有利集團有限公司*

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0406)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2021

HIGHLIGHTS

The Group reported revenue of HK$6,794,756,000 (2020: HK$6,694,157,000) for the year.

The gross profit increased from HK$459,758,000 to HK$575,677,000.

Profit for the year was HK$149,291,000 (2020: Loss of HK$42,478,000).

Basic and diluted earnings per share was approximately HK34.34 cents (2020: loss per share of HK9.49 cents).

The net asset value attributable to equity holders of the Company as at 31 March 2021 was HK$1,478,237,000 (2020: HK$1,277,446,000), equivalent to HK$3.37 (2020: HK$2.92) per share based on the 438,053,600 (2020: 438,053,600) ordinary shares in issue.

* *For identification purpose only*

The Board of Directors (the "Board") of Yau Lee Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2021 together with comparative figures for the year ended 31 March 2020 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2021

	Note	**2021** *HK$'000*	2020 *HK$'000*
Revenue	*3*	**6,794,756**	6,694,157
Cost of sales	*5*	**(6,219,079)**	(6,234,399)
Gross profit		**575,677**	459,758
Other income and losses, net	*4*	**39,051**	21,654
Selling and distribution costs	*5*	**(23,670)**	(20,702)
Administrative expenses	*5*	**(402,582)**	(454,377)
Other operating expenses	*5*	**(3,460)**	(7,354)
Operating profit/(loss)		**185,016**	(1,021)
Finance costs	*6*	**(13,707)**	(31,624)
Share of loss of an associate		**(179)**	(75)
Share of loss of joint ventures		**(7,672)**	(6,509)
Profit/(loss) before income tax		**163,458**	(39,229)
Income tax expense	*7*	**(14,167)**	(3,249)
Profit/(loss) for the year		**149,291**	(42,478)
Attributable to:			
Equity holders of the Company		**150,428**	(41,561)
Non-controlling interests		**(1,137)**	(917)
		149,291	(42,478)
Dividend	*8*	**34,169**	10,952
Earnings/(loss) per share (basic and diluted)	*9*	**HK34.34 cents**	(HK9.49 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2021

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss) for the year	**149,291**	(42,478)
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss:		
Currency translation differences	**61,315**	(48,946)
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on financial assets at fair value through other comprehensive income	**–**	(388)
Total comprehensive income/(loss) for the year	**210,606**	(91,812)
Attributable to:		
Equity holders of the Company	**211,743**	(90,895)
Non-controlling interests	**(1,137)**	(917)
Total comprehensive income/(loss) for the year	**210,606**	(91,812)

CONSOLIDATED BALANCE SHEET
As at 31 March 2021

	Note	**2021**	2020
		HK$'000	*HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**1,185,289**	1,181,326
Investment properties		**183,040**	229,412
Other intangible assets		**8,286**	9,342
Goodwill		**16,662**	16,662
Associate		**975**	1,154
Joint ventures		**131,960**	108,135
Deferred income tax assets		**8,382**	8,219
Financial assets at fair value through other comprehensive income		**11,800**	11,800
Mortgage loans receivables		**53,973**	64,006
Other non-current assets		**1,106**	1,133
		1,601,473	1,631,189
Current assets			
Cash and bank balances		**728,119**	663,957
Trade debtors, net	*10*	**789,528**	788,695
Contract assets		**703,420**	869,620
Prepayments, deposits and other receivables		**399,806**	481,301
Mortgage loans receivables		**2,119**	2,429
Inventories		**76,183**	87,102
Completed properties held for sale		**49,486**	49,317
Property under development for sale		**658,377**	415,039
Due from joint ventures/joint operations		**46,889**	44,408
Prepaid income tax		**54,428**	17,494
		3,508,355	3,419,362
Total assets		**5,109,828**	5,050,551

CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Equity			
Share capital		**87,611**	87,611
Other reserves		**458,233**	396,918
Retained profits		**932,393**	792,917
Attributable to equity holders of the Company		**1,478,237**	1,277,446
Non-controlling interests		**2,065**	3,202
Total equity		**1,480,302**	1,280,648
Liabilities			
Non-current liabilities			
Long-term borrowings		**835,571**	1,443,657
Deferred income tax liabilities		**7,632**	7,695
Other non-current liabilities		**37,842**	6,940
		881,045	1,458,292
Current liabilities			
Short-term bank loans		**263,076**	691,204
Current portion of long-term borrowings		**611,947**	142,016
Payables to suppliers and subcontractors	*11*	**259,267**	323,410
Accruals, retention payables, deposits received and other liabilities	*12*	**722,300**	753,526
Derivative financial liabilities		**–**	85
Income tax payable		**10,205**	2,903
Contract liabilities		**833,145**	343,838
Due to joint operations		**2,799**	4,106
Due to other partners of joint operations		**45,742**	50,523
		2,748,481	2,311,611
Total liabilities		**3,629,526**	3,769,903
Total equity and liabilities		**5,109,828**	5,050,551

NOTES

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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.

(a) Amendments to standards and revised framework adopted by the Group

The Group has applied the following amendments to standards and revised framework for the first time for their annual reporting period commencing on 1 April 2020:

Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest rate benchmark reform

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

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

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

Certain new standard, amendments to standards, annual improvements, guideline and interpretation have been published that are not mandatory for 31 March 2021 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendment to HKFRS 16	COVID-19-Related Rent Concession	1 June 2020
Amendment to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021	1 April 2021
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
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
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
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
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

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.

3 REVENUE AND SEGMENT INFORMATION

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

	2021	2020
	HK$'000	*HK$'000*
Revenue		
Construction	**5,030,075**	5,290,898
Electrical and mechanical installation	**1,605,096**	1,247,695
Building materials supply	**123,990**	46,626
Property investment and development	**1,577**	13,575
Hotel operations	**1,521**	60,963
Others	**32,497**	34,400
	6,794,756	6,694,157

For the year ended 31 March 2021, 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$123,990,000 (2020: HK$46,626,000), property sales of nil (2020: HK$10,641,000) and others of HK$29,030,000 (2020: HK$29,658,000), 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$3,098,000 (2020: HK$5,455,000).

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

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

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

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

	Construction *HK$'000*	Electrical & Mechanical Installation *HK$'000*	Building Materials Supply *HK$'000*	Property Investment and Development *HK$'000*	Hotel Operations *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 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**

	Construction *HK$'000*	Electrical & Mechanical Installation *HK$'000*	Building Materials Supply *HK$'000*	Property Investment and Development *HK$'000*	Hotel Operations *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2020							
Total sales	5,366,321	1,816,950	467,266	13,575	60,963	139,778	7,864,853
Inter-segment sales	(75,423)	(569,255)	(420,640)	–	–	(105,378)	(1,170,696)
External sales	5,290,898	1,247,695	46,626	13,575	60,963	34,400	6,694,157
Segment results	38,588	30,373	(47,696)	(12,893)	(5,135)	(4,190)	(953)
Share of loss of an associate	–	(75)	–	–	–	–	(75)
Share of loss of joint ventures	–	–	(6,509)	–	–	–	(6,509)
	38,588	30,298	(54,205)	(12,893)	(5,135)	(4,190)	(7,537)
Unallocated expense							(68)
Finance costs							(31,624)
Loss before income tax							(39,229)
Income tax expense							(3,249)
Loss for the year							(42,478)

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

The analysis of revenue by geographical area is as follows:

	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**6,622,414**	6,554,133
Non-Hong Kong	**172,342**	140,024
	6,794,756	6,694,157

Revenue of approximately HK$4,368,314,000 (2020: HK$3,965,995,000) are derived from two (2020: 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:

	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**852,017**	845,020
Non-Hong Kong	**674,195**	701,011
	1,526,212	1,546,031

4 OTHER INCOME AND LOSSES, NET

	2021	2020
	HK$'000	*HK$'000*
Other income		
Bank interest income	**4,866**	6,201
Interest income from subcontractors	**13,500**	18,786
Management service income from a joint venture and a joint operation	**16**	16
Sundry income	**22,575**	12,479
	40,957	37,482
Other losses, net		
(Loss)/gain on disposal of property, plant and equipment, net	**(609)**	43
Fair value loss on investment properties, net	**(4,451)**	(10,537)
Exchange gain/(loss), net	**3,154**	(5,334)
	(1,906)	(15,828)
	39,051	21,654

