有利集團有限公司*

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0406)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2017

HIGHLIGHTS

The Group reported revenue of HK$6,124,053,000 (2016: HK$7,450,278,000) for the year.

The gross profit was HK$459,491,000 (2016: HK$219,088,000).

Loss for the year was HK$29,756,000 (2016: HK$155,833,000).

Basic and diluted losses per share was approximately HK6.80 cents (2016: HK36.38 cents).

The net asset value attributable to equity holders of the Company as at 31 March 2017 was HK$1,395,077,000 (2016: HK$1,401,860,000), equivalent to HK$3.18 (2016: HK$3.20) per share based on the 438,053,600 (2016: 438,053,600) ordinary shares in issue.

* *For identification purpose only*

The Board of Directors (the "Board") of Yau Lee Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017 together with comparative figures for the year ended 31 March 2016 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	3	**6,124,053**	7,450,278
Cost of sales	5	**(5,664,562)**	(7,231,190)
Gross profit		**459,491**	219,088
Other income and gains, net	4	**27,733**	139,628
Selling and distribution costs	5	**(29,608)**	(37,318)
Administrative expenses	5	**(411,124)**	(403,333)
Other operating expenses	5	**(37,195)**	(27,813)
Operating profit/(loss)		**9,297**	(109,748)
Finance costs	6	**(31,982)**	(32,536)
Share of profit of associates		**436**	363
Share of loss of joint ventures		**(54)**	(55)
Loss before income tax		**(22,303)**	(141,976)
Income tax expense	7	**(7,453)**	(13,857)
Loss for the year		**(29,756)**	(155,833)
Attributable to:			
Equity holders of the Company		**(29,798)**	(159,347)
Non-controlling interests		**42**	3,514
		(29,756)	(155,833)
Dividend	8	**6,045**	–
Losses per share (basic and diluted)	9	**(6.80 cents)**	(36.38 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(29,756)**	(155,833)
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
Currency translation differences	**(20,211)**	(16,049)
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on investment properties upon transfer from property, plant and equipment	**43,226**	–
Total comprehensive loss for the year	**(6,741)**	(171,882)
Attributable to:		
Equity holders of the Company	**(6,783)**	(175,389)
Non-controlling interests	**42**	3,507
Total comprehensive loss for the year	**(6,741)**	(171,882)

CONSOLIDATED BALANCE SHEET
As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**1,207,674**	1,254,044
Investment properties		**228,075**	183,520
Leasehold land and land use rights		**71,233**	77,647
Intangible assets		**12,510**	13,566
Goodwill		**15,905**	15,905
Associates		**1,407**	1,465
Deferred income tax assets		**13,143**	22,091
Available-for-sale financial assets		**11,800**	11,800
Other non-current assets		**46,165**	46,238
		1,607,912	1,626,276
Current assets			
Cash and bank balances		**737,877**	639,140
Trade debtors, net	*10*	**1,123,864**	1,203,906
Due from customers on construction contracts		**1,057,607**	1,135,148
Prepayments, deposits and other receivables		**436,462**	458,391
Inventories		**77,023**	111,514
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		**266,481**	–
Due from associates		**495**	494
Due from joint ventures/joint operations		**33,250**	34,459
Due from other partners of joint operations		**56,797**	56,797
Prepaid income tax		**1,845**	820
		3,967,718	3,825,810
Total assets		**5,575,630**	5,452,086

CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Equity			
Share capital		**87,611**	87,611
Other reserves		**449,897**	426,882
Retained profits		**857,569**	887,367
Attributable to equity holders of the Company		**1,395,077**	1,401,860
Non-controlling interests		**328**	286
Total equity		**1,395,405**	1,402,146
Liabilities			
Non-current liabilities			
Long-term borrowings		**989,186**	748,848
Deferred income tax liabilities		**23,192**	28,351
		1,012,378	777,199
Current liabilities			
Short-term bank loans		**1,101,597**	1,065,147
Current portion of long-term borrowings		**434,473**	374,540
Derivative financial liabilities		**–**	2,967
Payables to suppliers and subcontractors	*11*	**361,744**	563,116
Accruals, retention payables, deposits received and other liabilities	*12*	**804,828**	811,591
Income tax payable		**3,817**	12,751
Obligation in respect of joint ventures		**1,511**	1,457
Due to customers on construction contracts		**373,041**	351,268
Due to joint operations		**59,596**	59,696
Due to other partners of joint operations		**27,240**	30,208
		3,167,847	3,272,741
Total liabilities		**4,180,225**	4,049,940
Total equity and liabilities		**5,575,630**	5,452,086

