022 *HK$'000*	2021 *HK$'000*
With no expiry date	848,765	864,751
Expiring not later than one year	4,221	8,798
Expiring later than one year and not later than ten years	94,123	79,965
	947,109	953,514

30 Payable to suppliers and subcontractors

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

	2022 *HK$'000*	2021 *HK$'000*
Current	**205,186**	223,380
1-30 days	**36,370**	27,620
31-90 days	**2,307**	4,294
91-180 days	**567**	1,154
Over 180 days	**2,652**	2,819
	41,896	35,887
	247,082	259,267

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

	2022 *HK$'000*	2021 *HK$'000*
Hong Kong dollars	**235,199**	239,796
Renminbi	**8,046**	16,550
United States dollars	**1,687**	1,039
Pound Sterling	**981**	–
Euro	**650**	–
Singapore dollars	**508**	282
Macau Patacas	**11**	1,600
	247,082	259,267

Notes to the Consolidated Financial Statements

31 Other payables

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

	2022 *HK$'000*	2021 *HK$'000*
Retention payables	377,355	414,014
Other deposits	24,937	27,572
Due to non-controlling interests *(Note)*	16,305	16,305
Lease liabilities *(Note 14(b)(i))*	17,559	23,921
Others	386,829	240,488
	822,985	722,300

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

(b) Other non-current liabilities

	2022 *HK$'000*	2021 *HK$'000*
Lease liabilities *(Note 14(b)(i))*	15,405	25,362
Others	8,320	12,480
	23,725	37,842

32 Share capital

	Number of shares		Amount	
	2022	2021	2022 *HK$'000*	2021 *HK$'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

33 Other reserves and retained profits

	Share premium	Capital redemption reserve	Currency translation reserve	Property revaluation reserve	Other reserve	Total	Retained profits
		Other reserves					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2020	413,776	359	(73,287)	55,366	704	396,918	792,917
Profit for the year	–	–	–	–	–	–	150,428
Other comprehensive income:							
Currency translation differences	–	–	61,315	–	–	61,315	–
2020 final dividend	–	–	–	–	–	–	(6,571)
2021 interim dividend	–	–	–	–	–	–	(4,381)
As at 31 March 2021	413,776	359	(11,972)	55,366	704	458,233	932,393
As at 1 April 2021	**413,776**	**359**	**(11,972)**	**55,366**	**704**	**458,233**	**932,393**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**68,186**
Other comprehensive income:							
Currency translation differences	**–**	**–**	**35,791**	**–**	**–**	**35,791**	**–**
2021 final dividend *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**(29,788)**
2022 interim dividend *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**(10,951)**
As at 31 March 2022	**413,776**	**359**	**23,819**	**55,366**	**704**	**494,024**	**959,840**

Notes to the Consolidated Financial Statements

34 Notes to consolidated cash flow statement

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

	2022 HK$'000	2021 HK$'000
Cash flows from operating activities		
Operating profit	139,102	185,016
Interest income	(11,574)	(18,366)
Interest expense	10,423	20,068
Loss on disposal of property, plant and equipment, net	126	609
Gain on lease modification	(72)	(136)
Fair value loss on investment properties, net	5,800	4,451
Amortisation of other intangible assets	1,056	1,056
Depreciation	105,841	102,726
Movement in loss allowance for trade debtors	955	(2,982)
Write-off of other receivables	1,022	–
(Write-back of provision)/provision for inventories	(202)	99
Inventories written off	–	4,475
Provision for replacement cost and related charges for "lead-in-water" incident	–	20,800
Operating profit before working capital changes	252,477	317,816
Trade debtors, net	117,098	(230)
Inventories	(662)	12,512
Prepayments, deposits and other receivables	115,155	95,303
Contract assets	(110,776)	166,297
Property under development for sale	(112,409)	(234,999)
Completed properties held for sale	602,765	(169)
Net change in balances with joint ventures/joint operations/ other partners of joint operations	(3,306)	(8,569)
Payables to suppliers and subcontractors	(12,873)	(65,249)
Accruals, retention payables, deposit received and other liabilities	102,019	(50,410)
Contract liabilities	(111,671)	489,133
Net cash from operations	837,817	721,435

