有利集團有限公司

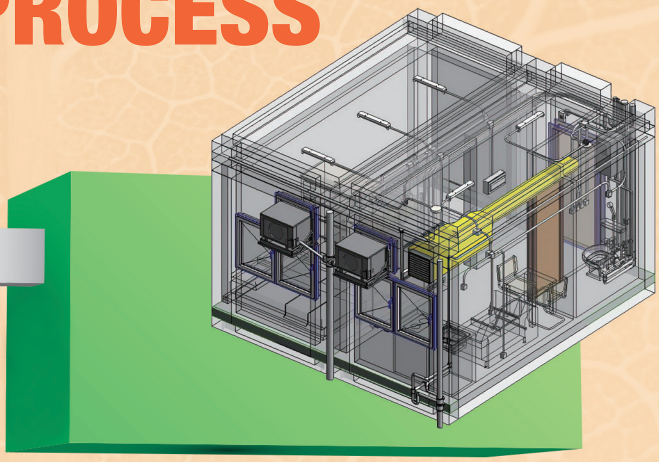
Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 0406

BIM FOR
FULL LIFECYCLE
MANAGEMENT

INDUSTRIALIZED
BUILDING PROCESS



MODULAR INTEGRATED
CONSTRUCTION

2021
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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

10th Floor, Tower 1
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Hong Kong
Websites: http://www.yaulee.com
http://www.irasia.com/listco/hk/yaulee/

Company Secretary

Lam Kwok Fan

Principal Bankers

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

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Solicitors

Gallant
T.H. Koo & Associates

Hong Kong Share Registrar and Transfer Office

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby report the annual performance of Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2021 to all the shareholders.

Result 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.

Chairman's Statement

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).

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.

Chairman's Statement

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") expands 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.

Chairman's Statement

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 analytics, 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 costs 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.

Chairman's Statement

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 completions fall 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 realise 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.

Chairman's Statement

In Hong Kong, one of the industry's major challenges is the significant volume of construction activities 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 unprecedented speed. During the year, we had 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.

2020 has been an extraordinary year that everyone faced unprecedented challenges and difficulties. I have to give my heartfelt thanks to our colleagues who worked devotedly with no reservation and hesitation, particularly during the early days of the pandemic when none of us knew what would happen next. I see the professionalism, true team spirit and trust in the Group management. Also, I have to thank you, the Board, for the resilient leadership that guided the Group through the difficult period of time. And finally, I would like to express my gratitude to shareholders for their support and confidence in us.

Wong Ip Kuen
Chairman

Hong Kong, 23 June 2021

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 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.

SUMMARY OF CONTRACTS

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**

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2021

Contracts

Design and Construction of Rank and File Quarters for Fire Services Department at Area 106, Pak Shing Kok, Tseung Kwan O

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

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

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2021

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

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)

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in current year

Contracts

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

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

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

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

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

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2021

Contracts

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

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

* inter-segment contract

Summary of Contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2021

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

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

Contracts secured in current year

Contracts

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)

Main Contract Works for Po Leung Kuk Youth Hostel at Ma Tin Pok, Yuen Long

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

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

* 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)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Wong Ip Kuen

aged 85, 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 57, 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 New Energy Transport Fund Steering Committee, the Deputy Chairman of the Council of the Open University of Hong Kong, 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, and the Member of the Town Planning Board. 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 54, 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, Longterm Decarbonisation Strategies Support Group of Council for Sustainable Development, Green Minibus Operators Selection Board and Transport Complaints Unit.

Ms. Wong is also a Director of Hong Kong Cyberport Management Company Limited, Vice President of Smart City Consortium (the "SCC"), Chairperson of SCC's Smart Living Committee, Deputy Director of China Green Building (Hong Kong) Council, 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, Exponential Advisory Board Member of Singularity University and Advisory Board Member of Center for Integrated Facility Engineering (CIFE) at Stanford University.

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

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

Mr. Sun Chun Wai

aged 60, 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 56, 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 President of Asia Financial Holdings Limited and Chairman of Asia Insurance Company Limited. Mr. Chan is a Hong Kong Deputy to the National People's Congress of the People's Republic of China and the Convenor of the Non-Official Members of the Executive Council. He is Chairman of the Hong Kong Palace Museum Ltd., Chairman of the Tai Kwun Culture & Arts Co. Ltd. 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 of the Pomona College, California, USA.

Mr. Wu King Cheong

aged 69, 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 75, 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 67, joined the Group in 2014 as a Contracts Advisor and was appointed as Commercial Director in 2016. Mr. Au is a Fellow Member of the Hong Kong Institute of Surveyors and also a Registered Professional Surveyor (Quantity Surveying). He holds a Law Degree and a Master Degree in Arbitration & Dispute Resolution. He has been the Chairman of the Quantity Surveying Division of the Hong Kong Institute of Surveyors (1994/1995). Before joining the Group, Mr. Au has over 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 59, joined the Group in 1996 as a Building Services Project Manager and became Building Services Manager in 2002. He was appointed as Executive Director in 2008 upon successful acquisition of REC Engineering Company Limited as part of the Group. He was promoted to Deputy Managing Director starting from January 2018 and is now responsible for the overall operation of the company in Hong Kong, China, Macau and Singapore. Under the directions of the Board of Directors, he successfully leads his team to achieve triple platinum international green awards plus Three Star Rating awarded by China Green Building Design Label in the Group's hotel development – Holiday Inn Express Hong Kong SoHo. Besides, he also leads the team to implement many pilot projects including the first Floating PV System in Shek Pik Reservoir and the first Automated Carparking System in EMSD Headquarters.

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 Vice President 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. 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 66, 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 55, 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 64, 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 a Council Member, a Vice-Chairman in Building Committee and a Vice-Chairman in Health and Safety Committee of Hong Kong Construction Association.

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

aged 62, 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 2021.

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.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 62.

An interim dividend of HK1.00 cent (2020: HK1.00 cent) per share was paid during the year ended 31 March 2021.

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.

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).

Report of the Directors

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).

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$1,369,000 (2020: HK$479,000).

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 2021, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK$1,045,662,000 (2020: HK$902,752,000).

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 2021.

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 and Corporate Governance Report (the "Code") under The Rules Governing the Listing of Securities on The SEHK ("Listing Rules"), Ir. Dr. Wong Tin Cheung, Mr. Wu King Cheong and Dr. Yeung Tsun Man, Eric shall retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

Directors' service contracts

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

Directors' interests in contracts

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

Report of the Directors

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 2021, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

Management contracts

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

Report of the Directors

Major suppliers and customers

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

Purchases

–	five largest suppliers	12%
–	the largest supplier	3%

Sales

–	five largest customers	81%
–	the largest customer	44%

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 2021, 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, 23 June 2021

CORPORATE GOVERNANCE REPORT

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

The Board of Directors

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

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

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

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

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

Corporate Governance Report

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

	Number of meetings attended/held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	General Meeting
Mr. Wong Ip Kuen	4/4	N/A	N/A	N/A	N/A	1/1
Ir. 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	3/4	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 2021, 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 2021 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 2021 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 2021 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	✓

Corporate Governance Report

Auditor's remuneration

The Company engaged PricewaterhouseCoopers as the Company's independent auditor. For the year ended 31 March 2021, PricewaterhouseCoopers provided the following services to the Group:

	2021	2020
	HK$'000	*HK$'000*
Audit services	**4,777**	4,752
Non-audit services	**587**	584
	5,364	5,336

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 2021, 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 56 to 61 of this annual report.

Risk management and internal control

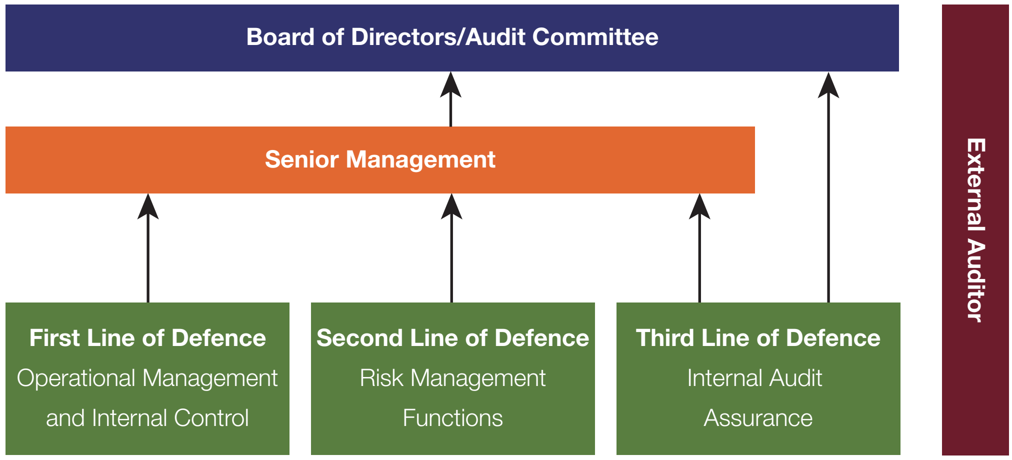
The Company recognises that it is exposed to a number of risks, which is inherent in the industries that it operates in. The Board acknowledges that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, 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.

Corporate Governance Report

Risk management framework

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



Risk management procedures

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

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

Corporate Governance Report

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 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. 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 2021.

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

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

Shareholders' rights

Procedures for shareholders to convene special general meetings

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

Procedures for shareholders to put forward proposals at general meetings

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

Procedures for shareholders to send enquiries to the Board

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

Communication with shareholders

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

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

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

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

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

Voting by poll

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

Changes in constitutional documents

There is no change in the Company's constitutional documents during the year ended 31 March 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Feature of the Report

This Report covers Yau Lee Group' s (the Group) a range of operations in Hong Kong, Macau and Mainland China for the financial year from 1 April 2020 – 31 March 2021 (FY20/21). It composes about 80 subsidiaries with operational guidance and supervision under Yau Lee Holdings Limited, equivalent to about 99.89% business scope. Information on our sustainability performance covers the principal activities of the Group, including construction, electrical and mechanical installation, building materials supply, property investment and development and hotel operations. To accurately reflect our performance, we have improved our data collection system by consolidating our data according to the financial year, which was previously presented in calendar year.

This Report adheres to 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. The Content Index on pages 54 and 55 demonstrates the alignment of our Report with the ESG Guide.

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

Our Approach

At Yau Lee, our sustainability approach is guided by the Corporate Social Responsibility (CSR) Policy set in 2012 with five major areas, namely ethics, environment, safety, people and community. This aligns fully with our vision to build long-term business success and positive impact to all our stakeholders in the communities we serve. Together with our robust governance structure and management system at Yau Lee, our sustainability approach fully aligns with environmental, social and governance aspects required by the HKEx.

In FY20/21, we were very delighted to once maintain the CSR Advocate Mark with the highest index score by the Hong Kong Quality Assurance Agency to recognise our unfailing efforts in implementing CSR programme plan covering organisational governance, human rights, labour practices, the environment that includes carbon and energy management, fair operating practices, consumer issues as well as community involvement and development.

CSR advocate
HKQAA CSR INDEX

Environmental, Social and Governance Report

We fully understand that our CSR programmes across our operations cannot succeed without the support of our stakeholders. Therefore, we attach great importance in engaging a diverse range of stakeholders, including but not limited to employees, contractors and suppliers, investors, business partners, regulators, industry associations, local communities and NGOs. To stay vigilant during the outbreak of COVID-19, we cancelled some of our regular activities, such as the annual dinner with employees and suppliers as well as factory visits by our business partners. Instead, we employed a mixed mode by moving some of our activities online.

