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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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2023

HIGHLIGHTS

The Group reported revenue of HK\$6,685,961,000 (2022: HK\$6,732,944,000) for the year.

The gross profit for the year was HK\$552,313,000 (2022: HK\$659,228,000).

Profit for the year was HK\$47,972,000 (2022: HK\$66,003,000).

Basic and diluted earnings per share was approximately HK11.33 cents (2022: HK15.57 cents).

The net asset value attributable to equity holders of the Company as at 31 March 2023 was HK\$1,506,309,000 (2022: HK\$1,541,475,000), equivalent to HK\$3.44 (2022: HK\$3.52) per share based on the 438,053,600 (2022: 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 2023 together with comparative figures for the year ended 31 March 2022 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	6,685,961	6,732,944
Cost of sales	5	(6,133,648)	(6,073,716)
Gross profit		552,313	659,228
Other income and losses, net	4	9,625	25,332
Selling and distribution costs	5	(13,155)	(41,639)
Administrative expenses	5	(444,034)	(500,628)
Other operating expenses	5	(4,028)	(3,191)
Operating profit		100,721	139,102
Finance costs	6	(24,961)	(9,476)
Share of loss of an associate		(86)	(614)
Share of loss of joint ventures		(8,149)	(8,478)
Impairment loss of investment in a joint venture		–	(35,000)
Profit before income tax		67,525	85,534
Income tax expense	7	(19,553)	(19,531)
Profit for the year		<u>47,972</u>	<u>66,003</u>
Attributable to:			
Equity holders of the Company		49,636	68,186
Non-controlling interests		(1,664)	(2,183)
		<u>47,972</u>	<u>66,003</u>
Dividend	8	<u>21,902</u>	<u>21,902</u>
Earnings per share (basic and diluted)	9	<u>HK11.33 cents</u>	<u>HK15.57 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year	47,972	66,003
Other comprehensive income		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	<u>(63,144)</u>	<u>35,791</u>
Total comprehensive (loss)/ income for the year	<u>(15,172)</u>	<u>101,794</u>
Attributable to:		
Equity holders of the Company	(13,508)	103,977
Non-controlling interests	<u>(1,664)</u>	<u>(2,183)</u>
Total comprehensive (loss)/ income for the year	<u>(15,172)</u>	<u>101,794</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment		1,095,279	1,171,205
Investment properties		170,100	177,240
Other intangible assets		6,174	7,230
Goodwill		17,898	17,898
Associate		35	361
Joint ventures		77,381	93,789
Deferred income tax assets		4,177	7,214
Mortgage loans receivables		11,786	25,931
		<u>1,382,830</u>	<u>1,500,868</u>
Current assets			
Cash and bank balances		742,581	1,045,149
Trade debtors, net	10	702,764	672,666
Contract assets		1,342,793	814,519
Prepayments, deposits and other receivables		224,950	293,383
Mortgage loans receivables		1,249	1,561
Inventories		154,482	80,093
Completed properties held for sale		222,760	222,760
Due from joint operations		7,938	46,473
Due from other partners of joint operations		19,838	–
Prepaid income tax		48,474	59,986
		<u>3,467,829</u>	<u>3,236,590</u>
Total assets		<u><u>4,850,659</u></u>	<u><u>4,737,458</u></u>

CONSOLIDATED BALANCE SHEET(Continued)
As at 31 March 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Equity			
Share capital		87,611	87,611
Other reserves		431,124	494,024
Retained profits		<u>987,574</u>	<u>959,840</u>
Attributable to equity holders of the Company		1,506,309	1,541,475
Non-controlling interests		<u>(2,306)</u>	<u>(118)</u>
Total equity		<u>1,504,003</u>	<u>1,541,357</u>
Liabilities			
Non-current liabilities			
Long-term borrowings		449,200	336,600
Deferred income tax liabilities		9,690	7,455
Other non-current liabilities		<u>8,602</u>	<u>23,725</u>
		<u>467,492</u>	<u>367,780</u>
Current liabilities			
Short-term bank loans		880,394	459,480
Current portion of long-term borrowings		37,400	522,400
Payables to suppliers and subcontractors	<i>11</i>	383,035	247,082
Accruals, retention payables, deposits received and other liabilities	<i>12</i>	878,783	822,985
Income tax payable		11,004	10,059
Contract liabilities		676,891	721,496
Due to joint operations		2,799	2,799
Due to other partners of joint operations		<u>8,858</u>	<u>42,020</u>
		<u>2,879,164</u>	<u>2,828,321</u>
Total liabilities		<u>3,346,656</u>	<u>3,196,101</u>
Total equity and liabilities		<u>4,850,659</u>	<u>4,737,458</u>

