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 2018

HIGHLIGHTS

The Group reported revenue of HK$5,653,938,000 (2017: HK$6,124,053,000) for the year.

The gross profit was HK$393,073,000 (2017: HK$459,491,000).

Profit for the year was HK$52,697,000 (2017: loss of HK$29,756,000).

Basic and diluted earnings per share was approximately HK11.99 cents (2017: losses per share of HK6.80 cents).

The net asset value attributable to equity holders of the Company as at 31 March 2018 was HK$1,475,823,000 (2017: HK$1,395,077,000), equivalent to HK$3.37 (2017: HK$3.18) per share based on the 438,053,600 (2017: 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 2018 together with comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	3	**5,653,938**	6,124,053
Cost of sales	5	**(5,260,865)**	(5,664,562)
Gross profit		**393,073**	459,491
Other income and gains/(losses), net	4	**140,658**	(4,097)
Selling and distribution costs	5	**(17,813)**	(29,608)
Administrative expenses	5	**(433,530)**	(411,124)
Other operating expenses	5	**(4,266)**	(5,365)
Operating profit		**78,122**	9,297
Finance costs	6	**(27,048)**	(31,982)
Share of (loss)/profit of associates		**(8)**	436
Share of loss of joint ventures		**(202)**	(54)
Profit/(loss) before income tax		**50,864**	(22,303)
Income tax credit/(expense)	7	**1,833**	(7,453)
Profit/(loss) for the year		**52,697**	(29,756)
Attributable to:			
Equity holders of the Company		**52,535**	(29,798)
Non-controlling interests		**162**	42
		52,697	(29,756)
Dividend	8	**13,142**	6,045
Earnings/(losses) per share (basic and diluted)	9	**HK11.99 cents**	HK(6.80 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) for the year	**52,697**	(29,756)
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Currency translation differences	**31,254**	(20,211)
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 income/(loss) for the year	**83,951**	(6,741)
Attributable to:		
Equity holders of the Company	**83,789**	(6,783)
Non-controlling interests	**162**	42
Total comprehensive income/(loss) for the year	**83,951**	(6,741)

CONSOLIDATED BALANCE SHEET
As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**1,281,052**	1,207,674
Investment properties		**234,577**	228,075
Leasehold land and land use rights		**76,701**	71,233
Intangible assets		**11,454**	12,510
Goodwill		**15,905**	15,905
Associates		**1,285**	1,407
Joint venture		**8,330**	–
Deferred income tax assets		**6,200**	13,143
Available-for-sale financial assets		**11,800**	11,800
Other non-current assets		**1,069**	46,165
		1,648,373	1,607,912
Current assets			
Cash and bank balances		**781,757**	737,877
Trade debtors, net	*10*	**802,263**	1,123,864
Due from customers on construction contracts		**818,355**	1,057,607
Prepayments, deposits and other receivables		**429,739**	436,462
Inventories		**95,357**	77,023
Completed properties held for sale		**176,017**	176,017
Property under development for sale		**305,444**	266,481
Due from associates		**114**	495
Due from joint ventures/joint operations		**30,097**	33,250
Due from other partners of joint operations		**–**	56,797
Prepaid income tax		**1,828**	1,845
		3,440,971	3,967,718
Total assets		**5,089,344**	5,575,630

CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31 March 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Equity			
Share capital		**87,611**	87,611
Other reserves		**490,724**	449,897
Retained profits		**897,488**	857,569
Attributable to equity holders of the Company		**1,475,823**	1,395,077
Non-controlling interests		**3,745**	328
Total equity		**1,479,568**	1,395,405
Liabilities			
Non-current liabilities			
Long-term borrowings		**1,242,526**	989,186
Deferred income tax liabilities		**12,957**	23,192
		1,255,483	1,012,378
Current liabilities			
Short-term bank loans		**867,831**	1,101,597
Current portion of long-term borrowings		**137,204**	434,473
Payables to suppliers and subcontractors	*11*	**321,929**	361,744
Accruals, retention payables, deposits received and other liabilities	*12*	**629,084**	804,828
Income tax payable		**4,528**	3,817
Obligation in respect of joint ventures		**1,558**	1,511
Due to customers on construction contracts		**365,428**	373,041
Due to joint operations		**2,799**	59,596
Due to other partners of joint operations		**23,932**	27,240
		2,354,293	3,167,847
Total liabilities		**3,609,776**	4,180,225
Total equity and liabilities		**5,089,344**	5,575,630

