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有利集團有限公司*
Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 0406)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

HIGHLIGHTS

The Group reported revenue of HK\$3,541,286,000 (2014: HK\$4,073,008,000) for the six months ended 30 September 2015 (the “period”).

The gross profit for the period was HK\$155,271,000 (2014: HK\$216,720,000).

Loss for the period was HK\$65,541,000 (2014: profit of HK\$47,229,000).

Basic and diluted loss per share was approximately HK15.77 cents (2014: earnings per share of HK10.76 cents).

The net asset value attributable to equity holders of the Company as at 30 September 2015 was HK\$1,509,367,000 (31 March 2015: HK\$1,596,156,000), equivalent to HK\$3.45 (31 March 2015: HK\$3.64) per share based on the 438,053,600 (31 March 2015: 438,053,600) ordinary shares in issue.

* For identification purpose only

INTERIM RESULTS

The Board of Directors (the “Board”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2015 were as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2015

		Six months ended 30 September	
	Note	2015 HK\$'000	2014 HK\$'000
Revenue	4	3,541,286	4,073,008
Cost of sales	6	<u>(3,386,015)</u>	<u>(3,856,288)</u>
Gross profit		155,271	216,720
Other income and gains	5	24,877	55,714
Distribution costs	6	(12,683)	(14,046)
Administrative expenses	6	(194,761)	(187,232)
Other operating expenses	6	<u>(20,841)</u>	<u>(2,247)</u>
Operating (loss)/profit		(48,137)	68,909
Finance costs	7	(15,063)	(14,446)
Share of profit of associates		447	682
Share of loss of joint ventures		<u>(3)</u>	<u>(2)</u>
(Loss)/profit before income tax		(62,756)	55,143
Income tax expense	8	<u>(2,785)</u>	<u>(7,914)</u>
(Loss)/profit for the period		<u><u>(65,541)</u></u>	<u><u>47,229</u></u>
Attributable to:			
Equity holders of the Company		(69,097)	47,113
Non-controlling interests		<u>3,556</u>	<u>116</u>
		<u><u>(65,541)</u></u>	<u><u>47,229</u></u>
Interim dividend	9	<u><u>–</u></u>	<u><u>4,381</u></u>
(Loss)/earnings per share (basic and diluted)	10	<u><u>(15.77 cents)</u></u>	<u><u>10.76 cents</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2015

	Six months ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	(65,541)	47,229
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss subsequently:		
Currency translation differences	(7,442)	170
Transactions with non-controlling interests	<u>(1,247)</u>	<u>–</u>
Total comprehensive (loss)/income for the period	<u>(74,230)</u>	<u>47,399</u>
Attributable to:		
Equity holders of the Company	(76,363)	47,283
Non-controlling interests	<u>2,133</u>	<u>116</u>
Total comprehensive (loss)/income for the period	<u>(74,230)</u>	<u>47,399</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2015*

	30 September	31 March
	2015	2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	1,244,625	1,177,404
Investment properties	105,424	97,177
Leasehold land and land use rights	55,614	58,020
Intangible assets	14,094	14,622
Goodwill	15,905	15,905
Associates	2,043	1,596
Deferred income tax assets	3,400	3,400
Available-for-sale financial assets	11,800	11,800
Other non-current assets	61,725	62,442
	<u>1,514,630</u>	<u>1,442,366</u>
Current assets		
Cash and bank balances	1,131,786	1,236,477
Trade debtors, net	1,253,832	1,341,801
Prepayments, deposits and other receivables	514,419	601,342
Inventories	119,029	125,787
Prepaid income tax	810	877
Due from customers on construction contracts	1,134,161	1,020,610
Financial assets at fair value through profit or loss	9,074	42,090
Property under development for sale	607,608	569,459
Due from associates, net	–	494
Due from joint venture/joint operations	34,546	33,928
Due from other partners of joint operations	56,797	56,797
	<u>4,862,062</u>	<u>5,029,662</u>
Total assets	<u>6,376,692</u>	<u>6,472,028</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
As at 30 September 2015

