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 2020

HIGHLIGHTS

The Group reported revenue of HK$6,694,157,000 (2019: HK$5,618,078,000) for the year.

The gross profit was HK$459,758,000 (2019: HK$543,761,000).

Loss for the year was HK$42,478,000 (2019: Profit of HK$30,408,000).

Basic and diluted loss per share was approximately HK9.49 cents (2019: earnings per share of HK6.87 cents).

The net asset value attributable to equity holders of the Company as at 31 March 2020 was HK$1,277,446,000 (2019: HK$1,379,293,000), equivalent to HK$2.92 (2019: HK$3.15) per share based on the 438,053,600 (2019: 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 2020 together with comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*3*	**6,694,157**	5,618,078
Cost of sales	*5*	**(6,234,399)**	(5,074,317)
Gross profit		**459,758**	543,761
Other income and losses, net	*4*	**21,654**	26,120
Selling and distribution costs	*5*	**(20,702)**	(26,724)
Administrative expenses	*5*	**(454,377)**	(465,724)
Other operating expenses	*5*	**(7,354)**	(4,568)
Operating (loss)/profit		**(1,021)**	72,865
Finance costs	*6*	**(31,624)**	(29,474)
Share of (loss)/profit of an associate		**(75)**	58
Share of loss of joint ventures		**(6,509)**	(3,087)
(Loss)/profit before income tax		**(39,229)**	40,362
Income tax expense	*7*	**(3,249)**	(9,954)
(Loss)/profit for the year		**(42,478)**	30,408
Attributable to:			
Equity holders of the Company		**(41,561)**	30,087
Non-controlling interests		**(917)**	321
		(42,478)	30,408
Dividend	*8*	**10,952**	13,142
(Loss)/earnings per share (basic and diluted)	*9*	**(HK9.49 cents)**	HK6.87 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 *HK$'000*	2019 *HK$'000*
(Loss)/profit for the year	**(42,478)**	30,408
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(48,946)**	(56,612)
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on financial assets at fair value through other comprehensive income	**(388)**	–
Fair value gain on investment properties upon transfer from property, plant and equipment and leasehold land and land use right	**–**	13,795
Income tax related to fair value gain on investment properties	**–**	(1,655)
Total comprehensive loss for the year	**(91,812)**	(14,064)
Attributable to:		
Equity holders of the Company	**(90,895)**	(14,385)
Non-controlling interests	**(917)**	321
Total comprehensive loss for the year	**(91,812)**	(14,064)

CONSOLIDATED BALANCE SHEET

As at 31 March 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**1,181,326**	1,191,001
Investment properties		**229,412**	241,962
Leasehold land and land use rights		**–**	68,064
Intangible assets		**9,342**	10,398
Goodwill		**16,662**	15,905
Associate		**1,154**	1,229
Joint ventures		**108,135**	87,577
Deferred income tax assets		**8,219**	7,945
Financial assets at fair value through other comprehensive income		**11,800**	12,200
Mortgage loans receivable		**64,006**	57,502
Other non-current assets		**1,133**	1,440
		1,631,189	1,695,223
Current assets			
Cash and bank balances		**663,957**	836,838
Trade debtors, net	*10*	**788,695**	783,573
Contract assets		**869,620**	747,186
Prepayments, deposits and other receivables		**481,301**	398,296
Mortgage loans receivable		**2,429**	2,199
Inventories		**87,102**	119,512
Completed properties held for sale		**49,317**	60,617
Property under development for sale		**415,039**	355,783
Due from an associate		**–**	114
Due from joint ventures/joint operations		**44,408**	35,549
Prepaid income tax		**17,494**	7,536
		3,419,362	3,347,203
Total assets		**5,050,551**	5,042,426

CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31 March 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Equity			
Share capital		**87,611**	87,611
Other reserves		**396,918**	446,252
Retained profits		**792,917**	845,430
Attributable to equity holders of the Company		**1,277,446**	1,379,293
Non-controlling interests		**3,202**	4,066
Total equity		**1,280,648**	1,383,359
Liabilities			
Non-current liabilities			
Long-term borrowings		**1,443,657**	1,135,247
Deferred income tax liabilities		**7,695**	12,158
Other non-current liabilities		**6,940**	–
		1,458,292	1,147,405
Current liabilities			
Short-term bank loans		**691,204**	772,282
Current portion of long-term borrowings		**142,016**	431,878
Payables to suppliers and subcontractors	*11*	**323,410**	281,868
Accruals, retention payables, deposits received and other liabilities	*12*	**753,526**	502,109
Derivative financial liabilities		**85**	137
Income tax payable		**2,903**	8,011
Obligation in respect of joint ventures		**–**	1,609
Contract liabilities		**343,838**	481,641
Due to joint operations		**4,106**	2,799
Due to other partners of joint operations		**50,523**	29,328
		2,311,611	2,511,662
Total liabilities		**3,769,903**	3,659,067
Total equity and liabilities		**5,050,551**	5,042,426

NOTES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss and investment properties which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following new standard, amendments to standards and interpretations for the first time for their annual reporting period commencing 1 April 2019:

Amendments to HKFRSs	Annual Improvement to HKFRS 2015-2017 Cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC) – Interpretation 23	Uncertainty over income tax treatments

The Group has changed its accounting policies and made certain adjustments following the adoption of HKFRS 16 as disclosed in Note 2.2. Other than HKFRS 16, the adoption of the other amendments to standards and interpretations do not have any significant impact on the Group.

