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 2022

HIGHLIGHTS

The Group reported revenue of HK$6,732,944,000 (2021: HK$6,794,756,000) for the year.

The gross profit increased from HK$575,677,000 to HK$659,228,000.

Profit for the year was HK$66,003,000 (2021: HK$149,291,000).

Basic and diluted earnings per share was approximately HK15.57 cents (2021: HK34.34 cents).

The net asset value attributable to equity holders of the Company as at 31 March 2022 was HK$1,541,475,000 (2021: HK$1,478,237,000), equivalent to HK$3.52 (2021: HK$3.37) per share based on the 438,053,600 (2021: 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 2022 together with comparative figures for the year ended 31 March 2021 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

	Note	**2022** *HK$'000*	2021 *HK$'000*
Revenue	*3*	**6,732,944**	6,794,756
Cost of sales	*5*	**(6,073,716)**	(6,219,079)
Gross profit		**659,228**	575,677
Other income and losses, net	*4*	**25,332**	39,051
Selling and distribution costs	*5*	**(41,639)**	(23,670)
Administrative expenses	*5*	**(500,628)**	(402,582)
Other operating expenses	*5*	**(3,191)**	(3,460)
Operating profit		**139,102**	185,016
Finance costs	*6*	**(9,476)**	(13,707)
Share of loss of an associate		**(614)**	(179)
Share of loss of joint ventures		**(8,478)**	(7,672)
Impairment loss of investment in a joint venture		**(35,000)**	–
Profit before income tax		**85,534**	163,458
Income tax expense	*7*	**(19,531)**	(14,167)
Profit for the year		**66,003**	149,291
Attributable to:			
Equity holders of the Company		**68,186**	150,428
Non-controlling interests		**(2,183)**	(1,137)
		66,003	149,291
Dividend	*8*	**21,902**	34,169
Earnings per share (basic and diluted)	*9*	**HK15.57 cents**	HK34.34 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022	2021
	HK$'000	*HK$'000*
Profit for the year	**66,003**	149,291
Other comprehensive income		
Item that may be reclassified to profit or loss:		
Currency translation differences	**35,791**	61,315
Total comprehensive income for the year	**101,794**	210,606
Attributable to:		
Equity holders of the Company	**103,977**	211,743
Non-controlling interests	**(2,183)**	(1,137)
Total comprehensive income for the year	**101,794**	210,606

CONSOLIDATED BALANCE SHEET

As at 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**1,171,205**	1,185,289
Investment properties		**177,240**	183,040
Other intangible assets		**7,230**	8,286
Goodwill		**17,898**	16,662
Associate		**361**	975
Joint ventures		**93,789**	131,960
Deferred income tax assets		**7,214**	8,382
Financial assets at fair value through other comprehensive income		**–**	11,800
Mortgage loans receivables		**25,931**	53,973
Other non-current assets		**–**	1,106
		1,500,868	1,601,473
Current assets			
Cash and bank balances		**1,045,149**	728,119
Trade debtors, net	*10*	**672,666**	789,528
Contract assets		**814,519**	703,420
Prepayments, deposits and other receivables		**293,383**	399,806
Mortgage loans receivables		**1,561**	2,119
Inventories		**80,093**	76,183
Completed properties held for sale		**222,760**	49,486
Property under development for sale		**–**	658,377
Due from joint ventures/joint operations		**46,473**	46,889
Prepaid income tax		**59,986**	54,428
		3,236,590	3,508,355
Total assets		**4,737,458**	5,109,828

CONSOLIDATED BALANCE SHEET *(Continued)*

As at 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
Equity			
Share capital		**87,611**	87,611
Other reserves		**494,024**	458,233
Retained profits		**959,840**	932,393
Attributable to equity holders of the Company		**1,541,475**	1,478,237
Non-controlling interests		**(118)**	2,065
Total equity		**1,541,357**	1,480,302
Liabilities			
Non-current liabilities			
Long-term borrowings		**336,600**	835,571
Deferred income tax liabilities		**7,455**	7,632
Other non-current liabilities		**23,725**	37,842
		367,780	881,045
Current liabilities			
Short-term bank loans		**459,480**	263,076
Current portion of long-term borrowings		**522,400**	611,947
Payables to suppliers and subcontractors	*11*	**247,082**	259,267
Accruals, retention payables, deposits received and other liabilities	*12*	**822,985**	722,300
Income tax payable		**10,059**	10,205
Contract liabilities		**721,496**	833,145
Due to joint operations		**2,799**	2,799
Due to other partners of joint operations		**42,020**	45,742
		2,828,321	2,748,481
Total liabilities		**3,196,101**	3,629,526
Total equity and liabilities		**4,737,458**	5,109,828