	30 September 2015	31 March 2015
Note	HK\$'000	HK\$'000
EQUITY		
Share capital	87,611	87,611
Other reserves	444,139	451,405
Retained profits		
Proposed dividends	–	10,426
Others	977,617	1,046,714
	<u>1,509,367</u>	<u>1,596,156</u>
Attributable to equity holders of the Company		
Non-controlling interests	<u>3,800</u>	<u>1,667</u>
	<u>1,513,167</u>	<u>1,597,823</u>
LIABILITIES		
Non-current liabilities		
Long-term borrowings	929,530	851,127
Deferred income tax liabilities	3,473	3,560
	<u>933,003</u>	<u>854,687</u>
Current liabilities		
Short-term bank loans	1,180,000	1,105,000
Current portion of long-term borrowings	570,419	494,833
Derivative financial liabilities	7,649	11,700
Payables to suppliers and subcontractors	421,399	652,333
Accruals, retention payables, deposits received and other liabilities	1,192,491	893,738
Income tax payable	19,788	27,553
Obligation in respect of joint ventures	1,406	1,402
Due to customers on construction contracts	447,599	743,434
Due to joint operations	59,696	59,696
Due to other partners of joint operations	30,075	29,829
	<u>3,930,522</u>	<u>4,019,518</u>
Total liabilities	<u>4,863,525</u>	<u>4,874,205</u>
Total equity and liabilities	<u>6,376,692</u>	<u>6,472,028</u>
Net current assets	<u>931,540</u>	<u>1,010,144</u>
Total assets less current liabilities	<u>2,446,170</u>	<u>2,452,510</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2015

	Attributable to equity holders of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Currency translation reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
As at 1 April 2015	87,611	413,776	359	37,270	-	1,057,140	1,596,156	1,667	1,597,823
Comprehensive (loss)/income:									
(Loss)/profit for the period	-	-	-	-	-	(69,097)	(69,097)	3,556	(65,541)
Other comprehensive (loss)/income:									
Currency translation differences	-	-	-	(7,435)	(7)	-	(7,442)	-	(7,442)
Transactions with non-controlling interests	-	-	-	-	176	-	176	(1,423)	(1,247)
2015 final dividend (Note 9)	-	-	-	-	-	(10,426)	(10,426)	-	(10,426)
As at 30 September 2015	87,611	413,776	359	29,835	169	977,617	1,509,367	3,800	1,513,167
As at 1 April 2014	87,611	413,776	359	38,362	-	991,502	1,531,610	1,660	1,533,270
Comprehensive income:									
Profit for the period	-	-	-	-	-	47,113	47,113	116	47,229
Other comprehensive income:									
Currency translation differences	-	-	-	170	-	-	170	-	170
2014 final dividend (Note 9)	-	-	-	-	-	(6,045)	(6,045)	-	(6,045)
As at 30 September 2014	87,611	413,776	359	38,532	-	1,032,570	1,572,848	1,776	1,574,624

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Yau Lee Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are 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. The Group is also engaged in other activities which mainly include computer software development and architectural and engineering services.

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

Condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. Condensed consolidated interim financial information has been approved for issue by the Board of Directors on 23 November 2015.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2015 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The unaudited condensed consolidated interim financial information has been prepared under historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss and investment properties which are carried at fair value.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. ACCOUNTING POLICIES

(i) **New and amended standards mandatory for the first time for the financial year beginning 1 April 2015 but which have no material impact to the Group**

HKAS 19 (2011) Amendment
Annual Improvements Project
Annual Improvements Project

Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle
Annual Improvements 2011-2013 Cycle

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

3. ACCOUNTING POLICIES *(Continued)*

(ii) New standards, amendments and interpretations which have been issued but are not effective for the financial year beginning 1 April 2015 and have not been early adopted