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

2.1 Basis of preparation *(Continued)*

(b) New and amended standards and annual improvements not yet adopted

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for 31 March 2020 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendment to HKFRS 16	COVID-19-related rent concession	1 June 2020
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest rate benchmark reform	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of the above new and amended standards and annual improvements and does not expect that they would have any significant impact to its results of operation and financial positions.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies

The Group has adopted HKFRS 16 "Leases" from its mandatory adoption date of 1 April 2019. The Group has applied the simplified transition approach, and has not restated comparatives for the 31 March 2020 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 April 2019.

(a) Adjustments recognised on the adoption of HKFRS 16

On adoption of HKFRS 16, the Group, as a lessee, recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.4%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application.

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	21,110
Discounted using the lessee's incremental borrowing rate at the date of initial application	(868)
Add: finance lease liabilities recognised as at 31 March 2019	1,066
Less: short-term leases recognised on straight-line basis as expenses	(1,347)
Lease liabilities recognised as at 1 April 2019	19,961
Of which are included in:	
– Accruals, retention payables, deposits received and other liabilities	8,563
– Other non-current liabilities	11,398
	19,961

The associated right-of-use assets were measured as an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 1 April 2019. There was no onerous lease contract that would have required an adjustment to the right-of-use assets at the date of initial application.

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

2.2 Changes in accounting policies *(Continued)*

(a) Adjustments recognised on the adoption of HKFRS 16 (Continued)

Right-of-use assets are included in "Property, plant and equipment" in the consolidated balance sheet.

The land use rights previously presented as a separate item on the consolidated balance sheet are grouped as part of "Property, plant and equipment" with effect from 1 April 2019.

Changes in accounting policies affected the following items in the consolidated balance sheet on 1 April 2019:

Consolidated balance sheet (extract)

	At 31 March 2019 (as previously reported)	Adoption of HKFRS 16	1 April 2019 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	1,191,001	86,959	1,277,960
Land use rights	68,064	(68,064)	–
Current liabilities			
Current portion of long-term borrowings	431,878	(766)	431,112
Accruals, retention payables, deposits received and other liabilities	502,109	8,563	510,672
Non-current liabilities			
Long-term borrowings	1,135,247	(300)	1,134,947
Other non-current liabilities	–	11,398	11,398

(i) Impact on segment disclosures

Right-of-use assets and lease liabilities are now included in segment assets and liabilities respectively. The change in accounting policy resulted in increases in segment assets and segment liabilities as at 31 March 2020, and increase in segment results for the year ended 31 March 2020 as follows:

	Segment results	Segment assets	Segment liabilities
	HK$'000	*HK$'000*	*HK$'000*
Construction	65	5,019	5,154
Electrical and mechanical installation	124	7,660	7,906
Building materials supply	5	125	127
Others	–	1,117	1,117

NOTES *(Continued)*

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

2.2 Changes in accounting policies *(Continued)*

(a) Adjustments recognised on the adoption of HKFRS 16 (Continued)

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an arrangement contains a lease".

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.

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Construction	**5,290,898**	3,922,573
Electrical and mechanical installation	**1,247,695**	1,227,978
Building materials supply	**46,626**	152,911
Property investment and development	**13,575**	135,724
Hotel operations	**60,963**	121,464
Others	**34,400**	57,428
	6,694,157	5,618,078

For the year ended 31 March 2020, the Group recognised revenue from contracts with customers (including construction, electrical and mechanical installation, hotel operations and others) over time except for revenue from building materials supply of HK$46,626,000 (2019: HK$152,911,000), property sales of HK$10,641,000 (2019: HK$132,716,000) and others of HK$29,658,000 (2019: HK$50,408,000), which were recognised at a point in time. The revenue from other source (rental income included in property investment and development and hotel operations) amounted to HK$5,455,000 (2019: HK$5,421,000).

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

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

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

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 2020							
Total sales	**5,366,321**	**1,816,950**	**467,266**	**13,575**	**60,963**	**139,778**	**7,864,853**
Inter-segment sales	**(75,423)**	**(569,255)**	**(420,640)**	**–**	**–**	**(105,378)**	**(1,170,696)**
External sales	**5,290,898**	**1,247,695**	**46,626**	**13,575**	**60,963**	**34,400**	**6,694,157**
Segment results	**38,588**	**30,373**	**(47,696)**	**(12,893)**	**(5,135)**	**(4,190)**	**(953)**
Share of loss of an associate	**–**	**(75)**	**–**	**–**	**–**	**–**	**(75)**
Share of loss of joint ventures	**–**	**–**	**(6,509)**	**–**	**–**	**–**	**(6,509)**
	38,588	**30,298**	**(54,205)**	**(12,893)**	**(5,135)**	**(4,190)**	**(7,537)**
Unallocated expense							**(68)**
Finance costs							**(31,624)**
Loss before income tax							**(39,229)**
Income tax expense							**(3,249)**
Loss for the year							**(42,478)**