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 and liabilities (including derivatives 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, annual improvements and guideline adopted by the Group

The Group has applied the following amendments to standards, annual improvements and guideline for the first time for their annual reporting period commencing on 1 April 2022:

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 HKFRSs 2018-2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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

NOTES (Continued)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

Certain new standard, amendments to standards and interpretation have been published that are not mandatory for 31 March 2023 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the Related Amendments	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 HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenant	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
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 2024
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 and interpretation and does not expect that they would have any significant impact to its results of operation and financial position.

NOTES (Continued)

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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue		
Construction	4,413,759	3,926,319
Electrical and mechanical installation	2,139,573	1,823,163
Building materials supply	87,715	230,801
Property investment and development	2,487	712,276
Hotel operations	1,934	2,588
Others	40,493	37,797
	<u>6,685,961</u>	<u>6,732,944</u>

(b) Segment information

For the year ended 31 March 2023, 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\$87,715,000 (2022: HK\$230,801,000), property sales of nil (2022: HK\$710,155,000) and others of HK\$33,280,000 (2022: HK\$33,149,000), 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\$4,421,000 (2022: HK\$4,709,000).

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 2023							
Total sales	4,441,663	2,616,238	372,792	2,593	1,934	149,680	7,584,900
Inter-segment sales	(27,904)	(476,665)	(285,077)	(106)	-	(109,187)	(898,939)
External sales	<u>4,413,759</u>	<u>2,139,573</u>	<u>87,715</u>	<u>2,487</u>	<u>1,934</u>	<u>40,493</u>	<u>6,685,961</u>
Segment results	117,378	65,911	(53,212)	(10,157)	(16,892)	(9,442)	93,586
Share of loss of an associate	-	(86)	-	-	-	-	(86)
Share of loss of joint ventures	-	-	(8,149)	-	-	-	(8,149)
	<u>117,378</u>	<u>65,825</u>	<u>(61,361)</u>	<u>(10,157)</u>	<u>(16,892)</u>	<u>(9,442)</u>	<u>85,351</u>
Unallocated income							7,135
Finance costs							(24,961)
Profit before income tax							67,525
Income tax expense							(19,553)
Profit for the year							<u>47,972</u>
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	<u>3,926,319</u>	<u>1,823,163</u>	<u>230,801</u>	<u>712,276</u>	<u>2,588</u>	<u>37,797</u>	<u>6,732,944</u>
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)
	<u>73,195</u>	<u>46,223</u>	<u>(57,207)</u>	<u>64,773</u>	<u>(23,537)</u>	<u>(11,453)</u>	<u>91,994</u>
Unallocated income							3,016
Finance costs							(9,476)
Profit before income tax							85,534
Income tax expense							(19,531)
Profit for the year							<u>66,003</u>

NOTES (Continued)

3 REVENUE AND SEGMENT INFORMATION (Continued)

The analysis of revenue by geographical area is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	6,428,548	6,499,768
Non-Hong Kong	<u>257,413</u>	<u>233,176</u>
	<u>6,685,961</u>	<u>6,732,944</u>

Revenue of approximately HK\$3,382,983,000 (2022: HK\$2,645,722,000) are derived from three (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	819,600	839,066
Non-Hong Kong	<u>547,267</u>	<u>628,657</u>
	<u>1,366,867</u>	<u>1,467,723</u>