NOTES *(Continued)*

5 EXPENSES BY NATURE

	2021	2020
	HK$'000	*HK$'000*
Cost of construction	**5,066,266**	5,029,009
Cost of inventories sold	**325,049**	305,324
Cost of properties sold	**–**	11,410
Staff costs (excluding directors' emoluments)*	**921,325**	1,007,815
Directors' emoluments	**24,218**	24,140
Depreciation		
Owned property, plant and equipment	**77,967**	80,946
Leased property, plant and equipment	**24,759**	15,295
	102,726	96,241
Expenses relating to short-term leases of		
Land and buildings	**4,555**	4,061
Other equipment	**74,825**	67,807
	79,380	71,868
Amortisation of intangible assets	**1,056**	1,056
Movement in loss allowance for trade debtors	**(2,982)**	(9,047)
Movement in loss allowance for other receivables	**–**	1,091
Written off of amount due from a joint venture	**–**	1,681
Provision for inventories	**99**	203
Inventories written off	**4,475**	22,445
Auditors' remuneration		
– Audit services	**5,163**	4,931
– Non-audit services	**587**	584
Direct operating expenses arising from investment properties		
– Generate rental income	**427**	636
– Not generate rental income	**67**	101
Selling and distribution costs	**23,670**	20,702
Others	**97,265**	126,642
Total cost of sales, selling and distribution costs, administrative and other operating expenses	**6,648,791**	6,716,832

* 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".

6 FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on short-term bank loans	**15,848**	34,622
Interest on long-term bank loans	**25,071**	45,718
Interest element of lease payments	**1,195**	978
Total borrowing costs incurred	**42,114**	81,318
Less: Classified as cost of construction	**(20,068)**	(37,202)
Capitalised in property under development for sale	**(8,339)**	(12,492)
	13,707	31,624

For the year ended 31 March 2021, the interest rate applied in determining the amount of borrowing costs capitalised in property under development for sale was from 1.4% to 3.2% (2020: 2.5% to 4.1%) per annum.

7 INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
Hong Kong profits tax provision for the year	**14,281**	8,036
Non-Hong Kong tax provision for the year	**745**	445
Over-provision in prior years	**(418)**	(674)
Deferred income tax relating to the origination and reversal of temporary differences	**(441)**	(4,558)
	14,167	3,249

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2020: 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% (2020: 25%). Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2020: 12%).

NOTES *(Continued)*

8 DIVIDEND

	2021	2020
	HK$'000	*HK$'000*
Interim dividend paid during the year		
Interim – HK1.00 cent (2020: HK1.00 cent) per ordinary share	**4,381**	4,381
Proposed final dividend		
Final – HK6.80 cents (2020: HK1.50 cents) per ordinary share	**29,788**	6,571
	34,169	10,952

In the Board meeting held on 23 June 2021, the Directors recommended the payment of a final dividend of HK6.80 cents (2020: HK1.50 cents) per share, totalling of HK$29,788,000 (2020: HK$6,571,000) for the year ended 31 March 2021.

9 EARNINGS/(LOSS) PER SHARE (BASIC AND DILUTED)

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

	2021	2020
	HK$'000	*HK$'000*
Net profit/(loss) attributable to the equity holders of the Company	**150,428**	(41,561)

	2021	2020
Weighted average number of shares in issue during the year	**438,053,600**	438,053,600
Basic earnings/(loss) per share	**HK34.34 cents**	(HK9.49 cents)

Diluted earnings/(loss) per share for the years ended 31 March 2021 and 2020 are equal to basic earnings/(loss) per share as there are no potential dilutive shares in issue during the years.

10 TRADE DEBTORS, NET

	2021	2020
	HK$'000	*HK$'000*
Trade debtors	**461,938**	460,095
Retention receivables	**373,641**	377,583
Loss allowance	**(46,051)**	(48,983)
	789,528	788,695

10 TRADE DEBTORS, NET *(Continued)*

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

	2021	2020
	HK$'000	*HK$'000*
Current	**723,756**	728,207
1-30 days	**8,118**	9,516
31-90 days	**19,890**	9,777
91-180 days	**4,647**	10,510
Over 180 days	**33,117**	30,685
	65,772	60,488
	789,528	788,695

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

11 PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	2021	2020
	HK$'000	*HK$'000*
Current	**223,380**	300,533
1-30 days	**27,620**	16,659
31-90 days	**4,294**	3,112
91-180 days	**1,154**	462
Over 180 days	**2,819**	2,644
	35,887	22,877
	259,267	323,410