The Group has not early adopted the following new and revised standards, amendments and interpretations that are relevant to the Group. These standards have been issued but not yet effective:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016

The Group is assessing the impact of these new standards and amendments, and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Revenue		
Construction	2,773,202	3,179,215
Electrical and mechanical installation	612,842	822,656
Building materials supply	104,518	8,724
Property investment and development	1,165	1,026
Hotel operations	43,720	55,963
Others	5,839	5,424
	<u>3,541,286</u>	<u>4,073,008</u>

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 significant financial impacts to be reported separately.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Construction <i>HK\$'000</i>	Electrical and mechanical installation <i>HK\$'000</i>	Building materials supply <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended							
30 September 2015							
Total sales	2,829,648	771,703	239,575	1,165	43,720	39,327	3,925,138
Less: Inter-segment sales	<u>(56,446)</u>	<u>(158,861)</u>	<u>(135,057)</u>	-	-	<u>(33,488)</u>	<u>(383,852)</u>
External sales	<u>2,773,202</u>	<u>612,842</u>	<u>104,518</u>	<u>1,165</u>	<u>43,720</u>	<u>5,839</u>	<u>3,541,286</u>
Segment results	(15,896)	16,958	(33,496)	2,009	1,556	(13,503)	(42,372)
Share of profit of associates	-	447	-	-	-	-	447
Share of loss of joint ventures	-	-	(3)	-	-	-	(3)
	<u>(15,896)</u>	<u>17,405</u>	<u>(33,499)</u>	<u>2,009</u>	<u>1,556</u>	<u>(13,503)</u>	<u>(41,928)</u>
Unallocated expenses							(5,765)
Finance costs							<u>(15,063)</u>
Loss before income tax							(62,756)
Income tax expense							<u>(2,785)</u>
Loss for the period							<u>(65,541)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Construction <i>HK\$'000</i>	Electrical and mechanical installation <i>HK\$'000</i>	Building materials supply <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 September 2014							
Total sales	3,243,981	1,040,449	232,248	1,026	55,963	29,814	4,603,481
Less: Inter-segment sales	<u>(64,766)</u>	<u>(217,793)</u>	<u>(223,524)</u>	<u>-</u>	<u>-</u>	<u>(24,390)</u>	<u>(530,473)</u>
External sales	<u>3,179,215</u>	<u>822,656</u>	<u>8,724</u>	<u>1,026</u>	<u>55,963</u>	<u>5,424</u>	<u>4,073,008</u>
Segment results	22,448	401	7,951	34,114	11,996	(5,873)	71,037
Share of profit of associates	-	682	-	-	-	-	682
Share of loss of joint ventures	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
	<u>22,448</u>	<u>1,083</u>	<u>7,949</u>	<u>34,114</u>	<u>11,996</u>	<u>(5,873)</u>	71,717
Unallocated expenses							(2,128)
Finance costs							<u>(14,446)</u>
Profit before income tax							55,143
Income tax expense							<u>(7,914)</u>
Profit for the period							<u>47,229</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

5. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Other income		
Bank interest income	3,648	4,045
Interest income from subcontractors	5,151	6,529
Management service income from a joint operation	246	72
Sundry income	4,184	7,033
	<u>13,229</u>	<u>17,679</u>
Other gains		
Fair value gain on investment properties, net	10,100	36,349
Gain on financial assets at fair value through profit or loss	747	22
Gain on derivative financial liabilities	198	–
Gain on disposal of property, plant and equipment, net	603	141
Exchange gain, net	–	1,523
	<u>11,648</u>	<u>38,035</u>
	<u>24,877</u>	<u>55,714</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

