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有利集團有限公司*
Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0406)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

HIGHLIGHTS

The Group reported revenue of HK\$3,109,305,000 (2021: HK\$3,124,031,000) for the six months ended 30 September 2022 (the “period”).

The gross profit for the period was HK\$251,278,000 (2021: HK\$273,462,000).

Profit for the period was HK\$21,615,000 (2021: HK\$44,724,000).

Basic and diluted earnings per share were approximately HK5.12 cents (2021: HK10.41 cents).

The net asset value attributable to equity holders of the Company as at 30 September 2022 was HK\$1,448,839,000 (31 March 2022: HK\$1,541,475,000), equivalent to HK\$3.31 (31 March 2022: HK\$3.52) per share based on the 438,053,600 (31 March 2022: 438,053,600) ordinary shares in issue.

* *For identification purpose only*

INTERIM RESULTS

The Board of Directors (the “Board”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2022 were as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2022

		Six months ended 30 September	
	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	4	3,109,305	3,124,031
Cost of sales	6	<u>(2,858,027)</u>	<u>(2,850,569)</u>
Gross profit		251,278	273,462
Other income and losses, net	5	3,529	17,401
Selling and distribution costs	6	(4,300)	(10,039)
Administrative expenses	6	(210,034)	(222,176)
Other operating expenses	6	<u>(1,582)</u>	<u>(1,594)</u>
Operating profit		38,891	57,054
Finance costs	7	(5,652)	(3,056)
Share of loss of an associate		(77)	(151)
Share of loss of joint ventures		<u>(3,622)</u>	<u>(2,345)</u>
Profit before income tax		29,540	51,502
Income tax expense	8	<u>(7,925)</u>	<u>(6,778)</u>
Profit for the period		<u>21,615</u>	<u>44,724</u>
Attributable to:			
Equity holders of the Company		22,449	45,581
Non-controlling interests		<u>(834)</u>	<u>(857)</u>
		<u>21,615</u>	<u>44,724</u>
Interim dividend	9	<u>10,951</u>	<u>10,951</u>
Earnings per share (basic and diluted)	10	<u>HK5.12 cents</u>	<u>HK10.41 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	21,615	44,724
Other comprehensive income		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	<u>(104,134)</u>	—
Total comprehensive (loss)/income for the period	<u>(82,519)</u>	<u>44,724</u>
Attributable to:		
Equity holders of the Company	(81,685)	45,581
Non-controlling interests	<u>(834)</u>	<u>(857)</u>
Total comprehensive (loss)/income for the period	<u>(82,519)</u>	<u>44,724</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2022*

	30 September	31 March
	2022	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	1,101,863	1,171,205
Investment properties	173,980	177,240
Other intangible assets	6,702	7,230
Goodwill	17,898	17,898
Associate	45	361
Joint ventures	76,115	93,789
Deferred income tax assets	3,179	7,214
Mortgage loans receivables	12,386	25,931
	1,392,168	1,500,868
	-----	-----
Current assets		
Cash and bank balances	663,351	1,045,149
Trade debtors, net	660,760	672,666
Contract assets	1,038,198	814,519
Prepayments, deposits and other receivables	296,707	293,383
Mortgage loans receivables	1,225	1,561
Inventories	117,699	80,093
Completed properties held for sale	222,760	222,760
Due from joint ventures/joint operations	44,648	46,473
Due from other partners of joint operations	12,805	–
Prepaid income tax	56,388	59,986
	3,114,541	3,236,590
	-----	-----
Total assets	4,506,709	4,737,458
	=====	=====

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
As at 30 September 2022

	30 September	31 March
	2022	2022
<i>Note</i>	HK\$'000	HK\$'000
EQUITY		
Share capital	87,611	87,611
Other reserves	389,890	494,024
Retained profits	<u>971,338</u>	<u>959,840</u>
Attributable to equity holders of the Company	1,448,839	1,541,475
Non-controlling interests	<u>(952)</u>	<u>(118)</u>
Total equity	<u>1,447,887</u>	<u>1,541,357</u>
LIABILITIES		
Non-current liabilities		
Long-term borrowings	317,900	336,600
Deferred income tax liabilities	9,017	7,455
Other non-current liabilities	<u>13,744</u>	<u>23,725</u>
	<u>340,661</u>	<u>367,780</u>
Current liabilities		
Short-term bank loans	584,935	459,480
Current portion of long-term borrowings	287,400	522,400
Payables to suppliers and subcontractors	275,495	247,082
Accruals, retention payables, deposits received and other liabilities	884,018	822,985
Income tax payable	11,775	10,059
Contract liabilities	630,307	721,496
Due to joint operations	2,799	2,799
Due to other partners of joint operations	<u>41,432</u>	<u>42,020</u>
	<u>2,718,161</u>	<u>2,828,321</u>
Total liabilities	<u>3,058,822</u>	<u>3,196,101</u>
Total equity and liabilities	<u>4,506,709</u>	<u>4,737,458</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2022