12 ACCRUALS, RETENTION PAYABLES, DEPOSITS RECEIVED AND OTHER LIABILITIES

	2021	2020
	HK$'000	*HK$'000*
Retention payables	**414,014**	397,981
Other deposits	**27,572**	12,673
Due to non-controlling interests *(Note)*	**16,305**	16,305
Lease liabilities	**23,921**	13,918
Others	**240,488**	312,649
	722,300	753,526

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

13 COMMITMENTS AND CONTINGENT LIABILITIES

The Group has the following outstanding commitments and contingent liabilities:

(a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 31 March 2021, the Group has various liquidated damages claims on certain contracts for which the respective extension of time claims have been forwarded and filed to the clients. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

(b) In 2010 a subsidiary of the Company instigated legal proceedings against a subcontractor, claiming a sum of approximately HK$10,000,000 in respect of the subcontractor's failure to perform certain contractual duties and for recovery of over-payments made to the subcontractor. The trial of the case was concluded in 2016 and the subsidiary was awarded for the aggregate amount of HK$9,020,775 together with overdue interests and costs. However, a notice of appeal was then filed by the subcontractor for appeal against some of the awarded claims which has yet been set down in the list of appeal. In 2018, the subsidiary has been able to recover a partial payment of HK$4,116,237 and pursued enforcement proceedings for the remaining balance. In August 2020, the subsidiary abandoned the enforcement proceedings in relation to the remaining unsettled balance. Meanwhile, the directors are of the view that the chance of success for the subcontractor's appeal or counter claim against the Group is remote and no provision was made accordingly.

(c) The Group has provided performance bonds amounting to approximately HK$468,977,000 (2020: HK$516,347,000) in favour of the Group's customers.

(d) As at 31 March 2021, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and joint ventures of approximately HK$7,297,000 (2020: HK$1,043,000) and RMB26,036,000 (2020: RMB58,000,000) respectively.

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

	2021	2020
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**745**	–

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

It has been over one year since the COVID-19 pandemic hugely impacted the world. The public health crisis has deeply plagued Hong Kong's economy and caused severe disruptions to most businesses. The construction industry is no different. According to the Census and Statistic Department, Hong Kong's construction industry continued to decline in the first quarter of 2020, dropping by 9% year on year in real terms, with infrastructure projects shrank the most. Thankfully, building works in public housing and the institution sector; our core markets were comparatively less affected. Despite the "new normal", we still achieved an encouraging result this year.

Group revenue was increased by HK$101 million to HK$6,795 million. Notwithstanding the impact of pandemic and omission of hotel revenue, the Group grew in revenue. Whilst our construction business remained stable, the Electrical and Mechanical segment ("E&M") and prefabrication segment made moderate revenue increases. E&M revenue surged HK$501 million or 28% compared with last year, and the prefabrication revenue up by 16% versus last year.

The yearly gross profit was HK$576 million versus HK$460 million last year. Excluding the subsidy received from the HKSAR Government Employment Support Scheme ("ESS"), the overall margin still reported a rise of HK$27 million, albeit gross hotel profit was omitted in this year. The improved performance in core segments compensated for the fall in the hotel business.

Operating expenses were reduced by HK$53 million on a year-to-year basis, mainly due to the temporary suspension of hotel operation. In fact, our manpower costs regardless of ESS increased as we expanded our workforce and have a net increase in headcounts by 6.7% to cope with the rising new orders in the E&M segment and Maintenance and Renovation division. While the current job market remains under pressure, we endeavour to maintain a steady team. Transportation expenses rose slightly as well, mainly driven by the Group's first Concrete Modular Integrated Construction ("MiC") project. The MiC methodology enables a substantial shift of on-site works to the factory. On-site costs are much saved, but the logistic cost would rise to deliver heavyweight precast units. Other than these two direct expenses, overhead was kept stable. We will be cautious in cost management as inflation is now in sight.

Before-tax consolidated net profit was HK$163 million, whereas last year was a loss of HK$39 million because of several non-recurring items recorded. This year's operating profit before tax was around HK$57 million when non-operation factors such as subsidy from ESS, devaluation of investment properties and exchange gain were excluded. Though the pandemic caused a relatively minor impact on our activities, additional costs were spent for preventive health measures and subsequent acceleration of works to catch up with disruptions at the beginning of the year. It is anticipated that profit would be improved further when the working conditions resume normal.