6. EXPENSES BY NATURE

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Cost of construction	2,716,397	3,212,409
Cost of inventories sold	180,054	159,682
Staff cost (including Directors' emoluments)	522,907	528,230
Depreciation		
Owned property, plant and equipment	44,910	43,449
Leased property, plant and equipment	6,841	6,364
	<u>51,751</u>	<u>49,813</u>
Operating lease rentals of		
Land and buildings	7,538	8,001
Other equipment	41,938	34,216
	<u>49,476</u>	<u>42,217</u>
Amortisation of leasehold land and land use rights	721	704
Amortisation of intangible assets	528	528
Auditor's remuneration	2,536	2,563
Exchange loss, net	18,501	–
Direct operating expenses arising from investment properties		
– Generate rental income	105	149
– Not generate rental income	27	51
Distribution costs	12,683	14,046
Others	58,614	49,421
Total cost of sales, distribution costs, administrative and other operating expenses	<u>3,614,300</u>	<u>4,059,813</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

7. FINANCE COSTS

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Interest on overdrafts and short-term bank loans	13,090	14,447
Interest on long-term bank loans repayable within five years	11,622	9,584
Interest on long-term bank loans repayable after five years	5,284	5,491
Interest element of finance lease payments	474	506
	<hr/>	<hr/>
Total borrowing costs incurred	30,470	30,028
Less: Classified as cost of construction	(8,625)	(8,289)
Capitalised in investment properties	–	(510)
Capitalised in property under development for sale	(7,915)	(9,461)
	<hr/>	<hr/>
	13,930	11,768
Loss on financial assets at fair value through profit or loss	78	310
Loss on derivative financial liabilities	1,055	2,368
	<hr/>	<hr/>
	15,063	14,446
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSE

No taxation on Hong Kong profits tax for the period has been provided as there were no estimated assessable profits in Hong Kong. Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits for the six months ended 30 September 2014.

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

The amount of income tax charged to the unaudited condensed consolidated income statement represents:

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong profits tax provision for the period	–	166
Overseas tax provision for the period	2,867	7,806
Under-provision in prior years	5	28
Deferred income tax relating to the origination and reversal of temporary differences	(87)	(86)
	<hr/>	<hr/>
	2,785	7,914
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

11. TRADE DEBTORS, NET

Trade debtors, net included trade debtors and retention receivables less provision for impairment.

The trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products. As at 30 September 2015, trade debtors of HK\$119,934,000 (31 March 2015: HK\$104,390,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aging analysis of the trade debtors, net is as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Current	<u>1,133,898</u>	<u>1,237,411</u>
Overdue by:		
1-30 days	17,423	36,254
31-90 days	22,205	10,566
91-180 days	15,191	4,152
Over 180 days	<u>65,115</u>	<u>53,418</u>
	<u>119,934</u>	<u>104,390</u>
	<u>1,253,832</u>	<u>1,341,801</u>

12. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

The aging analysis of payables to suppliers and subcontractors is as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Current	395,442	614,268
1-30 days	12,526	19,330
31-90 days	422	5,461
91-180 days	153	1,801
Over 180 days	<u>12,856</u>	<u>11,473</u>
	<u>421,399</u>	<u>652,333</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

13. COMMITMENTS AND CONTINGENT LIABILITIES

The Group has the following outstanding commitments and contingent liabilities:

- (a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 30 September 2015, 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 HK\$10,000,000 in respect of the subcontractor's failure to perform contractual duties and for recovery of overpayment made to the subcontractor. The subcontractor raised a counterclaim against the subsidiary in the sum of approximately HK\$4,898,000 as recently amended. The case has been set down for trial with the hearing dates scheduled for May 2016. The Directors are of the view that no provision is presently required with respect to the case.
- (c) The Group has provided performance bonds amounting to approximately HK\$905,483,000 (31 March 2015: HK\$971,529,000) in favour of the Group's customers.
- (d) As at 30 September 2015, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of a land use right, plant and equipment and setup of a factory in Mainland China of approximately HK\$49,301,000 (31 March 2015: HK\$35,356,000).
- (e) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Land and buildings		
Within one year	7,006	9,652
One year to five years	1,928	4,276
	8,934	13,928