	Attributable to equity holders of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Currency translation reserve HK\$'000	Property revaluation reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000			
As at 1 April 2021	87,611	413,776	359	(11,972)	55,366	704	932,393	1,478,237	2,065	1,480,302
Profit/(loss) for the period	-	-	-	-	-	-	45,581	45,581	(857)	44,724
2021 final dividend (Note 9)	-	-	-	-	-	-	(29,788)	(29,788)	-	(29,788)
As at 30 September 2021	87,611	413,776	359	(11,972)	55,366	704	948,186	1,494,030	1,208	1,495,238
As at 1 April 2022	87,611	413,776	359	23,819	55,366	704	959,840	1,541,475	(118)	1,541,357
Profit/(loss) for the period	-	-	-	-	-	-	22,449	22,449	(834)	21,615
Other comprehensive income:										
Currency translation differences	-	-	-	(104,134)	-	-	-	(104,134)	-	(104,134)
2022 final dividend (Note 9)	-	-	-	-	-	-	(10,951)	(10,951)	-	(10,951)
As at 30 September 2022	87,611	413,776	359	(80,315)	55,366	704	971,338	1,448,839	(952)	1,447,887

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Yau Lee Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials supply, property investment and development and hotel operations. The Group is also engaged in other activities which mainly include computer software development and architectural and engineering services.

The Company is a limited liability company incorporated in Bermuda on 25 June 1991. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”).

Condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board of Directors on 28 November 2022.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The unaudited condensed consolidated interim financial information has been prepared under historical cost convention, as modified by the revaluation of financial assets 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.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the audited consolidated financial statements for the year ended 31 March 2022.

3.1 Amendments to standards and annual improvement adopted by the Group

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle

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

3.2 New standard, amendments to standards and interpretation have been issued but are not yet effective

The following new standard, amendments to standards and interpretation have been published that are not mandatory for the financial year beginning on 1 April 2022 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
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 Transaction	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

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

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Revenue		
Construction	1,879,748	2,117,594
Electrical and mechanical installation	1,171,732	857,827
Building materials supply	42,144	120,440
Property investment and development	1,267	10,651
Hotel operations	998	1,310
Others	13,416	16,209
	3,109,305	3,124,031

For the six months ended 30 September 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\$42,144,000 (2021: HK\$120,440,000), property sales of Nil (2021: HK\$9,839,000) and others of HK\$9,973,000 (2021: HK\$14,751,000), 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\$2,265,000 (2021: HK\$2,122,000).