As of 31 March 2021, the Group's contract on hand reached HK$23,953 million, up by 2% year on year. The E&M section increased HK$1,359 million or 64% new orders over the prior year, which compensated for the decrease in new contracts secured by the Construction segment. It was the record figure achieved by the E&M segment. The robust order book presents a strong backup for us to tide over the current public health challenges.

DIVIDEND

In the Board meeting held on 23 June 2021, the Directors recommended the payment of a final dividend of HK6.80 cents per share (2020: HK1.50 cents). Together with the interim dividend of HK1.00 cent per share (2020: HK1.00 cent), total distribution is HK7.80 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 2021 (Wednesday), will be payable on 8 October 2021 (Friday) to the shareholders whose names appear on the register of members of the Company on 24 September 2021 (Friday).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 20 August 2021 (Friday) to 25 August 2021 (Wednesday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 25 August 2021 (Wednesday).

In order to qualify for attendance to the AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 19 August 2021 (Thursday).

CLOSURE OF REGISTER OF MEMBERS FOR PAYMENT OF FINAL DIVIDEND

The register of members of the Company will be closed from 21 September 2021 (Tuesday) to 24 September 2021 (Friday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK6.80 cents per share for the year ended 31 March 2021, following the approval at the AGM.

In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 20 September 2021 (Monday).

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

The outbreak of coronavirus brings unprecedented challenges to all businesses, including construction. When the HKSAR Government took cross border controls at the beginning of the year, the manpower and goods supply were significantly impacted, and daily site operation was disrupted. Since our projects are mainly public works, we strived to keep projects going as much as possible because any delay would impact the community. We immediately followed guidelines from the Government to protect our employees' health and safety at works. Thanks to our incredible team and we tide over the most challenging period in the early stage of the outbreak. The disruption of works were managed to recover and all works progress is now on track. Despite this difficulty, our first concrete MiC project of the Disciplined Services Quarter at Pak Shing Kok was completed and handed over four months earlier, exceeding the client's expectations.

Segment revenue HK$5,030 million declined slightly by 5% year on year due to time lags between project completion and commencement. It is noted that market competitions were further intensified during the year, partly due to the uncertainties over the economy caused by the pandemic. Guided by a disciplined bidding approach aiming for profitable works, the sum of new contracts obtained, i.e. HK$1,635 million, was relatively low. Nonetheless, new contracts totalled HK$3,725 million were awarded after the balance sheet date, and more are expected to be obtained soon. Most of them are MiC related contracts.

The new-work sector done remarkably well in the Pak Shing Kok project, Hong Kong's first-ever concrete MiC residential project. Against the backdrop of unprecedented public health challenges, the team completed the project four months earlier with excellent quality. The work was highly praised by the client and became a strong showcase demonstrating our edges in this advanced technology.

In addition to the known benefits offered by MiC in general, such as enhanced construction quality, accelerated delivery, improved safety and economic efficiency, the concrete MiC system outperforms in other ways too. It is good in fire resistance and waterproofing between floors. Not to mention, it gives similar touch and feels as conventional construction that makes no difference in users' experience. Residents have greater flexibility in the interior arrangement. Our proven performance in the Pak Shing Kok project raised clients' and practitioners' confidence in this advanced technology in particular with the support of BEANiE, Hong Kong's first BIM-enabled blockchain multifunctional QA/QC platform. BEANiE is used to properly record, register, file or upload inspection data for real-time tracking and monitoring the status of every single MiC unit at each step of production and hence the supply chain can be improved in terms of traceability. In addition, BEANiE allows end users to carry out remote inspection without physically travelling to the factory in China when there are any limitations like COVID-19 pandemic. We see more and more projects adopting concrete MiC system. Meanwhile, we secured two demountable transitional housing projects adopting our patented technology. And two more MiC projects were awarded after year-end, one of which was the building of a school. Our patented construction method is adaptable for different constructions like schools, hospitals and office buildings besides residential. In addition, we received many inquiries from clients in the private sector who look for possible gain in GFA concession and economic savings. Being in a leading position of the MiC technology, we are confident this technology should generate more businesses in the near future.

