



**有利集團有限公司**  
**Yau Lee Holdings Limited**  
(Incorporated in Bermuda with limited liability)  
Stock Code: 0406

# Be GREEN, Be LEAN, Be BIM



Annual Report  
**2015**



This annual report is printed on environmentally friendly paper

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# Corporate Information

## Board of Directors

### Executive Directors

Wong Ip Kuen (*Chairman*)  
Wong Tin Cheung (*Vice Chairman*)  
Wong Wai Man  
Sun Chun Wai

### Independent Non-Executive Directors

Chan, Bernard Charnwut  
Wu King Cheong  
Yeung Tsun Man, Eric

## Audit Committee

Yeung Tsun Man, Eric (*Chairman*)  
Chan, Bernard Charnwut  
Wu King Cheong

## Remuneration Committee

Chan, Bernard Charnwut (*Chairman*)  
Wong Tin Cheung  
Wu King Cheong  
Yeung Tsun Man, Eric

## Nomination Committee

Wu King Cheong (*Chairman*)  
Chan, Bernard Charnwut  
Yeung Tsun Man, Eric

## Corporate Governance Committee

Chan, Bernard Charnwut (*Chairman*)  
Wong Tin Cheung  
Wu King Cheong  
Yeung Tsun Man, Eric

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## Head Office and Principal Place of Business

10th Floor, Tower 1  
Enterprise Square  
9 Sheung Yuet Road  
Kowloon Bay  
Hong Kong

Websites: <http://www.yaulee.com>  
<http://www.irasia.com>

## Company Secretary

Lam Kwok Fan

## Principal Bankers

Nanyang Commercial Bank, Limited  
BNP Paribas Hong Kong Branch  
The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
Hong Kong Branch

## Independent Auditor

PricewaterhouseCoopers

## Solicitors

Gallant Y.T. Ho & Co.  
T.H. Koo & Associates

## Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Ltd.  
Room No. 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

# Chairman's Statement

## Dear Shareholders,

**On behalf of the Board of Directors, I hereby report the annual performance of Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2015 to all the shareholders.**

## Results for the Year

Yau Lee completed a fruitful year 2015 in which we made good progress in innovation development and enhanced group value from the sales of Kwun Tong property which potential value was unleashed and realised. We continued to perform well by attaining again record revenue and delivering high quality works and accelerating schedules.

The Group reported sales up 45% by comparison with last year, standing at HK\$9,476 million. Thanks to the robust market conditions in the region and the good market positioning of the Group, favorable trend has continued in construction and electrical and mechanical installation segments, the two major pillars. Both segments achieved again record revenue and grew 53% and 33% respectively over last year. Building materials supply segment slipped by 22% to HK\$419 million as compared to prior year because of site progress delay in one of the projects. Hotel revenue is comparable to last year despite the Occupy Central protests and slowdown in tourism commencing from a few months ago.

Benefited from the distinctive growth in revenue, consolidated gross profits were HK\$456 million, up 3% from last year. Yet, the gross profit percentage was somewhat reduced. The margin percentage reflected investments on higher automation, process improvements and innovative construction technologies but did not reflect the impact of costs efficiencies and productivity achieved that are yet to be fully delivered in this year. We shall see the improvement in margin in coming periods when the benefits gained from these strategic developments are fully materialised.

Operating expenses amounted to HK\$427 million, representing an increase of 7% over last year. The increase was mainly in staff costs. Construction professionals are still in high demand in light of the booming market condition. Costs to recruit and retain talents keep climbing.

Profit attributable to shareholders was HK\$76 million, almost doubled the result of last year. The increase was gained from improved profits in our core businesses and the profit from the disposal of property.

The basic earnings per share for the year were HK17.36 cents, compared with HK8.82 cents last year. Net asset value of the Group as at 31 March 2015 was HK\$1,596 million (2014: HK\$1,532 million), equivalent to HK\$3.64 (2014: HK\$3.50) per share based on 438,053,600 (2014: 438,053,600) ordinary shares in issue.