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	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 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
As at 1 April 2017	**87,611**	**413,776**	**359**	**1,017**	**43,226**	**(8,481)**	**857,569**	**1,395,077**	**328**	**1,395,405**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**52,535**	**52,535**	**162**	**52,697**
Other comprehensive income:										
Currency translation differences	**–**	**–**	**–**	**31,254**	**–**	**–**	**–**	**31,254**	**–**	**31,254**
Transactions with non-controlling interests *(Note)*	**–**	**–**	**–**	**–**	**–**	**9,573**	**–**	**9,573**	**3,255**	**12,828**
2017 final dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(6,045)**	**(6,045)**	**–**	**(6,045)**
2018 interim dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(6,571)**	**(6,571)**	**–**	**(6,571)**
As at 31 March 2018	**87,611**	**413,776**	**359**	**32,271**	**43,226**	**1,092**	**897,488**	**1,475,823**	**3,745**	**1,479,568**

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, each with an exercise price of HK$6.4 million and exercisable on 30 June 2016, were 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 was 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").

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) Amendments to existing standards adopted by the Group

During the year, the Group adopted the following amendments to existing standards which are effective in accounting period beginning on 1 April 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interests in Other Entities

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

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

(ii) New standards, amendments to existing standards, interpretations and improvements that are not yet effective

Certain new standards, amendments to existing standards, interpretations and improvements have been published which are mandatory for the Group's accounting periods beginning on or after 1 April 2018 and have not been early adopted by the Group are as follows:

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures[2]
HKAS 40 (Amendment)	Transfers of Investment Property[1]
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendment)	Clarifications to HKFRS 15[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Annual Improvements	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

[1] Effective for accounting periods beginning on 1 January 2018
[2] Effective for accounting periods beginning on 1 January 2019
[3] Effective for accounting periods beginning on 1 January 2021
[4] Effective date to be determined

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

(ii) New standards, amendments to existing standards, interpretations and improvements that are not yet effective *(Continued)*

HKFRS 9, "Financial instruments"

The new standard addresses and introduces new requirements for the classification, measurement and derecognition of financial instruments, hedge accounting, and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group has assessed that its financial assets currently measured at amortised cost or fair value through profit or loss will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The Group has also assessed on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. 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. It may result in an earlier recognition of credit losses.

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has assessed the effects of the applying the new standard on the consolidated financial statements and has not identified any material impact to the Group.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the 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. At 31 March 2018, the Group had operating lease commitments of HK$28,873,000. Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

The Group has not early adopted the above standards, amendments and interpretations on the Group's accounting policies and financial statements. There are no other standards that are not yet effective and that would be expected to have a material impact on the Group's consolidated financial statements.

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.

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Construction	**3,973,477**	4,563,642
Electrical and mechanical installation	**1,426,825**	1,324,413
Building materials supply	**111,959**	112,562
Property investment and development	**2,723**	2,179
Hotel operations	**109,620**	98,268
Others	**29,334**	22,989
	5,653,938	6,124,053

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

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

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

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

	Construction *HK$'000*	**Electrical & Mechanical Installation** *HK$'000*	**Building Materials Supply** *HK$'000*	**Property Investment and Development** *HK$'000*	**Hotel Operations** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2018							
Total sales	**4,017,214**	**2,082,119**	**480,567**	**2,723**	**109,620**	**123,476**	**6,815,719**
Inter-segment sales	**(43,737)**	**(655,294)**	**(368,608)**	**–**	**–**	**(94,142)**	**(1,161,781)**
External sales	**3,973,477**	**1,426,825**	**111,959**	**2,723**	**109,620**	**29,334**	**5,653,938**
Segment results	**(7,046)**	**14,569**	**46,897**	**1,807**	**27,051**	**(11,363)**	**71,915**
Share of loss of associates	**–**	**(8)**	**–**	**–**	**–**	**–**	**(8)**
Share of loss of joint ventures	**–**	**–**	**(202)**	**–**	**–**	**–**	**(202)**
	(7,046)	**14,561**	**46,695**	**1,807**	**27,051**	**(11,363)**	**71,705**
Unallocated income							**6,207**
Finance costs							**(27,048)**
Profit before income tax							**50,864**
Income tax credit							**1,833**
Profit for the year							**52,697**

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

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

The analysis of revenue by geographical area is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**5,367,945**	5,106,180
Non-Hong Kong	**285,993**	1,017,873
	5,653,938	6,124,053

Revenue of approximately HK$3,637,902,000 (2017: HK$3,486,466,000) are derived from two (2017: two) major customers each contributing 10% or more of the total revenue.