The Maintenance and renovation division achieved a remarkable result this year as well. Leveraging on the Group's comprehensive construction value chain and strong collaboration with the E&M team, the division secured steady term maintenance businesses over the years. The team develops a strong capability in Design for Manufacture and Assembly ("DfMA"), which help the client to save costs, uplift productivity and improve safety and quality. The application is best for renovation and refurbishment projects. DfMA offers off-site construction, which shortens delivery time, reduces on-site works, less wastage and minimise nuisance created to occupants as well as the community. This competency brings to the division new businesses as well as higher return driven from enhanced productivity and cost-saving. The segment profit was HK$141 million. After excluding the ESS subsidy, there is a growth of 105% in the segment profit.

Electrical and mechanical installation

Notwithstanding the impact of the pandemic, this segment delivered an outstanding result this year. It achieved growth in both revenue and new contracts for three consecutive years. It made record-high figures in both turnover and new order intake. The annual income increased by 28% to HK$2,318 million, which the sustainable and solid order book achieved in the last few years. The awarded sum surged to HK$3,490 million for new contract intake, representing a rise of 64% year on year, up-keeping the robust order book. By leveraging our key strengths; ongoing development of E&M technology, consciousness for innovations and support from the Group's comprehensive service chain, the segment has expanded successfully in environmental engineering and energy management solution businesses. The Environmental Engineering team obtained several water treatment-related projects during the year and raised the new order intake successfully by 84% to HK$625 million over the prior year. The Group's integrated value chain facilitates the segment's technology development sharpening its competitive edges. For instance, our expertise in the currently highly promoted DfMA and Building Information Modeling ("BIM") expand from design, building, E&M to project management and so on. It strengthens the segment's resourcefulness, an essential attribute in winning remarkably scalable projects. During the year, the division secured a growth in new orders by 733% over prior year, partly attributed to a joint effort with the Construction's Maintenance team.

The segment also delivered a solid profit. The segment result this year was HK$74 million versus HK$30 million last year. Excluding the ESS subsidy, it still achieved profit growth of 22% year on year. Strict control on administrative costs drove largely the rise of profits. Whilst turnover grew, and overhead remained steady, a higher level of profits was reflected.

Guided by the firm belief in embracing innovation and technology, the segment has developed a strong team focusing on technology development. It developed and launched many new products, applications, and solutions that raised efficiency and satisfied client's needs throughout all these years. Its leading-edge energy-efficient systems and environmentally friendly products and solutions like Intelligent DC Fan Coil Unit ("iFCU™"), Integrated Building Management System ("iBMS"), PowerBox™ on-line Energy Monitoring Solutions, Energy Optimisation Solution ("EOS") for HVAC System and Nanoflex® have successfully saved over millions of kWh of energy for clients. They are becoming proprietary products and grow steadily the market shares since launch. At present, the segment focuses on four major sectors, namely AI & big data analytic, system automation, smart and energy-saving and green innovation. Its leading position in E&M technologies is beyond doubt, making it the first and favoured resort to customers and business partners who look for solutions. The smart cities market was valued at US$739.38 billion in 2020 and is expected to reach US$2,036.10 billion by 2026, with the fastest growth in Asia Pacific countries. The business potential for the segment is enormous and bright.

Building materials supply

The segment sales were HK$541 million, around 16% up year on year. Thanks to the Central Government's most stringent pandemic control and prevention measures, the situation began to be in control in the second quarter of 2020. Works and production resumed in the country by monitored phases. Production in our Huizhou factory resumed normal gradually since then. The backlog caused by the disruption at the beginning of the year was cleared and fulfilled afterwards, which drove up the sales.

The factory successfully delivered the Pak Shing Kok MiC project. The products were incredible and highly praised by the client. This satisfactory result boosts industry practitioners' confidence in this building methodology, who readily adapt it in future building designs. To cope with different market needs, we advance and modify the technologies for various applications continuously. Patented hybrid-type (concrete and steel), demountable systems and high rise were developed, perfectly meet the highly in-demand transitional housing units. We secured two transitional housing projects in the last quarter and anticipated more projects of the same kind would be obtained in the coming years.

This segment made good progress in the Mainland market too. Four precast supply contracts were awarded during the year. At present, we have six contracts on hand, the majority of which are in Shenzhen. According to work schedules, all of them would be completed next year. The new houses supply in Shenzhen increased more than double last year. Yet only 22.6 percent of the city's total available land is used for residential purposes, much lower than the national minimum standards of between 25 percent and 40 percent. The municipality plans to increase the proportion available to at least 25 percent as part of the country's 14th Five-Year Plan (2021-2025). The market opportunities are abundant, and we would take on more projects that fit our risk appetite.