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

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) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing on 1 April 2021:

Amendment to HKFRS 16	COVID-19-Related Rent Concession
Amendment to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of these amendments to 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)*

(b) New standard, amendments to standards, annual improvements, guideline and interpretation not yet adopted by the Group

Certain new standard, amendments to standards, annual improvements, guideline and interpretation have been published that are not mandatory for 31 March 2022 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group has already commenced an assessment of the impact of the above new standard, amendments to standards, annual improvements, guideline and interpretation and does not expect that they would have any significant impact to its results of operation and financial position.

3 REVENUE AND SEGMENT INFORMATION

(a) Disaggregation of revenue

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.

	2022	2021
	HK$'000	*HK$'000*
Revenue		
Construction	**3,926,319**	5,030,075
Electrical and mechanical installation	**1,823,163**	1,605,096
Building materials supply	**230,801**	123,990
Property investment and development	**712,276**	1,577
Hotel operations	**2,588**	1,521
Others	**37,797**	32,497
	6,732,944	6,794,756

(b) Segment information

For the year ended 31 March 2022, 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$230,801,000 (2021: HK$123,990,000), property sales of HK$710,155,000 (2021: Nil) and others of HK$33,149,000 (2021: HK$29,030,000), 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$4,709,000 (2021: HK$3,098,000).

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.

NOTES *(Continued)*

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 2022							
Total sales	**3,992,657**	**2,271,068**	**593,634**	**712,276**	**2,588**	**144,376**	**7,716,599**
Inter-segment sales	**(66,338)**	**(447,905)**	**(362,833)**	**–**	**–**	**(106,579)**	**(983,655)**
External sales	**3,926,319**	**1,823,163**	**230,801**	**712,276**	**2,588**	**37,797**	**6,732,944**
Segment results	**73,195**	**46,837**	**(13,729)**	**64,773**	**(23,537)**	**(11,453)**	**136,086**
Share of loss of an associate	**–**	**(614)**	**–**	**–**	**–**	**–**	**(614)**
Share of loss of joint ventures	**–**	**–**	**(8,478)**	**–**	**–**	**–**	**(8,478)**
Impairment loss of investment in a joint venture	**–**	**–**	**(35,000)**	**–**	**–**	**–**	**(35,000)**
	73,195	**46,223**	**(57,207)**	**64,773**	**(23,537)**	**(11,453)**	**91,994**
Unallocated income							**3,016**
Finance costs							**(9,476)**
Profit before income tax							**85,534**
Income tax expense							**(19,531)**
Profit for the year							**66,003**

	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 2021							
Total sales	5,323,886	2,318,221	541,259	1,577	1,521	147,055	8,333,519
Inter-segment sales	(293,811)	(713,125)	(417,269)	–	–	(114,558)	(1,538,763)
External sales	5,030,075	1,605,096	123,990	1,577	1,521	32,497	6,794,756
Segment results	140,646	74,305	(4,133)	(2,843)	(25,760)	(2,992)	179,223
Share of loss of an associate	–	(179)	–	–	–	–	(179)
Share of loss of joint ventures	–	–	(7,672)	–	–	–	(7,672)
	140,646	74,126	(11,805)	(2,843)	(25,760)	(2,992)	171,372
Unallocated income							5,793
Finance costs							(13,707)
Profit before income tax							163,458
Income tax expense							(14,167)
Profit for the year							149,291

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

The analysis of revenue by geographical area is as follows:

	2022	2021
	HK$'000	*HK$'000*
Hong Kong	**6,499,768**	6,622,414
Non-Hong Kong	**233,176**	172,342
	6,732,944	6,794,756

Revenue of approximately HK$2,645,722,000 (2021: HK$4,368,314,000) are derived from two (2021: 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:

	2022	2021
	HK$'000	*HK$'000*
Hong Kong	**839,066**	852,017
Non-Hong Kong	**628,657**	674,195
	1,467,723	1,526,212

