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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 2016

HIGHLIGHTS

The Group reported revenue of HK\$2,814,163,000 (2015: HK\$3,541,286,000) for the six months ended 30 September 2016 (the “period”).

The gross profit for the period increased from HK\$155,271,000 to HK\$187,349,000.

Loss for the period decreased from HK\$65,541,000 to HK\$21,220,000.

Basic and diluted losses per share was approximately HK4.85 cents (2015: HK15.77 cents).

The net asset value attributable to equity holders of the Company as at 30 September 2016 was HK\$1,368,621,000 (31 March 2016: HK\$1,401,860,000), equivalent to HK\$3.12 (31 March 2016: HK\$3.20) per share based on the 438,053,600 (31 March 2016: 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 2016 were as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016	2015
	Note	HK\$'000	HK\$'000
Revenue	4	2,814,163	3,541,286
Cost of sales	6	<u>(2,626,814)</u>	<u>(3,386,015)</u>
Gross profit		187,349	155,271
Other income and gains, net	5	17,286	24,877
Selling and distribution costs	6	(10,530)	(12,683)
Administrative expenses	6	(177,803)	(194,761)
Other operating expenses	6	<u>(15,783)</u>	<u>(20,841)</u>
Operating profit/(loss)		519	(48,137)
Finance costs	7	(18,795)	(15,063)
Share of profit of associates		394	447
Share of loss of joint ventures		<u>(2)</u>	<u>(3)</u>
Loss before income tax		(17,884)	(62,756)
Income tax expense	8	<u>(3,336)</u>	<u>(2,785)</u>
Loss for the period		<u><u>(21,220)</u></u>	<u><u>(65,541)</u></u>
Attributable to:			
Equity holders of the Company		(21,224)	(69,097)
Non-controlling interests		<u>4</u>	<u>3,556</u>
		<u><u>(21,220)</u></u>	<u><u>(65,541)</u></u>
Losses per share (basic and diluted)	10	<u><u>(4.85 cents)</u></u>	<u><u>(15.77 cents)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2016

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Loss for the period	(21,220)	(65,541)
Other comprehensive loss		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	(12,015)	(7,442)
Transactions with non-controlling interests	<u> -</u>	<u>(1,247)</u>
Total comprehensive loss for the period	<u>(33,235)</u>	<u>(74,230)</u>
Attributable to:		
Equity holders of the Company	(33,239)	(76,363)
Non-controlling interests	<u> 4</u>	<u> 2,133</u>
Total comprehensive loss for the period	<u>(33,235)</u>	<u>(74,230)</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2016

	30 September	31 March
	2016	2016
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	1,219,098	1,254,044
Investment properties	182,320	183,520
Leasehold land and land use rights	74,344	77,647
Intangible assets	13,038	13,566
Goodwill	15,905	15,905
Associates	1,859	1,465
Deferred income tax assets	18,994	22,091
Available-for-sale financial assets	11,800	11,800
Other non-current assets	46,238	46,238
	<u>1,583,596</u>	<u>1,626,276</u>
Current assets		
Cash and bank balances	725,117	639,140
Trade debtors, net	1,085,742	1,203,906
Prepayments, deposits and other receivables	468,390	458,391
Inventories	97,829	111,514
Prepaid income tax	736	820
Due from customers on construction contracts	1,293,529	1,135,148
Financial assets at fair value through profit or loss	–	9,124
Completed properties held for sale	176,017	176,017
Property under development for sale	257,794	–
Due from associates, net	1	494
Due from joint ventures/joint operations	33,244	34,459
Due from other partners of joint operations	56,797	56,797
	<u>4,195,196</u>	<u>3,825,810</u>
Total assets	<u>5,778,792</u>	<u>5,452,086</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
As at 30 September 2016