According to the early termination of the two lease agreements signed on 29 April 2015, the above minimum lease rental payable under non-cancellable operating leases excluded the operating lease commitment in relation to the land parcels located at Longhua New District, Shenzhen.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Review of Operation

The Group's turnover for the six months ended 30 September 2015 was HK\$3,541 million, representing a decrease of 13% period on period. The decrease mostly related to the completion of a sizeable project in Macau and a lower amount of turnover recognised in construction and electrical and mechanical installation segments. Construction of Studio City, Macau was practically completed in the period and the amount of work done during the period was reduced by 14% comparing to prior year period. Besides, construction turnover was also impacted by a transition period during which some projects completed whilst the newly awarded jobs were yet to commence. As to the electrical and mechanical installation segment, turnover was reduced slightly due to delays in project handover from customers. We expect the level of work done shall be higher in the second half of the year when the new projects start to contribute.

Consolidated gross profits for the period was HK\$155 million, dropped by HK\$62 million or 29% period on period. Other than the drop in turnover, earning was hit mainly by the costs expended on measures carried out during the period on a good will basis in response to requests from the Hong Kong Housing Authority ("Housing Authority") for the recent incident of leaded solder jointing materials being used in the plumbing system in some of the public rental housing estates the works of which were undertaken by us as main contractor. Profits of hotel operations segment also dropped by 26% comparing to corresponding period of last year. Major drop was in the second calendar quarter but there was notable recovery since September when business activities started to pick up again after the summer holiday.

Total operating expenses increased by HK\$24.7 million or 12% over corresponding period of last year. The increase was attributable to foreign currency asset revaluation exchange loss mostly in Renminbi and sales commission paid for the residential property development. Operating expenses for normal businesses remained stable.

As a result of the abovementioned exceptional matters and a drop in fair value gain on investment property of HK\$26 million, the Group recorded a net loss of HK\$65 million whilst a profit was reported in the prior year period.

In November, we have agreed with Housing Authority, as a matter of good faith and good will, and without any admission of any liability, to replace the relevant water pipes at our own expenses. The Group is now in the process of ascertaining costs to be expended for the replacement works which would be reflected in consolidated income statement later this financial year.

As at 30 September 2015, the value of contracts in hand was approximately HK\$21,768 million. During the period, building construction, renovation and maintenance segment secured eight new contracts with total contract sum of around HK\$2,139 million which was comparable to corresponding period of last year. On electrical and mechanical installment segment, new contracts secured during the period amounted to HK\$624 million. Meanwhile, six main contracts were completed and contracts in hand were reduced to HK\$21,768 million. The contracts in hand continue to represent a solid forward order book and give good visibility of results of coming years.

Movement of Contracts

For the six months ended 30 September 2015

	31 March 2015 <i>HK\$'million</i>	Contracts Secured <i>HK\$'million</i>	Completed <i>HK\$'million</i>	30 September 2015 <i>HK\$'million</i>
Building construction, renovation and maintenance	21,717	2,139	(7,321)	16,535
Electrical and mechanical installation	6,439	624	(708)	6,355
Building materials supply	1,511	207	(140)	1,578
Computer software development and architectural and engineering services	34	1	(15)	20
Less: Inter-segment contracts	<u>(3,054)</u>	<u>(46)</u>	<u>380</u>	<u>(2,720)</u>
	<u>26,647</u>	<u>2,925</u>	<u>(7,804)</u>	<u>21,768</u>

Financial Position

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 30 September 2015, the Group's total cash in hand was HK\$1,131.8 million (31 March 2015: HK\$1,236.5 million) and total borrowings was increased to HK\$2,679.9 million (31 March 2015: HK\$2,451.0 million) during the period. The increase in borrowings were primarily to finance existing construction and electrical and mechanical installation projects, construction of the Group's residential property development project and expansion of factory in Mainland China. The current ratio (total current assets: total current liabilities) as at 30 September 2015 was 1.2 (31 March 2015: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK\$929.5 million (31 March 2015: HK\$851.1 million).