4 OTHER INCOME AND LOSSES, NET

	2022	2021
	HK$'000	*HK$'000*
Other income		
Bank interest income	**3,280**	4,866
Interest income from subcontractors	**8,294**	13,500
Management service income from a joint venture and a joint operation	**16**	16
Sundry income	**19,042**	22,575
	30,632	40,957
Other losses, net		
Loss on disposal of property, plant and equipment, net	**(126)**	(609)
Fair value loss on investment properties, net	**(5,800)**	(4,451)
Exchange gain, net	**626**	3,154
	(5,300)	(1,906)
	25,332	39,051

5 EXPENSES BY NATURE

	2022	2021
	HK$'000	*HK$'000*
Cost of construction	**4,224,916**	5,066,266
Cost of inventories sold	**332,371**	325,049
Cost of properties sold	**602,780**	–
Staff costs (excluding directors' emoluments)*	**1,079,304**	921,325
Directors' emoluments	**25,412**	24,218
Depreciation		
Owned property, plant and equipment	**78,152**	77,967
Leased property, plant and equipment	**27,689**	24,759
	105,841	102,726
Expenses relating to short-term leases of		
Land and buildings	**2,542**	4,555
Other equipment	**44,120**	74,825
	46,662	79,380
Amortisation of other intangible assets	**1,056**	1,056
Movement in loss allowance for trade debtors	**955**	(2,982)
Write-off of other receivables	**1,022**	–
(Write-back of provision)/provision for inventories	**(202)**	99
Inventories written off	**–**	4,475
Auditors' remuneration		
– Audit services	**4,924**	5,163
– Non-audit services	**374**	587
Direct operating expenses arising from investment properties		
– Generate rental income	**715**	427
– Not generate rental income	**60**	67
Selling and distribution costs	**41,639**	23,670
Others	**151,345**	97,265
Total cost of sales, selling and distribution costs, administrative and other operating expenses	**6,619,174**	6,648,791

* During the year ended 31 March 2021, subsidies of approximately HK$107,453,000 from the Employment Support Scheme under Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region were recognised in "cost of sales" and "administrative expenses" and offset against the "staff costs".

6 FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest on short-term bank loans	**9,962**	15,848
Interest on long-term bank loans	**14,275**	25,071
Interest element of lease payments	**915**	1,195
Total borrowing costs incurred	**25,152**	42,114
Less: Classified as cost of construction	**(10,423)**	(20,068)
Capitalised in property under development for sale	**(5,253)**	(8,339)
	9,476	13,707

For the year ended 31 March 2022, the interest rate applied in determining the amount of borrowing costs capitalised in property under development for sale was from 1.4% to 1.5% (2021: 1.4% to 3.2%) per annum.

7 INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Hong Kong profits tax provision for the year	**18,545**	14,281
Non-Hong Kong tax provision for the year	**388**	745
Over-provision in prior years	**(274)**	(418)
Deferred income tax relating to the origination and reversal of temporary differences	**872**	(441)
	19,531	14,167

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2021: 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% (2021: 25%). Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2021: 12%).

NOTES *(Continued)*

8 DIVIDEND

	2022	2021
	HK$'000	*HK$'000*
Interim dividend paid during the year		
Interim – HK2.50 cents (2021: HK1.00 cent) per ordinary share	**10,951**	4,381
Proposed final dividend		
Final – HK2.50 cents (2021: HK6.80 cents) per ordinary share	**10,951**	29,788
	21,902	34,169

In the Board meeting held on 29 June 2022, the Directors recommended the payment of a final dividend of HK2.50 cents (2021: HK6.80 cents) per share, totalling of HK$10,951,000 (2021: HK$29,788,000) for the year ended 31 March 2022.

9 EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of earnings per share is based on:

	2022	2021
	HK$'000	*HK$'000*
Net profit attributable to the equity holders of the Company	**68,186**	150,428

	2022	2021
Weighted average number of shares in issue during the year	**438,053,600**	438,053,600
Basic earnings per share	**HK15.57 cents**	HK34.34 cents

Diluted earnings per share for the years ended 31 March 2022 and 2021 are equal to basic earnings per share as there are no potential dilutive shares in issue during the years.