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

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Construction <i>HK\$'000</i>	Electrical and mechanical installation <i>HK\$'000</i>	Building materials supply <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended							
30 September 2022							
Total sales	1,890,024	1,228,268	138,431	1,293	998	71,300	3,330,314
Inter-segment sales	<u>(10,276)</u>	<u>(56,536)</u>	<u>(96,287)</u>	<u>(26)</u>	<u>-</u>	<u>(57,884)</u>	<u>(221,009)</u>
External sales	<u>1,879,748</u>	<u>1,171,732</u>	<u>42,144</u>	<u>1,267</u>	<u>998</u>	<u>13,416</u>	<u>3,109,305</u>
Segment results	55,742	17,227	(17,278)	(3,618)	(10,964)	(7,771)	33,338
Share of loss of an associate	-	(77)	-	-	-	-	(77)
Share of loss of joint ventures	<u>-</u>	<u>-</u>	<u>(3,622)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,622)</u>
	<u>55,742</u>	<u>17,150</u>	<u>(20,900)</u>	<u>(3,618)</u>	<u>(10,964)</u>	<u>(7,771)</u>	<u>29,639</u>
Unallocated income							5,553
Finance costs							<u>(5,652)</u>
Profit before income tax							29,540
Income tax expense							<u>(7,925)</u>
Profit for the period							<u>21,615</u>
	Construction <i>HK\$'000</i>	Electrical and mechanical installation <i>HK\$'000</i>	Building materials supply <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended							
30 September 2021							
Total sales	2,171,006	1,073,354	314,780	10,651	1,310	64,456	3,635,557
Inter-segment sales	<u>(53,412)</u>	<u>(215,527)</u>	<u>(194,340)</u>	<u>-</u>	<u>-</u>	<u>(48,247)</u>	<u>(511,526)</u>
External sales	<u>2,117,594</u>	<u>857,827</u>	<u>120,440</u>	<u>10,651</u>	<u>1,310</u>	<u>16,209</u>	<u>3,124,031</u>
Segment results	67,880	14,233	(6,737)	(3,544)	(11,040)	(6,443)	54,349
Share of loss of an associate	-	(151)	-	-	-	-	(151)
Share of loss of joint ventures	<u>-</u>	<u>-</u>	<u>(2,345)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,345)</u>
	<u>67,880</u>	<u>14,082</u>	<u>(9,082)</u>	<u>(3,544)</u>	<u>(11,040)</u>	<u>(6,443)</u>	<u>51,853</u>
Unallocated income							2,705
Finance costs							<u>(3,056)</u>
Profit before income tax							51,502
Income tax expense							<u>(6,778)</u>
Profit for the period							<u>44,724</u>

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

5. OTHER INCOME AND LOSSES, NET

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Other income		
Bank interest income	1,497	1,650
Interest income from subcontractors	1,649	6,084
Management service income from a joint operation	8	8
Sundry income	5,249	8,844
	<u>8,403</u>	<u>16,586</u>
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Other (losses)/gains, net		
Fair value loss on investment properties, net	(3,260)	-
Gain/(loss) on disposal of property, plant and equipment, net	434	(4)
Exchange (loss)/gain, net	(2,048)	819
	<u>(4,874)</u>	<u>815</u>
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	<u><u>3,529</u></u>	<u><u>17,401</u></u>

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

6. EXPENSES BY NATURE

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Cost of construction	2,338,918	2,211,786
Cost of inventories sold	67,619	185,690
Cost of properties sold	–	7,764
Staff costs (including directors' emoluments)*	534,330	520,326
Depreciation		
Owned property, plant and equipment	36,857	39,818
Leased property, plant and equipment	10,865	13,643
	<u>47,722</u>	<u>53,461</u>
Expenses relating to short-term leases of		
Land and buildings	2,091	2,141
Other equipment	16,501	27,307
	<u>18,592</u>	<u>29,448</u>
Amortisation of intangible assets	528	528
Movement in loss allowance for trade debtors	3,662	1,222
Auditor's remuneration	2,573	2,261
Direct operating expenses arising from investment properties		
– Generate rental income	191	379
– Not generate rental income	33	33
Selling and distribution costs	4,300	10,039
Others	55,475	61,441
Total cost of sales, selling and distribution costs, administrative and other operating expenses	<u>3,073,943</u>	<u>3,084,378</u>

* During the six months ended 30 September 2022, subsidies of approximately HK\$13,346,000 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”.

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

7. FINANCE COSTS

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Interest on overdrafts and short-term bank loans	4,231	4,653
Interest on long-term bank loans	5,994	8,349
Interest element of lease payments	267	487
	<hr/>	<hr/>
Total borrowing costs incurred	10,492	13,489
Less: Classified as cost of construction	(4,840)	(5,804)
Capitalised in property under development		
for sale	–	(4,629)
	<hr/>	<hr/>
	5,652	3,056
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSE

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 six months ended 30 September 2022. 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 period at the rates of taxation prevailing in the countries/regions in which the Group operates.

The amount of income tax charged to the unaudited condensed consolidated income statement represents:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong profits tax provision for the period	2,070	6,862
(Over)/under-provision in prior years	(62)	3
Deferred income tax relating to the origination and reversal of temporary differences	5,917	(87)
	<hr/>	<hr/>
	7,925	6,778
	<hr/> <hr/>	<hr/> <hr/>

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

11. TRADE DEBTORS, NET

Trade debtors, net included trade debtors and retention receivables less provision for impairment.

The trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products. The aging analysis of the trade debtors, net by overdue day(s) is as follows:

	30 September 2022 HK\$'000	31 March 2022 HK\$'000
Current	550,858	557,922
1-30 days	20,334	45,100
31-90 days	20,759	18,502
91-180 days	22,500	15,000
Over 180 days	46,309	36,142
	<u>109,902</u>	<u>114,744</u>
	<u>660,760</u>	<u>672,666</u>

12. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	30 September 2022 HK\$'000	31 March 2022 HK\$'000
Current	235,439	205,186
1-30 days	34,017	36,370
31-90 days	987	2,307
91-180 days	1,823	567
Over 180 days	3,229	2,652
	<u>40,056</u>	<u>41,896</u>
	<u>275,495</u>	<u>247,082</u>

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

13. COMMITMENTS AND CONTINGENT LIABILITIES

The Group has the following outstanding commitments and contingent liabilities:

- (a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 30 September 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\$631,381,000 (31 March 2022: HK\$418,394,000) in favour of the Group's customers.
- (c) As at 30 September 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 (31 March 2022: HK\$1,043,000) and RMB26,036,000 (31 March 2022: RMB26,036,000) respectively.
- (d) The future aggregate minimum lease rental payable under non-cancellable short-term leases is as follows:

	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>
Land and buildings Within one year	—	54

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Review of Operation

The Group has delivered a solid interim result in the face of the serious challenges resulting from the pandemic which will soon enter the fourth year.

The Group's revenue for the first six month in 2022 held steady at HK\$3,109 million which was comparable to prior period. As to the segment sales, the increase in sales reported by the electrical and mechanical installation ("E&M") segment covered the decline in sales by building material supply. The expanding order books achieved by the E&M segment in past few years underpinned growth in sales in coming periods. Besides, a few sizeable projects have reached the peak period that generated large amount of work done. For the first six months, E&M got a growth in revenue by 14% period on period. Yet, sales from building material supply fell, mainly due to the interruptions resulting from the fifth-wave of pandemic. The lack of resources including manpower and material supplies and new cross-boundary land transport measures affected significantly site progress which in turn deferred the delivery of building materials. Besides, some project designs were changed upon clients' requests to adopt more on-site works instead of prefabrication so as to mitigate the impact of prolonged delivery time. The factory revenue has been halved comparing to prior period. Despite the land transport arrangements has been somewhat relaxed recently smoothing the traffic flow, it is believed that the logistic flow would not be able to resume normal in next few months. We anticipate the yearly revenue from building material supply would be lower than last year and the original budget.

Consolidated gross profit was almost level with the prior period at HK\$251 million. The overall gross profit margin for the first half of the year was 8%, against the prior period one of 8.7%. The gross profit margin of E&M fell because there were quite a number of new projects commenced in the period which in general brought smaller profits in early stages.

Total operating expenses was HK\$216 million, reduced by HK\$18 million or 8% period on period. The savings were mostly in depreciation, transportation costs and sales expenses. The reduction in transportation costs was in line with the decrease in product deliveries by the factory. For the selling expenses, the difference came mainly from the spending in relation to the Tai Kok Tsui residential properties' sales which was of non-recurrent in nature.

Consolidated net profits before tax for the period was HK\$30 million versus the prior period of HK\$52 million. The differences were mainly attributable to the variations in interest income, unrealizable foreign exchange valuation and investment properties revaluation. The depreciation of Renminbi against HK dollar in the period caused us foreign exchange loss from the translation of Renminbi denominated monetary assets and liabilities whilst we made a gain in last period. Also, the revaluation of our investment properties reflected some losses in light of the current sagging property market. The Group repaid quite a bit of bank borrowing last year. With improved net cash position, the impact of surging interest rates on profit was much alleviated.

As to the order book, all segments showed further growth in first six months. Contracts in hand as at 30 September 2022 grew by 21% to HK\$25,991 million compared to 31 March 2022. Again, our E&M segment achieved a high volume of new orders in the period. The success was partly driven by the expansion of the Environmental protection engineering business. Also, it won a large joint venture contract building water treatment plants and facilities. Through collaborations with distinctive environmental services specialists in past few years, E&M broadened its revenue streams, gaining both business and technical knowhow. With a strong order book, the fundamental outlook remains positive.