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Property revaluation reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2015	87,611	413,776	359	37,270	–	–	1,057,140	1,596,156	1,667	1,597,823
(Loss)/profit for the year	–	–	–	–	–	–	(159,347)	(159,347)	3,514	(155,833)
Other comprehensive loss:										
Currency translation differences	–	–	–	(16,042)	–	–	–	(16,042)	(7)	(16,049)
Transactions with non-controlling interests *(Note)*	–	–	–	–	–	(8,481)	–	(8,481)	(4,888)	(13,369)
2015 final dividend	–	–	–	–	–	–	(10,426)	(10,426)	–	(10,426)
As at 31 March 2016	87,611	413,776	359	21,228	–	(8,481)	887,367	1,401,860	286	1,402,146
As at 1 April 2016	**87,611**	**413,776**	**359**	**21,228**	**–**	**(8,481)**	**887,367**	**1,401,860**	**286**	**1,402,146**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(29,798)**	**(29,798)**	**42**	**(29,756)**
Other comprehensive (loss)/income:										
Currency translation differences	**–**	**–**	**–**	**(20,211)**	**–**	**–**	**–**	**(20,211)**	**–**	**(20,211)**
Fair value gain on investment properties upon transfer from property, plant and equipment	**–**	**–**	**–**	**–**	**43,226**	**–**	**–**	**43,226**	**–**	**43,226**
As at 31 March 2017	**87,611**	**413,776**	**359**	**1,017**	**43,226**	**(8,481)**	**857,569**	**1,395,077**	**328**	**1,395,405**

Note: During the year ended 31 March 2016, the Group acquired additional 40% equity interest of two subsidiaries, Toprun Global Investments Limited ("Toprun") and Gain High Investment Holdings Limited ("Gain High"), each at a consideration of HK$6.1 million. The transaction included call options for the non-controlling interest to re-purchase the 40% equity interest of Toprun and Gain High from the Group. The two call options will be exercisable on 30 June 2016, each with an exercise price of HK$6.4 million, which is above the market prices of the 40% equity interest of Toprun and Gain High. As such, management considered the value of the two call options is minimal. The difference between the consideration for the 40% equity interest of the two subsidiaries and the carrying amount of the non-controlling interest amounting to HK$8.6 million was included in other reserve.

On 30 June 2016, the non-controlling interest exercised the call options mentioned above to re-purchase the 40% equity interest of Toprun and Gain High, each with an exercise price of HK$6.4 million. As at 31 March 2017, the call options were not fully paid by the non-controlling interest and the 40% equity interest of Toprun and Gain High were still owned by the Group.

On 3 April 2017, the non-controlling interest fully paid the call options to re-purchase the 40% equity interest of Toprun and Gain High. On 24 April 2017, the 40% equity interest of Toprun and Gain High were transferred back to the non-controlling interest.

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 ("SEHK").

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 26 June 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the 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.

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 judgement in the process of applying the Group's accounting policies.

(i) New standards and amendments to standards adopted by the Group

The following standards and amendments to standards are effective for accounting periods beginning on or after 1 April 2016, and have been adopted in preparing these consolidated financial statements:

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	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

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

(ii) New standards and amendments to standards that have been issued but are not yet effective and not yet adopted by the Group

A number of new standards and amendments to standards are not yet effective for accounting periods beginning on or after 1 April 2016, and have not been applied in preparing these consolidated financial statements.

HKAS 7 (Amendment)	Disclosure initiative
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HKFRS 16	Leases
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture

The directors of the Group in the process of assessing the impact of these new standards and amendments to existing standards and set out below are the expected impact on the Group's financial performance and position:

HKFRS 9 "Financial instrument" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

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

(ii) New standards and amendments to standards that have been issued but are not yet effective and not yet adopted by the Group *(Continued)*

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied.

HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligation are identified. The adoption of HKFRS 15 will have an impact on the Group's revenue recognition of construction contracts and the Group expects that it may have impact on the amounts and disclosures made in the Group's financial statements and is not yet in a position to provide quantified information. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$30,570,000, see note 13(e). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's result and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 REVENUE AND SEGMENT INFORMATION

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Construction	**4,563,642**	5,496,763
Electrical and mechanical installation	**1,324,413**	1,272,930
Building materials supply	**112,562**	184,685
Property investment and development	**2,179**	379,846
Hotel operations	**98,268**	97,214
Others	**22,989**	18,840
	6,124,053	7,450,278

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

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

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

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

	Construction	Electrical & Mechanical Installation	Building Materials Supply	Property Investment and Development	Hotel Operations	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2017							
Total sales	**4,738,480**	**2,027,398**	**608,388**	**2,349**	**98,268**	**75,070**	**7,549,953**
Inter-segment sales	**(174,838)**	**(702,985)**	**(495,826)**	**(170)**	**–**	**(52,081)**	**(1,425,900)**
External sales	**4,563,642**	**1,324,413**	**112,562**	**2,179**	**98,268**	**22,989**	**6,124,053**
Segment results	**21,033**	**5,656**	**(15,173)**	**(3,587)**	**16,845**	**(16,984)**	**7,790**
Share of profit of associates	**–**	**436**	**–**	**–**	**–**	**–**	**436**
Share of loss of joint ventures	**–**	**–**	**(54)**	**–**	**–**	**–**	**(54)**
	21,033	**6,092**	**(15,227)**	**(3,587)**	**16,845**	**(16,984)**	**8,172**
Unallocated income							**1,507**
Finance costs							**(31,982)**
Loss before income tax							**(22,303)**
Income tax expense							**(7,453)**
Loss for the year							**(29,756)**