10 TRADE DEBTORS, NET

	2022	2021
	HK$'000	*HK$'000*
Trade debtors	**330,801**	461,938
Retention receivables	**388,924**	373,641
Loss allowance	**(47,059)**	(46,051)
	672,666	789,528

10 TRADE DEBTORS, NET *(Continued)*

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

	2022	2021
	HK$'000	*HK$'000*
Current	**557,922**	723,756
1-30 days	**45,100**	8,118
31-90 days	**18,502**	19,890
91-180 days	**15,000**	4,647
Over 180 days	**36,142**	33,117
	114,744	65,772
	672,666	789,528

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:

	2022	2021
	HK$'000	*HK$'000*
Current	**205,186**	223,380
1-30 days	**36,370**	27,620
31-90 days	**2,307**	4,294
91-180 days	**567**	1,154
Over 180 days	**2,652**	2,819
	41,896	35,887
	247,082	259,267

12 ACCRUALS, RETENTION PAYABLES, DEPOSITS RECEIVED AND OTHER LIABILITIES

	2022	2021
	HK$'000	*HK$'000*
Retention payables	**377,355**	414,014
Other deposits	**24,937**	27,572
Due to non-controlling interests *(Note)*	**16,305**	16,305
Lease liabilities	**17,559**	23,921
Others	**386,829**	240,488
	822,985	722,300

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 2022, 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) The Group has provided performance bonds amounting to approximately HK$418,394,000 (2021: HK$468,977,000) in favour of the Group's customers.

(c) As at 31 March 2022, 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 (2021: HK$7,297,000) and RMB26,036,000 (2021: RMB26,036,000) respectively.

(d) The future aggregate minimum lease rental payable under non-cancellable short-term leases is as follows:

	2022	2021
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**54**	745

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

The Group has delivered a resilient result in the face of the fifth-wave of the pandemic, the worst outbreak since it began over two years ago. Before the fifth-wave, Hong Kong had managed to remain free of local cases of COVID-19 for almost 100 days and the economy was on the road to recovery. The fifth-wave then came fast and furious in early 2022. It swept through the society, severely impacting economic and social activities of the whole community. And it created severe workforce issues and supply chain disruption which put a halt to almost all economic activities. From the onset of the fifth-wave, we have worked with major stakeholders including our customers, employees, subcontractors and suppliers to implement a range of measures continuing to deliver for our customers wherever and however we could safely. Thanks to the team's dedication, we overcame the hurdles to a large extent and delivered a resilient performance.

The Group recorded a revenue of HK$6,733 million, which was comparable to that of last year at HK$6,795 million. The L • Living 23, our property development project joint with Urban Renewal Authority (URA), completed on schedule and all the pre-sale transactions were fulfilled which brought in a total revenue of HK$700 million. The increase in property development income compensated the reduction in construction related revenue arising from the pandemic business interruption.

The Group's consolidated gross profits increased year-on-year by 15% to HK$659 million. Besides the property development profit, the major growth driver in this year, the construction segment gross margin was up too.

The yearly operating expenses rose to HK$545 million, as compared with HK$430 million in last year. The increase was caused by a few factors. First of all, last year staff costs were lessened by the subsidy received from the HKSAR Government Employment Support Scheme ("ESS"). Part of the rise in staff costs reflected the non-recurrence of such receipt in this year. Also, a lot more sales and marketing costs were spent this year for the sales of L • Living 23. And, office rental increased as additional space was leased to accommodate the expanding Electrical and Mechanical Installation ("E&M") team. Besides, more tender costs were expended as a result of rising tender activities carried out in the year. Furthermore, an amount of HK$35 million, being a full provision for our equity investment in the Nanjing joint venture was made. The joint venture partner is a main contractor in China. The slow-down in property market exerted great pressure to its financials. It is now facing some financial disputes. Since it is the major shareholder of the joint venture and runs the business, the operation of the entity is adversely impacted. We believe the issue will not be resolved in near term and are unable to predict the consequence at this moment. For the sake of prudence, we decided to make a full provision for our investment cost in the joint venture.

Consolidated net profits before tax was HK$86 million whereas last year was HK$163 million. The reduction caused mainly by the non-recurrence of ESS subsidy and the provision of investment costs in joint venture, as reported above. In fact, this year's operation profits increased if these non-recurring items were excluded.