4 OTHER INCOME AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Bank interest income	5,239	3,280
Interest income from subcontractors	2,370	8,294
Management service income from a joint operation	–	16
Sundry income	<u>10,591</u>	<u>19,042</u>
	----- 18,200 -----	-----30,632-----
Other losses, net		
Loss on disposal of property, plant and equipment, net	(351)	(126)
Fair value loss on investment properties	(7,140)	(5,800)
Exchange (loss)/gain, net	<u>(1,084)</u>	<u>626</u>
	----- (8,575) -----	----- (5,300) -----
	<u>9,625</u>	<u>25,332</u>

NOTES (Continued)**5 EXPENSES BY NATURE**

	2023	2022
	HK\$'000	HK\$'000
Cost of construction	4,880,804	4,224,916
Cost of inventories sold	233,241	332,371
Cost of properties sold	–	602,780
Staff costs (excluding directors' emoluments)*	1,169,133	1,079,304
Directors' emoluments	27,481	25,412
Depreciation		
Owned property, plant and equipment	68,707	78,152
Leased property, plant and equipment	22,872	27,689
	91,579	105,841
Expenses relating to short-term leases of		
Land and buildings	2,794	2,542
Other equipment	50,082	44,120
	52,876	46,662
Amortisation of other intangible assets	1,056	1,056
Movement in loss allowance for trade debtors	8,200	955
Write-off of other receivables	–	1,022
Provision/(write-back of provision) for inventories	69	(202)
Auditors' remuneration		
– Audit services	5,294	4,924
– Non-audit services	977	374
Direct operating expenses arising from investment properties		
– Generate rental income	582	715
– Not generate rental income	59	60
Selling and distribution costs	13,155	41,639
Others	110,359	151,345
Total cost of sales, selling and distribution costs, administrative and other operating expenses	6,594,865	6,619,174

* During the year ended 31 March 2023, subsidies of approximately HK\$30,716,000 (2022: Nil) 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 (Continued)

6 FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on short-term bank loans	24,355	9,962
Interest on long-term bank loans	14,454	14,275
Interest element of lease payments	<u>545</u>	<u>915</u>
Total borrowing costs incurred	39,354	25,152
Less: Classified as cost of construction	(14,393)	(10,423)
Capitalised in property under development for sale	<u>–</u>	<u>(5,253)</u>
	<u><u>24,961</u></u>	<u><u>9,476</u></u>

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% per annum.

7 INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong profits tax provision for the year	13,637	18,545
Non-Hong Kong tax provision for the year	159	388
Under/(over)-provision in prior years	275	(274)
Deferred income tax relating to the origination and reversal of temporary differences	<u>5,482</u>	<u>872</u>
	<u><u>19,553</u></u>	<u><u>19,531</u></u>

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2022: 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 ("CIT") rate of 25% (2022: 25%). Some subsidiaries operated in the PRC qualified as a National High and New Technology Enterprise ("HNTE") with a validity of three years. According to the CIT Law, the enterprise qualifying the HNTE status is entitled to the 15% reduced CIT rate subject to a record-filing to the in-charge tax bureau. As such, the applicable CIT rate for those subsidiaries is 15% (2022: 15%) during the year. Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2022: 12%).

NOTES (Continued)

8 DIVIDEND

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend paid during the year		
Interim – HK2.50 cents (2022: HK2.50 cents) per ordinary share	10,951	10,951
Proposed final dividend		
Final – HK2.50 cents (2022: HK2.50 cents) per ordinary share	<u>10,951</u>	<u>10,951</u>
	<u><u>21,902</u></u>	<u><u>21,902</u></u>

In the Board meeting held on 27 June 2023, the Directors recommended the payment of a final dividend of HK2.50 cents (2022: HK2.50 cents) per share, totalling of HK\$10,951,000 (2022: HK\$10,951,000) for the year ended 31 March 2023.

9 EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of earnings per share is based on:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net profit attributable to the equity holders of the Company	49,636	68,186
	2023	2022
Weighted average number of shares in issue during the year	438,053,600	438,053,600
Basic earnings per share	<u><u>HK11.33 cents</u></u>	<u><u>HK15.57 cents</u></u>

Diluted earnings per share for the years ended 31 March 2023 and 2022 are equal to basic earnings per share as there are no potential dilutive shares in issue during the years.