	Construction	Electrical & Mechanical Installation	Building Materials Supply	Property Investment and Development	Hotel Operations	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2016							
Total sales	5,641,497	1,800,505	533,647	446,646	97,214	80,218	8,599,727
Inter-segment sales	(144,734)	(527,575)	(348,962)	(66,800)	–	(61,378)	(1,149,449)
External sales	5,496,763	1,272,930	184,685	379,846	97,214	18,840	7,450,278
Segment results	(229,455)	25,480	91,486	7,903	11,270	(17,593)	(110,909)
Share of profit of associates	–	363	–	–	–	–	363
Share of loss of joint ventures	–	–	(55)	–	–	–	(55)
	(229,455)	25,843	91,431	7,903	11,270	(17,593)	(110,601)
Unallocated income							1,161
Finance costs							(32,536)
Loss before income tax							(141,976)
Income tax expense							(13,857)
Loss for the year							(155,833)

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

The analysis of revenue by geographical area is as follows:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**5,106,180**	4,816,954
Non-Hong Kong	**1,017,873**	2,633,324
	6,124,053	7,450,278

Revenue of approximately HK$3,486,466,000 (2016: HK$5,034,334,000) are derived from two (2016: four) 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:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**983,174**	993,138
Non-Hong Kong	**598,794**	598,173
	1,581,968	1,591,311

4 OTHER INCOME AND GAINS, NET

	2017	2016
	HK$'000	*HK$'000*
Other income		
Bank interest income	**5,421**	7,101
Interest income from subcontractors	**7,549**	6,999
Management service income from a joint venture and a joint operation	**32**	306
Sundry income	**16,725**	8,054
	29,727	22,460
Other (loss)/gains, net		
Relocation compensation gain, net *(Note)*	**–**	96,140
(Loss)/gain on disposal of property, plant and equipment, net	**(208)**	695
Fair value (loss)/gain on investment properties, net	**(1,960)**	19,314
Gain on financial assets at fair value through profit or loss	**174**	853
Gain on derivative financial liabilities	**–**	166
	(1,994)	117,168
	27,733	139,628

4 OTHER INCOME AND GAINS, NET *(Continued)*

Note: On 29 April 2015, the Group entered into a Relocation Compensation Agreement ("Agreement") with the landlord for the relocation of Longhua factory due to the urban development program of the Longhua District of Shenzhen in Mainland China. The compensation comprised a cash payment of RMB100,000,000 and entitlements of a total construction area of 10,000 square metres in the new residential properties to be constructed. The details of the Agreement are set out in the Company's circular dated 30 June 2015.

The relocation has been completed during the year ended 31 March 2016. The cash compensation of RMB100,000,000 (approximately HK$122,671,000), after deducting removal and relocation costs incurred of RMB21,628,000 (approximately HK$26,531,000), was recognised as other income and gains for the year.

As of 31 March 2017, the site formation work was in progress but the development plan of the new residential properties has yet to be finalised by the developer. No additional compensation was recognised for the year ended 31 March 2017.

5 EXPENSES BY NATURE

	2017	2016
	HK$'000	*HK$'000*
Cost of construction	**4,441,134**	5,512,102
Cost of properties sold	**–**	375,500
Cost of inventories sold	**374,040**	350,839
Staff costs (excluding directors' emoluments)	**913,003**	1,039,458
Directors' emoluments	**20,656**	20,601
Depreciation		
Owned property, plant and equipment	**92,704**	90,532
Leased property, plant and equipment	**7,040**	12,885
	99,744	103,417
Operating lease rentals of		
Land and buildings	**10,491**	12,210
Other equipment	**76,106**	103,673
	86,597	115,883
Amortisation of leasehold land and land use rights	**1,941**	1,556
Amortisation of intangible assets	**1,056**	1,056
Provision for impaired receivables, net	**16,585**	1,189
Provision for inventories	**96**	242
Auditors' remuneration		
– Audit services	**5,495**	5,665
– Non-audit services	**462**	825
Exchange loss, net	**31,830**	21,617
Direct operating expenses arising from investment properties		
– Generate rental income	**335**	314
– Not generate rental income	**31**	36
Selling and distribution costs	**29,608**	37,318
Others	**119,876**	112,036
Total cost of sales, selling and distribution costs, administrative and other operating expenses	**6,142,489**	7,699,654

6 FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on overdrafts and short-term bank loans	**35,612**	33,182
Interest on long-term bank loans	**25,802**	27,101
Interest element of finance lease payments	**511**	861
Total borrowing costs incurred	**61,925**	61,144
Less: Classified as cost of construction	**(22,875)**	(17,603)
Capitalised in construction in progress	**(2,174)**	(1,412)
Capitalised in property under development for sale	**(4,941)**	(10,788)
	31,935	31,341
Loss on derivative financial liabilities	**47**	1,195
	31,982	32,536

For the year ended 31 March 2017, the interest rate applied in determining the amount of borrowing costs capitalised in construction in progress was 2.3% (2016: 2.3%) per annum.