We ended the financial year with a solid order book of HK$21,427 million (2021: HK$23,953 million). During the year, the Group secured HK$9,321 million new contracts, up by 106% year on year. Construction segment got a big increase of HK$5,653 million or 346% over prior year whilst the E&M segment maintained a high level of new orders at around HK$3,298 million. The building materials supply segment also reported a rise in new order of 36% versus 2021. The strong level of contract on hand provides good visibility to our short to medium term performance.

The Group achieved a very positive net cash inflow in the year. Sales proceed of HK$700 million from the disposal of L • Living 23 residential units was received. The net debt to capital ratio (Calculated as net debt divided by total capital. Net debt is calculated as total borrowings plus lease liabilities less cash and bank balances. Total capital is calculated as equity plus net debt.) was reduced to 0.17 versus 0.41 in 2021. The Group's strong financial strength underpins future business growth.

DIVIDEND

In the Board meeting held on 29 June 2022, the Directors recommended the payment of a final dividend of HK2.50 cents per share (2021: HK6.80 cents). Together with the interim dividend of HK2.50 cents per share (2021: HK1.00 cent), total distribution is HK5.00 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 25 August 2022 (Thursday), will be payable on 11 October 2022 (Tuesday) to the shareholders whose names appear on the register of members of the Company on 23 September 2022 (Friday).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 22 August 2022 (Monday) to 25 August 2022 (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 25 August 2022 (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 19 August 2022 (Friday).

CLOSURE OF REGISTER OF MEMBERS FOR PAYMENT OF FINAL DIVIDEND

The register of members of the Company will be closed from 21 September 2022 (Wednesday) to 23 September 2022 (Friday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK2.50 cents per share for the year ended 31 March 2022, 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 20 September 2022 (Tuesday).

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

The last twelve months have been unprecedented. The outbreak of Omicron caught the city by surprise. The construction supply chain was massively disrupted. Tightened social distancing and safety measures greatly impacted on-site work. For a period of time, manpower was in great shortage as almost one third of the workforce, if not more, were on quarantine. Works were inevitably delayed. Thankfully, the five new-built projects scheduled to complete this year were successfully finished and handed over before the emergence of fifth-wave. There was no delay in our project completions. For those on-going projects, we shall catch up the works in remaining period.

The segment reported total revenue at HK$3,993 million, dropped by 25% compared with the prior year. The decline was caused mainly by the completion of several sizeable projects during the year. And the work disruption encountered in the fifth-wave led to a reduction in work done in first quarter of Year 2022. Notwithstanding the drop in yearly work done, the segment secured a strong level of new contracts at HK$7,288 million, a three-fold increase from HK$1,635 million in last year. Another new contracts of around HK$1,600 million were awarded post balance sheet date. Our position in core market remains strong.

Our technical prowess was once again validated by the successful and early completion of two demountable transitional housing projects during the year. Both projects adopted our patented demountable concrete MiC system, the first-ever of its kind in Hong Kong. The two projects were completed ahead of schedule by around 1.5 months and 3.5 months respectively. Apart from the demountable concrete MiC technology, we adopted also 5G-connected Artificial Intelligence ("AI") construction robots, for instance, MobiScanning for surveying and MobiLog for patrolling, to replace manual work in order to speed up construction process and reduce costs. The two clients were very pleased with our works and one of them awarded us another phase of work afterwards.

As a leader in technical solutions in the industry, we keep moving forward with new ideas and innovation. We are actively enriching our MiC full lifecycle by integrating with autonomous solutions like robots, AI technologies to enhance productivity, buildability, quality and safety. BEANiE, Hong Kong's first BIM-enabled blockchain multifunctional digital platform supporting the MiC lifecycle has been evolving into the third generation. A logistic and fleet monitoring module was created in BEANiE 3.0. The Fleet Management System in BEANiE 3.0 is used to monitor the transportation of MiC elements from off-site factory to the construction sites and to ensure 'just-in-time' for delivery and installation. With the use of 4G/5G connectivity, cross-border real time traffic data and driver conditions are monitored. Using a cloud-based command center, BEANiE 3.0 can advise driver for better logistics route and each MiC location can therefore be easily tracked. With an additional Indoor Air Quality (IAQ) monitoring sensor within the driver area, air pollutants, such as Carbon Dioxide (CO_2), Nitrogen Dioxide (NO_2) and Ozone (O_3), can be detected. Warning messages will be displayed when the air quality is not safe for work. BEANiE 3.0 can also communicate with driver to remind him/her to take rest and ensure a safe journey. BEANiE 3.0 was launched and welcomed by many clients. It would be used in a Dedicated Rehousing Estate which employs also MiC technology.