	<i>Note</i>	30 September 2016 HK\$'000	31 March 2016 HK\$'000
EQUITY			
Share capital		87,611	87,611
Other reserves		414,867	426,882
Retained profits		<u>866,143</u>	<u>887,367</u>
Attributable to equity holders of the Company		1,368,621	1,401,860
Non-controlling interests		<u>290</u>	<u>286</u>
Total equity		<u>1,368,911</u>	<u>1,402,146</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings		973,178	748,848
Deferred income tax liabilities		<u>27,542</u>	<u>28,351</u>
		<u>1,000,720</u>	<u>777,199</u>
Current liabilities			
Short-term bank loans		1,408,519	1,065,147
Current portion of long-term borrowings		443,178	374,540
Derivative financial liabilities		–	2,967
Payables to suppliers and subcontractors	12	385,070	563,116
Accruals, retention payables, deposits received and other liabilities		796,841	811,591
Income tax payable		7,723	12,751
Obligation in respect of joint ventures		1,459	1,457
Due to customers on construction contracts		279,253	351,268
Due to joint operations		59,596	59,696
Due to other partners of joint operations		<u>27,522</u>	<u>30,208</u>
		<u>3,409,161</u>	<u>3,272,741</u>
Total liabilities		<u>4,409,881</u>	<u>4,049,940</u>
Total equity and liabilities		<u>5,778,792</u>	<u>5,452,086</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2016

	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:									
Currency translation differences	-	-	-	(7,435)	(7)	-	(7,442)	-	(7,442)
Transactions with non-controlling interests	-	-	-	-	176	-	176	(1,423)	(1,247)
2015 final dividend (<i>Note 9</i>)	-	-	-	-	-	(10,426)	(10,426)	-	(10,426)
As at 30 September 2015	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>29,835</u>	<u>169</u>	<u>977,617</u>	<u>1,509,367</u>	<u>3,800</u>	<u>1,513,167</u>
As at 1 April 2016	87,611	413,776	359	21,228	(8,481)	887,367	1,401,860	286	1,402,146
Comprehensive (loss)/income:									
(Loss)/profit for the period	-	-	-	-	-	(21,224)	(21,224)	4	(21,220)
Other comprehensive loss:									
Currency translation differences	-	-	-	(12,015)	-	-	(12,015)	-	(12,015)
As at 30 September 2016	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>9,213</u>	<u>(8,481)</u>	<u>866,143</u>	<u>1,368,621</u>	<u>290</u>	<u>1,368,911</u>

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 29 November 2016.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2016 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 2016, 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 2016 but which have no material impact to the Group

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual improvements project	Annual improvements 2012-2014 cycle

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

3. ACCOUNTING POLICIES *(Continued)*

- (ii) **New and amended standards, which have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted**

		Effective for accounting period beginning on or after
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 2 (Amendments)	Share-based payment	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Company have already commenced the assessment of the impact of the above on the Group and are not yet in a position to state whether these would have a significant impact on its 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	
	2016	2015
	HK\$'000	HK\$'000
Revenue		
Construction	2,185,345	2,773,202
Electrical and mechanical installation	527,723	612,842
Building materials supply	49,707	104,518
Property investment and development	1,016	1,165
Hotel operations	43,742	43,720
Others	6,630	5,839
	<u>2,814,163</u>	<u>3,541,286</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 a sufficient size 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 2016							
Total sales	2,232,227	985,454	209,982	1,016	43,742	30,757	3,503,178
Less: Inter-segment sales	<u>(46,882)</u>	<u>(457,731)</u>	<u>(160,275)</u>	<u>-</u>	<u>-</u>	<u>(24,127)</u>	<u>(689,015)</u>
External sales	<u>2,185,345</u>	<u>527,723</u>	<u>49,707</u>	<u>1,016</u>	<u>43,742</u>	<u>6,630</u>	<u>2,814,163</u>
Segment results	1,057	4,090	(1,612)	(1,184)	1,788	(12,171)	(8,032)
Share of profit of associates	-	394	-	-	-	-	394
Share of loss of joint ventures	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
	<u>1,057</u>	<u>4,484</u>	<u>(1,614)</u>	<u>(1,184)</u>	<u>1,788</u>	<u>(12,171)</u>	<u>(7,640)</u>
Unallocated income							8,551
Finance costs							<u>(18,795)</u>
Loss before income tax							(17,884)
Income tax expense							<u>(3,336)</u>
Loss for the period							<u>(21,220)</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 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>-</u>	<u>-</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	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>
	<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><u>(65,541)</u></u>