7 INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Hong Kong profits tax provision for the year	**243**	1,533
Overseas tax provision for the year	**2,304**	6,021
Over-provision in prior years	**(114)**	(331)
Deferred income tax relating to the origination and reversal of temporary differences	**5,020**	6,634
	7,453	13,857

Hong Kong profits tax was calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

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

8 DIVIDEND

	2017	2016
	HK$'000	*HK$'000*
Proposed final dividend		
Final – HK1.38 cents (2016: Nil) per ordinary share	**6,045**	–

In the Board meeting held on 26 June 2017, the Directors recommended the payment of a final dividend of HK1.38 cents (2016: Nil) per share, totalling of HK$6,045,000 (2016: Nil) for the year ended 31 March 2017.

9 LOSSES PER SHARE (BASIC AND DILUTED)

The calculation of losses per share is based on:

	2017	2016
	HK$'000	*HK$'000*
Net loss attributable to the equity holders of the Company	**(29,798)**	(159,347)

	2017	2016
Weighted average number of shares in issue during the year	**438,053,600**	438,053,600
Basic losses per share	**(6.80 cents)**	(36.38 cents)

Diluted losses per share for the years ended 31 March 2017 and 2016 are equal to basic losses per share as there are no potential dilutive shares in issue during the years.

10 TRADE DEBTORS, NET

	2017	2016
	HK$'000	*HK$'000*
Trade debtors	**656,547**	712,936
Retention receivables	**490,988**	498,322
Provision for impairment	**(23,671)**	(7,352)
	1,123,864	1,203,906

10 TRADE DEBTORS, NET *(Continued)*

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

	2017	2016
	HK$'000	*HK$'000*
Current	**1,012,908**	1,081,955
1-30 days	**7,327**	9,107
31-90 days	**16,659**	20,204
91-180 days	**3,652**	11,008
over 180 days	**83,318**	81,632
	110,956	121,951
	1,123,864	1,203,906

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2017, trade debtors of HK$110,956,000 (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.

11 PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	2017	2016
	HK$'000	*HK$'000*
Current	**337,157**	513,697
1-30 days	**16,320**	40,194
31-90 days	**1,549**	1,820
91-180 days	**496**	811
over 180 days	**6,222**	6,594
	24,587	49,419
	361,744	563,116

12 ACCRUALS, RETENTION PAYABLES, DEPOSITS RECEIVED AND OTHER LIABILITIES

	2017	2016
	HK$'000	*HK$'000*
Retention payables	**495,214**	448,627
Other deposits and receipts in advance	**71,957**	52,049
Due to non-controlling interests *(Note)*	**520**	520
Others	**237,137**	310,395
	804,828	811,591

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

13 COMMITMENTS AND CONTINGENT LIABILITIES

The Group had 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 2017, 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 subcontractor's director was also joined in as co-defendant, for liabilities owed under a personal guarantee for the subcontractor's liabilities. The subcontractor also filed a counterclaim, for payment allegedly payable under the subcontract, at around HK$5,000,000. 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, a Notice of Appeal was filed on 23 September 2016 for appeal against some of the awarded claims which has yet been set down in the List of Appeal.

The total outstanding indebtedness, as at 31 January 2017, amounts to HK$15,379,062 (principal sum and interests accrued). In enforcement proceedings, the subsidiary has obtained and registered a Charging Order against a landed property owned by the guarantor and is currently pursuing statutory demand action (prior to filing a Bankruptcy petition) pursuant to the Bankruptcy Ordinance. On the other hand, steps are currently taken for the subsidiary's legal costs to be taxed.

(c) The Group has provided performance bonds amounting to approximately HK$811,136,000 (2016: HK$762,636,000) in favour of the Group's customers.

(d) As at 31 March 2017, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of plant and equipment and setup of a factory in Mainland China of approximately HK$23,537,000 (2016: HK$10,580,000).

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

	2017	2016
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**11,261**	10,905
One year to five years	**19,309**	22,669
More than five years	**–**	961
	30,570	34,535

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

The Group's businesses were progressing well in the year, both operationally and strategically. Notwithstanding that a loss was reported, the loss amount was substantially reduced and in fact to a large extent affected by the aftermath of "lead-in-water" incident. The strong performance in order intake we delivered this year envisages an improved operation performance in coming years and reflects customers' trust on us. On strategic move, we took a big leap forward to develop the precast concrete products supply market in Mainland China. In light of the huge market potential, we anticipate an exponential growth in precast business in coming years.