10 TRADE DEBTORS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade debtors	366,195	330,801
Retention receivables	383,481	388,924
Loss allowance	<u>(46,912)</u>	<u>(47,059)</u>
	<u><u>702,764</u></u>	<u><u>672,666</u></u>

NOTES (Continued)

10 TRADE DEBTORS, NET (Continued)

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current	<u>609,570</u>	<u>557,922</u>
1-30 days	16,761	45,100
31-90 days	18,933	18,502
91-180 days	19,610	15,000
Over 180 days	<u>37,890</u>	<u>36,142</u>
	<u>93,194</u>	<u>114,744</u>
	<u><u>702,764</u></u>	<u><u>672,666</u></u>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current	<u>339,948</u>	<u>205,186</u>
1-30 days	34,425	36,370
31-90 days	4,067	2,307
91-180 days	1,325	567
Over 180 days	<u>3,270</u>	<u>2,652</u>
	<u>43,087</u>	<u>41,896</u>
	<u><u>383,035</u></u>	<u><u>247,082</u></u>

12 ACCRUALS, RETENTION PAYABLES, DEPOSITS RECEIVED AND OTHER LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Retention payables	348,117	377,355
Other deposits	20,227	24,937
Due to non-controlling interests (Note)	15,785	16,305
Lease liabilities	14,512	17,559
Others	<u>480,142</u>	<u>386,829</u>
	<u><u>878,783</u></u>	<u><u>822,985</u></u>

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

NOTES (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 31 March 2023, 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\$448,057,000 (2022: HK\$418,394,000) in favour of the Group's customers.
- (c) As at 31 March 2023, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and joint ventures of approximately HK\$717,000 (2022: HK\$1,043,000) and RMB26,036,000 (2022: RMB26,036,000) respectively.
- (d) The future aggregate minimum lease rental payable under non-cancellable short-term leases is as follows:

	2023	2022
	HK\$'000	HK\$'000
Land and buildings		
Within one year	<u> –</u>	<u> 54</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

Hong Kong faced a challenging 2022, with the economy affected severely by the fifth wave of COVID-19, interest rate hikes, rising operation costs and so on and so forth. In the tough and highly competitive business environment, the Group delivered a dynamic and encouraging result for the year.

Consolidated revenue generated in the year was HK\$6,686 million, leveled with last year of HK\$6,733 million despite no property sales recorded in this year. Increases of revenue from construction segment and Electrical and Mechanical Installation (E&M) segment covered the shortfall of last year's property sales. It reflects that our core businesses are healthy and strong.

The Group's consolidated gross profit was HK\$552 million compared with HK\$659 million last year. Major difference was last year's property sales profit. For the core segments of construction and E&M, the gross margin remained stable in these two years.

Total operating expenses decreased from HK\$545 million to HK\$461 million, representing a drop of 15% year on year. Firstly, there was no sale and marketing expenses for the residential properties sales in this year. Secondly, expended tender costs reduced. Also, the transportation costs incurred by the factory dropped because the volume of deliveries was largely reduced as a result of the land-based cross border logistic disruption during the fifth wave of COVID-19.

Consolidated net profit before tax was HK\$68 million whereas last year was HK\$86 million. As mentioned earlier, the variation in profit was mainly from the residential properties' sales carried out last year.

As at 31 March 2023, the Group's contract on hand is stable at HK\$22,559 million (2022: HK\$21,427 million). We secured new contracts of HK\$6,517 million this year versus last year of HK\$9,321 million. With a robust order book, we were more conservative in job bidding in the reporting year. We pursued for contracts that give reasonable margins to cope with the upward trend in operation costs. In any case, we will adjust our tender approach for optimal capacity utilization. After the year end date, the E&M segment made good progress in the Mainland China market and gained new orders of HK\$507 million.

DIVIDEND

In the Board meeting held on 27 June 2023, the Directors recommended the payment of a final dividend of HK2.50 cents (2022: HK2.50 cents) per share. Together with the interim dividend of HK2.50 cents (2022: HK2.50 cents) per share, total distribution is HK5.00 cents (2022: 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 21 August 2023 (Monday), will be payable on 10 October 2023 (Tuesday) to the shareholders whose names appear on the register of members of the Company on 22 September 2023 (Friday).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 16 August 2023 (Wednesday) to 21 August 2023 (Monday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 21 August 2023 (Monday).