	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 2019							
Total sales	3,956,836	1,800,347	406,722	135,724	121,464	158,762	6,579,855
Inter-segment sales	(34,263)	(572,369)	(253,811)	–	–	(101,334)	(961,777)
External sales	3,922,573	1,227,978	152,911	135,724	121,464	57,428	5,618,078
Segment results	17,893	34,792	(9,577)	11,972	32,001	(18,476)	68,605
Share of profit of an associate	–	58	–	–	–	–	58
Share of loss of joint ventures	–	–	(3,087)	–	–	–	(3,087)
	17,893	34,850	(12,664)	11,972	32,001	(18,476)	65,576
Unallocated income							4,260
Finance costs							(29,474)
Profit before income tax							40,362
Income tax expense							(9,954)
Profit for the year							30,408

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

The analysis of revenue by geographical area is as follows:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**6,554,133**	5,455,148
Non-Hong Kong	**140,024**	162,930
	6,694,157	5,618,078

Revenue of approximately HK$3,965,995,000 (2019: HK$3,478,871,000) are derived from two (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**845,020**	878,555
Non-Hong Kong	**701,011**	737,581
	1,546,031	1,616,136

4 OTHER INCOME AND LOSSES, NET

	2020	2019
	HK$'000	*HK$'000*
Other income		
Bank interest income	**6,201**	4,737
Interest income from subcontractors	**18,786**	13,709
Dividend income from financial assets at fair value through other comprehensive income	**–**	1,200
Management service income from a joint venture and a joint operation	**16**	219
Sundry income	**12,479**	13,785
	37,482	33,650
Other losses, net		
Gain/(loss) on disposal of property, plant and equipment, net	**43**	(71)
Loss on disposal of investment properties	**–**	(65)
Fair value (loss)/gain on investment properties, net	**(10,537)**	2,329
Exchange loss, net	**(5,334)**	(9,723)
	(15,828)	(7,530)
	21,654	26,120

NOTES *(Continued)*

5 EXPENSES BY NATURE

	2020	2019
	HK$'000	*HK$'000*
Cost of construction	**5,029,009**	3,931,566
Cost of inventories sold	**305,324**	240,376
Cost of properties sold	**11,410**	115,400
Staff costs (excluding directors' emoluments)	**1,007,815**	945,489
Directors' emoluments	**24,140**	23,280
Depreciation		
Owned property, plant and equipment	**80,946**	92,940
Leased property, plant and equipment	**15,295**	2,449
	96,241	95,389
Expenses relating to short-term leases of (2019: Operating lease rentals of)		
Land and buildings	**4,061**	13,078
Other equipment	**67,807**	49,757
	71,868	62,835
Amortisation of leasehold land and land use rights	**–**	2,013
Amortisation of intangible assets	**1,056**	1,056
Movement in loss allowance for trade debtors	**(9,047)**	(2,495)
Movement in loss allowance for other receivables	**1,091**	3,683
Written off of amount due from a joint venture	**1,681**	–
Provision/(write-back of provision) for inventories	**203**	(619)
Inventories written off	**22,445**	–
Auditors' remuneration		
– Audit services	**4,931**	5,073
– Non-audit services	**584**	799
Direct operating expenses arising from investment properties		
– Generate rental income	**636**	506
– Not generate rental income	**101**	45
Selling and distribution costs	**20,702**	26,724
Others	**126,642**	120,213
Total cost of sales, selling and distribution costs, administrative and other operating expenses	**6,716,832**	5,571,333

6 FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on short-term bank loans	**34,622**	29,080
Interest on long-term bank loans	**45,718**	39,695
Interest element of lease payments	**978**	84
Total borrowing costs incurred	**81,318**	68,859
Less: Classified as cost of construction	**(37,202)**	(27,535)
Capitalised in construction in progress	**–**	(2,322)
Capitalised in property under development for sale	**(12,492)**	(9,528)
	31,624	29,474

For the year ended 31 March 2020, the interest rate applied in determining the amount of borrowing costs capitalised in property under development for sale was from 2.5% to 4.1% (2019: capitalised in construction in progress and property under development for sales was from 2.8% to 3.2%) per annum.

7 INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Hong Kong profits tax provision for the year	**8,036**	11,501
Non-Hong Kong tax provision for the year	**445**	1,265
Over-provision in prior years	**(674)**	(900)
Deferred income tax relating to the origination and reversal of temporary differences	**(4,558)**	(1,912)
	3,249	9,954

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2019: 8.25% and 16.5%) on the estimated assessable profits for the year. Under the two-tiered profits tax rates regime introduced on 29 March 2018, Hong Kong profits tax rate for the first HK$2 million of assessable profits is 8.25%. Assessable profits above HK$2 million is at the rate of 16.5%.