The Group's revenue was HK$6,124 million, declined 18% compared to last year. The decrease was mainly due to the reduction of business activities in Macau and Singapore which in aggregate recorded a drop in revenue of HK$1,318 million or 62% year on year. However, revenue generated from Hong Kong construction grew by 11%. Besides, both the construction and E&M teams accomplished a high level of new orders this year and achieved an increase in order intake by 153% and 28% respectively. The strong order book supports the Group for a solid level of activities in coming periods.

Consolidated gross profit was HK$459 million, represented an increase of 110%. Apart from the exclusion of last year's one-off costs expended for the "lead-in-water" incident, gross profit margin was slightly improved which attributed to the rise in amount.

Operating expenses were HK$478 million, whilst last year one was HK$468 million. Among the operating expenses, a currency revaluation exchange loss of HK$32 million was recorded whilst last year amount was HK$22 million.

Compared with last year, the consolidated loss before tax was much reduced from HK$142 million to HK$22 million. The loss was mainly caused by foreign currency asset revaluation exchange losses of HK$32 million. It is noted that Renminbi appreciated slightly in past few months. There is market view that the Chinese authorities are attempting to reduce the volatility in CNY further. Net profits shall be enhanced if the impact of Renminbi depreciation diminishes. Losses per share for the year was HK6.80 cents, compared with losses per share of HK36.38 cents last year. Net asset value of the Group as at 31 March 2017 was HK$1,395 million (2016: HK$1,402 million), equivalent to HK$3.18 (2016: HK$3.20) per share based on 438,053,600 ordinary shares in issue.

DIVIDEND

In the Board meeting held on 26 June 2017, the Directors recommended the payment of a final dividend of HK1.38 cents (2016: Nil) per share. Total distribution would be HK$6,045,000 this year whilst no dividend was paid in last 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 14 August 2017 (Monday), will be payable on 18 September 2017 (Monday) to the shareholders whose names appear on the register of members of the Company on 31 August 2017 (Thursday).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 9 August 2017 (Wednesday) to 14 August 2017 (Monday) (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 14 August 2017 (Monday).

In order to qualify for attendance to the AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 8 August 2017 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS FOR PAYMENT OF FINAL DIVIDEND

The register of members of the Company will be closed from 29 August 2017 (Tuesday) to 31 August 2017 (Thursday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK1.38 cents per share for the year ended 31 March 2017, following the approval at the AGM.

In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 28 August 2017 (Monday).

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

The segment reported a yearly revenue of HK$4,738 million, fell 16% year on year. The drop was in Macau and Singapore, in line with the anticipation as both markets are weakened due to economic downturn. Yet, the performance in Hong Kong market was good and made a growth of 11% year on year in term of revenue. Actually, the time frame in new job awards was delayed by almost a year because of the "lead-in-water" incident. Out of the three major new contracts secured during the year, only one project commenced work in the year whilst the other two started after the year end. Thus, contributions from new projects were very little in this year. We anticipated the business volume shall be increased in next year when all the on-hand projects give a full year impact. The renovation and maintenance businesses kept growing at a steady pace and up by 6% compared with prior year. The division expanded in both volume and clientele. More and more fit-out projects were obtained from large institutional clients such as Airport Authority and MTR Corporation etc which formed a solid base for business expansion.

Segment result turned from loss to profit because the one-off costs for "lead-in-water" incident reported last year was not recurrent. Having said that, the segment profits was at a low level mainly because of the dissatisfactory results in the Macau and Singapore projects and costs of temporary surfeit of manpower as a result of delay in new order awards caused by the Housing Authority's temporary tendering suspension. The construction industry in Singapore has been hard hit by the economic downturn in 2016. Despite sluggish demands from private housing sector, construction costs continued to rise due to tightening manpower policies, increasing stringent regulatory controls and rising construction materials and operating costs. In fact, Singapore is the third most expensive Asian city for construction. The tepid market conditions coupled with the under-performance of certain subcontractors in a project impacted the division's profitability. The general view of the construction market in Singapore remains relatively muted given the weak demand, fierce competitions and challenging operation environment. In light of the above, we would reorganise the operation there, giving us the flexibility to react promptly to the market.

During the year, the Group was awarded new contracts amounted to HK$8,813 million, representing 153% growth comparing to last year. Among the new awards, there are two noteworthy contracts which are worth mentioning. The first one is a public housing building contract which is by far our largest-ever building contract and another one is a building contract awarded by the Hong Kong Sanatorium & Hospital. The hospital project is to build proton therapy facilities which are highly technical and challenging that for sure will mark a milestone upon completion. With the strong order intake performance, contracts in hand as at 31 March 2017 rose to HK$18,889 million, increased by 9% year on year.