Non-current assets, other than financial instruments and deferred income tax assets, by geographical area are as follows:

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**896,844**	983,174
Non-Hong Kong	**732,460**	598,794
	1,629,304	1,581,968

4 OTHER INCOME AND GAINS/(LOSSES), NET

	2018 *HK$'000*	2017 *HK$'000*
Other income		
Bank interest income	**5,775**	5,421
Interest income from subcontractors	**8,749**	7,549
Management service income from a joint venture and a joint operation	**40**	32
Sundry income	**11,042**	16,725
	25,606	29,727
Other gains/(losses), net		
Gain on disposal of a joint operation	**45,616**	–
Gain/(loss) on disposal of property, plant and equipment, net	**192**	(208)
Fair value gain/(loss) on investment properties, net	**2,432**	(1,960)
Gain on financial assets at fair value through profit or loss	**–**	174
Exchange gain/(loss), net	**66,812**	(31,830)
	115,052	(33,824)
	140,658	(4,097)

5 EXPENSES BY NATURE

	2018	2017
	HK$'000	*HK$'000*
Cost of construction	**4,112,335**	4,441,134
Cost of inventories sold	**325,961**	374,040
Staff costs (excluding directors' emoluments)	**923,248**	913,003
Directors' emoluments	**21,121**	20,656
Depreciation		
Owned property, plant and equipment	**88,607**	92,704
Leased property, plant and equipment	**5,689**	7,040
	94,296	99,744
Operating lease rentals of		
Land and buildings	**11,113**	10,491
Other equipment	**70,965**	76,106
	82,078	86,597
Amortisation of leasehold land and land use rights	**1,979**	1,941
Amortisation of intangible assets	**1,056**	1,056
Provision for impaired receivables, net	**1,720**	16,585
Provision for inventories	**234**	96
Auditors' remuneration		
– Audit services	**5,637**	5,495
– Non-audit services	**495**	462
Direct operating expenses arising from investment properties		
– Generate rental income	**382**	335
– Not generate rental income	**29**	31
Selling and distribution costs	**17,813**	29,608
Others	**128,090**	119,876
Total cost of sales, selling and distribution costs, administrative and other operating expenses	**5,716,474**	6,110,659

6 FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on overdrafts and short-term bank loans	**26,053**	35,612
Interest on long-term bank loans	**27,240**	25,802
Interest element of finance lease payments	**290**	511
Total borrowing costs incurred	**53,583**	61,925
Less: Classified as cost of construction	**(18,729)**	(22,875)
Capitalised in construction in progress	**(1,765)**	(2,174)
Capitalised in property under development for sale	**(6,041)**	(4,941)
	27,048	31,935
Loss on derivative financial liabilities	**–**	47
	27,048	31,982

For the year ended 31 March 2018, the interest rate applied in determining the amount of borrowing costs capitalised in construction in progress was 2.2% (2017: 2.3%) per annum.

7 INCOME TAX (CREDIT)/EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax provision for the year	**3,715**	243
Overseas tax provision for the year	**117**	2,304
Over-provision in prior years	**(1,345)**	(114)
Deferred income tax relating to the origination and reversal of temporary differences	**(4,320)**	5,020
	(1,833)	7,453

Hong Kong profits tax was calculated at 16.5% (2017: 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

	2018	2017
	HK$'000	*HK$'000*
Interim dividend paid during the year		
Interim – HK1.50 cents (2017: Nil) per ordinary share	**6,571**	–
Proposed final dividend		
Final – HK1.50 cents (2017: HK1.38 cents) per ordinary share	**6,571**	6,045
	13,142	6,045

In the Board meeting held on 27 June 2018, the Directors recommended the payment of a final dividend of HK1.50 cents (2017: HK1.38 cents) per share, totalling of HK$6,571,000 (2017: HK$6,045,000) for the year ended 31 March 2018.

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

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

	2018	2017
	HK$'000	*HK$'000*
Net profit/(loss) attributable to the equity holders of the Company	**52,535**	(29,798)

	2018	2017
Weighted average number of shares in issue during the year	**438,053,600**	438,053,600
Basic earnings/(losses) per share	**HK11.99 cents**	HK(6.80 cents)

Diluted earnings/(losses) per share for the years ended 31 March 2018 and 2017 are equal to basic earnings/(losses) per share as there are no potential dilutive shares in issue during the years.