# Chairman's Statement

## Dividend

In the Board meeting held on 24 June 2015, the Board recommended the payment of a final dividend of HK2.38 cents per share (2014: final dividend of HK1.38 cents). Together with the first interim dividend of HK1.00 cent per share, total distribution was HK3.38 cents this year. This compares with a HK2.38 cents dividend in 2014, an increase of 42%. Subject to the equity holders' approval at the forthcoming Annual General Meeting ("AGM") of the Company, the dividend will be paid on 6 October 2015 to equity holders whose names appear on the Company's register of members on 10 September 2015.

## Review of Operations

### Building construction, renovation and maintenance

The segment delivered again record revenue this year. Revenue generated reached HK\$7,444 million, 52% over last year. The segment held work done at a high level with the execution of on-hand scalable projects, most of which were at peak construction. During the year, we completed three projects, two on time as usual while the third ahead schedule by 7% of original contract period. Against a backdrop of rising costs and severe shortages of skilled labor and subcontractors, the performance is encouraging and praiseworthy. The distinctive result would not be possible without the extraordinary individual efforts from team members and the help from innovative construction technologies.

The Group has been pursuing advancements in construction technologies all along. We set ourselves apart from competition by way of innovation, know-how and expertise across entire project life cycle. We put innovation at the heart of the Group's strategy and invest relentlessly and support wholeheartedly. Among these technological developments, 5D Building information modelling (BIM) and Virtual Design and Construction (VDC) are the key ones. We had incorporated a new company called Global Virtual Design and Construction Limited (GVDC) in 2013 to develop and provide BIM and VDC services and solutions to building projects commencing from planning, feasibility study, schematic design, detail design, documentation, tendering and construction, throughout the entire building stages to facility operation, building maintenance as well as subsequent renovation. With today's construction trend targeting towards LEAN and GREEN with the heavily utilisation of IT technology during construction, we are certain that BIM and VDC are irreversible developments because they are effective tools for attaining the goal. After more than a year of hard works, we saw return. We have successfully expanded the business in all the Group's markets and reach a wide customer base. We got contracts in local and overseas from public sectors, international project consultancy firm, renowned developer and prestigious hospital. Besides, the team was awarded "Construction Innovator by BIM" in the Building Information Modelling (BIM) Excellence Awards 2014 initiated by Construction Industry Council. Such recognition is a strong proof of our capabilities in this respect.

To bolster the creativity of the team, the Group formed a "Centre of Excellence", an internal innovation funding scheme, aiming to provide colleagues with relevant resources to develop their innovative ideas that are applicable to the business. The first successful case is the use of drone for real-time reconnaissance and surveillance in construction sites. The technology is now being used in two of our key projects and contributes in raising the productivity in site inspection and management. Through the program, we hope to cultivate the spirit of innovation and encourage and support our people to make their dreams a reality.

Contracts in hand as at 31 March 2015 was HK\$21,717 million, up slightly by 4% year on year. Contracts secured in the year were HK\$2,667 million, stable versus 2014. With more manpower released from completed projects, the Group would be more aggressive in tendering to replenish the order book. We expect contracts secured in next year would be increased.

### Electrical and mechanical installation

REC delivered record revenue for the second year. The segment sales exceeded last year by 33%, posting a record figure of HK\$2,325 million. Like the construction team, REC made a high level of work done, thanks to the strong order book carried forward. All the key divisions contributed to the solid performance and we see good momentum in them, particularly the engineering maintenance division. In past two years, the engineering maintenance division teamed up with the building renovation and maintenance team and developed an integrated work process which maximises the performance and efficiency. The strong engineering expertise coupled with the proven strength in project management greatly enhanced our competitiveness and won for us a number of major renovation and maintenance contracts in both public and private sectors. This contributed a lot to current year revenue as well as the order book.

The green business segment made good progress in this year too. We believe in data and convince our customers by data. After hundreds of demonstrations and trial-run given to potential customers, the proven data and results brought to us solid return. A number of green products procurement contracts and energy optimisation system contracts were secured in this year from government departments and big institutions like Hospital Authority and MTR. Intelligent Fan Coil Unit – iFCU™ is one of the best selling products. It penetrates successfully into both renovation and new building projects. Its remarkable performance and easy application feature are well recognised and welcome by customers. During the year, it won many awards and below show some of the majors.