The Group invested relentlessly in past few years on construction related IT like virtual design and construction technologies (VDC) and 5D building information modelling (5D BIM). We are acknowledged as a benchmark player who is able to offer a full range of solutions that span the entire construction industry value chain, from design, construction, operation to maintenance and management. We commenced to extend businesses to Mainland China, Singapore and Malaysia, targeting both private and public sectors. Drawing on our various technical competencies, we provide full service offerings which can meet customers' special and complex needs. One of the unique projects we delivered this year was the floating solar panels at Shek Pik reservoir. In this project, the VDC team and E&M team worked together to provide one-stop solutions and deliver efficient and quality services all along the value chain, right from the design phase to construction, operation management and maintenance and even the marketing pitch.

Apart from consultancy services, we provide also education and training services aiming to help develop more talents who are in need in the industry. We give seminars and training classes in Hong Kong, Singapore and Malaysia. Besides, we help the Higher Educational Institute (THEi) in their first BIM degree program by giving input to the course curriculum. Going forward, we would further enrich our VDC applicability in both macro (Spatial Data Infrastructure) and micro (OpenBIM) levels with our global renowned strategic partners such as GRAPHISOFT for the localisation of ArchiCAD and developing an add-on EcoDesigner STAR not only for energy simulation which can be applicable for the US's LEED but also Hong Kong's BEAM Plus assessment during design stage, ESRI for the implementation of CityEngine for long term sustainable land use planning and Trimble for the integration of Vico Software, BIMx, VHSmart and GIS information for visualisation of building to resolve site issues during inspection as well as introducing leading edge technologies including augmented reality applications, HoloLens from design to on site management. The Group's innovative prowess and technical expertise make a genuine competitive edge when it comes to tender.

Electrical and mechanical installation

In the E&M segment, total revenue rose by 13%, year on year from HK$1,801 million to HK$ 2,027 million. Though the revenue started slow in the first six months, we managed to catch up on the works in the second half of the year as anticipated in the interim report. Major growth was in Hong Kong and we won a number of large projects including electrical installation for public housing development at Tuen Mun Area 54 site 2, E&M works for Anderson Road sites A&B and HVAC installation for the hotel development at North Point Estate Lane etc. The good amounts of new orders secured in last year started to materialise and contribute to sales performance. Gross profit for the year was HK$126 million whilst last year one was HK$130 million. The division encountered some execution challenges in a Macau project which impacted the final margin and made the overall gross profits of the segment reduced. Total operating expenses was increased mainly due to increase in headcounts and salary adjustments. As a result of the hiccup in the Macau project and the increase in manpower costs, the segment reported a drop in before-tax profits of around HK$13 million.

We strategically expanded the size of the team to prepare for the rise in businesses. The division achieved again a fairly good amount of growth in new orders. New awards in the year amounted to HK$2,228 million, 28% more than last year and hit a record high.

We see business growth in both conventional E&M projects and environmental engineering projects. With proven track records in delivering green building and energy optimisation solutions, we are entrusted by our customers with their green visions. During the year, we completed two unique projects which are the floating solar panels at Shek Pik reservoir and the incense smoke and odour reduction system at Wong Tai Sin Temple. In the floating solar panels project, our one-stop solutions approach delivered efficiency and quality services all along the value chain, right from the design phase to construction, operation management and maintenance. Our experience, technical know-how and commitment to innovation enable us to fully meet the needs of the customers.

While we were advancing our technical capabilities through participating in unique projects, we also made progress on the sales of existing energy saving products including intelligent Fan Coil Unit – iFCU™, EOS, Nanoflex lighting and Bumako burner etc. We are pleased to have more and more new customers through the word-of-mouth recommendations.

Besides, we also transformed some of our offices in Hong Kong and China into smart offices for energy efficiency and customer demonstration purposes. These smart offices help the customers to fully visualise the resulting benefits and have successfully brought us business contracts and opportunities. The markets in Hong Kong, China and AESAN countries for green building and energy optimisation solutions are huge and at early development stages. We shall devise effective business strategies to accelerate the business development in these markets.

As at 31 March 2017, contracts in hand amounted to HK$6,328 million, representing a solid order book which gives a clear visibility of sales performance in coming periods.

Building materials supply

In the prefabrication and building materials supply division, revenue improved by 14% compared with the prior year to HK$608 million. The temporary tendering suspension affected the Hong Kong construction division as well as the prefabrication sales because the factory capacity planned for group businesses left idle. The team acted swiftly and was able to secure more third parties' orders to compensate the reduction in sales to group. Nonetheless, gross profits margin reduced slightly due to keen competitions in the market. Segment profits appeared to be reduced substantially because an one-off cash compensation net gain of HK$72 million for the factory removal which is not recurrent was included last year.

Being the Group's core technology development base, the division works inexorably in advancing construction methods and production processes such as full automation of stainless steel window frame.

The new technologies would benefit the construction site performance through savings in labor cost, reduced wastages and increased productivity.

The construction of new factory blocks and production lines are in progress and shall be substantially completed in next year. Upon completion, we will have additional flexibility and capacity to take on more construction projects as well as to commence prefabrication supply business in Mainland China market.