It has been five years since the Government promoted MiC in 2017. With more and more prominent MiC projects including the Married Quarters for the Fire Services Department in Tseung Kwan O completed by our Group, seen in the market, benefits arising from the use of this innovative construction method were well proven and recognized. MiC is gaining popularity and more widely adopted in different applications. On hand, we are working on six MiC projects encompassing residential, Government Complex, school and demountable transitional housing.

The maintenance and renovation division is now working on more than ten major projects with total contract sum amounted to around HK$6,000 million. Leveraging on the Group's cutting edge prefabrication technology and full value chain across the construction cycle, the division has developed a Design for Manufacture and Assembly ("DfMA") system that best fits renovation and refurbishment projects. We worked jointly with Architectural Services Department (ASD) in its first DfMA approach public toilet makeover project. On site construction time, wastage and nuisance created to public were substantially minimized and the output was of high quality. Again, the client was highly satisfied with our performance. The work becomes a showcase for our capabilities in DfMA. The division just finished another pubic toilet makeover pilot project with the Food and Environmental Hygiene Department. We successfully reduced the construction time with high quality of work to only one month whereas it took on average four months in the past. Our expertise in DfMA is well acknowledged in the market. Given the use of DfMA is now strongly advocated, our competency would bring good business growth.

At Yau Lee, we are committed to actively participating in community affairs to give back to society. Being a trusted partner, we were commissioned by the Government to carry out the conversion of three community isolation facilities when the city was overwhelmed by the fifth-wave. The renovation team and the E&M team mobilized hundreds of workers, working day and night to complete the conversion within extremely short period of time. Our technical competency serves not only business, but also our services to the community.

Electrical and mechanical installation

The strong order book built up in past few years represents a strong foundation to underpin the business in this year. Notwithstanding the various impacts of pandemic to the industry, the segment achieved a yearly revenue of HK$2,271 million which was comparable to that of last year at HK$2,318 million. And thanks to the dedicated management team, segment profit adjusting last year's non-recurrent ESS subsidy received from the HKSAR Government, remained steady at around HK$46 million amidst the worsening business environment caused by surging operation costs and severe manpower shortage. Furthermore, the value of contracts in hand as at end of the year reached the record high at approximately HK$10 billion. We capitalized the investment on technology development by achieving again a good level of new contracts at HK$3,298 million (2021: HK$3,490 million). Around 40% of the new orders were secured by the General Engineering team which expertise and capabilities goes much beyond an ordinary E&M contractor by leveraging on the Group's full value chain and technical excellence. It develops a new E&M business model by collaborating with Global Virtual Design and Construction Limited (GVDC), the Group's virtual design & construction technology promoter to provide a wide spectrum of digital technologies in E&M discipline. Besides the widely advocated MiMEP and BIM, a series of emerging technologies such as 3D laser scanning, drone for aerial geomapping, augment reality and virtual reality technologies and AI enabled solutions are adopted. Our involvement goes from design to plan, to build and to maintain. The new business model allows project team to coordinate and optimize the entire design, build and operate lifecycle with connected, reliable and constructible data which raise efficiencies, reduce errors and wastage, and save time, effort and cost. All parties including customers shall be benefited. Our competitive edge in job bidding is thus strengthened.

Apart from E&M services, the segment grew also in green, automation and data-centric A.I. solution businesses. The division recorded a double-digit percentage increase in this revenue stream. The market is expected to grow exponentially considering the various new urban development plans initiated by the HKSAR Government. We shall take the opportunity by enriching our product and solution offering through strategic partnership and invention. Our Automated Car Parking system is one of the many successful solutions we developed through strategic partnership with a renowned vendor in this sector. On invention, we established our own research and development laboratory and partner with academies to develop new technologies. During the year, we launched three in-house developed AI-driven solutions namely AI Confined Space Safety Monitoring Solution, AI Site Safety Monitoring System and AI Camera Detection Basket Screen Monitoring System, aiming to address job sites safety issues which is one of the major concerns in the industry. Certainly, environment protection and A.I. solutions are key trends to develop. We would invest relentlessly in these area to ensure sustainable future growth.