- 2014 Hong Kong Green Innovations Awards: Certificate of Merit
- 2014 Hong Kong Awards for Industries: Equipment and Machinery Design Certificate of Merit
- Green Building Award 2014 – Merit Award in Building Products & Technologies Category

The green business developed well in China too. REC Environmental Technology (Guangzhou) Company Limited has been awarded the Outstanding Energy Saving Technologies (Products) Supplier 2014 by Guangdong Energy Conservation Association.

Hong Kong Government has in the 2015 Policy Address set out a new target of achieving a 5% saving in electricity consumption for government buildings under comparable operating conditions. They also plan to work with private organisations to foster a low-carbon and livable built environment to reduce Hong Kong's overall electricity demand. We believe the market for green initiatives will be expanding rapidly and we shall work hard to grasp the opportunities.

New contract intakes in the year were HK\$1,544 million. The slightly lower level is a consequence of a more selective policy in tendering and a reflection of still tough and fiercely competitive market conditions. Works in hand increased by 21% to HK\$6,439 million as at year end which formed a solid basis for good revenue in coming periods.

# Chairman's Statement

## Building materials supply

The segment reported a revenue including inter-segment of HK\$419 million, representing a decrease of 22% year on year. There was a delay in site progress in one of the projects. The resulting downtime for production and delivery led to the drop in revenue. Notwithstanding the unexpected delay in works, the segment gross profit margin increased, thanks to our long-term strategy of automation and innovation development which help to mitigate impact on profits posed by the rising labor costs. The good performance bears witness to the right choice we have made for continuous improvements and development of innovative construction technologies. We are on the right track with the strategy.

During the year, the Group has entered into an agreement in the second half of 2014 to obtain a new piece of land adjacent to the Huizhou factory for further expansion. With expanded capacity, the manufacturing team is able to take on more businesses. This year, it has taken up more non-Group projects which give higher margins and that would be reflected in next year result. Contracts secured in the year increased by 238% to HK\$622 million, as compared to last year.

With reference to the announcement made in April, the Group has reached an early termination of lease agreement with the landlord of the Shenzhen factory. The newly acquired land would accommodate the production lines relocated from Shenzhen factory. We think the centralisation of production facilities would bring benefit to the overall profitability as duplicated overheads would be avoided and resources could be better utilised. It's yet to fix the removal time but a plan is devised for smooth transition and least business disruption.

As for Starfon™, we expanded the sales in both local and overseas. Aware of the high demands and specific needs of customers, Starfon™ develops and offers a wide range of products, including marble, printed image, wood, monotone, fiber optics and metal, with a variety of sizes, colors and textures available. The adaptability of the material makes it a good decorative application. It has been applied in public housing, hotel and casino interior fitting outs. The product has a good potential in this aspect.

The related company was accredited with ISO9001 and ISO14001 in July 2014 which are good substantiations of its quality and environmental management capability.

## Property investment and development and hotel operations

The Group's hotel presented a satisfying result in what was a contrasting market condition. Annual revenue was comparable to last year, albeit the interruption from Occupy Central protests and slowdown in tourism in the past few months. It continued to contribute in both profitability and cash flow. The average occupancy rate and daily room rate maintained and operation costs were well controlled and within budget. Certainly, our energy saving initiatives contributes to the cost management. The Hotel's utilities bills keep decreasing as a result of on-going improvements in the implemented green solutions.

The Group's residential development is named "L • Harbour 18". The construction works is on schedule and is expected to complete in the third quarter of 2015. The pre-sale consent from Government was obtained at the end of October 2014 and pre-sale was launched in December 2014. The sales progressed as expected. Out of a total of 84 residential units, 75 units were offered and 83% of them were sold. Sales will be recognised and booked next year when the properties are handed over to the buyers. The commercial portion of the building is yet to be launched. We will keep eyes on the market situation and put it on market as and when appropriate.

The industrial land lot in Kwun Tong was sold during the year at a consideration of HK\$328 million. The disposal unleashed and realised the potential value of the property and brought a net cash inflow of over HK\$250 million. Reported gain on disposal after taking into account revaluation booked in prior years was HK\$43 million. The transaction contributed to both cash flow and profitability of the Group.