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

5. OTHER INCOME AND GAINS, NET

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Other income		
Bank interest income	2,607	3,648
Interest income from subcontractors	4,039	5,151
Management service income from a joint operation	8	246
Sundry income	11,748	4,184
	<u>18,402</u>	<u>13,229</u>
Other (losses)/gains, net		
Fair value (loss)/gain on investment properties, net	(1,242)	10,100
Gain on financial assets at fair value through profit or loss	174	747
Gain on derivative financial liabilities	–	198
(Loss)/gain on disposal of property, plant and equipment, net	(48)	603
	<u>(1,116)</u>	<u>11,648</u>
	<u>17,286</u>	<u>24,877</u>

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

6. EXPENSES BY NATURE

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Cost of construction	2,045,664	2,716,397
Cost of inventories sold	157,204	180,054
Staff cost (including directors' emoluments)	443,241	522,907
Depreciation		
Owned property, plant and equipment	46,250	44,910
Leased property, plant and equipment	6,301	6,841
	<u>52,551</u>	<u>51,751</u>
Operating lease rentals of		
Land and buildings	5,400	7,538
Other equipment	43,220	41,938
	<u>48,620</u>	<u>49,476</u>
Amortisation of leasehold land and land use rights	988	721
Amortisation of intangible assets	528	528
Auditor's remuneration	2,669	2,536
Exchange loss, net	14,556	18,501
Direct operating expenses arising from investment properties		
– Generate rental income	130	105
– Not generate rental income	16	27
Selling and distribution costs	10,530	12,683
Others	54,233	58,614
Total cost of sales, selling and distribution costs, administrative and other operating expenses	<u>2,830,930</u>	<u>3,614,300</u>

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

7. FINANCE COSTS

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Interest on overdrafts and short-term bank loans	16,397	13,090
Interest on long-term bank loans repayable within five years	7,724	11,622
Interest on long-term bank loans repayable after five years	5,048	5,284
Interest element of finance lease payments	279	474
	<u>29,448</u>	<u>30,470</u>
Total borrowing costs incurred		
Less: Classified as cost of construction	(10,700)	(8,625)
Capitalised in property under development for sale	–	(7,915)
	<u>18,748</u>	13,930
Loss on financial assets at fair value through profit or loss	–	78
Loss on derivative financial liabilities	47	1,055
	<u>18,795</u>	<u>15,063</u>

8. INCOME TAX EXPENSE

Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits for the six months ended 30 September 2016 (2015: Nil).

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	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong profits tax provision for the period	335	–
Overseas tax provision for the period	–	2,867
(Over)/under-provision in prior years	(9)	5
Deferred income tax relating to the origination and reversal of temporary differences	3,010	(87)
	<u>3,336</u>	<u>2,785</u>

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 2016, trade debtors of HK\$132,484,000 (31 March 2016: HK\$121,951,000) 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 2016 HK\$'000	31 March 2016 HK\$'000
Current	<u>953,258</u>	<u>1,081,955</u>
Overdue by:		
1-30 days	12,213	9,107
31-90 days	14,134	20,204
91-180 days	17,849	11,008
Over 180 days	<u>88,288</u>	<u>81,632</u>
	<u>132,484</u>	<u>121,951</u>
	<u>1,085,742</u>	<u>1,203,906</u>

12. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Current	358,470	513,697
1-30 days	18,197	40,194
31-90 days	692	1,820
91-180 days	716	811
Over 180 days	<u>6,995</u>	<u>6,594</u>
	<u>385,070</u>	<u>563,116</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 2016, 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 trial of the case was concluded in early June 2016. Judgment handed down on 15 August 2016 awards the subsidiary the full aggregate amount as claimed under various heads, at HK\$9,020,775, together with interests and legal costs. However, the Defendants have filed a Notice of Appeal on 23 September 2016 for appeal against some of the awarded claims. The hearing of the appeal is pending.
- (c) The Group has provided performance bonds amounting to approximately HK\$743,312,000 (31 March 2016: HK\$762,636,000) in favour of the Group's customers.
- (d) As at 30 September 2016, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of plant and equipment and expansion of factory in Mainland China of approximately HK\$34,015,000 (31 March 2016: HK\$10,580,000).
- (e) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Land and buildings		
Within one year	10,690	10,905
One year to five years	20,051	22,669
More than five years	–	961
	30,741	34,535