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

Employees
- Director's annual presentation
- Staff grievance mailbox
- Employee suggestion box and hotline
- Newsletter
- Company intranet

Contractors and Suppliers
- Company website
- Meetings
- Subcontractor management plan
- Subcontractor performance assessment

Industry Associations
- Company website
- Industry association activities and conferences

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

Local Communities and NGOs
- Company website
- Community and NGO activities
- Residents' meetings

Business Partner
- Meetings

The 16 material topics identified and prioritised previously remain unchanged, as there were no significant changes to the Group's size, structure, ownership, or supply chain in FY20/21.

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

Environment
- Carbon and energy
- Waste
- Green procurement

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

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

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

Ethics

Corporate Values and Ethical Standards

At Yau Lee, we uphold the highest business ethic, moral and legal standards when doing our business. To achieve this, the Group has a Code of Conduct in place to provide guidance in aspects, such as anti-bribery, anti-fraud, fair competition, protection of privacy and protection of intellectual property rights (IPR). We also have established a Whistleblowing Policy to ensure that a robust whistleblowing 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.

During the reporting period, we organised 1-hour training on anti-fraud & corruption for all new Yau Lee staff during orientation, a total of 101 employees participated in this training during the reporting period. There were no reported breaches of anti-corruption practices or other laws and regulations related to ESG aspects.

Corporate Governance

The Yau Lee's Board of Directors (the Board) oversees the sustainability performance by advising the overall approach and reviewing the progress of its implementation. To integrate and deliver our sustainability efforts throughout our operations, we develop 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. Every year, the Board assesses sustainability risks during the enterprise risk assessment exercise.

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

Innovation with Quality

Quality is always at the heart of Yau Lee. Our subsidiaries, which contributed 98.8% of revenue, are certified by ISO 9001 Quality Management System. We see innovation as an integral part for our quality delivery, as it helps us develop more quality development with higher overall energy and resource efficiency, while ensuring the safety of our workers. In FY20/21, we maintained our efforts in innovative building technologies, including Modular Integrated Construction (MiC), Design for Manufacture and Assembly (DfMA), Building Information Modeling (BIM), etc. Another new technology we introduced is BEANiE, a technology that combines BIM and blockchain, allowing our inspection records of the plants and construction sites to store on a cloud platform to enhance traceability and transparency.

Awards Highlights

Quality Driven Innovation

In FY20/21, we were very delighted to receive various prestigious awards - the Asia Pacific Sustainable Innovation Enterprise Award (Construction Industry) by Asia Pacific Institute for Strategy as well as one BIM Project and two BIM Organisations Awards by the Construction Industry Council (CIC) - to commend our research and development efforts in innovative construction, green building and energy-saving technologies.

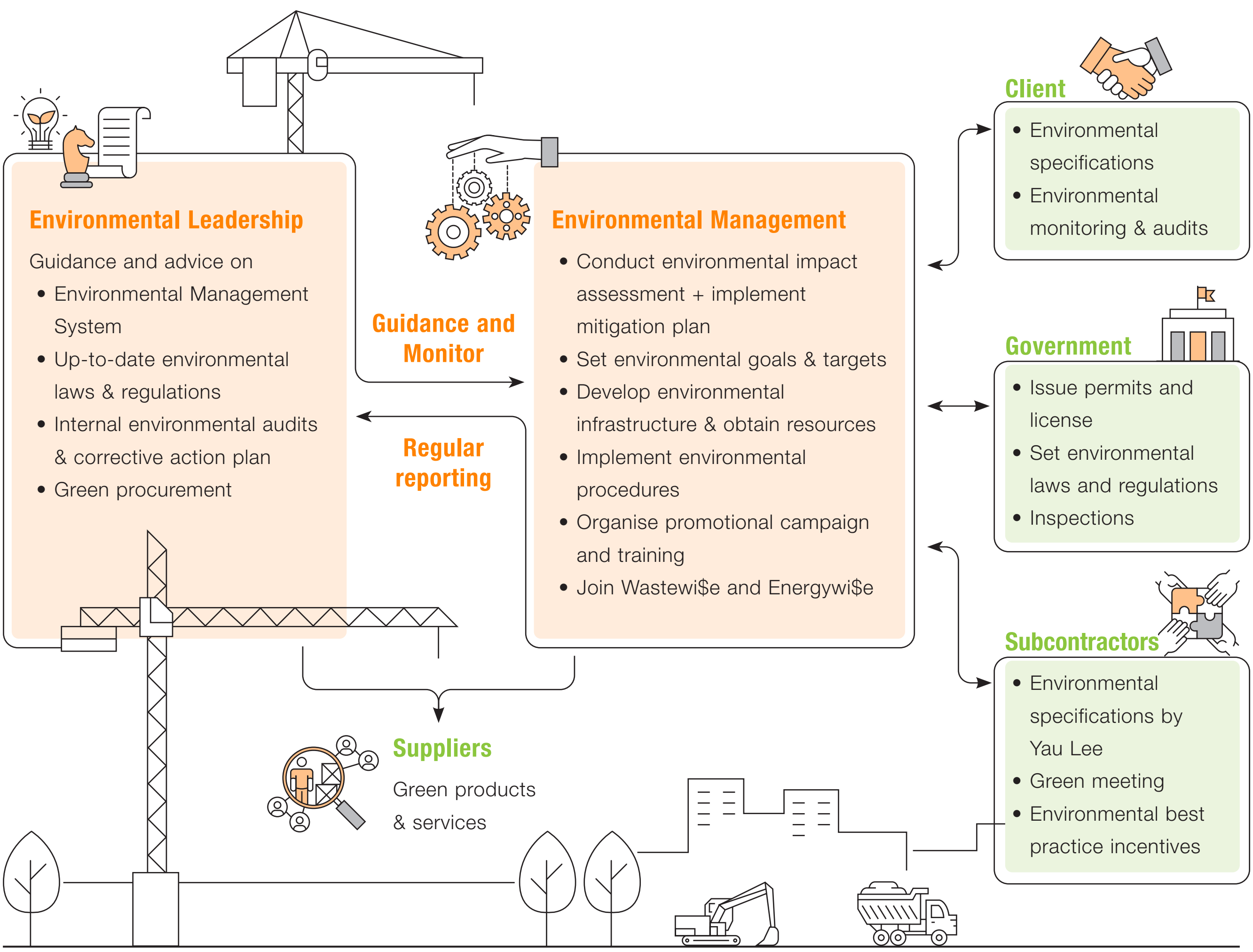
On 10 November 2020, we received the BIM Project Award for the Central Market Revitalisation Project as well as two BIM Organisations Awards for Yau Lee Construction Company Limited and Global Virtual Design and Construction Limited at the Celebration of BIM Achievement 2020 for our successful BIM application. Such honours have encouraged us to continually be creative and innovative in bringing BIM to its full potential to make significant breakthrough in the construction industry.

Environmental, Social and Governance Report

Environment

The Group is committed to improving our environmental performance and reducing our ecological footprints arising from building construction activities and day-to-day operations. To this end, we employ a robust Environmental Management System (EMS) and various environmental initiatives to lower our carbon emission, energy consumption, solid waste generation as well as water consumption. As of 31 March 2021, subsidiaries which contributed 98.2% of the Group's revenue, obtained ISO 14001 Environmental Management System Certification. On a regular basis, we conduct environmental audits and management review to ensure our EMS perform effectively and allow continuous improvement. We also keep abreast of the latest amendments of relevant environmental regulatory requirements in every jurisdiction we operate.

We understand that our major environmental impacts come from our construction sites, so we developed a Green Construction Sites Workflow to upkeep our robust environmental management, with the senior managers taking up the role of environmental leadership by providing directional support to the middle managers for execution. See below the workflow of our green construction sites:

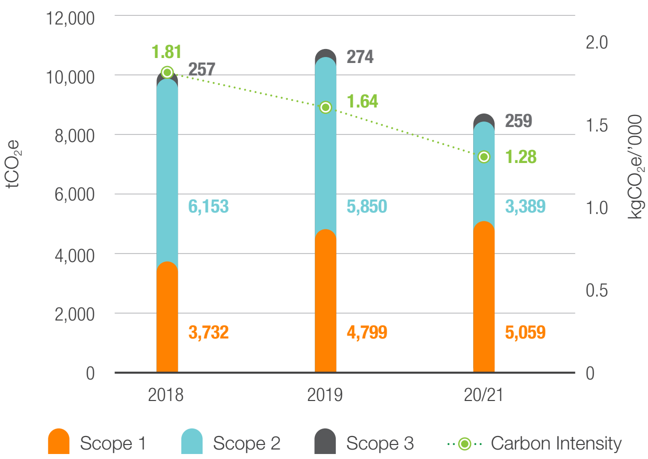


Environmental, Social and Governance Report

Carbon Reduction and Energy Efficiency

At Yau Lee, we do everything possible to reduce our carbon footprint and enhance our energy efficiency. Our commitment in the agenda is showcased through being one of the signatories of the BEC Low Carbon Charter. To fulfill our responsibility, we are committed to setting targets that are in line with meeting the goals of the Paris Agreement to limit global warming to well below 2° C. In FY20/21, we achieved a reduction in both our absolute carbon emissions and carbon intensity by 20% and 22% respectively.

Carbon Intensity



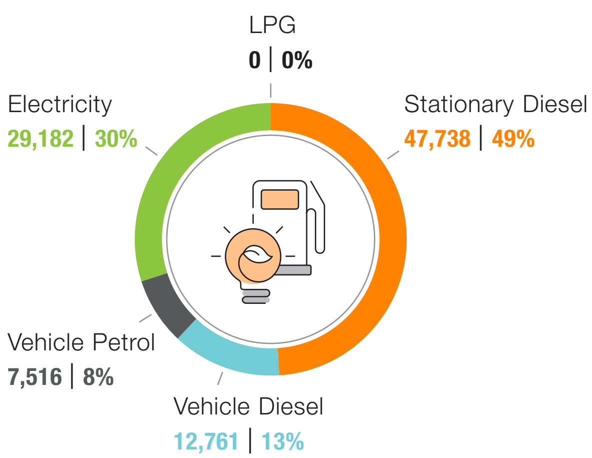
Legend: Scope 1 emissions – direct emissions from owned or controlled sources, e.g. diesel combustion. Scope 2 emissions – indirect emissions from the generation of purchased energy, e.g. electricity. Scope 3 emissions - indirect emissions (not included in scope 2) that occur in the operations, e.g.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

Note: data of 2018 and 2019 is in calendar year, while data of FY20/21 was calculated in financial year, which is 1 April 2020 to 31 March 2021

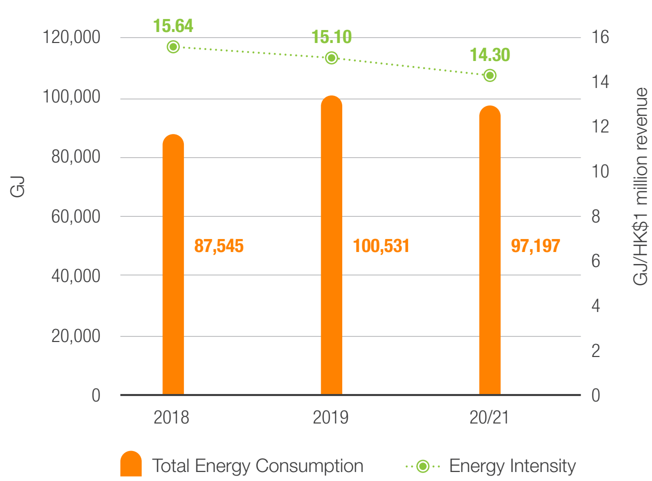
Considering our core business is building construction, our largest energy consumption in FY20/21 was stationary diesel, accounting for 49% of our total energy consumption, while the electricity came second, accounting for 30%. We are committed to reducing our reliance on stationary diesel and using electricity at earlier stage of our construction projects by joining the Power Up Coalition, an initiative to address decarbonisation challenges specific to the construction sector.