Besides the dedication to technology development, the segment put a great deal of efforts into revamping the work processes to facilitate MiC production. The research and development expenses, the revamp cost and additional expenses incurred on epidemic controls and production acceleration to catch up delay occurred in the early stage of the pandemic caused a short term impact on the segment's profitability. At the year-end, it reported a small segment loss of HK$4 million. Off-site construction using DfMA and MiC is the mainstream of the industry. Being at the forefront of this speciality, we would continue to develop relentlessly to maintain our competitive edges. Indeed, it brings some pressure to the segment's financial performance in the short run. We will be observant in maintaining a good balance between the short and long term returns.

Hotel operation and property investment and development

Last year was an extremely difficult year for the hospitality industry. Tourist arrivals to Hong Kong dropped by more than 90% due to global travel restrictions and stringent border controls imposed for public health and safety. As reported during the interim period, our hotel suspends operation temporarily commencing from April 2020 after a thorough assessment from the financial and safety perspective. While, the shop rental income still maintains. The recorded expenses were mainly finance costs, human resources, and various maintenance costs to maintain the hotel in good condition. The hotel recorded a segment loss of HK$26 million, including non-cash expenses like depreciation. In any case, the current arrangement is most practical from a cash flow perspective.

The pace of economic recovery depends on the speed of vaccination. At present, the rate of vaccination in Hong Kong is still slow. It is of the general view that international tourism is unlikely to return in a meaningful way until late 2022. Meanwhile, the management contract of the hotel is due to expire in the near future. We take this opportunity to revisit the business model and carry out improvement works before re-opening.

On property development, our joint project with Urban Renewal Authority in Mong Kok/Tai Kok Tsui launched pre-sales of the residential flats in May and received notably a strong sales response. 108 units out of the 117 units on offer were sold on the first sales day, which generated around HK$700 million. As all the transaction completion falls in the coming financial year, the result shall be reflected in next year. The development is designed and built with the smart city positioning in mind, and in which we are promoting smart healthy living for our buyers. It is located at the reinvented Mong Kok/Tai Kok Tsui, which is the core of the Kowloon centre, enjoying excellent transportation connectivity. There are a lot of new developments undergoing in this district. The property value in the district is poised to appreciate. No doubt the commercial portion of the development would bring a good return in due course.

Regarding the property development on our ex-Longhua Shenzhen factory site, the Group is entitled to 10,000 m^2 of the new residential properties upon completion. The building work progressed relatively smooth in the year. The anticipated completion date is in 2022. Despite a series of measures to tame soaring home prices, the future price rise may be affected. Provided that there is no material downturn in home prices, we would be able to realize a substantial amount of profits upon sales.

OUTLOOK

Looking into the "new normal" 2021, risks and opportunities coexist. With the rapid development and rollout of vaccine, the recovery of the global economy is in sight. But the rebound is fragile as it is still subject to disruptions from the pandemic. Financial instability signs like asset price bubbles, mounting up debts caused by massive expansionary monetary and fiscal policies are yet to be dealt with. While the business outlook in our core markets is bright, global economic fallout, especially in the financial market, would affect us. We have to be prudent and adopt a cautious approach in business development.

Future construction volumes in Hong Kong and Mainland China, our core markets are visible and solid. Adhering to Governments' policies and directions formulated for the industry, we shall grow our businesses.

In Hong Kong, one of the industry's major challenges is the significant volume of construction activity projected in coming years, including the Three-Runway System, Hospital Development plan, public housing program, Railway Development Strategy, and many more. To address the challenge whilst enhancing the industry's sustainability and long term growth prospects, the HKSAR Government developed Construction 2.0 advocating "Innovation", "Professionalisation", and "Revitalisation". Innovation, including broader adoption of MiC, digitalisation of site management and robotic technologies, are key areas to develop. Our Group at the forefront of innovation in the industry is readily prepared and equipped to grasp these opportunities. We have developed a wide range of solutions, including patented MiC technologies, 5D BIM, BEANiE (a BIM-enabled blockchain multifunctional platform for compliance assurance, work monitoring and record administration), to name a few. Our edges in technologies would bring us new businesses at a much faster pace in coming years. Meanwhile, our reputation in green businesses enhance our return from financing activities too. Rising concern of climate change and changing social and customer expectations drove financial institutions to develop new green finance products at unprecedent speed. During the year, we have arranged with HSBC a Sustainability-linked finance, the first ever of its kind they offered. The green finance not only endorsed our sustainability commitment but also brought to us financial reward in form of lower cost of fund. We expect more arrangements of the kind would be established in coming period.