In order to qualify for attendance to the AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 15 August 2023 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS FOR PAYMENT OF FINAL DIVIDEND

The register of members of the Company will be closed from 20 September 2023 (Wednesday) to 22 September 2023 (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 2023, following the approval at the AGM.

In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 19 September 2023 (Tuesday).

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

The segment reported a growth in revenue, amid the disruption caused by the fifth wave of pandemic. Total revenue generated was HK\$4,442 million, up 11% year on year. The high level of new contracts secured in last year attributed to this year's revenue increase. Should the current contracts progress on track, revenue would rise further in next year. New awards for the year totalled HK\$3,890 million (2022: HK\$7,288 million). With a solid level of contracts brought forward from last year, we were a bit more selective in job bidding in this year. We pursued contracts with more balanced risks and rewards. In the current unstable business environment, marked by inflation, rising interest rates and workforce shortage, we shall grow the businesses that give sustainable margins.

As a preeminent leader in MiC construction, we were entrusted by many customers their first MiC projects, like the first public housing project of the Hong Kong Housing Authority, the first Subsidized Sales Flats project of the Hong Kong Housing Society (HKHS) and the first high-rise concrete MiC building project of Architectural Services Department. We provide professional and innovative solutions to fulfill the customers' needs. For HKHS first MiC housing project, we developed a new MiC design and methodology which eases the logistic issue and raises the productivity. The project deploys also our BEANiE, Hong Kong's first blockchain multifunctional platform for the management of full building lifecycle since 2019. BEANiE has been evolving to version 6.0 to include a smart command theater. Through the advanced intelligent command theater, the project management can seamlessly steer and monitor work progress, and customers can access real-time information online. Powered with advance Internet of Things technologies and 5G, the full value chains from off-site production, logistic to site performance are under online real-time supervision and monitoring. This powerful tool makes the 24/7 boundaryless project management feasible. We were honored that the project won the Outstanding MiC Project award in the MiC Achievement Ceremony organized by the Construction Industry Council.

Up to now, we completed over 4,000 MiC units and would come to over 6,000 units upon the completion of on-hand projects. Apart from our patented concrete MiC systems, we build also steel MiC. We are pleased to be awarded the Transitional Housing Project at Chai Wan Sheung On Street, the first new-built transitional housing on Hong Kong Island. It is a steel MiC project. Same as the Group's other concrete MiC projects, the project has been awarded with "CIC Sustainable Finance Certification Scheme – Green Loan". Besides, the Bank of East Asia, Limited has granted a Green Loan to the project too. Both awards are the recognition of our commitment in driving sustainable development.

We expand our MiC product range by developing new and customized designs for the clients. For the four Demountable Transitional Housing projects we engaged, we developed different MiC systems including demountable concrete, hybrid steel-concrete demountable and steel to cater for each project's specific requirements. For the fitting-out and renovation works, we explore the use of MiC too for saving time and costs as well as improving quality and site safety. Our renovation and maintenance team was awarded a Design and Construction contract to refurbish a market under the Market Modernization program. We adopt steel MiC and Design for Manufacture and Assembly (DfMA) in the project which can shorten substantially on-site work period. With more and more proven successful applications of MiC, the Group's edges in full value chain and MiC would gain us a lot of businesses.

Electrical and mechanical installation

Our presence in the Mechanical, Electrical and Plumbing (MEP) industry remains strong. The growing order book achieved by the segment in last few years underpinned the rises in revenue in the following years. The total revenue increased by 15% to HK\$2,616 million year on year. And, segment result grew by 41% to HK\$66 million as compared to that of last year. We managed to keep the administrative and operating expenses at a steady level albeit the soaring inflation in all business running costs. Besides, the segment achieved again a high level of new orders totalled HK\$2,876 million (2022: HK\$3,298 million), which uplifted the contracts on hand as at year end to a record level of HK\$11,266 million (2022: HK\$9,987 million). The strategy set out years ago to expand to the Environmental Protection Engineering sector brings fruitful result. We gained a number of sizeable projects like wastewater biological treatment projects, sea water treatment projects and automated solid waste management projects etc. Through collaborations with distinctive environmental services specialists, we expand technical know in new disciplines and grow the scale of individual project at reduced risk.