Taxation on non-Hong Kong profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries/regions in which the Group operates.

Subsidiaries operated in the People's Republic of China ("PRC") are subject to corporate income tax rate of 25% (2019: 25%). Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2019: 12%).

NOTES *(Continued)*

8 DIVIDEND

	2020	2019
	HK\$'000	*HK\$'000*
Interim dividend paid during the year		
Interim – HK1.00 cent (2019: HK1.50 cents) per ordinary share	**4,381**	6,571
Proposed final dividend		
Final – HK1.50 cents (2019: HK1.50 cents) per ordinary share	**6,571**	6,571
	10,952	13,142

In the Board meeting held on 24 June 2020, the Directors recommended the payment of a final dividend of HK1.50 cents (2019: HK1.50 cents) per share, totalling of HK\$6,571,000 (2019: HK\$6,571,000) for the year ended 31 March 2020.

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

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

	2020	2019
	HK\$'000	*HK\$'000*
Net (loss)/profit attributable to the equity holders of the Company	**(41,561)**	30,087

	2020	2019
Weighted average number of shares in issue during the year	**438,053,600**	438,053,600
Basic (loss)/earnings per share	**(HK9.49 cents)**	HK6.87 cents

Diluted (loss)/earnings per share for the years ended 31 March 2020 and 2019 are equal to basic (loss)/earnings per share as there are no potential dilutive shares in issue during the years.

10 TRADE DEBTORS, NET

	2020	2019
	HK\$'000	*HK\$'000*
Trade debtors	**460,095**	507,053
Retention receivables	**377,583**	338,768
Loss allowance	**(48,983)**	(62,248)
	788,695	783,573

10 TRADE DEBTORS, NET *(Continued)*

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

	2020	2019
	HK$'000	*HK$'000*
Current	**728,207**	721,581
1-30 days	**9,516**	16,682
31-90 days	**9,777**	12,574
91-180 days	**10,510**	15,294
Over 180 days	**30,685**	17,442
	60,488	61,992
	788,695	783,573

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products.

11 PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	2020	2019
	HK$'000	*HK$'000*
Current	**300,533**	260,217
1-30 days	**16,659**	17,975
31-90 days	**3,112**	1,139
91-180 days	**462**	150
Over 180 days	**2,644**	2,387
	22,877	21,651
	323,410	281,868

12 ACCRUALS, RETENTION PAYABLES, DEPOSITS RECEIVED AND OTHER LIABILITIES

	2020	2019
	HK$'000	*HK$'000*
Retention payables	**397,981**	357,527
Other deposits	**12,673**	10,704
Due to non-controlling interests *(Note)*	**16,305**	16,305
Lease liabilities	**13,918**	–
Others	**312,649**	117,573
	753,526	502,109

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 2020, 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 awarded 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 subsidiary has since taken active steps to enforce the Judgment and has been able to recover a partial payment of HK$4,116,237 in satisfaction of part of the Judgment sum and is currently pursuing enforcement proceedings for the remaining balance thereof.

(c) The Group has provided performance bonds amounting to approximately HK$516,347,000 (2019: HK$616,033,000) in favour of the Group's customers.

(d) As at 31 March 2020, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and joint ventures of approximately HK$1,043,000 (2019: HK$1,361,000) and RMB58,000,000 (2019: RMB36,000,000) respectively.

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

From 1 April 2019, the Group has recognised right-of-use assets and lease liabilities for non-cancellable operating leases as lessee see Note 2.2 for further information.

	2020	2019
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**–**	9,666
One year to five years	**–**	11,444
	–	21,110

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

Year 2019 has been really a tough year for Hong Kong. The continuing social unrest, China-US trade war and now the outbreak of coronavirus clouded Hong Kong economy. Hong Kong suffered first recession in a decade. Against this backdrop, the Group's operation was impacted.

The Group's revenue recorded an increase of 32% in the interim but the growth cut nearly half to 19% as at the year end. Revenue for the full year was HK$6,694 million, rose by HK$1,076 million or 19% year on year. The growth scaled down in last six months with the biggest reduction in hotel operation. A year of social unrest and the coronavirus pandemic have hit the hospitality industry hard. The hotel revenue was halved year on year. In spite of the downturn in hotel business, we recorded revenue increases in construction and electrical and mechanical installation ("E&M") businesses, both driven by the relatively high level of contracts on hand. For the precast supply business, the yearly revenue rose as anticipated in interim report. The growth, however, would be even higher should there be no outbreak of coronavirus. Cross border transportation restrictions between Hong Kong and China and the near-halt of the factory caused by the lockdowns of some cities in Mainland deferred product deliveries scheduled in last quarter to next financial year.

The fall in hotel business and the temporary suspension of factory operation in last quarter hit severely the gross profits of the Group. Also, stock written off of RMB20 million was made. As such, consolidated gross profit for the year declined from HK$544 million to HK$460 million. The hotel's business model was specifically structured enabling a manpower-lean operation, by which it earned a high level of operating profits since opening. The substantial drop in revenue hit severely and directly to the gross profit. As to the building materials supply business, the factory operation was near-halt in last quarter. The overhead incurred during the suspension including salaries, depreciation etc expended directly to costs and reduced the overall margin. Besides, factory management carried out a thorough assessment of inventory and identified an amount of around RMB20 million damaged stocks to write off.