Our perseverance to building sustainable future drives us to invest inexorably in construction technologies and keeps us at the forefront of innovation. Our digital construction capability is one of many edges that are well regarded in the industry. Global Virtual Design and Construction Limited (“GVDC”) is the Group’s core entity established more than 10 years ago to specialize in digital technologies. During the period, the company has been presented by The Celebration of BIM Achievement 2022 with three awards, including:

- BIM Organisation 2022
- BIMers 2022
- BIM Project 2022

These awards recognized not only our excellent innovations and achievements in Building Information Modeling (“BIM”), but also BIM skills of our teams, as well as our experiences and knowledge sharing.

To enhance speed and efficiency, the Hong Kong Government said in the Policy Address that they will devise a roadmap on the industry’s use of BIM in preparing building plans for submission to departments for approval. The move intensifies the competition for BIM professionals who are already in short supply. Talent development is high on our agenda. We aim to advocate the technology advancement not only in our Group but in the industry and Hong Kong society as a whole. To this end, GVDC opened a training center. By collaborating with various industry leaders, the Center provides a wide range of courses from BIM, Artificial Intelligence (“AI”) Full Lifecycle Management to tailor-made coaching, to share the latest knowledge of innovative technologies and practical skill with students and industry practitioners. GVDC is certified by ISO9001 and ISO19650 and the quality of tutors and courses are thus guaranteed.

Movement of Contracts

For the six months ended 30 September 2022

	31 March 2022 <i>HK\$'million</i>	Contracts Secured <i>HK\$'million</i>	Completed <i>HK\$'million</i>	30 September 2022 <i>HK\$'million</i>
Building construction, renovation and maintenance	14,210	3,838	(374)	17,674
Electrical and mechanical installation	9,987	1,658	(215)	11,430
Building materials supply	1,739	748	(495)	1,992
Others	15	9	(8)	16
Less: Inter-segment contracts	<u>(4,524)</u>	<u>(927)</u>	<u>330</u>	<u>(5,121)</u>
	<u>21,427</u>	<u>5,326</u>	<u>(762)</u>	<u>25,991</u>

Financial Position

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 30 September 2022, the Group's total cash and bank balances was HK\$663 million (31 March 2022: HK\$1,045 million) and total borrowings was HK\$1,190 million (31 March 2022: HK\$1,318 million). The reduction of total cash and bank balances was primarily due to repayment of a project loan upon project completion and lower income received from construction projects, of which many are in initial phase. The current ratio (total current assets: total current liabilities) as at 30 September 2022 was 1.1 (31 March 2022: 1.1). The amount of bank loans and other facilities fall due beyond one year was HK\$318 million (31 March 2022: HK\$337 million). With prudent financial management policy in place, the Group considers the financial position as 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 consider engaging relevant hedging arrangements when appropriate. As at 30 September 2022, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$3,915 million (31 March 2022: HK\$4,071 million), of which HK\$1,642 million (31 March 2022: HK\$1,632 million) had been utilised. The Group considers it has sufficient committed and unutilised banking facilities to meet its current business operation, property development requirement and capital expenditure.

Human Resources

As at 30 September 2022, the Group had approximately 3,500 (31 March 2022: 3,200) employees. There are approximately 2,800 (31 March 2022: 2,500) employees in Hong Kong, Macau and Singapore and 700 (31 March 2022: 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 is firmly committed to training and staff development. We work continuously to ensure employees can realise their full potentials and thus to foster their development to the Group.

Outlook

The Hong Kong economy and construction industry are still facing severe challenges. The main risks are the spread of COVID-19 variants, interest rate hike and cost-pushed inflation driven by supply chain and workforce shortages.

In spite of ongoing headwinds weighting on the economy, we still think the construction sector would be well on its way to recovery. On market demands, the Hong Kong Government's series of stimulus policies pave the way for the growth in the construction sector. The Year 2022 Policy Address presented clear targets and strategies giving impetus for growth. In the next few years, the Government's annual capital works expenditure will exceed HK\$100 billion. In addition to the transitional housing, the new Light Public Housing was introduced which brought around 30,000 units' work in next five years. Also, sufficient land to build about 360,000 public housing units in coming decade has been identified. And, the Northern Metropolis project would be taken forward in full steam. In fact, a number of developments in the area such as Kwu Tung North/Fanling North, Yuen Long South etc. have already commenced. With clear and abundant project pipelines in short-term and long-term, the Group could devise our resources allocations and growth plans accordingly.