With growing alertness and demand for sustainability, the adoption of Environmental, Social and Governance (ESG) measures are now more important than ever for almost all businesses. The AI, IoT and green solution division reaps the benefit of the trend. In fact, the division secured the record new orders in this year. The division aims to develop and deliver to customers innovative solutions to help enable their ESG development. In addition to new inventions, we keep evolving our existing offerings as the applicable technologies advance. For example, most if not all of our products and solutions are now powered with AI enabling performance optimization.

Being an active advocate of MultiTrade integrated approach for Mechanical, Electrical and Plumbing works (MiMEP), we implemented the methodology in a number of projects this year. A remarkable one is the replacement of chillers at Tai Lung Veterinary Laboratory. This project is the first MiMEP pilot project in the Electrical and Mechanical Services Trading Fund (EMSTF). To tackle the challenging issues including the narrow and limited space in the laboratory as well as the need to reduce the impact of works on the daily operation, a number of advanced technologies like MiMEP, BIM, robotic welding, pre-insulated pipe technology, 3D scanning technology and augmented reality technology, all provided by our Group were used. We successfully completed the works in just 38 days, about half of the 90 days required by the conventional method. The success of the project demonstrated that MiMEP is applicable not only to new works but also repair, maintenance, alteration and addition works. And we are pleased that the project was awarded Honorable Mention in Autodesk BIM Award 2022, an industry renown BIM award. We will continue to develop and explore the applications of MiMEP and various digital technologies in different types of works for a more efficient and effective services to clients.

Building materials supply

Around this time last year, the economy was still in the peak of the fifth wave of the pandemic. The connectivity with the Mainland had been severely affected for a prolonged period. As mentioned in our last year's report, the volume of deliveries by the factory had been sharply cut down to less than one third of the average. The circumstances lasted till end of 2022 and all cross-border transportation anti-pandemic measures were abolished in early 2023. In consequence, sales were severely impacted and got the lowest figures since the factory's full operation in 2012. Annual sales were HK\$373 million, dropped by one third year on year. As a result, the division recorded a segment loss of HK\$61 million, mainly because of insufficient business to pay for the factory overhead. The land-based cross-border logistic arrangement now resumes to pre-COVID one, albeit the cost somewhat rises. The factory is now in full swing to catch up the backlog of orders.

Again, the division attained a high level of new contracts this year including the first public housing project built with MiC method. An amount of HK\$904 million new contracts was secured, driving up the sum of contracts on hand to HK\$1,931 million. We are trusted by customers to deliver innovative and sustainable solutions that can meet their needs. In the reporting year, we expanded our MiC product range. The new method eases the logistic issues and proves MiC buildability in private residential development. We thank the Hong Kong Housing Society for their trust, adopting this new design in its first Subsidized Sale Flats project built with MiC in concrete. We will continue to develop more innovative products, helping customers to accomplish more quality projects on budget and time.

According to the National Bureau of Statistics of China, the residential investment in Mainland was down by 9.5% in 2022. As the residential property market remains sluggish, we focused on the fulfillment of on-hand PRC supplies contracts rather than pursuing new business. Based on current contracts on hand, business from Hong Kong would take up most if not all the factory capacity in next year. Given limited capacity available for additional Mainland business, we may pursue new contracts in the country more selectively in short run. China's 14th Five-Year Plan and the pledge to reach net zero by 2060 provide enormous market opportunities to green construction method. In long run and when our production capacity expands further, we would grow more proactively in the Mainland market.