Building materials supply

The segment sales were HK$594 million, up by 10% year on year. The increase was in Mainland China market. As to the Hong Kong businesses, the unprecedented challenges to the cross border transportation caused by the outbreak of fifth-wave led to a nosedive of deliveries after Chinese New Year. For our factory, the volume of deliveries had been sharply cut down to less than one third of average. Sales in last two months of the financial year tumbled. At the time of writing the report, the land-based cross border logistic problem is yet to be fully resolved. Should the logistic arrangement return to normal in next few months, we endeavor to clear the backlog soonest for a higher sales figures in next year. Yearly profits fell because of inadequate sales to cover the factory overhead and surged transportation costs as a result of additional pandemic-prevention measures implemented. The result of this segment shrank to a loss of HK$57 million, partly due to the aforesaid business interruption and partly due to an impairment provision of HK$35 million for our investment in Nanjing Joint Venture. Our Nanjing joint venture partner, a PRC main contractor, is involved in several financial disputes in the face of the contraction of Mainland property market. Our joint venture operation is adversely affected too because it runs mainly by the partner. As the issues may not be settled in near term, the impact on our joint venture would last for some time. After thorough assessment, we decide to make a full provision for our investment in the Joint Venture for conservative purpose.

Despite the hiccups in short run, the business outlook is bright and clear. The segment obtained new contracts of HK$946 million, representing a growth of 36% year on year. The two transitional housing projects secured in last year using our patent demountable concrete MiC system were delivered successfully ahead of schedule. The customers were very pleased with our products and one of them awarded us another phase of work. The HKSAR Government announced to increase the transitional housing supply from 15,000 units to 20,000 units in the coming few years. Our reputation earned from the two completed projects shall bring to us more businesses. In Hong Kong, MiC has become a trend and has been gathering momentum in recent years. In China, the Ministry of Housing and Construction issued the "14th Five-Year Plan" for the development of the construction industry, which proposes to vigorously develop prefabricated buildings. By 2025, prefabricated building will account for more than 30% of the country's new construction. Business opportunities in both markets are massive.

Hotel operation and property investment and development

With the outbreak of Omicron variant and the stringent boarding and compulsory quarantine requirements still in force, Hong Kong's tourism industry had a tough time in the second consecutive year. The Hong Kong Tourism Board reported a 97.4 per cent drop in the number of visitors in 2021. We continue to defer the hotel's operation temporarily while keeping the leasable area fully let. The reported loss was comparable to that of last year. Majority costs were depreciation and cash outlay were only costs to up-keeping the building condition.

With the variant strains of COVID-19 emerging, it seems not realistic to predict a substantial travel rebound in the remaining period of the year. We take the opportunity to carry out a conversion of the Hotel. The pandemic changes the world of travel. People are now more than ever into digitalization, less face-to-face interactions and flexibility in use of space as remote working is widely accepted. Our hotel's new design would take into account these new guest demands which may not be crucial before the pandemic. We anticipated the conversion to be completed in first half of next year, by then we shall share more with you the new features of the Hotel.

As to the property development business, the L • Living 23, our project with Urban Renewal Authority (URA) completed on schedule in early 2022. All the pre-sale transactions were completed and the properties were handed over to the buyers. The project is a successful one as over 90% were sold on first sales day which brought in sales proceed of around HK$700 million. The sales of the remaining units was put on hold when the city was overwhelmed by the fifth-wave of COVID-19 in past few months. We are now preparing the re-launch in next few months. For the commercial portion, we are working with URA on the disposal plan. Tai Kok Tsui, a few minute walk away from the Olympics MTR station and Mongkok, is where Hong Kong's next commercial and residential hub lies. More and more exciting development led by URA and various property developers are in motion. We anticipated the value of the commercial portion of our development would grow in next few years.

Regarding 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, the building work is ongoing. The development has two phases. Phase one was completed and launched for sales at end of 2021. Despite China residential property market cooled down in second half of 2021, the properties selling prices in the district were rather stable and price cut pressure was not notable. Our properties under phase two which comprises shopping mall and residential units are expected to be completed in early 2023. Considering its excellent location, right next to the Metro station, we think the profits derived from the sales shall be good.