In the meantime, we are very pleased to see that both our total energy consumption and energy intensity decreased slightly in FY20/21, a reduction of 3% and 5% respectively.

Energy Consumption in FY20/21 (GJ)



Energy Consumption and Energy Intensity

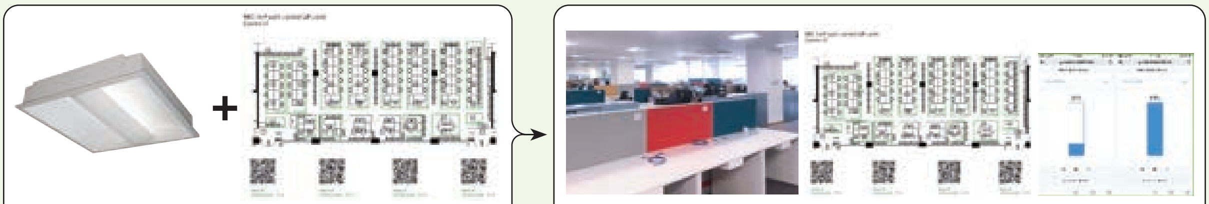


Environmental, Social and Governance Report

We achieved this because of the concerted efforts made by all subsidiaries across the Group. In FY20/21, we continued to support our subsidiaries to obtain ISO 50001 Energy Management System. As of 31 March 2021, the achieving rate is 62.9%. On our construction sites, our dedicated construction team fully implemented the Energy Improvement Plan as well as Site Energy Saving Code and Policy, while our backend offices made considerable efforts in various energy saving programmes. Yau Lee Construction once again achieved Excellent Level of the Energywi$e Certificate offered by Electrical and Mechanical Services Department (EMSD), while REC Engineering signed the Energy Saving Charter 2020 by EMSD and received a Green Office Label from the World Green Organisation.

Smart Lighting Solution

Our electrical and mechanical installation business sees innovation as a necessary tool to enhance energy efficiency. During the reporting period, we successfully integrated nano-coated luminaires and intelligent lighting control to establish an intelligent lighting management system that is "simple, safe, and affordable" .



Nanoflex® Nano Coated Luminaires + Delight Lighting Control & Monitoring → Super Energy Efficient Work Place Lighting System

For system managers, the system can be managed through an online platform with no additional device required. From which, the real-time energy consumption data of multiple properties can be easily accessed and analysed. For users, lighting can be controlled and adjusted through a mobile app remotely and according to personal needs.

The effectiveness of the system was satisfactory with the lighting illuminant level improved 75%, while the lighting power density improved 58%.

NB-IoT Controller

The NB-IoT technology has been widely applied in various industries, as it is more energy efficient with greater accessibility. To this end, our electrical and mechanical installation business has expanded the use of NB-IoT to monitoring freezers' temperature, suitable for a storage environment where temperature control requirement is high.

After the NB-IoT controller is connected to the sensor installed, the data administrator can remotely monitor the temperature. In case the temperature rise exceeds the certain range due to freezer's door left open, motor malfunction or damage, a warning message will be sent to the administrator to avoid possible spoilage of refrigerated supplies and energy wastage.

Environmental, Social and Governance Report

Resource Efficiency and Waste Reduction

We are committed to reducing our waste not only on our construction sites, but also our offices and other premises. On our construction sites, we made extra efforts to reduce our inert materials sent to the landfill. In FY20/21, we continued to control the scrap iron rate within 5% of the total number of B.Q. The number of rebar steel recycled was 3,743 tonnes with a 0.4% slight increase compared to 2019. With the introduction of MiC and the wider use of e-communication, waste paper generation at construction sites were largely under control and recorded a genuine reduction of 1% last year.

	FY20/21	2019	2018	% Change in 20/21
Rebar steel recycled (tonnes)	3,743	3,729	2,991	0.4%
Waste paper recycled (tonnes)	13,418	13,522	27,388	-1%

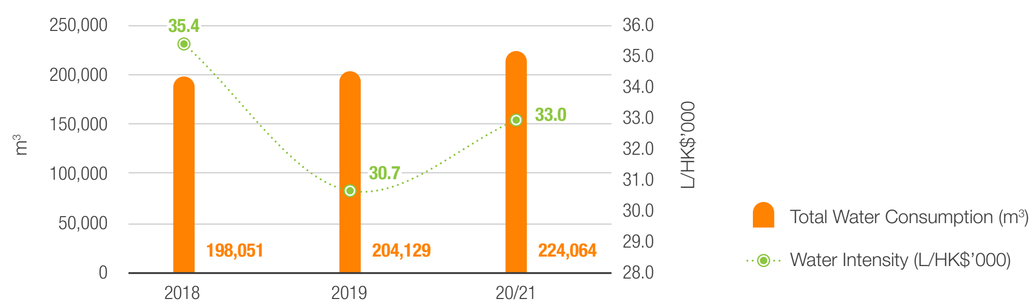
Apart from construction waste, we strive to reduce our domestic waste by recycling and reuse as much as possible. During the reporting period, we handed over the following items to the recyclers

Item	Unit	Amount
Obsolete Computer	piece	10
Used laser toner and inkjet cartridge	piece	48
Old batteries	piece	64

Our efforts were recognised by the Hong Kong Green Organisation and we were delighted to achieve an Excellent Level of the Wastewi$e Certificate.

In terms of water, the Group's water intensity was 33L per HK$'000, which was 7.5% higher than 2019 because of the construction activities on our sites in North West Kowloon and Queen's Hill where more water was necessary for the process. We follow stringent procedures to treat our wastewater before discharge with a wastewater recycling and treatment system in place on our construction sites.

Water Consumption and Intensity



Environmental, Social and Governance Report

Awards Highlights

• CIC Sustainable Construction Award (Contractor in New Works) – Gold Award

We were very immensely honoured to receive CIC Sustainable Construction Award (Contractor in New Works) – Gold Award for our project with the Fire Services Department at Pak Shing Kok, Tseung Kwan O.

This project is the first permanent housing adopting Concrete Modular Integrated Construction (MiC) in Hong Kong, meaning the majority of structural and finishing works were completed in the prefabrication factory, resulting a reduction of 40% construction waste, air and noise pollution. We feel highly encouraged, as this award represents the industry' s high recognition of the Group' s unfailing efforts in promoting sustainable construction technology.

Other Prominent Awards

- Gold Award in Green Contractor Award 2019 for the design and construction of Kwun Tong Staff Quarters

- Environmental Merit Award of Outstanding Environmental Performance for the year 2019 in HKCA Hong Kong Construction Environmental Awards 2020

Safety

Healthy and Safe Working Environment

Health and safety are an integral part of our operation. We are committed to providing necessary resources to ensure our facilities, machineries as well as all other tools and equipments are safe and properly handled. At the same time, we see the importance of building a strong health and safety culture, as it is the most effective way to prevent any unnecessary accidents. Therefore, we put in place an effective and efficient health and safety management framework so that these matters can be communicated thoroughly to employees of all levels, subcontractors across our supply chain as well as other stakeholders in the wider community. By doing this, we believe we can drive behavioural changes, which will in turn achieve our health and safety objectives and targets.

At Yau Lee, we have adopted an Occupational Health and Safety Management System since the early 1990s and have been accredited to OHSAS 18001:2007 by the HKQAA since December 2008. In June 2020, we successfully upgraded from OHSAS 18001:2007 to ISO 45001:2018, which covers our corporate management and all-site supervision and management for both building and maintenance works.

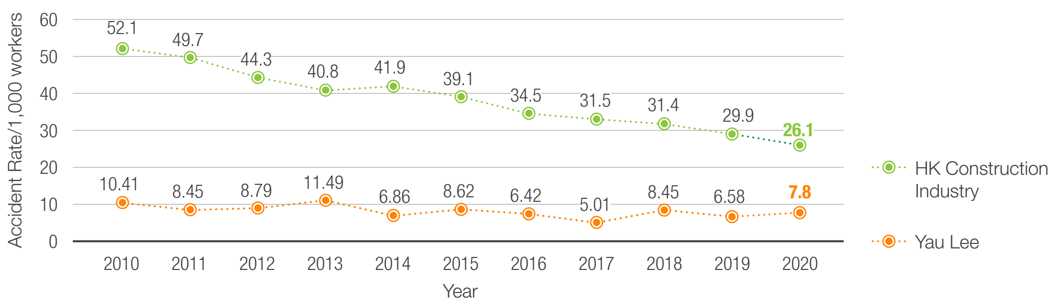
To ensure the system runs in a proper manner, we established the following committees:

- Health and Safety Steering Committee (corporate level);
- Overall Site Safety and Health Working Committee (corporate level); and
- Site Safety Committee (project level).

These Committees are responsible for ensuring the Corporate Safety Manual and Project Safety Plan are implemented, reviewing and monitoring the effectiveness of the safety management system.

During the year, the accident rate per 1000 workers achieving 7.8 while the construction industry average is 26.1. The total number of lost day due to work injury was 5,412 days. However, there was one case involving fall from height happened and the worker eventually passed away. The true cause of death is still under investigation, but we immediately reviewed the operating procedures to devise improvement plan to prevent future accidents related to working at height. We have been cooperative with the Labour Department throughout the investigation and we have the deepest sympathies for the families of the deceased.

Accident Rate per 1,000 Workers



Environmental, Social and Governance Report

Self-inspection Climbing Robot

As part of our efforts to combat the pandemic, we introduced the self-inspection climbing robot in early 2021 to give a helping hand in pipe inspection of public housing estates in an attempt to stop the virus transmission from the source.

Before the robot was in service, our workers usually checked water leakage by taking photos on the ground. They sometimes needed to enter the household for further check-up. Such a method is not only time-consuming, but also posed virus infection threats to our workers. Therefore, we partnered with O-Matic Intelligent Robot Ltd to develop this Self-inspection Climbing Robot within 15 working days. With this, images can be transmitted instantly on tablets through 4G/5G technology, while it is also more efficient and safer for our workers.

RFID Alert Device for Pipe Duct Fall Protection Cover Board

Slips, trip and falls are common accidents in construction sites. To avoid such accidents from happening, our team created a pipe cover plate, which is safe, stable and easy to deploy for our renovation projects at the campuses of the Hong Kong Institute of Construction in Kowloon Bay, Kwai Chung and Sheung Shui.

The board is made by iron board which is more stable and durable than a wooden one. To prevent someone from removing it, the board can also be fixed on the ground by mounting screws and locked by the radio frequency identification (RFID) system, which must be opened by an authorised personnel. In case someone attempted to open it, the RFID will notify the Maintenance Department instantly.