The Group explores actively for good property developments to enrich our portfolio. We target projects which could leverage our core competency in building and green technology for added value. We looked at both government land tenders and commercial market offers. Opportunities are abundant in the market but it takes time to pin down a real bargain. We are keen in expanding the property development business but would do it cautiously, bearing in mind always the liquidity management for the Group.

### Outlook

The Group's markets are in general positive and are continuing to offer a lot of opportunities. Governments are still busily rolling out housing and infrastructures projects whilst private sector customers are working on many interesting but challenging developments. Notwithstanding that, there were some delays in public works approval which may impact the construction industry and costs of works. We shall take into account such uncertainty in formulating our tender strategy.

Escalating construction costs caused by the shortage of skilled labour and quality subcontractors is yet to be resolved. We must work continuously to improve the productivity and reduce costs. In face of the still-challenging market conditions, the Group would hold strong to the long term strategy: Being an innovative green corporation. In many regions, Yau Lee is highly regarded as an innovation leader and has good reputation in the area of green construction. We differentiate ourselves from others in the industry by the commitment and proven capabilities in these areas. In May, the Environment Bureau revealed an Energy Saving Plan for the Built Environment 2015 – 2025+, which sets a new target of reducing Hong Kong's energy intensity by 40% by 2025. To achieve the new target, they plan to invest in more energy efficient products, technologies and practices. More importantly, the Secretary for the Environment will engage built environment leaders to accelerate green building adoption in the private sector. The market prospect for green business is bright and clear. The Group would strengthen our competence in this respect and penetrate the market through greater efforts.

## Chairman's Statement

Moreover, the Group would draw on decades of experience and expertise in prefabrication and expand the market presence. Currently, prefabrication is highly promoted in China particularly in construction of public housing. China is surely a place to look at. There are enormous business opportunities for future development.

Meanwhile, we will work towards a balanced business portfolio which is integral for mitigating business risk and attaining an optimised growth and return. Certainly, property development that in general gives higher return would take a relative important part of it.

The Group is on the right tracks with the strategy which leads us to the sustainable growth and returns. We can look forward to the future with confidence. In conclusion, on behalf of the board, I would like to thank the management team and all our colleagues for their commitment and support. And I have to thank also our shareholders for their continuous support and trust in our Group.

By order of the Board

**Wong Ip Kuen**

*Chairman*

Hong Kong, 24 June 2015

# Management Discussion and Analysis

## 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 2015, the Group's total cash and bank balances was HK\$1,236.5 million (2014: HK\$1,001.1 million) and total borrowings maintained at HK\$2,451.0 million (2014: HK\$2,450.4 million). The increase in total cash and bank balances was largely from the pre-sale proceeds received from the Group's residential property development "L • Harbour 18" and the proceed from the disposal of the industrial land lot in Kwun Tong. On that, the borrowings in current year were to finance the construction of the aforesaid residential property development, which we expect the project will be completed in the third quarter of 2015 and also a few construction projects working in full swing during the year. The current ratio (total current assets: total current liabilities) as at 31 March 2015 was 1.3 (2014: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK\$851.1 million (2014: HK\$1,280.5 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. To alleviate partly the Group's exposure to interest rate fluctuations, we had arranged some interest rate swaps aiming to keep the interest costs at a controlled range. 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 2015, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$4,546.1 million (2014: HK\$4,244.2 million), of which HK\$3,085.6 million (2014: HK\$2,931.5 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 2015, the Group had approximately 4,100 (2014: 4,700) employees. There are approximately 3,000 (2014: 3,000) employees in Hong Kong, Macau and Singapore and 1,100 (2014: 1,700) 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.