This year the Group made great strides in prefabrication business expansion. As mentioned in the interim report, prefabrication and modular construction markets in Mainland China, as supported by Government policy, are developing rapidly. The National 13th Five-Year Plan has placed great emphasis on innovative infrastructure and green development. The State Council issued in early 2016 "The Opinions and Guidelines on Further Strengthening Urban Planning and Development Management" which promoted prefabrication and stated that the country will push forward prefabricated buildings in order to generate less construction waste and dust pollution, shorten construction time and improve the overall quality of the buildings. It also projected that 30% of new buildings will be prefabricated within the next 10 years. Later on, the State Council further released "The Circular on Promoting Prefabricated Construction" which states that several regions including Beijing-Tianjin-Hebei region, Yangtze River Delta region and Pearl River Delta are the key regions for implementation. Against this backdrop, the Group's more than three decades' experience and expertise in prefabrication are highly recognised by many industry participants in China. During the year, over 160 entities including government officials, developers, architecture and design firms and contractors visited our Huizhou factory. We were approached by many parties for business cooperations. At present, three joint ventures were established to engage in the manufacturing and supply of precast concrete products and the provision of consultancy services in eight major cities including Nanjing, Jiangsu, Zhejiang, Shanghai and Guangdong, most of which fall within the abovementioned key regions. We target to open the first joint venture factory in Jiangsu and then one by one in different major cities. At present, the discussions with many different parties for similar cooperations in various first and second tier cities continue. In light of the enormous market size in China, we believe the business would grow exponentially in next few years and would contribute significantly to the Group in term of profitability and asset value in the years to come.

Hotel operation and property investment and development

The strong currency and the increased competition from other countries continued to impact the tourist and hotel markets in Hong Kong. According to the Tourism Commission figures, visitors to Hong Kong decreased by 4.5% year on year. The decline widened from a 2.5% fall in 2015. Nonetheless, the industry's average hotel occupancy rate was 87%, up slightly by 1% from 2015, whilst average room rate dropped by 3.7% year on year. Notwithstanding that, the good services and convenience of location enable the Group's hotel to maintain a relatively high average occupancy rate of around 90%. Besides, the average room rate per night was up a bit by around 2%. Also, there were some signs of uptrend in the past three months by which we noted that the sales performance was somewhat higher period on period. Despite so, the rising operating costs needed to be dealt with. As a number of new hotels are scheduled to be opened this year, competitions for manpower shall be keen and may drive the costs further up. We have to pay more attention for measures to improve efficiency for a reasonable return.

In respect of property development, we are pleased to report that we were awarded in June 2016 a contract for a commercial/residential composite development on Pine Street/Oak Street in Tai Kok Tsui. The project site area is around 8,300 ft^2 with estimated GFA of around 70,000 ft^2. It is planned to build a 25-storey residential and commercial composite development with car parks in basement under the theme of human centric and smart healthy living. Thanks for the help from our BIM team which integrated designer's idea into modelling for better design visualisation and collaboration by using Marco-Micro Full Lifecycle Approach including ArchiCAD, EcoDesigner STAR, CityEngine, Vico, BIMx, VHSmart, etc., we broke our record to prepare the building plan submission in just 37 working days with 6 Big Room Concept meetings. Foundation work has just started and we expect the development to be completed at end of Year 2020. In light of the booming property market, we are optimistic to the return of the development.

OUTLOOK

Looking forward, we are optimistic about the business opportunities in our core markets. As expressed in the 2017 Policy Address, the HKSAR Government upholds the vision of "Developing the Economy and Improving People's Livelihood". It set out clear and firm plannings on housing supply, development of private and public hospitals and environmental protection, all of which provide abundant business opportunities for the building and construction industry. As an innovative, reliable and pro-active contractor, the Group has many strengths to draw on to seize and grow our market shares in these booming segments.

On technological competency, we invest and develop continuously on building technologies, construction related IT solutions, VDC technologies, automation and industralisation of building processes. We focus on areas that offer the most promising prospects to the businesses and bring benefits to customers. With solutions like BIM and VDC and technologies like drones and 3D laser scanning, we would be able to contribute from pre-design through operation and ongoing maintenance. Our integrated holistic solutions help the customers to facilitate their projects on track and on budget with increased efficiency and productivity which are of vital importance particularly for housing and hospital construction as both are in urgent needed. During the year, we completed the design and construction of Yau Ma Tei Specialist Clinic at Queen Elizabeth Hospital. It is a complex project with a very tight time span. As a validation of the Group's capabilities and quality works, the project received several awards. It enriched our long history and reputation in hospital constructions. Given our acknowledged competency in this area, we anticipate to obtain a considerable amounts of businesses from the Government's HK$200 billions 10-year Hospital Development Plan.