Operating expenses reduced by HK$15 million or 3% year on year. Major reductions were in sales commission and doubtful debt provision. Last year's sales commissions were paid for residential sales transactions completed in the year which were non-recurring in nature. For the doubtful debt provision made according to Hong Kong Accounting Standards, the amount was reduced as some long outstanding receivable were received. Since the Group's core markets are in public works, institutional and large property developers' building projects, clients pay relatively timely. In the past few months, clients continued to pay for works done, albeit certain delays were noted because of the work from home arrangement. Now, the client payment returns to business as usual. Manpower employed in Hong Kong increased, reflecting business expansions in renovation and fitting-out and E&M businesses. Benefited from the cost saving achieved in other areas, thus the rise in manpower costs was partly offset. The yearly expenditure remained stable as compared to last year. As always, we will keep cautious in spending.

Given all these extraordinary issues and unrealised revaluation losses recorded for the Group's investment properties, the Group incurred consolidated loss before tax of HK$39 million as against a profit of HK$40 million in last year. The sentiment of Hong Kong property market turns gloomy after the months of social unrest and the pandemic. The market value of the Group's investment properties were adjusted down because of the current downtrend. An unrealised revaluation loss of HK$11 million is reflected on book.

Although the Group suffered in this year's financial result, we attained high order-in-take. An amount of HK$8,117 million new contracts was secured, representing an increase of 24% on prior year. Major growth was in our mainstream construction segment which reported an increase of 32% compared to last year. The E&M segment also achieved new contracts of HK$2,131 million, held stable on a par with the prior year. The Group's contract on hand reached HK$23,378 million, up by 6% year on year. The fact that the contract on hand has surpassed the prior-year level offers a good basis for revenue to remain at the same high level in near term.

DIVIDEND

In the Board meeting held on 24 June 2020, the Directors recommended the payment of a final dividend of HK1.50 cents per share (2019: HK1.50 cents). Together with the interim dividend of HK1.00 cent per share (2019: HK1.50 cents), total distribution is HK2.50 cents per share this year. The recommended final dividend, subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting ("AGM") which is scheduled to be held on 27 August 2020 (Thursday), will be payable on 9 October 2020 (Friday) to the shareholders whose names appear on the register of members of the Company on 25 September 2020 (Friday).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 24 August 2020 (Monday) to 27 August 2020 (Thursday) (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 27 August 2020 (Thursday).

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 21 August 2020 (Friday).

CLOSURE OF REGISTER OF MEMBERS FOR PAYMENT OF FINAL DIVIDEND

The register of members of the Company will be closed from 23 September 2020 (Wednesday) to 25 September 2020 (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 2020, 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 22 September 2020 (Tuesday).

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

Segment revenue came to HK$5,291 million, up by 35% on the prior year figure of HK$3,923 million. The new-built and maintenance and fit-out businesses grew by 52% and 9% respectively. In fact, the yearly revenue would be even more if there was no work interruption after the Chinese New Year due to the outbreak of COVID-19. Delay in raw material shipments from Mainland China and travel restriction on the return of workers from China had made the site operation effectively suspended for a period of time after the Chinese New Year holiday. Site operations resumed normal and we have reviewed the progress of all the projects. Based on our assessments, all the ongoing projects would still be completed on time.

Rise in revenue reflected in segment profits too. The division reported a profit of HK$39 million, representing a growth of 116% or HK$21 million over prior year.

The division once again secured a fairly good amount of new contracts during the year. The amount of new contracts awarded this year was HK$6,181 million, up by 32% on the prior year figure. Contracts in hand as at 31 March 2020 raised to HK$17,248 million, compared to HK$16,430 million at end of last year. The current level of contracts in hand forms a solid basis for coming year's business. We anticipated the segment sales may grow further in next year.

In term of technology development, the division delivered two excellent pieces of works in this year. The first one was the fabrication and assembly of the longest two-spans steel footbridge in Hong Kong. We adopted the pioneering single-time launching method which requires no piling and construction of supporting tower in the middle of roads across and only one-time road closure was needed. Time required for bridge launching and assembly was much shortened. The whole process was completed overnight. The usual nuisance caused to public transportation under the conventional method was greatly reduced. The innovative methodology employs many of our own competencies like modular manufacturing, BIM modeling and laser scanning which enhanced substantially the manufacturing precision and quality whilst reducing greatly on-site works. The performance was highly praised by the client. Another remarkable work was the successful implementation of our proprietary concrete MiC scheme in the Pak Shing Kok project. Benefits derived from standardisation, modularisation and prefabrication are greatly boosted by this breakthrough technology. It becomes possible to reduce substantially the construction time whilst quality, safety and efficiency are enhanced. Through effective planning and coordination, on-site delays could be mitigated and reduced. As of the report date, the work progress of this project is still ahead the original program, albeit the work interruption because of the pandemic.