In the Mainland China market, we stay focused on the supply of prefabricated units. Prefabricated construction, which was highly promoted in the 13th Five-Year Plan, is gaining momentum. Official data showed that prefabricated building construction covered a floor area of 630 million square meters in 2020, up by 50% from the previous year. The precast construction market is expected to attain US$200 billion, or an increase of 30% by 2025. In 2020, over 1,000 precast factories in the scale of 30,000 m^3 and above grew by around 20% over the prior year. Yet, the available production capacity is far below the market needs. There is long-term growth potential in the market. We will expand our business steadily with due care.

As we advance, we will continue to innovate our offering to pursue and win projects that bring a sustainable return.

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 2021, the Group's total cash and bank balances was HK$728 million (2020: HK$664 million) and total borrowings decreased to HK$1,711 million (2020: HK$2,277 million). The increase in cash and decrease in borrowings were primarily due to improved receipts from customers, which accelerated repayments of some project loans. The current ratio (total current assets: total current liabilities) as at 31 March 2021 was 1.3 (2020: 1.5). The amount of bank loans and other facilities fall due beyond one year was HK$836 million (2020: HK$1,444 million). With prudent financial management policy in place, the Group considers the financial position as sound and healthy with sufficient liquidity.

All the bank borrowings are arranged on a floating rate basis. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangements when appropriate. As at 31 March 2021, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$4,558 million (2020: HK$5,201 million), of which HK$2,071 million (2020: HK$2,676 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 2021, the Group had approximately 3,200 (2020: 3,000) employees. There are approximately 2,500 (2020: 2,300) employees in Hong Kong, Macau and Singapore and 700 (2020: 700) in Mainland China. Yau Lee aims to be a good and attractive employer as we understand people are key to long-term success. The Group offers competitive remuneration packages and employees are rewarded on a performance related basis. The Group also invests substantially on training and staff development. We promote continuing learning and help the professional and personal development of our employees.

MOVEMENT OF INCOMPLETE CONTRACTS

For the year ended 31 March 2021

Contract value

	31 March 2020 *HK$'million*	Contracts Secured *HK$'million*	Contracts Completed *HK$'million*	**31 March 2021** ***HK$'million***
Building construction, renovation and maintenance	17,248	1,635	(2,087)	**16,796**
Electrical and mechanical installation	7,889	3,490	(1,503)	**9,876**
Building materials supply	1,315	697	(799)	**1,213**
Others	36	22	(43)	**15**
Less: Inter-segment contracts	(3,110)	(1,318)	481	**(3,947)**
	23,378	4,526	(3,951)	**23,953**

CORPORATE GOVERNANCE

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Company recognises that it is exposed to a number of risks, which is inherent in the industries that it operates in. The Board acknowledges that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining appropriate and effective risk management and internal control system. In this regard, the Company has established a risk management system and an internal control system. However, the systems are designed to manage rather than eliminate the risk of failing to achieve business objectives and to make reasonable, but not absolute, assurances that there will be no material misrepresentation or loss.

Management formed the Risk Management Committee to assess and manage the Company's principal risks, including but not limited to compliance risks, financial risks, operating risks and strategic risks. It supports the Board in fulfilling its corporate governance and regulatory responsibilities to monitor and review the Company's risk management framework and processes. The Risk Management Committee also provides confirmation to the Board on the effectiveness of the system.

During the reported year, management has engaged an independent 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.

In addition, the Company has implemented an internal control system to minimise the risks to which the Company is exposed to and used as a management tool for day-to-day business operation. The 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 2021. 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.

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

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

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding the securities transactions by the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2021.

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 2021 except for deviations from the code provisions as described below.

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold the Company's listed securities during the year ended 31 March 2021.

REVIEW BY AUDIT COMMITTEE

The Group's annual results for the year ended 31 March 2021 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors. The Audit Committee, together with the management, has reviewed the audited consolidated financial statements for the year ended 31 March 2021 of the Group.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this annual results announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2021. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 23 June 2021

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

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

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