We were very delighted to gain Merit Award of Safety Operational Device Category - the Innovation Safety Initiative Award 2020 by the Development Bureau, Construction Industry Council and Hong Kong Construction Association for this initiative.

Training on Occupational Health and Safety

We attach great importance to safety precaution by providing a suite of training courses and seminars for everyone working in our premises regularly.

Apart from occupational health and safety, we made use of an "online quiz" to encourage our staff to acquire knowledge on the safety measures on COVID-19. Those who watched the four anti-epidemic videos and took part in the quiz for four consecutive weeks were given a "fortune gift set" .

We also actively participate in industry safety programmes to help raising the overall industry safety standard. In supporting the Construction Industry Council (CIC)' s safety theme in FY20/21 - "LIFE FIRST" , our management representatives, Building Renovation and Maintenance Department team together with architects and CIC representative delivered safety talks to students of the Construction Industry Council Training Academy Sheung Shui Training Centre in order to raise their safety awareness, covering topics like working at height, heavy machinery, lifting and electricity.

Awards Highlights

Safeguarding our Workers during the Pandemic

COVID-19 posed considerable threats on our staff, in particularly our construction sites. To safeguard our workers, we had to adapt the situation swiftly by introducing protective measures and providing sufficient protective gears. Everyone entering the construction sites must fill in the Health Declaration Form, have temperature check and wash hands. Workers also need to wear masks at all times during work.

To increase our workers' awareness of personal and site hygiene, we held the "Together We Keep Fighting the Pandemic to Help Each Other" on 24 February 2021. On that day, we reminded our workers the importance of adopting all the measures persistently, such as handwashing before entering the working site, disinfecting the dining table after eating and practicing social distancing, so as not to shield them from virus infection but also their fellow workmates. We also distributed protective gears for our workers. A total of 350 workers actively participated in the event and were very happy to receive the protective gears.

Our efforts during the pandemic were well-recognised and two awards were received, namely the Bronze Award of Health and Welfare - Personal Health Declaration Mobile Apps in Innovation Safety Initiative Award 2020 as well as Merit Award for Fear Not Covid - We Stay Together of Health and Welfare in Innovation Safety Initiative Award 2020.

Environmental, Social and Governance Report

• Gold Award of Best Refurbishment and Maintenance Contractor - High Risk Activities Management and Execution Plan

We were very delighted to win the Gold Award of Best Refurbishment and Maintenance Contractor in Occupational Safety and Health in Construction Safety Day for our High-Risk Activities Management and Execution Plan implemented in our Renovation and Maintenance Project at the Hong Kong Institute of Construction.

One of the winning criteria is to identify high-risk activities and develop improvement plans with each containing three sub-item improvement measures. During the course of it, we developed various innovative safety solutions, including invented robots for drilling, dismantling as well as carrying heavy objects.

This competition not only provided an opportunity for us to review our safety measures and develop new innovative solutions, but also enhanced communication between the management and the safety department.

Other Prominent Awards

- Gold Award of Safety Team in the Construction Industry Safety Award Scheme 2019/2020 for the Construction of Subsidised Sale Flats Development at Queen's Hill

- Silver and Merit Award of Building Sites (Public Sector) in the Construction Industry Safety Award Scheme 2019/2020 for the Design and Construction of Rank and File Quarters for Fire Services Department at Pak Shing Kok, Tseung Kwan O and Subsidised Sale Flats Development at Queen's Hill

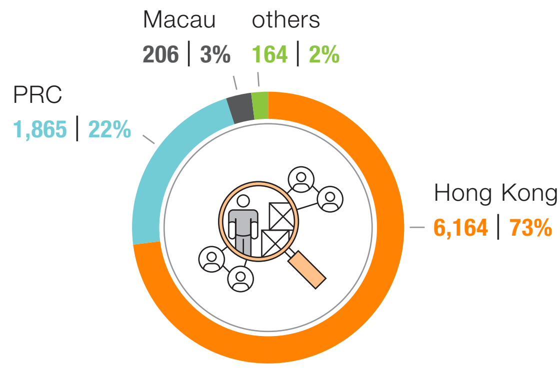
Environmental, Social and Governance Report

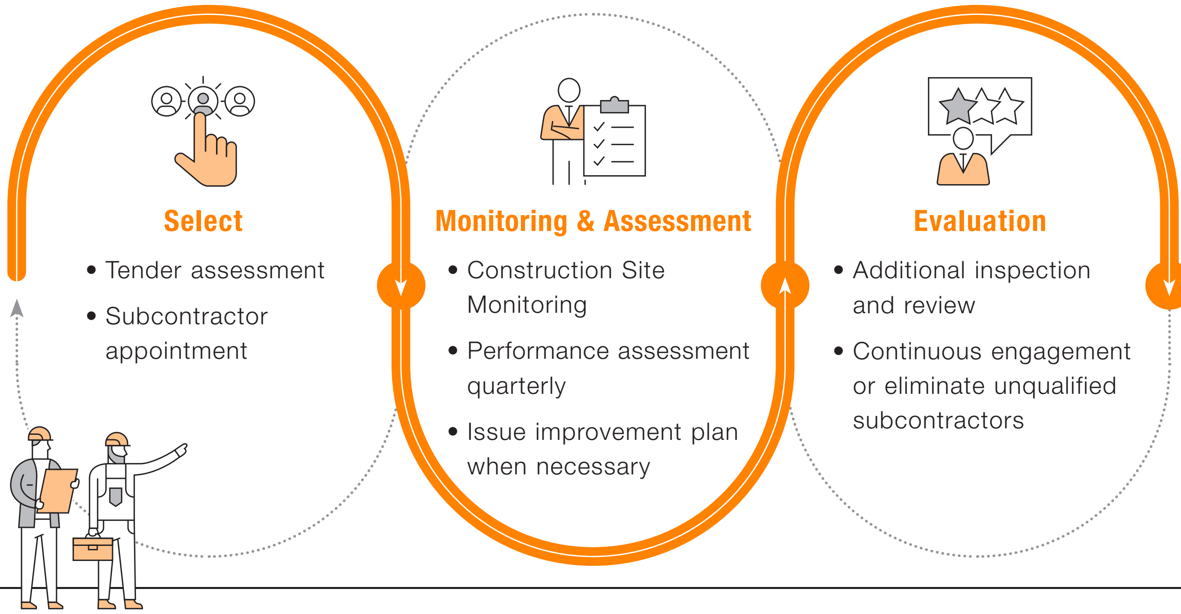
Supply Chain Management

We strive to work with our 8,399 suppliers to ensure that our development is of high quality as well as achieving environmental and social standards that go beyond compliance. As far as possible, we maintained our supply chain network locally to better manage our suppliers. In FY20/21, 98% of our suppliers are located in the jurisdiction we operate.

We have a robust system to oversee our supply chain. For example, we have a Subcontractors Management Plan in place to guide us on procurement process and subcontractor engagement. This plan also helps us identify and evaluate supply chain related issues.

Number of Suppliers





Not only price, we take into serious consideration of the quality, safety, environment and governance performance of the subcontractors and encourage them to align with our principles and standards through their endorsements of the Supplier Code of Conduct. During construction, we have a Construction Site Monitoring Protocol in place to ensure our suppliers and subcontractors meet our quality expectation in terms of working processes and specifications. As far as safety is concerned, we not only provide an appropriate construction environment with necessary equipment that meets the legal requirements for health and safety, but also ensure our suppliers comply with all the safety rules and regulations within our premises by regular inspection.

For supplier management, we always require suppliers to submit material samples with relevant supporting documentation for our internal review to ensure the materials meet our quality and environmental requirements. With the implementation of all these initiatives and efforts, we try to ensure our subcontractors can fulfil their obligations listed in the contracts.

Environmental, Social and Governance Report

People

Our Talent

People are valuable assets in the Group. As far as labour practice is concerned, we strictly comply with all the applicable labour laws and regulations in every jurisdiction we operate. At Yau Lee, we strive to offer competitive remuneration packages, including examination and study leave, marriage leave, comprehensive medical disability insurance coverage and retirement scheme as guided by the Staff Handbook.

To create an equal, diverse and inclusive working environment, no discrimination is tolerated in all our workplaces. To this end, we have a thorough internal communication mechanism with various channels to share and exchange information and opinions to ensure mutual understanding between the employer and employees. We made use of meetings, newsletter, annual presentation, internal portal to share the Group' s information, while we have surveys and an opinion box for our staff to give feedback to the Group.

During the reporting period, there are 3,230 in our workforce located in Hong Kong, Mainland, 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.

Total Workforce

	Male	Female	Total
Hong Kong	1,986	503	2,489
Mainland China	551	180	731
Singapore	6	1	7
Macau	2	1	3
Total	2,545	685	3,230

Talent Attraction and Retention

We made genuine efforts in attracting and retaining talent during the challenging year of FY20/21 to ensure that our employees feel motivated and supportive. Having experienced the pandemic, we see employee wellbeing particularly important in building a productive and inclusive workplace with a strong sense of belonging. Therefore, when the pandemic situation became controllable, especially in Mainland China, we resumed some of our employee activities, such as yoga classes, cycling trips, country walks, etc.

Turnover Rate

	Male	Female	Total
Hong Kong	12.76%	3.96%	16.72%
Mainland China	3.25%	0.80%	4.05%
Singapore	0.00%	0.00%	0.00%
Macau	0.00%	0.00%	0.00%
Total	16.01%	4.76%	20.77%

Environmental, Social and Governance Report

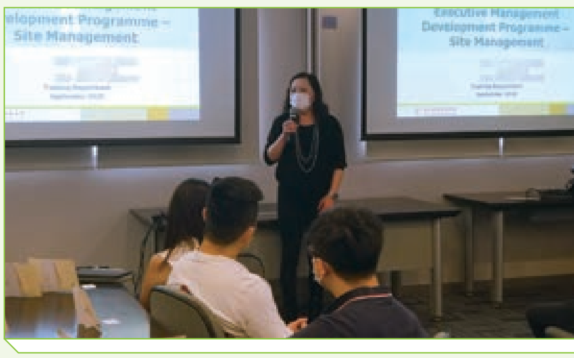
Training and Development

As a responsible employer, we are committed to nurturing our staff for the growth of not just the company but their personal growth. In FY20/21, we made extra efforts in providing training for all levels of our workforce across different business units, including Create Synergy at Work for middle managers, Practical Engineering Training for engineers, Site Management Development Course for our project managers, as well as various training programmes for our site workers. We continued to take part in the Intermediate Tradesman Collaborative Training Scheme by Construction Industry Council to provide training for industry new joiners on-site with a view to alleviating the labour shortage problem. We recruited a total of 125 trainees for various building sites, where they had the opportunity to learn a suite of skills, covering metal worker, general welder, quantity surveying, fire service mechanical fitter, etc.

In FY20/21, there are a total of 1,903 male staff and 575 female staff attended training with training rate reached 70.0% and 66.7% respectively. A total of 322 management staff and 2,156 non-management staff received training, accounting for 66.9% and 69.6% respectively. In addition to internal training, the Group has invested HK$561,000 to subsidise staff to participate in external training programmmes.

Site Management Development Course

In order to provide comprehensive training for our managers and develop their potential to the fullest for more efficient site management and operations, we have introduced "Site Management Development Course" since 2019.