In addition to business growth in existing markets, we would drive opportunities in new markets by leverage on our competency and research and development capabilities. The National 13th Five-Year plan for 2016-2020 and China's pledge to support Paris Climate Agreement lay a solid foundation for green business developments in China. The Group's two key strengths, energy saving solutions and prefabrication, are now in great demand. As mentioned earlier, the Government policy and its ongoing undertaking of construction industrialisation in China redefined the industry and created a new era for the prefabrication industry. As of now, more than 20 provinces and cities have launched policies for promoting prefabricated construction, including grants and subsidies, tax incentives etc. With the proven strength and reputation in green building technologies and solutions, the Group's leading position in technical excellence is highly regarded. We were approached by many renowned China market players for business operations in environmental protection business and prefabrication business. Apart from the three JV signed during year, many promising cooperations are in discussion. It is no doubt that the related business shall grow very rapidly in coming years.

The compensation of entitlements to a total construction area of 10,000 m^2 in the new residential properties to be constructed on the ex Longhua factory site area is still in anticipation. The building plan of the development was outlined and the site preparation work is ongoing. The development is targeted to complete in 2020. Given the development is still at an early stage, the anticipated income from sales of the 10,000 m^2 residential properties is yet to be accounted in the book. Referring to the recent residential properties transactions in the related area, property prices are over RMB45,000 per m^2, reflecting a substantial income upon realisation in future. The Group's asset value shall be greatly enhanced then.

Going forward, we will stay true to the strategy of being an "Integrated and innovative green corporation". We will continue to strengthen our business, drive opportunities in new markets, and streamline our cost structure to improve our competitiveness. In light of the unprecedented uncertainties in global markets, we will develop our business whilst be mindful of various business risks. We always keep in mind the aim of bringing to our shareholders a reasonable sustainable return.

FINANCIAL POSITION

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 31 March 2017, the Group's total cash and bank balances was HK$738 million (2016: HK$639 million) and total borrowings increased to HK$2,525 million (2016: HK$2,189 million). The increase in net cash borrowing was to finance the development cost of an Urban Renewal Authority property development project at Pine Street/Oak Street, Tai Kok Tsui obtained during the year. The current ratio (total current assets: total current liabilities) as at 31 March 2017 was 1.3 (2016: 1.2). The amount of bank loans and other facilities fall due beyond one year was HK$989 million (2016: HK$749 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 2017, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,084 million (2016: HK$4,034 million), of which HK$3,007 million (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 31 March 2017, the Group had approximately 3,100 (2016: 3,500) employees. There are approximately 2,300 (2016: 2,500) employees in Hong Kong, Macau and Singapore and 800 (2016: 1,000) in Mainland China. Yau Lee aims to be a good and attractive employer as we understand people are key to long-term success. The Group offers competitive remuneration packages and employees are rewarded on a performance related basis. The Group also invests substantially on training and staff development. We promote continuing learning and help the professional and personal development of our employees.

MOVEMENT OF INCOMPLETE CONTRACTS

For the year ended 31 March 2017

Contract value

	31 March 2016 *HK$'million*	Contracts Secured *HK$'million*	Contracts Completed *HK$'million*	**31 March 2017** ***HK$'million***
Building construction, renovation and maintenance	17,350	8,813	(7,274)	**18,889**
Electrical and mechanical installation	5,947	2,228	(1,847)	**6,328**
Building materials supply	1,544	333	(109)	**1,768**
Computer software development and architectural and engineering services	24	6	(15)	**15**
Less: Inter-segment contracts	(2,866)	(1,073)	498	**(3,441)**
	21,999	10,307	(8,747)	**23,559**

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 Corporate Governance Code (the "Code") as set out in the Appendix 14 of The Rules Governing the Listing of Securities on The SEHK ("Listing Rules"). The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders through prudent management, investment and treasury policies.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

During the year, management has conducted a review of the risk management framework in accordance with regulatory requirements, developed an enterprise risk register, submitted an assessment report to the Board and an internal control review plan for the next three years to enable the Board to effectively monitor the business risk and understand how management responds and mitigates the risks.

In addition, the Company has implemented an internal control system to minimize the risks to which the Company is exposed to and used as a management tool for day-to-day business operation. The Board has appointed an independent international accounting firm, Baker Tilly Hong Kong, to conduct a review of the Company's internal control system for the year ended 31 March 2017. The review covered financial, operational and compliance controls on operational cycles selected in accordance to the risk assessment result. In the review report, corrective action and improvement programs have been proposed for the internal control problems or deficiencies found.

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

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

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the requirements of the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding the securities transactions by the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2017.

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 2017 except for deviations from the code provisions as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated 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.

Under code provision A.6.7 of the Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chan, Bernard Charnwut was unable to attend the annual general meeting of the Company held on 22 August 2016 due to his other engagement. However, the Board believes that the presence of the other independent non-executive directors at such meeting has allowed the Board to develop a balanced understanding of the views of shareholders.

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 2017.

REVIEW BY AUDIT COMMITTEE

The Group's annual results for the year ended 31 March 2017 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors. The Audit Committee, together with the management, has reviewed the audited consolidated financial statements for the year ended 31 March 2017 of the Group.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in this annual results announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2017. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 26 June 2017

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