All the bank borrowings are arranged on a floating rate basis. To alleviate partly the Group's exposure to interest rate fluctuations, we had arranged some interest rate hedging instruments aiming to keep the interest costs at a controlled range. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangements when appropriate. As at 30 September 2015, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$4,692.6 million (31 March 2015: HK\$4,546.1 million), of which HK\$3,335.8 million (31 March 2015: HK\$3,085.6 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 30 September 2015, the Group had approximately 3,800 (31 March 2015: 4,100) employees. There are approximately 2,800 (31 March 2015: 3,000) employees in Hong Kong, Macau and Singapore and 1,000 (31 March 2015: 1,100) in Mainland China. The decrease in manpower in Hong Kong, Macau and Singapore was ordinary adjustment to manpower, mostly in operational level as a result of completion of projects. Yau Lee aims to be a good and attractive employer as we understand people are keys to sustainable success. The Group offers competitive remuneration packages and employee are rewarded on a performance related basis. The Group is firmly committed to training and staff development. We work continuously to ensure employees can realise their full potentials and thus to foster their development to the Group.

Outlook

Year 2015 is a roller-coaster year to Yau Lee. In April, the lengthy negotiation of the relocation of Shenzhen factory was finally reached and a reasonable compensation was obtained which comprised cash that would fund partly the new business development of precast supply in China, and entitlements of properties upon completion in future which value is anticipated to rise over the next few years and give a higher return at last. But then, the incident of excess lead found in water samples in some of the public rental housing estates occurred. As one of the major main contractors of public rental housing, Yau Lee was impacted. Now, the Government Task Force's investigation report concluded on the cause of the incident. The Housing Authority has put in place measures proposed by the related Review Committee to prevent the recurrence of similar incidents. And the regulatory action which restricted tender eligibility of involved main contractors was finalised. We can now back to the track and focus on the business development again. In fact, we worked relentlessly in past few months on both rectification measures as well as system enhancements which aim to uplift further the quality controls and to meet the newly imposed regulatory requirements. We are ready and well equipped to take on again the public rental housing building projects, albeit stringent control regulations. Thanked for the high level of contracts on hand brought forward from prior year and some new order in-take in maintenance and institutional projects, we believe that the yearly turnover of Hong Kong construction business shall be comparable to that of last year. The temporary barred from tendering of public rental housing building projects would slow down slightly our pace in business growth in construction in short term. However, our quick adjustment in tender strategy to pursue institutional and other non-Housing Authority building projects may help alleviating the impact.

Diversification along the value chain for a more balanced business portfolio is our long term strategy. The recent happening in the public housing building projects bolsters our resolution in this strategic move. Innovative building technologies such as green building solutions and virtual design and construction technology are key areas to develop. We have been working hard to develop our competence and reputation in these respects in past few years which brings to us businesses and opportunities in both local and global markets. We just reach strategic alliance with two international technology leaders to jointly develop and deliver revolutionary eco and lean construction solutions for Greater China and ASEAN markets. Green building has excelled in recent years as more and more governments and industry participants embrace sustainable building practices. The strong alliance would surely accelerate our business development in this promising field. With the first mover advantage and core competency, we will earn a meaningful growth and return before long.

Besides, the prefabrication business is also a major growth engine which forms a crucial part in the expansion blueprint. As reported in last annual report, PRC Government advocates prefab construction aiming to build a large amount of new buildings in less time and lower costs, whilst minimising environmental impact. With full support by national policy, prefabricated building techniques are rapidly becoming more popular in most of the provinces if not all. As a renowned prefabrication specialist, Yau Lee is approached by many reputable industry participants in China for long term partnerships. Business opportunities in China market are abundant and we would look into them thoroughly prior to committing to any collaboration. As a beginning, we would start with consultancy business and gradually move into supply later. China represents a huge potential market. We would weigh the new opportunity against risk posed to operation for a right entry to this significant market.