10 TRADE DEBTORS, NET

	2018	2017
	HK$'000	*HK$'000*
Trade debtors	**474,889**	656,547
Retention receivables	**335,253**	490,988
Provision for impairment	**(7,879)**	(23,671)
	802,263	1,123,864

10 TRADE DEBTORS, NET *(Continued)*

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

	2018	2017
	HK$'000	*HK$'000*
Current	**662,155**	1,012,908
1-30 days	**21,441**	7,327
31-90 days	**17,855**	16,659
91-180 days	**10,559**	3,652
Over 180 days	**90,253**	83,318
	140,108	110,956
	802,263	1,123,864

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2018, trade debtors of HK$140,108,000 (2017: HK$110,956,000) 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:

	2018	2017
	HK$'000	*HK$'000*
Current	**279,010**	337,157
1-30 days	**34,410**	16,320
31-90 days	**2,585**	1,549
91-180 days	**292**	496
Over 180 days	**5,632**	6,222
	42,919	24,587
	321,929	361,744

12 ACCRUALS, RETENTION PAYABLES, DEPOSITS RECEIVED AND OTHER LIABILITIES

	2018	2017
	HK$'000	*HK$'000*
Retention payables	**410,402**	495,214
Other deposits and receipts in advance	**81,329**	71,957
Due to non-controlling interests *(Note)*	**16,305**	520
Others	**121,048**	237,137
	629,084	804,828

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

13 COMMITMENTS AND CONTINGENT LIABILITIES

The Group has the following outstanding commitments and contingent liabilities:

(a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 31 March 2018, 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 in September 2016 by the subcontractor 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). During the year, the subsidiary received a payment of HK$4,116,237 which is recognised in income statement. For the remaining balance of the judgment debt, the subsidiary is currently pursuing statutory demand action.

(c) The Group has provided performance bonds amounting to approximately HK$645,458,000 (2017: HK$811,136,000) in favour of the Group's customers.

(d) As at 31 March 2018, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and a joint venture of approximately HK$9,315,000 (2017: HK$23,537,000) and RMB28,000,000 (2017: Nil) respectively.

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

	2018	2017
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**10,020**	11,261
One year to five years	**18,853**	19,309
	28,873	30,570

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

2017 was a positive year for Yau Lee. The Group delivered a profitable result and forwarded along the right track leading to sustainable growth. We held strong positions in our core businesses. We made good progresses in new business developments. And, we are pleased to acknowledge that the Group has truly been regarded as a leading player in innovations and construction technologies. More and more parties came to us for advices or solutions for their green building plans. We are grateful that our customers entrusted us with their visionary plans. We envisage increasing benefits would be generated from our longstanding experience with innovative technologies.

For the reporting year, total revenue was HK$5,654 million, shrank by 7.7% year on year. The drop came mainly from Singapore and Macau markets as we presaged in the last report. The reduction in overseas revenue was partially compensated by the growth in our core market. Revenue generated from Hong Kong construction business and electrical and mechanical installation ("E&M") business had been up by 5% and 6% respectively as compared to last year. We believe that our strong presence in local market would support further growth in revenue.

Consolidated gross profits decreased from HK$459 million to HK$393 million. The drop in revenue from Singapore and Macau impacted also the gross profits. Besides, a further provision for rectification cost of HK$30 million for "lead water incidence" follow-up works was made which hit gross profits too. Yet, to our relief, these negative factors are non-recurring. The adverse impact on the Group's gross profits would not happen again next year.

Operating expenses increased only slightly by HK$10 million, or 2% to HK$456 million. As to the operating costs, staff costs are still the major concern. Hong Kong jobless rate falls to 20-year low. The booming employment market drives salaries upward continuously. We managed to control the size of the workforce and keep the staff costs stable.

This year, we attained a consolidated profit before tax of HK$51 million whilst last year was a loss of HK$22 million. Appreciation in Renminbi and Singapore dollar brought to the Group an exchange gain of HK$67 million. Earnings per share for the year was HK11.99 cents, compared with losses per share of HK6.8 cents last year. Net asset value attributable to equity holders of the Company as at 31 March 2018 was HK$1,476 million (2017: HK$1,395 million), equivalent to HK$3.37 (2017: HK$3.18) per share based on 438,053,600 ordinary shares in issue. The Group has enhanced its balance sheet strength and improved in term of cash flow. With an improved cash flow from project works, the Group has reduced total borrowing by HK$277 million.