OUTLOOK

With a strong order book and healthy financial strength, the Group is on solid ground to move forward. We have a strong presence in our core markets i.e. Hong Kong and Mainland China which outlooks are clear and bright.

In Hong Kong, the construction industry is benefited from the Government's stimulus plans in housing and infrastructure. In 2021, the approved funding for capital work projects has reached a record high of HK$200 billion. It is expected that the annual capital works expenditure will exceed HK$100 billion in the coming years. Also, the Government is determined to resolve the housing issues. Some 330,000 public housing units will be built in coming ten-year period i.e. (from 2022-23 to 2031-32). The supply of transition housing will be increased from 15,000 units to 20,000 units. To deliver more units as early as possible, MiC and other innovative construction technology will be more widely adopted. The Group, known as a leading player in construction technologies, has a long and strong presence in public works market. We got a range of patented MiC systems, proven DfMA and MiMEP capabilities and digitalized full lifecycle management solutions including 5D BIM and BEANiE 3.0, that form our competitive edges to gain more market share.

In Mainland China, the construction work sector was growing steadily, reaching a total output value of around RMB29 trillion in 2021, albeit the pandemic. The nation has unveiled a development plan for the construction industry over the 14th Five-Year Plan period (2021-2025) to push the sector onto a greener, smarter and safer path. Specifically, prefabricated building will account for more than 30% of the country's new construction, representing a vast market potential for prefabrication supplies which is our priority to develop in coming years. Nonetheless, given the current production capacity and economic condition, we shall expand cautiously. We anticipate a mild and steady business growth in this area.

The key challenges faced in the construction industry i.e. manpower shortage and rising costs remain from the past few years. The public health crisis and geopolitical issues causing supply chain disruption and hikes in inflation rates and interest rates add more pressures to the operation. To tide over the challenging time, we will continue to focus on our core priorities: innovation, tight control on project execution and selective approach to the project taken on.

To help the industry to address the challenges and ensure a bright and prosperous future, the HKSAR Government led the industry to reform a few years ago by advocating "Innovation", "professionalization" and "revitalization" via the implementation of "Construction 2.0". The industry is in the new era of transformation. New approaches like MiC, DfMA, MiMEP, AI, robotics, digital and data-driven processes and green solutions are key areas to pursue. Being one of the leading players in construction technologies, the Group has invested heavily in technology development and is poised to capture all these opportunities. Looking ahead, we would continue to move forward with new ideas, cutting-edges technology and innovation that will drive future sustainable growth and return.

FINANCIAL POSITION

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 31 March 2022, the Group's total cash and bank balances was HK$1,045 million (2021: HK$728 million) and total borrowings decreased to HK$1,318 million (2021: HK$1,711 million). The increase in cash was largely from sale proceeds from the Group's residential property development project L • Living 23. The decrease in borrowings was primarily due to repayments of some project loans. The current ratio (total current assets: total current liabilities) as at 31 March 2022 was 1.1 (2021: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK$337 million (2021: HK$836 million). The decrease resulted from a project loan which fell due within one year upon project completion. 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 2022, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$4,071 million (2021: HK$4,558 million), of which HK$1,632 million (2021: HK$2,071 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 2022, the Group had approximately 3,200 (2021: 3,200) employees. There are approximately 2,500 (2021: 2,500) employees in Hong Kong, Macau and Singapore and 700 (2021: 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 2022

Contract value

	31 March 2021 *HK$'million*	Contracts Secured *HK$'million*	Contracts Completed *HK$'million*	**31 March 2022** ***HK$'million***
Building construction, renovation and maintenance	16,796	7,288	(9,874)	**14,210**
Electrical and mechanical installation	9,876	3,298	(3,187)	**9,987**
Building materials supply	1,213	946	(420)	**1,739**
Others	15	17	(17)	**15**
Less: Inter-segment contracts	(3,947)	(2,228)	1,651	**(4,524)**
	23,953	9,321	(11,847)	**21,427**

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 (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 2022. 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 2022.

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 2022 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 2022.

REVIEW BY AUDIT COMMITTEE

The Group's annual results for the year ended 31 March 2022 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 2022 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 2022 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 2022. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this annual results announcement.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 29 June 2022

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