No doubt we have suffered financially in particular in the lead-in-water incident. But on the other hand we have gained insightful experience which will help us to sustain in the future development of our business. In light of the matter, an in-depth review of the existing system was carried out and long term enhancement measures were put forth and implemented. As the matter is now largely decided, we would move on in even better shape. According to a published market research on the trend of the construction industry in Hong Kong, the total gross output value of construction works is expected to grow at a compounded annual growth rate of 25.7% from 2015 to 2019. The expected fast growth is attributed to the Government's determination to increase affordable public housing and the rising public expenditure on infrastructure. The market outlook is positive. Ahead of us lies a year paved with opportunities and challenges. We will endeavor to do our best for a better return to the shareholders.

DIRECTORS' INTERESTS

At the date of this announcement, 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 the 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	263,426,599	60.14%

The shares referred to above are registered in the names of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 32,747,000 shares. 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 period ended 30 September 2015, 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 period was the Company, its subsidiaries, its associates, its joint ventures or its 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 corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

As at 30 September 2015, the register of substantial shareholders maintained under Section 336 of the SFO showed 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.

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 six months ended 30 September 2015.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's unaudited interim results.

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE SEHK ("LISTING RULES") – LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors of the Company reported the following loan facilities which included a condition relating to specific performance of the controlling shareholder of the Company.

On 29 March 2012, a wholly-owned subsidiary of the Company entered into a term loan facility of up to HK\$475,000,000 with a bank in Hong Kong for the exclusive purpose of refinancing an existing indebtedness between the subsidiary and the bank. The loan shall be repaid by twenty consecutive semi-annual installments with the first repayment date falls on six months after the date of the loan agreement. Pursuant to the facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family members, hold directly or indirectly less than 40% of the equity interest and voting shares of the Company.

On 12 October 2012, a wholly-owned subsidiary of the Company entered into a term loan facility of up to HK\$300,000,000 with a bank in Hong Kong for exclusive purpose of financing the general working capital requirements of the subsidiary. The loan shall be repaid by ten consecutive semi-annual instalments with the first repayment date falls on six months after the date of the loan agreement. Pursuant to the facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family members, hold directly or indirectly less than 40% of the equity interest and voting shares of the Company.

By a Facility Agreement made between a wholly-owned subsidiary of the Company and a bank in Hong Kong dated 22 November 2011 (as supplemented by a First Supplemental Agreement made between the same parties dated 6 December 2013) (such Facility Agreement as supplemented shall hereinafter be called “the Facility Agreement”), term loan facilities of up to HK\$325,500,000 have been granted to the subsidiary for the purpose of financing in part of the premium payment and construction costs of a new building. The loan shall be repaid in 48 months from the date of the Facility Agreement or 6 months from the date of the occupation permit issued by the Hong Kong Building Authority in respect of the new building, whichever shall be the earlier. According to the Facility Agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, ceases to beneficially own 50% or more of the entire issued voting share capital of the Company.

As at 30 September 2015 and up to the date of this announcement, there is no breach of the covenants.

CORPORATE GOVERNANCE

The Board believes that corporate governance is fundamental to corporate long-term success and the enhancement of shareholder value. The Company has adopted the principles and practices of the Code on Corporate Governance Code (the “Code”) as set out in the Appendix 14 of the 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. Detailed disclosure of the Company’s corporate governance practices is available in the 2015 Annual Report.

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 period ended 30 September 2015 except for the Code provision A.2.1.

Code provision A.2.1 requires the roles of chairman and chief executive officer be separated and 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 will enable the Company to make and facilitate the implementation of decisions promptly and efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the securities transactions of the Directors of the Company. Having made specific enquiries to all Directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code during the accounting period covered by this interim announcement.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 23 November 2015

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

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

- (i) <http://www.yaulee.com>; and*
- (ii) <http://www.irasia.com>*