DIVIDEND

In the Board meeting held on 27 June 2018, the Directors recommended the payment of a final dividend of HK1.50 cents (2017: HK1.38 cents) per share. Together with the interim dividend of HK1.50 cents (2017: Nil) per share, total distribution was HK3.00 cents this year, representing a year-on-year increase of 117%. 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 15 August 2018 (Wednesday), will be payable on 12 September 2018 (Wednesday) to the shareholders whose names appear on the register of members of the Company on 31 August 2018 (Friday).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 10 August 2018 (Friday) to 15 August 2018 (Wednesday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 15 August 2018 (Wednesday).

In order to qualify for attendance to the AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 9 August 2018 (Thursday).

CLOSURE OF REGISTER OF MEMBERS FOR PAYMENT OF FINAL DIVIDEND

The register of members of the Company will be closed from 29 August 2018 (Wednesday) to 31 August 2018 (Friday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK1.50 cents per share for the year ended 31 March 2018, following the approval at the AGM.

In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 28 August 2018 (Tuesday).

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

The segment generated revenue of HK$4,017 million, 15% lower than prior year's sale at HK$4,738 million. The fall short came from Singapore and Macau operations which was anticipated in light of our strategic decisions. During the year we completed all the on-hand projects and halted bidding construction projects in Singapore. Singapore construction industry continued to contract in 2017 and plummeted by 8.4% year on year as a result of notable slowdown in private sector construction demands since 2015. Besides, rising competition from overseas and tightened control on the use of foreign workers caused contract prices dropped to low level that made paper-thin profit. As we maintained our disciplined approach to resources allocation focusing on sustainable financial return, we opt not to take on further construction projects until we find the expected return from the market opportunities justify the risk taken. Likewise in Macau, we take cautious approach in bidding new projects. In Macau, we focus primarily on hotel development projects which market activities were peak in 2015 and 2016. The market slowed down in 2017 and profit margin was deteriorated as a result of keen competition. We rather brought back resources to Hong Kong which is in good shape. Revenue earned from Hong Kong construction business was up by 5% as compared to last year. During the year, we completed on time a sizeable public housing project of over 4,000 number of public rental housing units, despite the fact that the relevant works were substantially delayed and disrupted by various external factors. We pride ourselves in timely delivery of projects while upholding high standards in quality.

Apart from the decrease in revenue, losses were reported from Singapore and Macau operations, resulted in a segment loss this year. As stated earlier, the Group did not take on new projects in both regions and worked to the completion of existing projects. Though we had trimmed down the operation scales as much as we can, there were unavoidable project overheads. In the absence of economies of scale, profitability was impacted. In any cases, these adverse impacts were not recurring. All projects in Singapore and Macau were completed and respective performance was at large reflected on book. Current operation costs have been reduced to very low level that would not impact the profit from next year onwards. Besides, the profit was hit by an additional provision of cost of HK$30 million as a result of delay in the completion of "lead water incidence" follow-up works. Regarding the water pipe replacement works, we have completed all permitted works. The additional provision of cost is adequate to the finalization of works.

The amount of new contracts awarded this year was only HK$404 million. In respect of new works public housing projects, we noted that numbers of small scale projects increased in the reporting year whilst sizeable projects were somewhat less. This, to some extent, affected our new business in-take opportunity because we tend to aim at large projects. In fact, we were awarded one large public housing project with a contract sum of HK$2,372 million after the year end. As to the fit-out and maintenance division, the team was fully engaged in executing current projects, comprising the four major contracts secured a year before. After the year end, we won a maintenance term contract worth HK$520 million.

Contracts in hand as at 31 March 2018 remained at a healthy level at HK$17,341 million whereas last year stood at HK$18,889 million.