# Summary of Contracts

## Movement of incomplete contracts

For the year ended 31 March 2015

### Contract value

|   | 31 March<br>2014<br>HK\$'million | Contracts               |                           | 31 March<br>2015<br>HK\$'million |
|---|----------------------------------|-------------------------|---------------------------|----------------------------------|
|   |                                  | Secured<br>HK\$'million | Completed<br>HK\$'million |                                  |
| Building construction, renovation and maintenance                           | 20,827                           | 2,667                   | (1,777)                   | 21,717                           |
| Electrical and mechanical installation                                      | 5,339                            | 1,544                   | (444)                     | 6,439                            |
| Building materials supply   | 2,182                            | 622                     | (1,293)                   | 1,511                            |
| Computer software development and architectural<br>and engineering services | 27                               | 21                      | (14)                      | 34                               |
| Less: Inter-segment contracts   | (3,171)                          | (533)                   | 650                       | (3,054)                          |
|   | 25,204                           | 4,321                   | (2,878)                   | 26,647                           |

### Building construction, renovation and maintenance segment

#### Contracts completed during the year ended 31 March 2015

##### Contracts

The Greenwich and Greenwich Village in Singapore

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by Property Service Administration Units/Wong Tai Sin, Tsing Yi, Tsuen Wan and Island (1) 2011/2014

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by Property Service Administration Units/Kwai Chung (1) 2012/2015

Construction of Public Rental Housing Development at Sheung Shui Area 36 West

## Building construction, renovation and maintenance segment (continued)

### *Contracts secured in prior year and in progress during the year ended 31 March 2015*

#### **Contracts**

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“My Home Purchase Plan” Project at Tsing Luk Street, Tsing Yi, TYTL 138

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kowloon West and Hong Kong (3) 2012/2015

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kowloon West and Hong Kong (4) 2012/2015

Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is Responsible (Hong Kong Island and Outlying Islands)

Construction of Public Rental Housing Development at Anderson Road Site E Phase 1 and 2

Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3

Building Works at Kallang Whampoa Contract 50A in Singapore

Construction of The Integrated Contract for Construction of Public Rental Housing Development at Anderson Road Sites A and B Phase 1 and 2

Building Works at Choa Chu Kang Neighbourhood 8 Contract 9 & 10 in Singapore

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin and Sai Kung (3) 2013/2016

Renovation Works to Canossa Hospital (Caritas)

Design and Construction of Yau Ma Tei Specialist Clinic at Queen Elizabeth Hospital

Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is Responsible (Designated Contract Area: Kowloon and New Territories)

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Designated Contract Area: Central, Peak and Mid-levels)

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Designated Contract Area: Wan Chai (South) and Wan Chai (North))

# Summary of Contracts

## Building construction, renovation and maintenance segment (continued)

### *Contracts secured in current year*

#### **Contracts**

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Building Works at Punggol East Contract 39B in Singapore

Conversion of Chai Wan Factory Estate to Public Rental Housing and Demolition of Block 1, 2, 3, 12 and a school in Pak Tin Estate

Design and Construction of Hotel Reception and Public Circulation Fit Out at Venetian Parcel 3, Cotai, Macau

Building Works for Park Hotel at Rangoon Road in Singapore

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Tai Po, Shatin and Sai Kung Region (2) 2015/2017

### *Contract secured subsequent to the year end and up to the date of this report*

#### **Contract**

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District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kwai Chung (1) 2015/2018

### *Contract secured by a joint operation in prior year and in progress during the year ended 31 March 2015*

#### **Contract**

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Studio City at Cotai, Macau (40% effective interest by the Group)

## Electrical and mechanical installation segment

### *Contracts completed during the year ended 31 March 2015*

#### **Contracts**

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Term Contract for the Alterations, Additions, Maintenance & Repair of Electrical & Air Conditioning Installations at the Architectural Services Department (Property Services Branch) in the Designated Contract Area of Central, Peak and Mid-Levels\*

Supply and Installation of Mechanical and Electrical Equipment at Salt Water Supply for North West New Territories

Electrical Installation for the Proposed Residential Development at TMTL 422, Tsing Lung Road, Area 58 Siu Lam, Tuen Mun

Supply and Installation of Electrical and Mechanical Equipment at Chinese University Sewage Pumping Station

Supply & Installation of Mechanical & Electrical Equipment for Bowen Drive Salt Water Pumping Station & Service Reservoir & Magazine Gap Road Salt Water Service Reservoir

### *Contracts secured in prior years and in progress during the year ended 31 March 2015*

#### **Contracts**

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Mechanical Ventilation and Air Conditioning Installation for the Construction of Proposed Residential Development at 2A Seymour Road, Hong Kong