The Group's technical competencies in Design for Manufacturing and Assembly ("DfMA") and robotic applications sharpen the Maintenance and Renovation division's edges in project execution. Swift completion with least nuisance caused is of vital importance in renovation and fitting-out projects particularly in live working environment. By integrating the Group's talents from BIM, E&M, prefabrication and construction IT, the team developed a work program that helps shorten largely on site work period. In a recent trial project, the team successfully shortened site work period from the ordinary 3 months to only 21 days without compromising safety and quality. In other time-constrained projects, we employed construction robots on highly repetitive or safety hazard tasks. Work efficiency was thus raised and quality and time controls were much improved. The resulting benefits strengthened our tender competitiveness. During the year, the team won a good amount of contracts whereas some of them were the consecutive term, reflecting clients' appreciation to us.

The Group's virtual design and construction competency is pivotal in our technology development. For our patented MiC scheme, we developed a BIM-enabled blockchain multifunctional platform called "BEANiE" for compliance assurance, work monitoring and record administration. The platform enables the synchronization of inspection result with BIM model for easy visualisation and seamless interactions of all participants in the entire lifecycle. Online and real time monitoring and inspection are feasible. By the state-of-the-art blockchain technology, the traceability, integrity and safekeeping of records are ensured. The industry's long lasting problems in record keeping and administration could be resolved. BEANiE is a breakthrough solution and would become highly sought-after in future.

Market competition remained intense in the year. The construction expenditure forecast looked dim in short term partly because of prolonged public works funding approval time, reduction in number of large-scale infrastructure projects available for tender and on-hold investment plans due to social unrest in the year. To remain competitive, we strongly believe that lean construction and digitalisation are the right directions for development. We commit to the strategy of generating sustainable growth through innovative solutions and stringent costs control.

Electrical and mechanical installation

The segment recognised yearly revenue of HK$1,817 million, up slightly by HK$17 million irregardless of business interruptions caused by the social unrest and pandemic. There were only a short while of idle after the Chinese New Year when the outbreak just spread to Hong Kong. The site works started to pick up very soon afterwards. The pandemic did not impact much to the segment's revenue.

The team stayed focused on executing the strategy of expanding environmental engineering business and achieved encouraging result. For the second consecutive year, it grew both sales and new contracts in this area. In term of segment result, it earned HK$30 million, reduced by HK$5 million year on year. The drop was mostly caused by a joint venture project which anticipated gross margin is lower than the division's general average.

Same as last year, the division secured a fairly good amount of new contracts, maintaining the order book at a high level. New contracts with a total amount of HK$2,131 million were secured this year. New contracts secured by the environmental engineering team grow by 9%, reflecting the move on right tracks. One of the new contracts was a pilot project awarded by the Drainage Services Department. We partnered with university scholar to introduce underwater robot equipped with USBL positioning system and sonar to carry out wet well surveying and sand disposal in a sewage treatment plant. The robotic application makes the exploration of underground area more safe, accessible and efficient. This project is a good showcase of how we combine our engineering competency with external expertise to develop custom-built solution that creates value for clients. Narrow Bank Internet of Things controller (NBIoT), another new product launched last year also received a lot of positive feedbacks from customers. This cloud-based and low operation cost controller enables data collection for monitoring, self-diagnosis and system optimisation in remote or hard to reach area where data reception and transmission is weak. Some Government departments such as Water Supplies Department and Drainage Services Department are very interested in this handy tool and have adopted it in some rainfall or water operation monitoring systems located in remote area. This useful and convenience tool offers a vast range of applications and has a great market potential.

One of our guiding principles is to embrace change, innovation and new technology to drive forward performance improvement. In response to the Construction 2.0 developed by the Development Bureau of HKSAR Government to uplift industry's performance, E&M team developed jointly with the construction team an off-site construction methodology applying DfMA and MiC in E&M aspects. The breakthrough methodology was implemented in the Group's first MiC project and work very well. DfMA becomes more and more widely used in Hong Kong. The segment's innovation and expertise in this respect would bring to it great business opportunities.

In addition to continuing to pilot innovations, we made investments for more efficient execution through high degree of integration, automation and improved collaboration. This year we invested in a welding specialist for technical advancement in MiC. The factory's offsite welding technology enables modular pipework units to be assembled on site and we are now working on welding automation. The extended integration of our value chain contribute to our goal of reducing costs and performance improvement.

Building materials supply

The segment sales rose by 15% to HK$467 million. As reported in the interim result, we anticipated a rise in revenue based on the on-hand contracts' delivery schedules. In fact, the growth would be even higher without the delays in production and deliveries caused by the outbreak of coronavirus.