Hong Kong's notoriously high construction costs make it ranked second highest, just next to New York globally. There is pressing need to improve the industry's productivity and efficiency. Building Information Modeling ("BIM"), a smart tool, to enhance the overall productivity of the industry was found to be more widely adopted in recent years. In fact, Hong Kong Government has stated in 2017 Policy Address that Government will actively seek to require consultants and contractors to use this modeling technology when undertaking design of major government capital works projects from 2018 onwards. Given the Group's widely recognized experience and expertise in Virtual Design and Construction ("VDC") technologies and BIM, revenue generated in this respect grew by almost 30% year-on-year. During the year, we have handled many distinctive projects, one of which was the Group's residential development in Tai Kok Tsui, developed jointly with URA. The project adopted the Micro to Macro Full Lifecycle Management. Through applying the "Big Room" Concept, the entire project team (architect, engineers, contractors, and subcontractors) completed the General Building Plan for submission to Buildings Department in only 37 days through 6 "Big Room" meetings. Also, we, as an owner, integrated first time BIM-GIS for better allocation of space and connectivity and achieved a full utilization of BIM-GIS by developing an ultimate project communication application namely BIMxVGIS. Besides, we also developed an add-on with local features by integrating a 3D modeling software into EcoDesignerSTAR for energy simulation in design stage and successfully attained BEAM Plus New Buildings (v.1.2) Provisional Platinum Certificate, issued by The Hong Kong Green Building Council. The tool makes the application for BEAM compliance assessment a lot easier and more efficient.

We are also active in the provision of BIM services in overseas markets. Our excellent performance and goodwill gained in the pre-construction consultancy services rendered to the Hong Kong Sanatorium & Hospital's medical centre brought to us another business of the kind. We were awarded a BIM services and provision of training contract for the construction of Singapore National Cancer Centre which houses a patron therapy center. Besides, we were engaged by Singapore Building Construction Authority Academy in the fourth consecutive year to provide 4D BIM site management and 5D BIM cost management seminars. In Malaysia, we provided 5D BIM consultancy and training services for a renowned property developer.

BIM and VDC technologies are the next great leap forward for Hong Kong's construction industry. The Group's expertise and experience in this respect differentiate us from others and would bring to us more business opportunities.

Electrical and mechanical installation

The E&M segment has delivered a very positive result achieving growths in both revenue and gross profit this year. With a solid order book built up over the years, the division accomplished an increase in revenue by HK$55 million, or 3% to HK$2,082 million year-on-year. The team had worked hard to catch up the fall short in work done happened in the first half year. Several major projects were delivered on time before the end of the year. Besides, our presence in Hong Kong has been expanding. In fact, this year's revenue was the second highest to date. As the market outlook is good, shortage in manpower especially engineers is severe. Total operating expenses rose by 5% year-on-year, caused mainly by pay rise. In any event, the segment delivered a growth in profits before tax by 10% compared with last year.

Though Hong Kong Government unveiled in 2015 an Energy Saving Plan for the Built Environment 2015 – 2025+, which sets a new target of reducing Hong Kong's energy intensity by 40% in 2025, it seemed market activities has not raised much in response as many clients may still in the planning stage or look for options. However, we found the market was gearing up in the year and more and more projects and opportunities unleashed. REC, our E&M subsidiary, is a well-recognized brand in the industry for green building and energy optimization solutions. It received a lot more enquiries and requests this year. Under the positive market sentiment, our revenue generated from green business was 70% up on the prior year figure. We delivered fifteen Energy Optimization Solutions (EOS) projects including North Point Government Office, Yaumatei Specialist Clinic at Queen Elizabeth Hospital, Hong Kong Air Cargo Terminal Limited etc., all of them achieved power saving exceeding the targets. Also, the sales of energy saving and environment protection products like intelligent Fan Coil Unit – iFCU™, Bamako Burner™ keep rising as a result of increasing repeated orders. Bamako Burner™, our developed product, featured with effective fly ash and smoke treatment system can reach 99.3% of pollutant removal rate without using any chemicals or additional filters. It is designed to minimize health and environmental impact of black smoke on neighbor residents, facility staff, and worshippers. Total sales of the product have been accumulated to around HK$50 million since its launch. According to the latest Private Columbaria Ordinance, all private columbaria must fulfill specified Environmental Protection Department's regulations. We see great business potentials for Bamako Burner.

For demonstrations of our inventions and competency in smart living technologies, we established a Smart BMS Lab to exhibit our products and applications in smart building management especially the technologies in integrated mobile solutions. A number of visits had been arranged with existing and prospective clients. We gained a lot of positive feedbacks and inputs through this kind of interactive activities which give insights of customer needs and future development direction.

To further extend our market position, we started pursuing strategically environmental engineering projects by partnering with different expertise a few years ago. This year we were awarded as joint venture an on-site chlorine generation for water treatment plants project amounted to HK$520 million, by far the largest-ever contract obtained by this sector. Profit margins erode in the highly competitive conventional E&M business. We are diversifying into a wider scope of relevant services for sustainable return.