In FY20/21, there were 18 colleagues from five different construction sites attended the training.

This course was designed to meet the training needs of our site managers, such as site management and engineering technology, project management, communication and leadership skills. Apart from attending lectures and workshops, all participants had their own work-related projects led and guided by our instructors.

Create Synergy at Work

In June 2020, the Training Department of our electrical and mechanical installation business organised a teambuilding workshop, enabling our colleagues to enhance communication skills, improve work efficiency and create teamwork spirit.

The workshop introduced various elements and methods for establishing cooperative relationships within and between teams, and enhanced colleagues' understanding of themselves and each other through interactive and experiential activities

Environmental, Social and Governance Report

Awards Highlights

● Nurturing the Young at Yau Lee

Construction industry is undoubtedly important to the Hong Kong economy, but at the same time, we see the pressing issues of aging population and insufficient labour force. To attract young people to join Yau Lee, we have made considerable efforts, such as providing attractive remunerations, professional training and most important of all, career development with established career ladders.

To commend our strong support in training and development to promote a good culture and experience sharing in the industry, we were very pleased to gain two awards related to nurturing the young in the industry at the Employer Recognition Ceremony of Construction Industry Council, namely Excellence Award for the Main Contractor in Hiring the Most Number of Graduates in 2019 as well as Bronze Award for the Main Contractor with the Most Trades of Employment in 2019. We will continue to join force with our partners in the industry to attract energetic and ambitious youngsters to join the industry and make our utmost efforts to enable our next generations to shine.

Other Prominent Awards

- Merit Award of the Outstanding Apprenticeship Employer in 2019 Outstanding Apprenticeship Award Scheme

- Certificate of Recognition of Caring Efforts in Nurturing the Trainee of the Youth Employment and Training Programme to become "The Most Improved Trainee 2020"

- Proactive Contractor for participation in Cooperative Training Scheme in 2019 in the Employer Recognition Ceremony of Construction Industry Council

Community

At Yau Lee, we are committed to actively participating in community affairs to give back to society. We encourage our staff to participate in community services to help the disadvantaged. We support local community groups via charitable donations and a total of HK$1,369,000 was donated in FY20/21.

Our efforts to support the community as a good corporate citizen was recognised by the Hong Kong Council of Social Service and we were very honoured to receive the 15 Year Plus Caring Company Logo.

Apart from community services, we participated in Earth Hour 2021 organised by the WWF-Hong Kong with joint hands of other buildings in Hong Kong together with other towns and cities across the world to turn off the non-essential lighting. We took this opportunity to increase environmental awareness in the company.

Construction Industry Online Happy Run 2021

The annual Construction Industry Happy Run was held on the "Online" for the first time this year, and it was named "Construction Industry Online Happy Run 2021". Although we could not run in a big group, some of our colleagues were able to run in pairs with a special route set solely for themselves. They could also finish the run flexibly, anytime during the contest period.

According to them, the route they set was a bit challenging with upward and downward slopes, but they had fun "checking-in" at different check points like going on a city orienteering with a lot of pleasant surprises.

Moving Forward

In FY20/21, the Group stayed focused on innovation in the midst of the adversity. To greatly enhance the Group's competitiveness, we will continue to invent, develop and advance new building technology, products, energy-saving and environmental protection solutions as well as virtual building technology, such as MiC, DfMA, BEANiE, 5D BIM, etc. We do all these, as we fully support the "Construction Industry 2.0" that promotes "innovation" and "specialisation" as well as a more vibrant, energetic and youthful workforce in the industry.

Environmental, Social and Governance Report

Content Index

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

Environmental, Social and Governance Report

Aspect	ESG Guide	Remarks and References
Environment and Natural Resources	A3.1	Environment
Employment	B1.1	People – Our Talent Geographical breakdown: Hong Kong: 77.1%; Mainland China: 22.6%; Macau: 0.1%; Singapore: 0.2%
	B1.2	People – Our Talent
Health and Safety	B2.1	Safety
	B2.2	Safety
	B2.3	Safety
Development and Training	B3.1	People-Training and Development Male: 70% Female: 66.7% Management: 66.9% Non-management: 69.6%
	B3.2	People-Training and Development Average training hours: Male: 7.8 hours; Female: 6.0 hours Management: 9.0 hours; Non-management: 9.6 hours
Labor Standards	B4.1& B4.2	Supply Chain Management This aspect applies to management of our supply chain only as there is no risk of child or forced labour occurring within our organisation.
Supply Chain Management	B5.1	Hong Kong: 73%; Mainland China: 22%; Macau: 3%; Others: 2%
	B5.2	Supply Chain Management
Product Responsibility	B6.1	This KPI is not relevant to our businesses.
	B6.2	This KPI is not relevant to our businesses.
	B6.3	Ethics
	B6.4	Supply Chain Management
	B6.5	It is determined not highly material to Yau Lee Group. Our Holiday Inn Express Hong Kong SoHo has Privacy Statement available to our customers.
Anti-corruption	B7.1	No incidents of corruption during the reporting period.
	B7.2	Ethics; Corporate Governance Report of the Annual Report
Community Investment	B8.1	Community
	B8.2	Community

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Yau Lee Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 142, which comprise:

- the consolidated balance sheet as at 31 March 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2021, the Group recognised revenue from construction contracts relating to the following operating segments: construction, electrical and mechanical installation which totalled HK$6,635,171,000. 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;

Independent Auditor's Report

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, 23 June 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	5	6,794,756	6,694,157
Cost of sales	7	(6,219,079)	(6,234,399)
Gross profit		575,677	459,758
Other income and losses, net	6	39,051	21,654
Selling and distribution costs	7	(23,670)	(20,702)
Administrative expenses	7	(402,582)	(454,377)
Other operating expenses	7	(3,460)	(7,354)
Operating profit/(loss)		185,016	(1,021)
Finance costs	9	(13,707)	(31,624)
Share of loss of an associate	19	(179)	(75)
Share of loss of joint ventures	20	(7,672)	(6,509)
Profit/(loss) before income tax		163,458	(39,229)
Income tax expense	10	(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	11	34,169	10,952
Earnings/(loss) per share (basic and diluted)	12	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 HK$'000	2020 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	1,185,289	1,181,326
Investment properties	15	183,040	229,412
Other intangible assets	17	8,286	9,342
Goodwill	17	16,662	16,662
Associate	19	975	1,154
Joint ventures	20	131,960	108,135
Deferred income tax assets	29	8,382	8,219
Financial assets at fair value through other comprehensive income	21	11,800	11,800
Mortgage loans receivables	24(c)	53,973	64,006
Other non-current assets	22	1,106	1,133
		1,601,473	1,631,189
Current assets			
Cash and bank balances	23	728,119	663,957
Trade debtors, net	24(a)	789,528	788,695
Contract assets	26	703,420	869,620
Prepayments, deposits and other receivables	24(b)	399,806	481,301
Mortgage loans receivables	24(c)	2,119	2,429
Inventories	25	76,183	87,102
Completed properties held for sale	27	49,486	49,317
Property under development for sale	16	658,377	415,039
Due from joint ventures/joint operations	20	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
Equity			
Share capital	32	87,611	87,611
Other reserves	33	458,233	396,918
Retained profits	33	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

Consolidated Balance Sheet

As at 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Liabilities			
Non-current liabilities			
Long-term borrowings	*28*	835,571	1,443,657
Deferred income tax liabilities	*29*	7,632	7,695
Other non-current liabilities	*30(c)*	37,842	6,940
		881,045	1,458,292
Current liabilities			
Short-term bank loans	*28*	263,076	691,204
Current portion of long-term borrowings	*28*	611,947	142,016
Payables to suppliers and subcontractors	*30(a)*	259,267	323,410
Accruals, retention payables, deposits received and other liabilities	*30(b)*	722,300	753,526
Derivative financial liabilities	*31*	–	85
Income tax payable		10,205	2,903
Contract liabilities	*26*	833,145	343,838
Due to joint operations	*20*	2,799	4,106
Due to other partners of joint operations	*20*	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

The financial statements on pages 62 to 142 were approved by the Board of Directors on 23 June 2021 and were signed on its behalf.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2021

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Currency translation reserve HK$'000	Property revaluation reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2019	87,611	413,776	359	(24,341)	55,366	1,092	845,430	1,379,293	4,066	1,383,359
Loss for the year	–	–	–	–	–	–	(41,561)	(41,561)	(917)	(42,478)
Other comprehensive loss:										
Currency translation differences	–	–	–	(48,946)	–	–	–	(48,946)	–	(48,946)
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(388)	–	(388)	–	(388)
Non-controlling interests arising from step acquisition of a subsidiary *(Note 36)*	–	–	–	–	–	–	–	–	53	53
2019 final dividend	–	–	–	–	–	–	(6,571)	(6,571)	–	(6,571)
2020 interim dividend	–	–	–	–	–	–	(4,381)	(4,381)	–	(4,381)
As at 31 March 2020	87,611	413,776	359	(73,287)	55,366	704	792,917	1,277,446	3,202	1,280,648
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 *(Note 11)*	–	–	–	–	–	–	(6,571)	(6,571)	–	(6,571)
2021 interim dividend *(Note 11)*	–	–	–	–	–	–	(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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Net cash from operations	*34(a)*	721,435	72,813
Hong Kong profits tax refunded		5,152	138
Hong Kong profits tax paid		(5,765)	(21,733)
Non-Hong Kong tax paid		(43,634)	(1,215)
Net cash from operating activities		677,188	50,003
Cash flows from investing activities			
Investment in joint ventures		(22,194)	(33,727)
Purchase of property, plant and equipment		(20,486)	(15,411)
Additions to investment properties		–	(47)
Acquisition of a subsidiary, net of cash acquired	*36*	–	(713)
Proceeds from disposal of property, plant and equipment		285	1,013
Proceeds from disposal of investment property		42,716	–
Dividend received from an associate		–	114
Interest received		4,866	6,201
Net decrease/(increase) in mortgage loan receivables		10,328	(6,715)
Net cash from/(used in) investing activities		15,515	(49,285)

Consolidated Cash Flow Statement

For the year ended 31 March 2021

	Note	2021 *HK$'000*	2020 *HK$'000*
Cash flows from financing activities	*34(b)*		
Repayment of bank loans		**(570,188)**	(231,246)
Drawdown of bank loans		**3,510**	169,412
Decrease/(increase) in restricted deposits		**16,019**	(3,688)
Capital element of lease payments		**(23,834)**	(12,729)
Interest element of lease payments		**(1,195)**	(978)
Dividend paid		**(10,952)**	(10,952)
Interest paid		**(40,919)**	(80,340)
Net cash used in financing activities		**(627,559)**	(170,521)
Net increase/(decrease) in cash and cash equivalents		**65,144**	(169,803)
Cash and cash equivalents at beginning of year		**570,567**	747,136
Exchange gain/(loss) on cash and cash equivalents		**15,037**	(6,766)
Cash and cash equivalents at end of year		**650,748**	570,567
Analysis of cash and cash equivalents	*23(b)*		
Cash and bank balances		**638,904**	390,047
Time deposits		**11,844**	180,520
		650,748	570,567

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 23 June 2021.

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 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 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.

(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.

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.

Notes to the Consolidated Financial Statements

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.

Notes to the Consolidated Financial Statements

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".