Maintenance Services for Central Environmental Control System Plants at Various Premises

Supply, Delivery, Installation, Testing and Commissioning of E & M Equipment for Sewage Pumping Station PS1A at Kai Tak Airport

Construction of Water Supply System to Housing Development at Anderson Road – E & M Works for Sau Mau Ping Fresh Water Pumping Station

Electrical, ELV and MVAC Installation for “My Home Purchase Plan” Project at Tsing Luk Street, Tsing Yi\*

Electrical, ELV and MVAC Installation for Proposed Residential Development at 106-114 Kwok Shui Road, Tsuen Wan

Electrical, ELV and MVAC Installation for URA Development at Lai Chi Kok Road Yee Kuk Street

Supply and Installation of Electrical and Mechanical Equipment for Four Sewage Pumping Stations at the North and Tai Po Districts, N.T.

\* Inter-segment contracts

# Summary of Contracts

## Electrical and mechanical installation segment (continued)

### Contracts secured in prior years and in progress during the year ended 31 March 2015 (continued)

#### Contracts

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Design and Construction of Fitting Out Works to Buildings and Lands and Other Properties at Hong Kong Island and Outlying Islands\*

Air-Conditioning and Mechanical Ventilation Installation Works for Construction of Public Rental Housing Development at Sha Tin Area 52 Phase 2

Shatin to Central Link Modification Works – E & M Installation Works at Pat Heung Depot

E & M Package Sub-Contract for Discovery Park Shopping Mall Renovation Works

HVAC & Medical Gas Installation for Redevelopment of Block E Building and Additions & Alterations Works at Block D Building in the Hong Kong Baptist Hospital

Plumbing & Drainage Installation for Lot No. 1199 in DD217 Pak Kong, Sai Kung

M & E Installation for the Renovation Works of Typical Guestroom of Grand Hyatt Hong Kong

Electrical Installation for Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3\*

Plumbing Installation Works for Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3\*

HVAC System Installation for Galaxy Resort & Casino Phase 2 in Cotai City, Macau

Electrical Services System Installation for Galaxy Resort & Casino Phase 2 in Cotai City, Macau

Electrical, ACMV, Fire Services and Water Pump, Plumbing and Drainage Installation for Construction of Public Rental Housing Development at Anderson Road Sites A & B Phase 1 & 2\*

Electrical Term Maintenance Contract (T & Y Region) 2013/2016 for Housing Authority Estates, Areas & Buildings

Electrical Term Maintenance Contract (KC Region) 2013/2016 for Housing Authority Estates, Areas & Buildings

Supply and Installation of MVAC Works (Phase 2) (Renovation Works) at Discovery Park Shopping Mall

Electrical, Fire Services & Water Pump, Plumbing and Drainage and MVAC Installation for the Proposed Residential Development at 18 Chi Kiang Street, Tokwawan, Kowloon\*

Electrical Works, Environmental Control System and Fire Services System Sub-Contract Works at Shatin to Central Link – Diamond Hill Station

\* Inter-segment contracts

### Electrical and mechanical installation segment (continued)

#### Contracts secured in prior years and in progress during the year ended 31 March 2015 (continued)

##### Contracts

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Design & Construction (Electrical, MVAC, Fire Services, Plumbing & Drainage Installations) at Yaumatei Specialist Clinic at Queen Elizabeth Hospital\*

Podium Fire Services Installation at Venetian Cotai Limited – Parcel 3 at Cotai, Macau

Water Supply and Fire Services Term Maintenance Contract 2014/15 to 2016/17 (KE Region) for Housing Authority Estates, Areas and Buildings

Supply, Delivery, Installation, Testing & Commissioning of Electrical & Mechanical Work for 2 Nos. of Sewage Pumping Station (NPS & PS2) at Kai Tak Development – Stage 4 Infrastructure at Former North Apron Area

Maintenance Services of Central Environmental Control System Plants for MTR Corporation Limited

Supply & Installation of Electrical & MVAC Installation for the Proposed Residential Development at Lot No.11120, Hung Hom, Kowloon