The segment made a loss this year, albeit sales increased. There were both internal and external factors attributed to the loss. Internal, a write-off of RMB20 million damaged stock was made as a result of a thorough inventory inspection by factory management during the year. It was a one-off event and we do not expect similar write-off in coming years. Besides, our patented MiC units were put into mass production during the year. For such a sophisticated prefabrication scheme, a great deal of attention and efforts were required not only to the production but also the coordination of work processes such as interior fitting out and inspection which are now moved from site to factory. There would be inevitably numerous issues to overcome at initial stage and caused additional expenditures. The margin of the project was thus lower than usual. Now, the work process is largely streamlined and smooth. More than half of the products completed and delivered. Costs would be gradually lowered to expected level. Margin in future MiC orders would be raised. External, the business was disrupted by the coronavirus pandemic. The factory was in near-halt for almost two months causing delays in product delivery. The operation resumed gradually in March. By and large, the production is back to normal now. However, the overhead such as salaries and depreciation etc. of the affected period expended to costs whilst very minimal sales were billed. The profitability was thus reduced. In fact, our joint venture factories faced same problem and they had stopped operation at all in last three to four months. Operation losses were made by the joint ventures too. Work resumption took longer time in Mainland. The joint ventures commenced works gradually since May. It is expected that the business would be picked up in second half of the year. The incidents that hit our result in this year were not recurring in nature. Our order book looks solid. The performance shall be improved in next reporting year.

Prefabrication as part of the construction industrialisation and green building action plan was highly regarded in the Nation's 13th Five-Year Plan covering economic and social development from 2016 to 2020. The development of prefabrication seemed not fast in first four years of the plan. However, we note that the demands escalated since last year. For the districts which are geographically far away from our presence in the South, we extend our reach through joint venture. For the Southern area, we develop the market through direct supply by Huizhou factory. We secured our first PRC supply contract last year. Works commenced and shall be completed in next few months. The client found our works satisfactory and awarded to us another project. After the year end, the division secured three more supply contracts in Mainland. Mainland is a huge market to explore. Business would be expanded exponentially in future.

Hotel operation and property investment and development

Tourism, one of the major pillars of the Hong Kong economy was hit tremendously by both internal and external incidents in last twelve months. The social unrest lasted for around six months caused significant damages to the tourist and hospitality industries. Tourist arrivals to Hong Kong plummeted by around 35% to 55% between August to December of 2019. Then the coronavirus outbreak stopped all kinds of travelling. Tourist arrivals to Hong Kong declined by 80.9% year on year in the first quarter of 2020. Inevitably, the Group's hotel was adversely affected. Revenue plunged by 50% year on year and we recorded the first time loss since opening. As business travel was the major business segment of the hotel, we still made profit in the second half of 2019 when social unrest occurred because some business travel was still on. But the situation got worst after the pandemic as travel dropped to almost zero because of travel bans imposed by most if not all countries. Occupancy fell sharply from the general average of over 90% to some 10%. Despite the hotel still earned positive EBITDA, it made a net loss after taking into account the deprecation and finance costs. Facing the exceptional challenges, the Group took bold steps to change the business operation in order to minimise the losses as much as possible. As of the reporting date, no one can tell when the pandemic will end. We, to be responsible to the stakeholders, would take all necessary actions to protect our employees, customers and shareholders.

For the Group's commercial/residential mix development on Pine Street/Oak Street in Tai Kok Tsui, the expected completion date is extended to the end of 2021 because of delay occurred in piling. Pre-sale consent was obtained and we are now preparing for the launch of sales. The pandemic dampens the property market in general but the luxury residential market shrank most. Low interest rate, tight housing supply and a lower than expected level of new completions support property sales. The mass residential property market is consolidating instead of taking a nosedive. We would look at the market closely for a right timing to launch the sale.

The property development on our ex-Longhua Shenzhen factory site, of which the Group is entitled to 10,000 m^2 of the new residential properties upon completion, also encountered construction delay. We think the completion would be extended to Year 2022. However, pre-sale can take place next year if there is no further material delay in works and the market sentiment is good. Last year, the property market in China was set to stabilise with some mild downward adjustments in certain cities. Nevertheless, home prices in first tier cities remain steady with a mild growth. Our property is situated in the prime location of Shenzhen which is in great demand. The Group could realise a good amount of profits upon sales.

OUTLOOK

The global economy is facing the very worst economic disruption. The coronavirus pandemic has drastically disrupted the society and economy around the world. According to International Monetary Fund (IMF), the global economy is projected to contract sharply by 3% in 2020, much worse than during the 2008 financial crisis. Hong Kong, being highly reliant on international trade and finance, doubled hit by the pandemic and the months-long protest entered recession in the first quarter of 2020, with real GDP contracting sharply by 8.9% from a year earlier. The outlook of the economy in near term is far from promising. The fallout of the construction industry is less acute comparing to other industries but the industry was in dire straits in 2019 and further decline is expected in next few years.

In view of the tough economic environment, the Hong Kong Government adopted expansionary fiscal measures in order to help Hong Kong tide over the difficulties. One of the measures is to continue to invest in infrastructure projects with a view to building a better city and improving quality of life. In the next few years, the annual capital works expenditure is expected to reach HK$100 billion on average, and the annual total construction output will increase to around HK$300 billion. As stated in the Year 2020-21 budget, the Hong Kong Government planned to bring about over 210,000 housing units in the medium to long term through the development of various new areas, mostly in New Territories. Also, a number of statutory organisations' expansion plans are in the pipelines. In light of all these measures and plans, outlook of the Group's core markets remain bright in medium to long term. So, our focus remains on being poised to grow in our home markets.