Hotel operation and property investment and development

We are pleased to announce our collaboration with Hilton, a leading global hospitality company with a portfolio of 19 world-class brands comprising more than 7,200 properties in 123 countries and territories. Our hotel in Sheung Wan is now named “Motto by Hilton Hong Kong SoHo”. Motto is a new brand in Hilton with an urban vibe in prime global locations. Our property is the first one they sign up for the brand in Asia Pacific region. Motto by Hilton delivers a flexible and innovative hospitality experience through elements like flexible room configuration and occupancy, vibrant communal spaces and smart technologies. The brand vision is a perfect reflection of the core values and capabilities that the Group advocates. With shared core values, the collaboration with Hilton shall be a fruitful one.

Hong Kong’s tourism industry has clawed back 49 per cent of pre-pandemic traffic for the March 2023 period. The Government has launched a series of campaigns and promotions to attract more visitors to the city. The Hong Kong Tourism Board expects a major rebound in second half of the year, leading to the arrival target of 25.8 million by the end of the year. Whilst the industry recovers progressively, we would complete the renovation in this ramp-up period and re-open in a new shape early next year. As a leading player in MiC, we maximize the use of MiMEP and DfMA in the renovation works. The Hotel would showcase the Group’s industry-leading capabilities in MiC. We look very much forward to sharing with you more about the “new” hotel in next year report.

As reported in last year, we planned to acquire the retail floors of L • Living 23, the property located in Tai Kok Tsui, developed jointly with Urban Renewal Authority. The acquisition will be confirmed by the end of June 2023 and the properties are held for investment. We see the retail sentiment in Hong Kong is improving as the city recovers from COVID-19. Enjoying an extensive connectivity to public transport network, Tai Kok Tsui has becoming a key residential hub of Kowloon. The district is also evolving into a bustling neighborhood and a paradise for food lovers, boasting a diverse range of restaurants, from street food to fine dining. It is an up-and-coming place where appreciation in real estate valuation is anticipated.

Regarding the property development on our ex-Longhua Shenzhen factory site, of which the Group is entitled to 10,000 m² of the new residential properties upon completion, the topping out of the development was held at end of 2022. It is estimated that the development would be completed and offered for sales in early 2024. China’s property market has shown signs of stabilizing since 2023. The home prices rose in February for the first time in 18 months. In fact, China’s economy is accelerating after pandemic restriction. According to the National Bureau of Statistics, the economy grew at a rate of 4.5% in the first quarter as compared with the same period last year. The economic, demographic, industrial and other fundamentals of first-tier cities remain good and supportive to housing demands in the area. While our property is situated in the prime location of Shenzhen, right next to Metro station, we anticipate the demands for the property remain high.

OUTLOOK

Economic activity in Hong Kong is normalizing with the lifting of anti-epidemic measures and the reopening of border. Led by the recovery of inbound tourism and domestic demand, real GDP recorded year-on-year growth of 2.7% in the first quarter of 2023, having contracted by 4.1% in the preceding quarter. The city is reviving. That said, businesses are facing a number of pressing problems that hinder the recovery. Hong Kong’s jobless rate was down to 3.1%, marking the 12th straight month of decline. The city is at a near-full employment level. Tight employment market, surging interest rates and volatile material supplies caused by global supply chain disruption worsen the business environment. The construction industry is facing the productivity and profitability crisis.

The Hong Kong SAR Government has formulated and announced annually specific policies and tasks to increase land and housing supply and to drive development by transport infrastructure since the 2018 Policy Address. A lot of plans and projects have been launched and implemented afterwards, for instance, transitional housing, land creation and housing construction in Kwu Tung North/Fanling North, Hung Shui Kiu/Ha Tsuen, Yuen Long South, and the MTR Tuen Mun South Extension etc. Our Group focuses primarily on public sector works. The project pipelines available to pursue in the decade is clear and solid.

To get the most out of these abundant opportunities, we have to alleviate the impact of productivity and profitability crisis mentioned earlier. For the manpower shortage, we welcome Government's expanded Talent List program and the plan to import over 10,000 workers for various industries. However, the shortage would be somewhat eased but would not be fully fulfilled because it is expected that the workforce of our industry needs to triple in size to meet the growing construction activities and to replenish the retirees in next ten years. Industrialized construction including high volume modular integrated construction, automation and digital tools are the keys to survive the challenges and attain sustainable growth.