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Review of Operation

The Group's revenue was HK\$2,814 million for the six months ended 30 September 2016, reduced on the prior-year period by 21%. The revenue was down in Macau and Singapore which was anticipated and reported in last year end as both markets are weakened due to economic slowdown. The drops in overseas markets were partially compensated by an increase in revenue in local market. The amount of work done in Hong Kong grew particularly in the maintenance and fitting out business which recorded an increase of 34% in recognized revenue period on period. As to the electrical and mechanical installation segment, total sales was up by 28% as compared to the corresponding period of last year. The increase reflected the good amount of order-in-take achieved last year.

Consolidated gross profits for the period was HK\$187 million, up HK\$32 million or 21% compared to the corresponding period of last year. The gross profits were improved because some costs were expended last year for the lead water incident which was not recurrent in this period. On the electrical and mechanical installation segment, the gross profits margin was comparable to the yearly budget and we anticipated the figures can be further enhanced in second half of the year. In respect of the hotel business, revenue and gross operating profits remained stable, though the number of visitor arrivals to Hong Kong recorded a decline of around 6% in the first eight months of the year according to the statistics. As Hong Kong tourism is showing a sign of recovery lately, the Group's hotel business shall be benefited.

Total operating expenses decreased by HK\$24 million or 11% period on period. The major saving was in staff costs, part of them were derived from manpower redundancy as a result of the merger of Shenzhen and Huizhou factories. We achieved some costs savings in operations as a result of the merger of factories but got an increase in tender expenses as we have more actively participated in tendering lately.

Compared with 2015, the consolidated loss before tax was much reduced from HK\$63 million to HK\$18 million. The loss of the current period was mainly caused by foreign currency asset revaluation exchange losses and the fair value loss on investment properties. With the Renminbi dipped further in the period, the Group recorded approximately HK\$14 million revaluation losses in respect of the holding of Renminbi liquid assets. Reflecting falling retail rentals, value of retail properties in Hong Kong declined too. A small amount of fair value loss in respect of the Group's retail properties was recorded whilst a gain of HK\$10 million was recorded in last interim period.

As at 30 September 2016, the value of contracts in hand was approximately HK\$19,085 million. During the period, four major projects were completed in construction division. The tender suspension imposed by Hong Kong Housing Authority was uplifted and we resumed tendering public housing building projects in the second quarter of the year. We were awarded two maintenance contracts of a total sum of approximately HK\$368 million in the reporting period. And we are pleased to tell you that we will be granted two noteworthy contracts with a total sum of around HK\$6,000 million soon, which are a public housing building contract and a contract from the Hong Kong Sanatorium & Hospital building a new hospital complex in Eastern District. The former one is by far our largest-ever building contract, regardless of contracts of joint operations, whilst the latter one involves the construction of proton therapy facilities which is highly technical and challenging and for sure will mark a milestone upon completion. On electrical and mechanical installation segment, we were awarded a very good amount of new contracts. An amount of HK\$1,016 million new orders were secured during the period, representing an increase of 63% period on period. With the two to-be-awarded construction contracts, the Group's order book is moving up to the level before the "lead water incident".