New contracts secured in this year amounted to HK$1,832 million. As at 31 March 2018, value of contracts in hand remained at a high level of HK$7,288 million, representing a solid order book which gives a clear visibility of sales performance in coming periods.

Building materials supply

The Group made a successful entry to the prefabrication construction market in Mainland China last year. Building on that momentum, we extended our presence to Fuzhou and Hubei Yichang by forming two more joint ventures during the year. Soon after the existing joint venture factories established, our businesses would cover five major cities in four provinces. Our joint venture partners comprise property developers and main contractors who would be able to bring in businesses once the factories are ready.

The first joint venture factory is now under construction in Jurong District of Zhen Jiang City. Total site area of the development would reach 199,998 square meters to be delivered in three phases. The first phase is expected to be completed before the end of 2018 and to deliver first batch of sales early next year. Another piece of land was identified for the Yi Chang joint venture. The development plan of the factory has been confirmed and construction will commence soon. First phase of development is targeted to be completed and operated before end of 2018. Meanwhile, we are negotiating another two pieces of factory land which hopefully could be secured before the end of the year.

To facilitate the implementation of Government policy in promoting prefabrication and modular construction, Shenzhen City Housing and Construction Bureau issued the "Notice on Accelerating Prefabrication Construction" aiming to uplifting the skill of prefabrication construction workers in the City. As a renowned expert in prefabrication, Yau Lee Wah was honored to be Shenzhen City's first large integrated prefabrication construction field training center. By partnering with the Building Industrialization Association of Shenzhen, the authentic association for the training matters of the industry in Shenzhen, we provide accredited training courses to the industry workers. Besides, we provide management training too. We partner with Nanjing University to offer a program to senior management of the industry. The plan is to convert it to a degree course eventually. Meanwhile, a number of education and training cooperation is in discussion with various authentic associations and prestigious universities. Education and training is an important sector in Mainland China. We are glad to contribute our expertise to the industry whilst doing a business.

In term of sales, the division recorded a reduction of 21% from HK$608 million in the prior year to HK$481 million in the reporting year. During the year, some of the production resources had been used to support the prefabrication industrialization development, for example, formulating joint venture operations standards and practices. Business operation was therefore temporarily affected. Despite so, the segment reported a profit this year whilst last year was a loss because gross profits margin attained in this year improved and the exchange turned from loss to gain during the year due to appreciation in Renminbi. Actually, the operating expenses of the division had been increased this year because more manpower was recruited to develop the prefabrication construction business in Mainland China. When this new business comes into operation later, the overall profits shall be up further.

On process improvement and technology development, we invest relentlessly for advancement and innovation. More process automations have been implemented and applications of BIM in product design and production planning were extensively adopted. Our commitment to research and development will continuously strengthen our position as a leading player in prefabrication.

Hotel operation and property investment and development

Hong Kong recorded 58.47 million tourist arrivals in 2017, up by 3.2% from a year earlier according to the Hong Kong Tourism Board. Growth in overnight visitor arrival was even higher at over 5% year-on-year, with major growth from Mainland visitors at 6.7% and the rest at 1.9%. Overall hotel occupancy therefore rose 2% to 89% year-on-year. Despite so, overall room rate up only 0.1% as a result of intense competitions and increase in hotel room supply. Our hotel, reputed for the good services and convenience of location attains a balanced mix of customer base which enables us to enjoy the recoveries in both leisure and business travel visitors. Our growths in occupancy and average room rate outperformed the industry averages, leading to the increases in total room revenue and EBITA by 12% and 18% respectively year-on-year. The rising momentum continues as occupancy and room rates in first two months after the year end kept growing.

The hotel business contributes profits and steady cash flow to the Group even when the tourism industry was sluggish in past few years. We expect the financial return would rise further as market forecasts the number of total visitor arrivals would continue to grow after the Express Rail Link and Hong Kong-Zhuhai-Macau Bridge come into service later this year.

Regarding the commercial/residential mix development on Pine Street/Oak Street in Tak Kok Tsui, the expected completion date remains at before end of 2020 by then the development will provide a smart, green and healthy living environment to the community. As stated, the project has adopted Micro to Macro Full Lifecycle Management with several breakthrough, like Big Room Concept for shortened design process, localized add-on in EcoDesignerSTAR for energy simulation and BIMxVGIS for project communication, which improved greatly the productivity and efficiency. The development already attained BEAM Plus New Buildings (v.1.2) Provisional Platinum Certificate. At present, piling work is ongoing and should be completed in the third quarter of 2018. Meanwhile, we are in the process of applying the pre-sale consent. We will make all sales and marketing arrangements ready for launch once the approval obtained.