Notwithstanding the strong business opportunities, the industry has to survive numerous challenges. The vigorous market demands, compounded by supply-chain congestion and workforce shortage posed great difficulties to project execution and profitability. Supply chain disruptions drive up materials cost, logistic cost and delay project execution. A lack of new entrants coupled with increasing attrition and high retirement rate of the aging workforce exacerbated the shortage in skilled labor as well as professionals in various disciplines. The productivity and cost crisis are expected to worsen and would last for a rather long period. Offsite construction, digital construction and lean construction are some keys to overcome these issues.

We have all along advocated innovation to uplift our competitiveness and to deliver new values to our clients. As a preeminent leader of construction technologies, we have already developed our own patented concrete Modular Integrated Construction (“MiC”) systems with proven track records. Besides, we have developed and launched a number of AI-aided solutions and digital tools such as construction robots, 5D BIM and BEANiE, Hong Kong’s first BIM-enabled blockchain multifunctional platform to uplift project performance. BEANiE has been developed to the fifth version (i.e. BEANiE 5.0) which is equipped with Bluetooth technology for zone control to enhance traceability and safety (TRACY). Moreover, our expertise across the entire project life cycle and customer focused approach facilitate our deployment of lean construction practices to drive efficiency on projects. Connecting with clients on their value, our competence in construction engineering and digital solutions help to map the value stream that maximize return and minimize wastages. Work processes optimization could also be done to raise productivity and lower costs. The pursuits of project excellence and sustainable growth navigate our path forward.

We uphold the principles of innovation, sustainable development and foster a culture of continuous improvement. We aim to widen our competency spectrum ensuring that we are well placed for the future growth and return.

INTERIM DIVIDEND

On 28 November 2022, the Board has resolved to declare the payment of an interim dividend of HK2.50 cents (2021: HK2.50 cents) per ordinary share in respect of the six months ended 30 September 2022 to shareholders registered on the register of members on 23 December 2022. The interim dividend will be payable on or before 13 January 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 December 2022 (Wednesday) to 23 December 2022 (Friday), both days inclusive, during which period no transfer of shares shall be effected. To qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 20 December 2022 (Tuesday).

DIRECTORS’ INTERESTS

At the date of this announcement, the interests of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) were as follows:

Shares of HK\$0.2 each in the Company

Director	Number of shares held (long position)	
	Corporate interest	Percentage
Mr. Wong Ip Kuen	267,642,599	61.10%

The shares referred to above are registered in the names of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 36,963,000 shares. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Investment Company Limited and Billion Goal Holdings Limited. All Fine Investment Company Limited and Billion Goal Holdings Limited are incorporated in the Cook Islands and the British Virgin Islands respectively. Mr. Wong Ip Kuen is a director of both All Fine Investment Company Limited and Billion Goal Holdings Limited.

During the six months ended 30 September 2022, none of the Directors and chief executives (including their spouses and minor children) had any interests in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

At no time during the period was the Company, its subsidiaries, its associates, its joint ventures or its joint operations, a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

As at 30 September 2022, the register of substantial shareholders maintained under Section 336 of Part XV of the SFO showed that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, the Company's listed securities during the six months ended 30 September 2022.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee, together with management, has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's unaudited interim results.

CORPORATE GOVERNANCE

The Board believes that corporate governance is fundamental to corporate long-term success and the enhancement of shareholder value. The Company has adopted the principles and practices of the Corporate Governance Code (the “Code”) as set out in the Appendix 14 of The Rules Governing the Listing of Securities on The SEHK (“Listing Rules”). The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders through prudent management, investment and treasury policies. Detailed disclosure of the Company’s corporate governance practices is available in the 2022 Annual Report.

COMPLIANCE WITH LISTING RULES

In the opinion of the Directors, the Company has complied with the requirements of the Code as set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2022 except for the Code provision A.2.1.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the securities transactions of the Directors of the Company. Having made specific enquiries to all Directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code during the six months ended 30 September 2022.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 28 November 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/>*