Movement of Contracts

For the six months ended 30 September 2016

	31 March 2016 <i>HK\$'million</i>	Contracts Secured <i>HK\$'million</i>	Completed <i>HK\$'million</i>	30 September 2016 <i>HK\$'million</i>
Building construction, renovation and maintenance	17,350	368	(3,428)	14,290
Electrical and mechanical installation	5,947	1,016	(577)	6,386
Building materials supply	1,544	281	(32)	1,793
Computer software development and architectural and engineering services	24	6	–	30
Less: Inter-segment contracts	<u>(2,866)</u>	<u>(602)</u>	<u>54</u>	<u>(3,414)</u>
	<u>21,999</u>	<u>1,069</u>	<u>(3,983)</u>	<u>19,085</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 2016, the Group's total cash and bank balances was HK\$725 million (31 March 2016: HK\$639 million) and total borrowings was increased to HK\$2,825 million (31 March 2016: HK\$2,189 million) during the period. The increase in borrowings was primarily to finance existing construction and electrical and mechanical installation projects, construction of the Group's property development project and expansion of factory in Mainland China. The current ratio (total current assets: total current liabilities) as at 30 September 2016 was 1.2 (31 March 2016: 1.2). The amount of bank loans and other facilities fall due beyond one year was HK\$973 million (31 March 2016: HK\$749 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. Although the hedging instruments have been expired during the period, the Group will continue to closely monitor and manage its exposure to interest rate fluctuations and consider engaging relevant hedging arrangements again when appropriate. As at 30 September 2016, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$4,270 million (31 March 2016: HK\$4,034 million), of which HK\$3,301 million (31 March 2016: HK\$2,600 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 2016, the Group had approximately 3,100 (31 March 2016: 3,500) employees. There are approximately 2,400 (31 March 2016: 2,500) employees in Hong Kong, Macau and Singapore and 700 (31 March 2016: 1,000) in Mainland China. The decrease in manpower in Mainland China was due to the merger of factories and completion of certain projects. 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 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

In Hong Kong, we are optimistic about the market opportunities but cautious over project profitability. The Hong Kong Government has set out firm and clear blueprints for housing supply, hospital developments and energy saving. Against this backdrop, the local construction market shall be bright in at least next few years. Despite so, rising costs and intense competitions among contractors may cause depletion of profits in some cases. Automation, industrialization of building processes, tight controls over the execution of projects and risk conscious approach to order in-take are our top priorities in this year. And we are mindful not to overemphasize growth in businesses at the expense of risk exposure. The Group has invested relentlessly in past few years on virtual construction technologies and green businesses. Now, we take pride in being at the forefront of innovation in our industry and are recognized as a trustworthy partner in these respects. We have successfully extended our services to pre-construction consultancy, project management and green solutions provisions to customers who value innovation and holistic services which broaden our revenue base. We will continue to develop long term relationships with these key customers for growth in businesses and reasonable margins.

Besides, we will strategically develop the Mainland China market for expansion and sustainable growth. The latest 13th Five-Year Plan for 2016-2020 highlights a strong focus on innovative infrastructure and green development. It emphasizes a cleaner and greener economy, with a strong commitment to environmental protection, clean energy, emissions controls and the development of green industries. Innovation and environmental protection are not new themes in China's 5 year plans, but they have taken on greater significance in this one. The market thus develops more rapidly. With the proven strength and reputation in green building technologies and solutions, the Group was approached by some renowned China market players for business cooperation. China market is huge and diverse. Alliance with local partners is an option that is worth exploring.

On prefabrication business, we embark into China market strategically. As planned, we provided consultancy services in the beginning stage. The customers were impressed with our expertise and quality works. They are keen to develop further businesses with us. Going forward, we would move to the supply to domestic market. There are some discussions with interested parties on cooperation. Meanwhile, the division is busy setting out the facilities and system for expansion to China market. With the Government policy rolled out to support the industry, the prefabrication & modular construction market in China continues to rise. It is the right timing to grasp the chance for Group's sustainable growth. We would penetrate into the market vigorously whilst be mindful of business risk control.

Going forward, the Group will remain committed to its strategy of “Being an innovative green corporation”. We will continue to develop relentlessly in innovative construction solutions and technologies to perfect our fully integrated construction related supply chain. The Group supports and participates positively in the smart city development in Hong Kong. We believe our expertise and offerings in the innovative and green technologies would bring sustainable benefits to the Group, the industry and communities.

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 six months ended 30 September 2016, 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 2016, 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 2016.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee, together with management, has reviewed 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.

As at 30 September 2016 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 2016 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 six months ended 30 September 2016 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 six months ended 30 September 2016.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 29 November 2016

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

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

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

(ii) *<http://www.irasia.com>*