OUTLOOK

The Express Rail Link and the future development of Greater Bay Area bring tremendous opportunities to Hong Kong. Hong Kong's economy is poised to grow at least in near term. The construction industry which has long been an engine to support the city development would remain prosperous. In light of the increasing construction demands, Government has in this year's budget report urged the industry to continue to upgrade through wider adoption of innovative technology to enhance productivity, built quality, environmental performance and site safety. We are proud to claim a frontrunner in innovations and construction technologies and would continue to invest inexorably in advanced and disruptive technologies at Industry 4.0 and adapt to local usage for better return and to contribute to the community as well. Recently, we start exploring the robot-based construction. We engaged a robotic company to develop robotic applications at site. In the first phase, we would develop robot to handle certain works at height and monotonous tasks. Fall from height is one of the most common causes of construction site fatalities. We aim to help the industry to boost productivity, quality as well as safety.

In respect of prefabrication industrialization development in Mainland China, we are very much looking forward to sharing with you exciting progress next year. Last year, we had a lot of deep conversations with various prospective partners. At large, we set the development blueprint and framework. More partnerships could be signed next year as the process would be speed up. Also, we will build more joint venture factories and we may probably share with you operation results of one or two in next report.

For the compensation of entitlements to a total construction area of 10,000 m^2 in the new residential properties to be constructed on the former Longhua factory site area, the anticipated handover date remain to be Year 2020. The construction work commenced. Though the progress is slightly behind, there is still plenty of time to catch up. Recent market prices of residential properties in the related area reach over RMB50,000 per square meter. Considerable upward in return would be realized upon the handover of assets to the Group.

Looking ahead, we continue to firmly commit to innovation and sustainability which are key aspects of our strategy. Our aspiration to excellence will help us weather the volatile economic, political and social circumstances that we note today.

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 2018, the Group's total cash and bank balances was HK$782 million (2017: HK$738 million) and total borrowings decreased to HK$2,248 million (2017: HK$2,525 million). The decrease in borrowings was primarily due to improved project cash flow to repay some loans. The current ratio (total current assets: total current liabilities) as at 31 March 2018 was 1.5 (2017: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK$1,243 million (2017: HK$989 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 2018, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,173 million (2017: HK$5,084 million), of which HK$2,701 million (2017: HK$3,007 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 2018, the Group had approximately 2,800 (2017: 3,100) employees. There are approximately 2,100 (2017: 2,300) employees in Hong Kong, Macau and Singapore and 700 (2017: 800) 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 2018

Contract value

	31 March 2017 *HK$'million*	Contracts Secured *HK$'million*	Contracts Completed *HK$'million*	**31 March 2018** ***HK$'million***
Building construction, renovation and maintenance	18,889	404	(1,952)	**17,341**
Electrical and mechanical installation	6,328	1,832	(872)	**7,288**
Building materials supply	1,768	261	(365)	**1,664**
Others	15	18	(11)	**22**
Less: Inter-segment contracts	(3,441)	(800)	251	**(3,990)**
	23,559	1,715	(2,949)	**22,325**

CORPORATE GOVERNANCE

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

During the reported year, management has engaged an independent international accounting firm, Baker Tilly Hong Kong, for an enterprise risk assessment which was conducted under the approach adopted in the "COSO Enterprise Risk Management – Integrated Framework". According to the assessment result, management has updated the enterprise risk register with the changes of risk factors, submitted an assessment report containing recommendations to the Board to enable the Board to effectively monitor the business risk and understand how management responds and mitigates the risks.

In addition, the Company has implemented an internal control system to minimise the risks to which the Company is exposed to and used as a management tool for day-to-day business operation. The Board has appointed Baker Tilly Hong Kong, to conduct a review of the Company's internal control system for the year ended 31 March 2018. The review covered financial, operational and compliance controls on selected operational cycles according to the Company's 3-year internal audit plan. 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 Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding the securities transactions by the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2018.

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 2018 except for deviations from the code provisions as described below.

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold the Company's listed securities during the year ended 31 March 2018.

REVIEW BY AUDIT COMMITTEE

The Group's annual results for the year ended 31 March 2018 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 2018 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 2018. 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, 27 June 2018

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/listco/hk/yaulee/