34 Notes to consolidated cash flow statement (continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 April 2020	2,276,877	20,858	2,297,735
Repayment of bank loans	(570,188)	–	(570,188)
Drawdown of bank loans	3,510	–	3,510
Amortisation charges of prepaid loan arrangement fee	351	–	351
Accrued interest	40,919	1,195	42,114
Interest paid	(40,919)	(1,195)	(42,114)
Capital element of lease payments	–	(23,834)	(23,834)
Inception of leases *(Note (c))*	–	27,619	27,619
Lease modification	–	24,509	24,509
Currency translation differences	44	131	175
Balance at 31 March 2021	1,710,594	49,283	1,759,877
Balance at 1 April 2021	**1,710,594**	**49,283**	**1,759,877**
Repayment of bank loans	**(799,440)**	**–**	**(799,440)**
Drawdown of bank loans	**407,022**	**–**	**407,022**
Amortisation charges of prepaid loan arrangement fee	**304**	**–**	**304**
Accrued interest	**24,237**	**915**	**25,152**
Interest paid	**(24,237)**	**(915)**	**(25,152)**
Capital element of lease payments	**–**	**(25,940)**	**(25,940)**
Inception of leases *(Note (c))*	**–**	**11,370**	**11,370**
Lease modification	**–**	**(1,784)**	**(1,784)**
Currency translation differences	**–**	**35**	**35**
Balance at 31 March 2022	**1,318,480**	**32,964**	**1,351,444**

(c) Major non-cash transactions

During the year, the Group entered into lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$11,370,000 (2021: HK$27,619,000).

35 Banking facilities

As at 31 March 2022, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$4,071,106,000 (2021: HK$4,558,278,000), of which HK$1,632,215,000 (2021: HK$2,070,897,000) had been utilised. These banking facilities are secured by the following:

(a) Restricted deposits of HK$78,395,000 (2021: HK$77,371,000) (Note 23);

(b) Guarantees of HK$4,070,829,000 (2021: HK$4,552,842,000) provided by the Company;

(c) Trade receivables of certain construction contracts; and

(d) Property, plant and equipment of HK$521,073,000 (2021: HK$526,381,000), investment properties of HK$109,300,000 (2021: HK$113,800,000) and property under development for sale of Nil (2021: HK$658,377,000) (Notes 14, 15 and 16).

36 Business combination

On 4 June 2021, the Group acquired 100% of the issued share capital of Hoi Fai Lift Engineering and Services Limited from independent third parties. The acquisition will increase the Group's market share in this industry and complement the Group's existing construction and electrical and mechanical installation segment.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK$'000
Consideration paid as at acquisition date	
Cash	1,250
Recognised amounts of identifiable assets acquired, liabilities assumed	
Cash and bank balances	14
Total identifiable net assets	14
Goodwill	1,236
Net assets acquired	1,250
Net cash outflow arising from the acquisition	
Cash and cash equivalents acquired	14
Less: Cash consideration	(1,250)
	(1,236)

36 Business combination (continued)

The goodwill was attributed to the synergies expected to arise after the Group's acquisition of a new subsidiary. The acquired business contributed revenues of HK$40,000 and net loss of HK$6,000 to the Group for the year ended 31 March 2022.

If the acquisition had occurred on 1 April 2021, the consolidated revenue and profit for the year ended 31 March 2022 would have been HK$6,732,944,000 and HK$65,700,000, respectively.

Acquisition related costs were not significant and have been charged to administrative expenses in the consolidated income statement for the year ended 31 March 2022.

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 2022, 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) The Group has provided performance bonds amounting to approximately HK$418,394,000 (2021: HK$468,977,000) in favour of the Group's customers.

(c) As at 31 March 2022, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and joint ventures of approximately HK$1,043,000 (2021: HK$7,297,000) and RMB26,036,000 (2021: RMB26,036,000) respectively.

(d) The future aggregate minimum lease rental payable under non-cancellable short-term leases is as follows:

	2022	2021
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**54**	745

Notes to the Consolidated Financial Statements

38 Future minimum rental receivable

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

	2022 HK$'000	2021 HK$'000
Within one year	2,583	2,533
One year to five years	2,585	1,477
	5,168	4,010

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 statements, the following transactions were carried out with related parties:

Significant transaction with related parties

	2022 HK$'000	2021 HK$'000
Revenue from sales of goods to joint ventures	15	–

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

Key management compensation

Key management includes Directors (Executive and Independent Non-Executive Directors) of the Group. The compensation paid or payable to key management for employee services is shown below:

	2022 HK$'000	2021 HK$'000
Salaries and fees	22,364	21,317
Discretionary bonuses	2,020	1,919
Pension costs – defined contribution scheme	984	939
Others	44	43
	25,412	24,218

Notes to the Consolidated Financial Statements

40 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

Name	Fees	Salaries	Discretionary bonuses	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*
For the year ended 31 March 2022						
Mr. Wong Ip Kuen	–	9,490	450	20	438	10,398
Ir. Dr. Wong Tin Cheung	–	4,810	550	8	222	5,590
Ms. Wong Rosana Wai Man	–	4,290	440	8	198	4,936
Mr. Sun Chun Wai	–	2,730	580	8	126	3,444
Mr. Chan, Bernard Charnwut	348	–	–	–	–	348
Mr. Wu King Cheong	348	–	–	–	–	348
Dr. Yeung Tsun Man, Eric	348	–	–	–	–	348
	1,044	21,320	2,020	44	984	25,412
For the year ended 31 March 2021						
Mr. Wong Ip Kuen	–	9,230	446	19	426	10,121
Ir. Dr. Wong Tin Cheung	–	4,550	520	8	210	5,288
Ms. Wong Rosana Wai Man	–	4,030	400	8	186	4,624
Mr. Sun Chun Wai	–	2,535	553	8	117	3,213
Mr. Chan, Bernard Charnwut	324	–	–	–	–	324
Mr. Wu King Cheong	324	–	–	–	–	324
Dr. Yeung Tsun Man, Eric	324	–	–	–	–	324
	972	20,345	1,919	43	939	24,218