Notes to the Consolidated Financial Statements

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.

(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.

2 Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(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.

Notes to the Consolidated Financial Statements

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).

Notes to the Consolidated Financial Statements

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.

Notes to the Consolidated Financial Statements

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 2021, 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$3,525,000 higher/lower (2020: Group's pre-tax loss for the year would have been approximately HK$4,515,000 lower/higher).

(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 2021, had interest rates been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK$11,909,000 lower/higher (2020: post-tax loss for the year would have been HK$16,656,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings net of higher/lower interest income on cash deposits 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, amount 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.

Notes to the Consolidated Financial Statements

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 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**
At 31 March 2020				
Not yet due	0%	1,597,827	–	1,597,827
1-30 days past due	0%	9,516	–	9,516
31-90 days past due	2%	10,025	(248)	9,777
91-180 days past due	3%	10,811	(301)	10,510
Over 180 days past due	61%	79,119	(48,434)	30,685
Total		1,707,298	(48,983)	1,658,315

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 2021, except for other receivables of HK$14,421,000 (2020: HK$14,181,000) 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 2021 and 2020 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 2021, the Group held cash and bank deposits of HK$728,119,000 (2020: HK$663,957,000) and trade debtors of HK$789,528,000 (2020: HK$788,695,000) that are expected to generate cash inflows in the next twelve months for managing liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*
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**	**–**	**–**
At 31 March 2020			
Short-term bank loans and interest thereon	713,541	–	–
Long-term borrowings and interest thereon	190,551	665,645	825,257
Lease liabilities	14,165	5,407	1,580
Payables to suppliers and subcontractors	323,410	–	–
Accruals, retention payables and other liabilities, excluding lease liabilities	680,107	11,431	48,070
Derivative financial liabilities	85	–	–
Due to joint operations	4,106	–	–
Due to other partners of joint operations	50,523	–	–

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 2021 and 2020 were as follows:

	2021	2020
	HK$'000	*HK$'000*
Total borrowings *(Note 28)*	**1,710,594**	2,276,877
Lease liabilities *(Note 14(b))*	**49,283**	20,858
Less: Cash and bank balances *(Note 23)*	**(728,119)**	(663,957)
Net debt	**1,031,758**	1,633,778
Total equity	**1,480,302**	1,280,648
Total capital	**2,512,060**	2,914,426
Debt to capital ratio	**0.41**	0.56

The net debt position resulted primarily from normal operating and investing activities of the Group which include the acquisition of property, plant and equipment, investment properties and property under development for sale (Notes 14, 15 and 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 and liabilities that are measured at fair value at 31 March 2021 and 2020. 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**

	At 31 March 2020			
	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
Liabilities				
Derivative financial instruments	–	85	–	85

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 2021 and 2020:

	2021 *HK$'000*	2020 *HK$'000*
Unlisted equity securities		
Beginning of year	11,800	12,200
Fair value loss recognised in other comprehensive income	–	(388)
Transfer out upon acquisition	–	(12)
End of year	11,800	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.

Notes to the Consolidated Financial Statements

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.

	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

(b) Segment information

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.

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 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)

	Construction HK$'000	Electrical & Mechanical Installation HK$'000	Building Materials Supply HK$'000	Property Investment and Development HK$'000	Hotel Operations HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2020							
Total sales	5,366,321	1,816,950	467,266	13,575	60,963	139,778	7,864,853
Inter-segment sales	(75,423)	(569,255)	(420,640)	–	–	(105,378)	(1,170,696)
External sales	5,290,898	1,247,695	46,626	13,575	60,963	34,400	6,694,157
Segment results	38,588	30,373	(47,696)	(12,893)	(5,135)	(4,190)	(953)
Share of loss of an associate	–	(75)	–	–	–	–	(75)
Share of loss of joint ventures	–	–	(6,509)	–	–	–	(6,509)
	38,588	30,298	(54,205)	(12,893)	(5,135)	(4,190)	(7,537)
Unallocated expense							(68)
Finance costs							(31,624)
Loss before income tax							(39,229)
Income tax expense							(3,249)
Loss for the year							(42,478)
At 31 March 2020							
Segment assets	2,034,949	704,761	756,537	683,225	528,678	203,004	4,911,154
Interest in an associate	–	1,129	–	–	–	25	1,154
Interests in joint ventures	–	–	108,135	–	–	–	108,135
Unallocated assets							30,108
Total assets							5,050,551
Segment liabilities	(839,596)	(559,348)	(49,106)	(22,134)	(1,787)	(10,647)	(1,482,618)
Bank loans							(2,276,877)
Unallocated liabilities							(10,408)
Total liabilities							(3,769,903)
Year ended 31 March 2020							
Capital expenditure	13,680	2,356	4,289	47	1,078	7,662	29,112
Depreciation	13,309	9,251	47,545	–	19,345	6,791	96,241
Amortisation of other intangible assets	–	1,056	–	–	–	–	1,056
Fair value loss on investment properties	–	–	–	10,537	–	–	10,537

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

The analysis of revenue by geographical area is as follows:

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

Notes to the Consolidated Financial Statements

6 Other income and losses, net

	2021 HK$'000	2020 HK$'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 *(Note 15)*	**(4,451)**	(10,537)
Exchange gain/(loss), net	**3,154**	(5,334)
	(1,906)	(15,828)
	39,051	21,654

Notes to the Consolidated Financial Statements

7 Expenses by nature

	2021 *HK$'000*	2020 *HK$'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)* *(Note 13)*	**921,325**	1,007,815
Directors' emoluments *(Note 40)*	**24,218**	24,140
Depreciation *(Note 14)*		
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 other intangible assets *(Note 17)*	**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".

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 (2020: four) Directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments paid and payable to the remaining one (2020: one) highest-paid individual in 2021 were as follows:

	2021 *HK$'000*	2020 *HK$'000*
Salaries	1,885	1,885
Bonuses	745	745
Retirement benefits	87	87
	2,717	2,717

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
HK$2,500,001-HK$3,000,000	1	1

(b) During the years ended 31 March 2021 and 2020, 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 2021 and 2020:

	Number of individuals	
	2021	2020
HK$1,500,001-HK$2,000,000	1	1
HK$2,000,001-HK$2,500,000	5	5
	6	6

Notes to the Consolidated Financial Statements

9 Finance costs

	2021 HK$'000	2020 HK$'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 *(Note 14(b)(ii))*	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.

10 Income tax expense

	2021 HK$'000	2020 HK$'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 *(Note 29)*	(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%).

10 Income tax expense (continued)

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

	2021 HK$'000	2020 HK$'000
Profit/(loss) before income tax	163,458	(39,229)
Share of loss of an associate and joint ventures	7,851	6,584
	171,309	(32,645)
Calculated at a taxation rate of 16.5% (2020: 16.5%)	28,266	(5,386)
Effect of different tax rates in other countries	(1,384)	(865)
Income not subject to taxation	(20,298)	(1,324)
Expenses not deductible for taxation purposes	5,876	3,084
Temporary differences not recognised	(1,060)	(1,200)
Tax losses not recognised	13,781	19,385
Utilisation of previously unrecognised tax losses	(10,198)	(9,649)
Over-provision in prior years	(418)	(674)
Others	(398)	(122)
Income tax expense	14,167	3,249

Notes to the Consolidated Financial Statements

11 Dividend

	2021 HK$'000	2020 HK$'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.

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

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

	2021 HK$'000	2020 HK$'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.

13 Staff costs (excluding directors' emoluments)

	2021 HK$'000	2020 HK$'000
Salaries, wages and bonuses	871,102	951,592
Provision for unutilised annual leave	3,172	1,010
Long service payments and pension costs	44,211	53,773
Termination benefits	2,840	1,440
	921,325	1,007,815

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	Construction in progress HK$'000	Total HK$'000
Year ended 31 March 2020										
Opening net book value	471,547	403,854	68,064	18,895	65,755	133,850	23,581	12,962	79,452	1,277,960
Additions	–	91	–	4,193	2,272	10,248	9,048	3,077	136	29,065
Disposals	–	–	–	–	–	(140)	(96)	(734)	–	(970)
Transfer	–	77,306	–	–	–	–	–	–	(77,306)	–
Acquisition of a subsidiary *(Note 36)*	–	–	–	–	124	1,315	6	–	–	1,445
Depreciation *(Note 7)*	(2,954)	(21,724)	(1,841)	(9,154)	(16,338)	(28,652)	(9,714)	(5,864)	–	(96,241)
Currency translation differences	–	(20,229)	(3,749)	(13)	(100)	(3,112)	(272)	(176)	(2,282)	(29,933)
Closing net book value	468,593	439,298	62,474	13,921	51,713	113,509	22,553	9,265	–	1,181,326
At 31 March 2020										
Cost	490,993	566,190	77,483	23,068	193,132	364,985	154,265	55,296	–	1,925,412
Accumulated depreciation	(22,400)	(126,892)	(15,009)	(9,147)	(141,419)	(251,476)	(131,712)	(46,031)	–	(744,086)
Net book value	468,593	439,298	62,474	13,921	51,713	113,509	22,553	9,265	–	1,181,326
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**

Notes to the Consolidated Financial Statements

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$526,381,000 (2020: HK$531,690,000) (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:

	2021 *HK$'000*	2020 *HK$'000*
Right-of-use assets		
Hotel property	**361,538**	361,978
Leasehold land	**49,414**	51,296
Land use rights	**65,203**	62,474
Leased properties	**42,859**	13,921
Plant and machinery	**4,124**	5,393
Motor vehicles	**5,835**	3,274
	528,973	498,336
Lease liabilities		
Current (included in accruals, retention payables, deposits received and other liabilities)	**23,921**	13,918
Non-current (included in other non-current liabilities)	**25,362**	6,940
	49,283	20,858

Additions to the right-of-use assets during the year ended 31 March 2021 were HK$27,619,000 (2020: HK$13,654,000).

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:

	2021 *HK$'000*	2020 *HK$'000*
Depreciation charge of right-of-use assets		
Hotel property	440	440
Leasehold land	1,882	1,882
Land use rights	1,849	1,841
Leased properties	17,060	9,154
Plant and machinery	1,269	952
Motor vehicles	2,259	1,026
	24,759	15,295
Interest expense (included in cost of sales and finance costs) *(Note 9)*	1,195	978
Expense relating to short-term leases *(Note 7)*	79,380	71,868

The total cash outflow for leases during the year ended 31 March 2021 was HK$104,409,000 (2020: HK$85,575,000).

Notes to the Consolidated Financial Statements

15 Investment properties

	2021 HK$'000	2020 HK$'000
Beginning of year	229,412	241,962
Additions	–	47
Disposals	(42,716)	–
Fair value loss recognised in the consolidated income statement, net *(Note 6)*	(4,451)	(10,537)
Currency translation differences	795	(2,060)
End of year	183,040	229,412

Valuation process

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31 March 2021 and 2020 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 2021 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 2021 HK$'000	Fair value 2020 HK$'000	Valuation Techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Singapore	Retail shops*	–	39,702	Direct comparison	Comparable sales price (2020: S$1,371 to S$2,867 per square feet)	The higher the comparable sales price, the higher the fair value
Hong Kong	Residential units/ retail shops	167,000	173,210	Direct comparison	Comparable sales price – HK$10,246 to HK$49,231 per square feet (2020: HK$10,109 to HK$54,135 per square feet)	The higher the comparable sales price, the higher the fair value
Macau	Commercial unit	16,040	16,500	Direct comparison	Comparable sales price – HK$9,271 to HK$11,867 per square feet (2020: HK$10,685 to HK$12,547 per square feet)	The higher the comparable sales price, the higher the fair value
		183,040	229,412			

Investment properties amounting to HK$113,800,000 (2020: HK$158,002,000) are pledged as security for the bank loans of the Group (Notes 28 and 35(d)).