We continue to set ourselves apart from the competition by way of innovate to address clients' needs. The Group's patented MiC system is a pertinent example. MiC enhances productivity, quality and safety whilst shortening construction time. For project which completion time is of essence, MiC is the right solution for it. Drawing on our competency in engineering and BIM, we would continuously develop and evolve the MiC technology for different clients' needs. That way, we enhance our competitiveness, ensure sustainable growth and raise client satisfaction.

This year, we would look at again the market in Macau. It is noted that many hotel operators especially the gaming groups unveiled expansion or renovation program in 2019. Our E&M team secured a contract from an entertainment group after the year end. We shall explore the market again cautiously.

As to the prefabrication industrialisation development in Mainland China, we will grow the market share through joint venture and direct sales by the Huizhou factory. As mentioned earlier, we made our first prefabrication sales in Mainland this year. After the year end, three more contracts were secured and many tender invitations were received. The demands for prefabrication are rising. The Mainland market is huge for organic business growth. However, we are still new to the market. The Group will grow the market steadily with due care.

While all sectors of the world's economy are affected by the pandemic, the hotel, retail and tourism have been hit particularly hard. At present, no one can tell when the crisis will be over. The business and personal leisure travel market will return only once both employers and individuals feel that it is safe to travel again from a health perspective. The outlook of the hotel industry is pessimistic in short term. The prompt action we took to downsizing the operation shortly after the outbreak really helped preserve the Group's financial resources to tide over the challenging period. As we have largely trimmed down the hotel operation to keep the cost outlay minimal, the operation loss that may result in next year and the impact on the Group's financial resources are manageable and projected.

Last year was an exceptionally challenging year. All of a sudden, COVID-19 spread rapidly. All the Group's business segments were working hard to ensure that business continues when possible, whilst making sure the health and safety of all the employees were protected.

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 2020, the Group's total cash and bank balances was HK$664 million (2019: HK$837 million) and total borrowings decreased to HK$2,277 million (2019: HK$2,339 million). The decrease in borrowings was primarily due to repayment of a project loan upon its expiry. The current ratio (total current assets: total current liabilities) as at 31 March 2020 was 1.5 (2019: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK$1,444 million (2019: HK$1,135 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 2020, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$5,201 million (2019: HK$5,295 million), of which HK$2,676 million (2019: HK$2,703 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 2020, the Group had approximately 3,000 (2019: 2,900) employees. There are approximately 2,300 (2019: 2,200) employees in Hong Kong, Macau and Singapore and 700 (2019: 700) in Mainland China. Yau Lee aims to be a good and attractive employer as we understand people are key to long-term success. The Group offers competitive remuneration packages and employees are rewarded on a performance related basis. The Group also invests substantially on training and staff development. We promote continuing learning and help the professional and personal development of our employees.

MOVEMENT OF INCOMPLETE CONTRACTS

For the year ended 31 March 2020

Contract value

	31 March 2019 *HK$'million*	Contracts Secured *HK$'million*	Contracts Completed *HK$'million*	**31 March 2020** ***HK$'million***
Building construction, renovation and maintenance	16,430	6,181	(5,363)	**17,248**
Electrical and mechanical installation	7,411	2,131	(1,653)	**7,889**
Building materials supply	2,164	574	(1,423)	**1,315**
Others	21	15	0	**36**
Less: Inter-segment contracts	(3,920)	(784)	1,594	**(3,110)**
	22,106	8,117	(6,845)	**23,378**

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 professional consultancy firm, BT Corporate Governance Limited ("BTCG") (formerly known as "Corporate Governance Professionals Limited and Baker Tilly Hong Kong Risk Assurance Limited"), for an enterprise risk assessment which was conducted under the approach adopted in the "COSO Enterprise Risk Management – Integrated Framework". According to the assessment result, management has updated the enterprise risk register with the changes of risk factors, as well as submitted an assessment report containing recommendations to the Board to enable the Board to effectively monitor the business risk and understand how management responds and mitigates the risks.

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 internal control system is reviewed once a year. Same as the past, the Board has appointed BTCG to conduct a review of the Company's internal control system for the year ended 31 March 2020. The review covered financial, operational and compliance controls on selected operation cycles according to the Company's 3-year internal audit plan. In the review report, corrective actions and improvement programs have been proposed for the internal control problems or deficiencies found.

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 2020.

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 2020 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 2020.

REVIEW BY AUDIT COMMITTEE

The Group's annual results for the year ended 31 March 2020 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 2020 of the Group.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out 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 2020. 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, 24 June 2020

As at the date of this announcement, the Board comprises Mr. Wong Ip Kuen (Chairman), Ir. Wong Tin Cheung, Ms. Wong Rosana 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/