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 any retirement or termination benefits for the year ended 31 March 2022 (2021: 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 2022 (2021: 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 2022 (2021: 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 2022 (2021: Nil).

41 Balance sheet and reserve movement of the Company

Balance sheet of the Company

As at 31 March 2022

		2022 *HK$'000*	2021 *HK$'000*
Assets			
Non-current asset			
Subsidiaries		571,615	571,615
Current assets			
Cash and bank balances		22,036	18,326
Prepayments, deposits and other receivables		332	332
Due from subsidiaries		1,823,699	1,685,030
Due from a joint venture		–	1,568
Prepaid income tax		255	255
		1,846,322	1,705,511
Total assets		2,417,937	2,277,126
Equity			
Share capital		87,611	87,611
Other reserves	*Note*	414,135	414,135
Retained profits	*Note*	1,007,623	1,045,662
Total equity		1,509,369	1,547,408
Liabilities			
Current liabilities			
Accruals and other liabilities		3,132	1,894
Due to subsidiaries		905,436	727,824
Total liabilities		908,568	729,718
Total equity and liabilities		2,417,937	2,277,126

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

Note: Reserve movement of the Company

For the year ended 31 March 2022

	Other reserves			
	Share premium	**Capital redemption reserve**	**Total**	**Retained profits**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	413,776	359	414,135	902,752
Profit attributable to equity holders of the Company	–	–	–	153,862
2020 final dividend	–	–	–	(6,571)
2021 interim dividend	–	–	–	(4,381)
At 31 March 2021	413,776	359	414,135	1,045,662
At 1 April 2021	**413,776**	**359**	**414,135**	**1,045,662**
Profit attributable to equity holders of the Company	**–**	**–**	**–**	**2,700**
2021 final dividend	**–**	**–**	**–**	**(29,788)**
2022 interim dividend	**–**	**–**	**–**	**(10,951)**
At 31 March 2022	**413,776**	**359**	**414,135**	**1,007,623**

LIST OF INVESTMENT PROPERTIES

	Property	Location and lease term	Area	Existing use	Group's interest
1.	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%
2.	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%
3.	G/F and Cockloft of No. 32 Western Street, Sai Ying Pun, Hong Kong	Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860	Approximate shop saleable area 462 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 309 sq.ft.	The property is currently vacant	60%
4.	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 partial property is currently leased out	100%
5.	Shop No. 1 on the Ground Floor and Flat Nos. A and B on the 1st Floor, Tak Wai Building, No. 25 Cheong Lok Street, Yau Ma Tei, Kowloon	Kowloon Inland Lot Nos. 8688, 7960 & 8116 for a term of 150 years commencing on 25 December 1888	Shop unit on the Ground Floor with an approximate gross floor area 504 sq.ft. and two office units on the 1st Floor with an approximate total gross floor area 2,678 sq.ft.	The partial property is currently leased out	100%
6.	Em Macau, Avenida do Infante D. Henrique No 62, Centro Comercial Central A18	Held under Concessao Por Arrendamento for 10 years commencing on 1 June 2015	Approximate saleable area 1,411 sq.ft.	The property is currently leased out	100%

FIVE YEAR FINANCIAL SUMMARY

Consolidated results

For the year ended 31 March

	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	**2022** ***HK$'000***
Revenue	5,653,938	5,618,078	6,694,157	6,794,756	**6,732,944**
Profit/(loss) before income tax	50,864	40,362	(39,229)	163,458	**85,534**
Income tax credit/(expense)	1,833	(9,954)	(3,249)	(14,167)	**(19,531)**
Less: profit/(loss) attributable to non-controlling interests	162	321	(917)	(1,137)	**(2,183)**
Profit/(loss) attributable to equity holders of the Company	52,535	30,087	(41,561)	150,428	**68,186**

Consolidated assets and liabilities

As at 31 March

	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	**2022** ***HK$'000***
Total assets	5,089,344	5,042,426	5,050,551	5,109,828	**4,737,458**
Total liabilities and non-controlling interests	(3,613,521)	(3,663,133)	(3,773,105)	(3,631,591)	**(3,195,983)**
Shareholders' equity	1,475,823	1,379,293	1,277,446	1,478,237	**1,541,475**

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