* The investment property was sold during the year ended 31 March 2021.

Notes to the Consolidated Financial Statements

16 Property under development for sale

	2021 HK$'000	2020 HK$'000
Beginning of year	415,039	355,783
Additions	243,338	59,256
End of year	658,377	415,039

Property under development for sale amounting to HK$658,377,000 (2020: HK$415,039,000) are pledged as security for the bank loans of the Group (Notes 28 and 35(d)).

17 Goodwill and other intangible assets

	Goodwill HK$'000	Other intangible assets HK$'000	Total HK$'000
Year ended 31 March 2020			
Opening net book value	15,905	10,398	26,303
Acquisition of a subsidiary *(Note 36)*	757	–	757
Amortisation *(Note 7)*	–	(1,056)	(1,056)
Closing net book value	16,662	9,342	26,004
At 31 March 2020			
Cost	16,662	21,837	38,499
Accumulated amortisation	–	(12,495)	(12,495)
Net book value	16,662	9,342	26,004
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

17 Goodwill and other intangible assets (continued)

(a) Goodwill arising from the acquisition of REC Engineering Company Limited group ("REC") and the acquisition of O-Link Limited is allocated to REC's CGUs identified according to operating segments.

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

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

(i) gross margin ranging from 6% to 7% per annum (2020: 6% to 7%);

(ii) growth rate ranging from 1% to 2% per annum (2020: 1% to 2%); and

(iii) discount rate of 9.5% per annum (2020: 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 2021:

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Bellaglade Company Limited	Hong Kong	HK$2	Property holding	–	100%	100%
Best Fortune Investment Limited	Hong Kong	HK$5,000,000	Property investment	–	100%	100%
City Hope Limited	The British Virgin Islands/Hong Kong	US$10	Property investment	–	90%	90%
First Smart Investment Limited	Hong Kong	HK$2	Financing services	–	100%	100%
Global Virtual Design and Construction (Singapore) Pte. Ltd.	Singapore	S$10,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Global Virtual Design and Construction Limited	Hong Kong	HK$1	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Global Virtual Design and Construction Sdn. Bhd.	Malaysia	RM10,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
Grace Top Investment Limited	Hong Kong	HK$1	Property holding	–	100%	100%
Guangdong Yuean REC Mechanical and Electrical Engineering Company Limited**	Mainland China	RMB3,204,836	Engineering services	–	100%	100%
Hanton (Asia) Limited	Hong Kong	HK$1	Property investment	–	60%	60%
InnoVision Architects & Engineers Limited	Hong Kong	HK$1	Architectural and engineering services	–	100%	100%
Leena Theme Painting Limited	Hong Kong	HK$1	Theme painting	–	100%	100%
Million Wealth Enterprises Limited	Hong Kong	HK$2	Property investment	–	100%	100%
O-Link Limited	Hong Kong	HK$2,000,000	Provision of welding services for pipes and fillings	–	55%	55%

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

Notes to the Consolidated Financial Statements

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%

Notes to the Consolidated Financial Statements

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 Building Materials Trading Company Limited	Hong Kong	HK$2	Trading of building materials	–	100%	100%
Yau Lee Construction (Macau) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction (Singapore) Pte. Ltd.	Singapore	S$37,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK$236,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Management Company Limited	Hong Kong	HK$2	Project management & consultancy services	–	100%	100%
Yau Lee Curtain Wall and Steel Works Limited	Hong Kong	HK$25,000,000	Curtain wall installation	–	100%	100%
Yau Lee Development (Singapore) Pte. Ltd.	Singapore	S$50,000	Property and investment holding	–	100%	100%
Yau Lee Hotel Limited	Hong Kong	HK$2	Hotel management	–	100%	100%
Yau Lee Innovative Technology Limited	Hong Kong	HK$2	Licensing of patent	–	100%	100%
Yau Lee Investment Limited	The Cook Islands/ Hong Kong	US$100	Investment holding	100%	–	100%
Yau Lee Wah Concrete Precast Products Company Limited	Hong Kong	HK$10,000,000	Sale of precast products	–	100%	100%
Yau Lee Wah Precast Technology (Luoyang) Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%

Notes to the Consolidated Financial Statements

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 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%
Yau Lee Wah Technology Development Company Limited	Hong Kong	HK$10,000	Investment holding	–	100%	100%
有利華建材(惠州)有限公司*	Mainland China	HK$255,000,000	Manufacturing of precast products and building materials	–	100%	100%
有利華建築產業化科技(深圳)有限公司*	Mainland China	HK$1,000,000	Sale of precast products	–	100%	100%
有利華建築產業文化(深圳)有限公司*	Mainland China	HK$10,000	Books distribution and provision of training	–	100%	100%
有利華建築預制件(深圳)有限公司*	Mainland China	HK$21,000,000	Manufacturing of precast products	–	100%	100%
全球模擬設計與建造(深圳)有限公司*	Mainland China	HK$1,000,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	–	100%	100%
利盈電機電工程(上海)有限公司*	Mainland China	US$13,920,000	Engineering services	–	100%	100%
利華泰建材貿易(深圳)有限公司*	Mainland China	HK$2,100,000	Trading of building materials	–	100%	100%
盈電環保節能科技(廣州)有限公司*	Mainland China	RMB1,500,000	Trading of environmental technology products	–	100%	100%
緯衡浩建科技(深圳)有限公司*	Mainland China	HK$3,000,000	Computer software development	–	100%	100%

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

Notes to the Consolidated Financial Statements

19 Associate

	2021 HK$'000	2020 HK$'000
Beginning of year	1,154	1,229
Share of loss	(179)	(75)
End of year	975	1,154

(a) The following are the details of the Group's associate at 31 March 2021 and 2020:

Name	Particulars of issued share capital	Place of incorporation	Interest held 2021	Interest held 2020
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.

Notes to the Consolidated Financial Statements

20 Joint arrangements

	2021 *HK$'000*	2020 *HK$'000*
Investments in joint ventures		
Beginning of year	**108,135**	87,577
Additions	**22,194**	33,727
Share of loss	**(7,672)**	(8,118)
Currency translation differences	**9,303**	(5,051)
End of year	**131,960**	108,135
Obligation in respect of joint ventures		
Beginning of year	**–**	(1,609)
Share of profit	**–**	1,609
End of year	**–**	–
Due from joint ventures *(Note (f))*	**1,568**	1,471
Due from joint operations *(Note (f))*	**45,321**	42,937
	46,889	44,408
Due to joint operations *(Note (f))*	**(2,799)**	(4,106)
Due to other partners of joint operations *(Note (f))*	**(45,742)**	(50,523)

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 2021 and 2020:

Name	Particulars of registered/issued share capital	Place of incorporation	Effective interest	
			2021	2020
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%**	51%

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

(b) 江蘇益建拓華智能建築科技有限公司 (formerly known as 江蘇省第一建築安裝集團(鎮江)產業化科技有限公司) is a joint venture with a Chinese party, and is engaged in precast development and distribution.

(c) 湖北廣盛建築產業化科技有限公司, 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 is inactive as at 31 March 2021 and 2020.

20 Joint arrangements (continued)

(e) The following is a list of the Group's joint operations at 31 March 2021 and 2020:

Name	Place of establishment	Principal activities	Effective interest 2021	Effective interest 2020
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.

Notes to the Consolidated Financial Statements

21 Financial assets at fair value through other comprehensive income

The movement of unlisted equity securities are as follows:

	2021	2020
	HK$'000	*HK$'000*
Financial assets at fair value through other comprehensive income		
Beginning of year	**11,800**	12,200
Fair value loss recognised	**–**	(388)
Transfer out upon acquisition *(Note 36)*	**–**	(12)
End of year	**11,800**	11,800

As at 31 March 2021 and 2020, 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

	2021	2020
	HK$'000	*HK$'000*
Other receivables	**1,106**	1,133

Notes to the Consolidated Financial Statements

23 Cash and bank balances

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**638,904**	390,047
Time deposits	**11,844**	180,520
Restricted deposits *(Note a)*	**77,371**	93,390
	728,119	663,957

(a) Restricted deposits are funds which are pledged as security for the banking facilities of the Group (Notes 28 and 35(a)).

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

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**638,904**	390,047
Time deposits with original maturity of less than three months	**11,844**	180,520
	650,748	570,567

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

	2021 HK$'000	2020 HK$'000
Hong Kong dollars	**489,970**	408,817
Renminbi	**186,879**	197,640
Macau Patacas	**23,597**	36,932
Singapore dollars	**18,665**	8,352
Japanese yen	**8,245**	10,888
Other currencies	**763**	1,328
	728,119	663,957

(d) Interest rates of time deposits and restricted deposits ranged from 0.02% to 2.48% (2020: 0.30% to 2.00%) per annum.

Notes to the Consolidated Financial Statements

24 Trade and other receivables

(a) Trade debtors, net

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

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

	2021 HK$'000	2020 HK$'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.

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:

	2021 HK$'000	2020 HK$'000
Beginning of year	48,983	62,248
Movement in loss allowance	(2,982)	(9,047)
Write off of impaired receivables	–	(4,187)
Currency translation differences	50	(31)
End of year	46,051	48,983

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

	2021 HK$'000	2020 HK$'000
Hong Kong dollars	726,606	745,253
Macau Patacas	33,770	32,885
Renminbi	28,524	9,855
Singapore dollars	522	596
United States dollars	106	106
	789,528	788,695

Notes to the Consolidated Financial Statements

24 Trade and other receivables (continued)

(b) Prepayments, deposits and other receivables

	2021 HK$'000	2020 HK$'000
Advances to subcontractors	306,261	373,023
Prepayments and deposits	40,035	32,025
Other receivables	53,510	76,253
	399,806	481,301

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$235,654,000 (2020: HK$317,473,000) which carry interest ranging from 4.0% to 9.0% (2020: 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.

(c) Mortgage loans receivables

	2021 HK$'000	2020 HK$'000
Mortgage loans receivables	55,965	66,293
Interest receivable	127	142
	56,092	66,435
Included in:		
Non-current	53,973	64,006
Current	2,119	2,429
	56,092	66,435

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 2021 and 2020, none of loan and interest receivables were past due or impaired.

Notes to the Consolidated Financial Statements

25 Inventories

	2021 HK$'000	2020 HK$'000
Raw materials	**54,802**	63,628
Finished goods	**18,072**	19,530
Others	**3,309**	3,944
	76,183	87,102

26 Contract assets and contract liabilities

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

	2021 HK$'000	2020 HK$'000
Contract assets related to		
Construction contracts and electrical and mechanical installation contracts	**703,420**	869,620
Contract liabilities related to		
Construction contracts and electrical and mechanical installation contracts	**831,313**	341,959
Others	**1,832**	1,879
	833,145	343,838

(i) Revenue recognised in relation to contract liabilities

Revenue of HK$285,393,000 (2020: HK$360,100,000) 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$4,338,000 (2020: HK$15,696,000) 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 2021, 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$12,954,269,000 (2020: HK$12,016,709,000). The amounts expected to be recognised within 1 year is HK$6,490,050,000 (2020: HK$5,523,826,000) for construction contracts and electrical and mechanical installation contracts. The remaining amounts expected to be recognised over 1 year.