As a forerunner in construction innovations and a forward-focused organization, we take fast and giant steps in developing innovative solutions that give quality, high added-value and cost efficiency to clients. For instance, we took the initiatives to develop our patent MiC solutions, 5D Building Information Modeling and BEANiE platform etc. well before they are in demand by the clients. We are pleased that our commitment and unique capabilities are highly recognized and praised in the industry. In one of our Design and Construction projects, a Community Health Centre cum Social Welfare Facilities at Pak Wo Road, North District, we adopt our robotic technologies, Drillbot, a plasma cutting robot and the Weldbot, an automatic welding robot. By using these time and labor-saving robots, productivity has been massively raised by 189% and 437% respectively. With the improving efficiency, quality and site safety, this project was awarded with "Green Contractor Award 2021" organized by the Architectural Services Department.

Furthermore, our chairman is so honored to be awarded the Bronze Bauhinia Star (BBS) by the Hong Kong SAR Government in this year. He sincerely thanks the clients for their trust and the opportunities for him to contribute the construction industry by participating in the building of about 15% of the total public housing, to provide homes to over 500,000 people. And as a passionate pioneer in promoting advanced construction technologies, he encourages the Group in developing various industry-leading innovative technologies including precast in building works in the earlier days and now the MiC, 5D BIM, MiMEP, and so on and so forth. Our drive to excellency and distinctive competitiveness make us a trusted and preferred business partner to our clients. His deepest gratitude goes to all the colleagues who believe in him and support him in this unforgettable journey.

The Group is well positioned on markets that offer opportunities for growth. We would uphold the principles of innovation and sustainable development that help us to stand out from the competition. Whilst the macro outlook is in great uncertainty, we would focus on businesses and geographies with strong competitive position. And we will keep eyes on expansion and diversification at the right time and in the right place.

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 2023, the Group's total cash and bank balances was HK\$743 million (2022: HK\$1,045 million) and total borrowings increased to HK\$1,367 million (2022: HK\$1,318 million). As a number of projects were in early stages of works, the need for working capital were in general higher, causing the reduction in cash and bank balances. The increase in borrowings was primarily due to finance of new construction projects. The current ratio (total current assets: total current liabilities) as at 31 March 2023 was 1.2 (2022: 1.1). The amount of bank loans and other facilities fall due beyond one year was HK\$449 million (2022: HK\$337 million). With prudent financial management policy in place, the Group considers the financial position as sound and healthy with sufficient liquidity.

All the bank borrowings are arranged on a floating rate basis. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangements when appropriate. As at 31 March 2023, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$3,706 million (2022: HK\$4,071 million), of which HK\$1,761 million (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 31 March 2023, the Group had approximately 3,600 (2022: 3,200) employees. There are approximately 2,800 (2022: 2,500) employees in Hong Kong, Macau and Singapore and 800 (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 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 2023

Contract value

	31 March 2022 <i>HK\$'million</i>	Contracts		31 March 2023 <i>HK\$'million</i>
		Secured <i>HK\$'million</i>	Completed <i>HK\$'million</i>	
Building construction, renovation and maintenance	14,210	3,890	(3,830)	14,270
Electrical and mechanical installation	9,987	2,876	(1,597)	11,266
Building materials supply	1,739	904	(712)	1,931
Others	15	24	(23)	16
Less: Inter-segment contracts	<u>(4,524)</u>	<u>(1,177)</u>	<u>777</u>	<u>(4,924)</u>
	<u>21,427</u>	<u>6,517</u>	<u>(5,385)</u>	<u>22,559</u>

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, Shinewing Risk Services Limited ("SW"), 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 twice a year. The Board has appointed SW to conduct reviews of the Company's internal control system for the year ended 31 March 2023. The reviews covered financial, operational and compliance controls on selected operation cycles according to the Company's 3-year internal audit plan. In the review reports, 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 2023.

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 2023 except for deviations from the code provisions as described below.

Under code provision C.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 2023.

REVIEW BY AUDIT COMMITTEE

The Group's annual results for the year ended 31 March 2023 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 2023 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 2023 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 2023. 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, 27 June 2023

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/>*