Notes to the Consolidated Financial Statements

27 Completed properties held for sale

	2021 HK$'000	2020 HK$'000
Beginning of year	49,317	60,617
Additions	169	–
Properties sold	–	(11,300)
End of year	49,486	49,317

28 Borrowings

	2021 HK$'000	2020 HK$'000
Non-current		
Long-term bank loans – secured	835,571	1,443,657
Current		
Short-term bank loans – secured	263,076	691,204
Current portion of long-term bank loans – secured	611,947	142,016
	875,023	833,220
Total borrowings	1,710,594	2,276,877

(a) The maturity of borrowings is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year	875,023	833,220
After 1 year but within 2 years	748,571	626,947
After 2 years but within 5 years	87,000	816,710
	1,710,594	2,276,877

28 Borrowings (continued)

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

	2021 %	2020 %
Short-term bank loans	1.7	3.2
Long-term bank loans	1.5	3.2

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

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

	2021 HK$'000	2020 HK$'000
Hong Kong dollars	1,710,594	2,275,783
Singapore dollars	–	1,094
	1,710,594	2,276,877

(e) The bank borrowings are secured by certain property, plant and equipment, investment properties, property under development for sale and restricted deposits of the Group (Notes 14, 15, 16, 23 and 35).

Notes to the Consolidated Financial Statements

29 Deferred income tax

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

	2021 HK$'000	2020 HK$'000
Beginning of year	524	(4,213)
Credited to consolidated income statement *(Note 10)*	441	4,558
Currency translation differences	(215)	179
End of year	750	524

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)	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Beginning of year	21,487	19,708	(1,421)	(1,596)	(17,887)	(20,670)	(1,655)	(1,655)	524	(4,213)
(Charged)/credited to consolidated income statement	(2,567)	1,779	174	175	2,780	2,604	54	–	441	4,558
Currency translation differences	–	–	–	–	(215)	179	–	–	(215)	179
End of year	18,920	21,487	(1,247)	(1,421)	(15,322)	(17,887)	(1,601)	(1,655)	750	524

Notes to the Consolidated Financial Statements

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:

	2021 *HK$'000*	2020 *HK$'000*
Deferred income tax assets	8,382	8,219
Deferred income tax liabilities	(7,632)	(7,695)

As at 31 March 2021, the Group has unrecognised tax losses of approximately HK$953,514,000 (2020: HK$925,997,000) to carry forward against future taxable income.

	2021 *HK$'000*	2020 *HK$'000*
With no expiry date	864,751	823,436
Expiring not later than one year	8,798	32,049
Expiring later than one year and not later than five years	79,965	70,512
	953,514	925,997

Notes to the Consolidated Financial Statements

30 Trade and other payables

(a) Payable to suppliers and subcontractors

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

	2021 *HK$'000*	2020 *HK$'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

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

	2021 *HK$'000*	2020 *HK$'000*
Hong Kong dollars	**239,796**	303,435
Renminbi	**16,550**	15,442
Macau Patacas	**1,600**	75
United States dollars	**1,039**	2,960
Singapore dollars	**282**	1,423
Other currencies	**–**	75
	259,267	323,410

Notes to the Consolidated Financial Statements

30 Trade and other payables (continued)

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

	2021 HK$'000	2020 HK$'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 *(Note 14(b)(i))*	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.

(c) Other non-current liabilities

	2021 HK$'000	2020 HK$'000
Lease liabilities *(Note 14(b)(i))*	25,362	6,940
Others	12,480	–
	37,842	6,940

31 Derivative financial liabilities

As at 31 March 2020, the Group entered into several foreign currency forward contracts with total notional amount of HK$7,855,000 in exchanging Euro for Hong Kong dollars. The contracts were re-measured to fair value with liability of HK$85,000.

The contracts have matured in April and September 2020 respectively.

32 Share capital

	Number of shares		Amount	
	2021	2020	2021 HK$'000	2020 HK$'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

Notes to the Consolidated Financial Statements

33 Other reserves and retained profits

	Other reserves						
	Share premium	Capital redemption reserve	Currency translation reserve	Property revaluation reserve	Other reserve	Total	Retained profits
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2019	413,776	359	(24,341)	55,366	1,092	446,252	845,430
Loss for the year	–	–	–	–	–	–	(41,561)
Other comprehensive loss:							
Currency translation differences	–	–	(48,946)	–	–	(48,946)	–
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	(388)	(388)	–
2019 final dividend	–	–	–	–	–	–	(6,571)
2020 interim dividend	–	–	–	–	–	–	(4,381)
As at 31 March 2020	413,776	359	(73,287)	55,366	704	396,918	792,917
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 *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**(6,571)**
2021 interim dividend *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**(4,381)**
As at 31 March 2021	**413,776**	**359**	**(11,972)**	**55,366**	**704**	**458,233**	**932,393**

Notes to the Consolidated Financial Statements

34 Notes to consolidated cash flow statement

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

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Operating profit/(loss)	185,016	(1,021)
Interest income	(18,366)	(24,987)
Interest expense	20,068	37,202
Loss/(gain) on disposal of property, plant and equipment, net	609	(43)
Gain on lease modification	(136)	–
Fair value loss on investment properties, net	4,451	10,537
Amortisation of other intangible assets	1,056	1,056
Depreciation	102,726	96,241
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
Provision for replacement cost and related charges for "lead-in-water" incident	20,800	8,500
Operating profit before working capital changes	317,816	143,858
Trade debtors, net	(230)	5,253
Inventories	12,512	3,342
Prepayments, deposits and other receivables	95,303	(64,575)
Contract assets	166,297	(122,697)
Property under development for sale	(234,999)	(46,764)
Completed properties held for sale	(169)	11,300
Net change in balances with joint ventures/joint operations/ other partners of joint operations	(8,569)	11,962
Payables to suppliers and subcontractors	(65,249)	41,542
Accruals, retention payables, deposit received and other liabilities	(50,410)	227,386
Contract liabilities	489,133	(137,794)
Net cash from operations	721,435	72,813

Notes to the Consolidated Financial Statements

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 2019	2,338,341	19,961	2,358,302
Repayment of bank loans	(231,246)	–	(231,246)
Drawdown of bank loans	169,412	–	169,412
Amortisation charges of prepaid loan arrangement fee	370	–	370
Accrued interest	80,340	978	81,318
Interest paid	(80,340)	(978)	(81,318)
Capital element of lease payments	–	(12,729)	(12,729)
Inception of leases *(Note (c))*	–	13,654	13,654
Currency translation differences	–	(28)	(28)
Balance at 31 March 2020	2,276,877	20,858	2,297,735
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**

(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$27,619,000 (2020: HK$13,654,000).

35 Banking facilities

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$4,558,278,000 (2020: HK$5,201,297,000), of which HK$2,070,897,000 (2020: HK$2,676,039,000) had been utilised. These banking facilities are secured by the following:

(a) Restricted deposits of HK$77,371,000 (2020: HK$93,390,000) (Note 23);

(b) Guarantees of HK$4,552,842,000 (2020: HK$5,193,649,000) provided by the Company;

(c) Trade receivables of certain construction contracts; and

(d) Property, plant and equipment of HK$526,381,000 (2020: HK$531,690,000), investment properties of HK$113,800,000 (2020: HK$158,002,000) and property under development for sale of HK$658,377,000 (2020: HK$415,039,000) (Notes 14, 15 and 16).

Notes to the Consolidated Financial Statements

36 Business combination

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

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

	HK$'000
Consideration paid as at acquisition date	
Cash	810
Fair value of the shares held by the Group *(Note 21)*	12
	822
Recognised amounts of identifiable assets acquired, liabilities assumed and non-controlling interests	
Property, plant and equipment	1,445
Trade debtors, net	60
Deposits	129
Cash and bank balances	97
Accruals, deposits received and other liabilities	(1,613)
Total identifiable net assets	118
Goodwill	757
Less: Non-controlling interest initially recognised as at acquisition date	(53)
Net assets acquired	822
Net cash outflow arising from the acquisitions	
Cash and cash equivalents acquired	97
Less: Cash consideration	(810)
	(713)

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

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 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**	–

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:

	2021 *HK$'000*	2020 *HK$'000*
Within one year	**2,533**	5,516
One year to five years	**1,477**	4,810
	4,010	10,326

39 Related party transactions

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

Significant transaction with related parties

	2021 *HK$'000*	2020 *HK$'000*
Revenue from sales of goods to joint ventures	**–**	11,526

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:

	2021 *HK$'000*	2020 *HK$'000*
Salaries and fees	**21,317**	21,317
Discretionary bonuses	**1,919**	1,841
Pension costs – defined contribution scheme	**939**	939
Others	**43**	43
	24,218	24,140

40 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

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

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.

Notes to the Consolidated Financial Statements

40 Benefits and interests of directors (continued)

(b) Directors' retirement benefits and termination benefits

The directors did not receive or will receive any retirement or termination benefits for the year ended 31 March 2021 (2020: 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 2021 (2020: 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 2021 (2020: 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 2021 (2020: Nil).

41 Balance sheet and reserve movement of the Company

Balance sheet of the Company

As at 31 March 2021

		2021	2020
		HK$'000	*HK$'000*
Assets			
Non-current asset			
Subsidiaries		571,615	571,615
Current assets			
Cash and bank balances		18,326	18,727
Prepayments, deposits and other receivables		332	439
Due from subsidiaries		1,685,030	1,463,419
Due from a joint venture		1,568	1,471
Prepaid income tax		255	–
		1,705,511	1,484,056
Total assets		2,277,126	2,055,671
Equity			
Share capital		87,611	87,611
Other reserves	*Note*	414,135	414,135
Retained profits	*Note*	1,045,662	902,752
Total equity		1,547,408	1,404,498
Liabilities			
Current liabilities			
Accruals and other liabilities		1,894	1,724
Due to subsidiaries		727,824	649,449
Total liabilities		729,718	651,173
Total equity and liabilities		2,277,126	2,055,671

Notes to the Consolidated Financial Statements

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

Note: Reserve movement of the Company
For the year ended 31 March 2021

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

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 vacant	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

	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	**2021** ***HK$'000***
Revenue	6,124,053	5,653,938	5,618,078	6,694,157	**6,794,756**
(Loss)/profit before income tax	(22,303)	50,864	40,362	(39,229)	**163,458**
Income tax (expense)/credit	(7,453)	1,833	(9,954)	(3,249)	**(14,167)**
Less: profit/(loss) attributable to non-controlling interests	42	162	321	(917)	**(1,137)**
(Loss)/profit attributable to equity holders of the Company	(29,798)	52,535	30,087	(41,561)	**150,428**

Consolidated assets and liabilities

As at 31 March

	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	**2021** ***HK$'000***
Total assets	5,575,630	5,089,344	5,042,426	5,050,551	**5,109,828**
Total liabilities and non-controlling interests	(4,180,553)	(3,613,521)	(3,663,133)	(3,773,105)	**(3,631,591)**
Shareholders' equity	1,395,077	1,475,823	1,379,293	1,277,446	**1,478,237**

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