Term Contract for the Design & Construction of Fitting-Out Works to Buildings & Lands & Other Properties for which the Architectural Services Department is Responsible (Kowloon and New Territories)\*

Electrical, ELV & MVAC Installation for The Urban Renewal Project at Un Chau Street/Hing Wah Street/Fuk Wing Street (K22) at Sham Shui Po

Electrical Installation for Office Development at Heung Yip Road, Wong Chuk Hang, Hong Kong

Renovation Works at Canossa Hospital (Caritas) No. 1 Old Peak Road, Hong Kong\*

Fire Service Installation for the Proposed Residential Development at Clear Water Bay, Sai Kung, Lot No. 898 in D.D. 227

Electrical Installation for The Construction of Public Rental Housing Development at Ex-Yuen Long Estate

MVAC Installation for the Proposed Residential Development at 2 Castle Road, Hong Kong

Electrical and ELV Installation at Discovery Park Shopping Mall (Phase 3 & 4)

Term Contract for the Maintenance of Electrical and Mechanical Installations at Tuen Mun Children and Juvenile Home (New Territories Region)

\* Inter-segment contracts

# Summary of Contracts

## Electrical and mechanical installation segment (continued)

### Contracts secured in current year

#### Contracts

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Term Contract for the Maintenance & Repair of, Alteration & Addition to, Fire Services Installations for General Engineering Services Division Venues of Electrical & Mechanical Services Department in Kowloon and New Territories for The Government of HKSAR

Maintenance Services of Environmental Control System of Ventilation System for MTR Corporation Limited

Term Contract (2014/2017) for the Supply, Installation and Maintenance of Refuse Handling Systems at Housing Authority Buildings

Provision of Electrical and Mechanical Equipment at Tuen Mun Area 54 Sewage Pumping Station

Electrical Installation for the Construction of Public Rental Housing Development at Tuen Mun Area 54 Site 2 Phase 1&2

Electrical Installation for Conversion of Chai Wan Factory Estate to Public Rental Housing\*

HVAC Installation for the Hotel Development Inland Lot No. 9020 at North Point Estate Lane

Plumbing & Drainage Installation for the Proposed Residential Development at No. 23 Babington Path, Hong Kong

Term Contract for the Alterations, Additions, Maintenance and Repair of Electrical & Air-Conditioning Installations Works to Buildings & Lands & Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Wan Chai (South) and Wan Chai (North))\*

Term Contract for the Alterations, Additions, Maintenance and Repair of Electrical & Air-Conditioning Installations Works to Buildings & Lands & Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Central, Peak and Mid-Levels)\*

Building Services Installation Contract for the Renovation Works to High Zone Floors at 27/F to 36/F of Grand Hyatt Hong Kong

Term Contract for Maintenance of Room Air Conditioners Venues of the Hong Kong Police Force for The Government of HKSAR

Fire Services Installation Works for Tower 5B Apart-Hotel and Podium for Venetian Orient Limited – Sands Cotai Central Macau

\* Inter-segment contracts

## Electrical and mechanical installation segment (continued)

### *Contracts secured subsequent to the year end and up to the date of this report*

#### **Contracts**

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Electrical Installation for the Construction of Public Rental Housing Development at Ex-Kwai Chung Police Married Quarters

New World Centre Remodeling Project at Salisbury Road, Tsim Sha Tsui, Kowloon

### *Contract secured by a joint operation in prior year and in progress during the year ended 31 March 2015*

#### **Contract**

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Design and Construction of Trade and Industry Tower in Kai Tak Development Area (50% effective interest by the Group)

# Biographical Details of Directors and Senior Management

## Executive directors

### Mr. Wong Ip Kuen

aged 79, is the Chairman of the Group. Mr. Wong has over 60 years of experience in the building construction industry of Hong Kong. He is responsible for the overall strategic development and management of the Group. Mr. Wong is the father of Ir. Wong Tin Cheung and Ms. Wong Wai Man.

### Ir. Wong Tin Cheung, BBS, JP

aged 51, has been with Yau Lee Group for 27 years. He is the Vice Chairman of the Company, undertaking the posts of Managing Director of Yau Lee Construction Company Limited and Yau Lee Wah Concrete Precast Products Company Limited, Vice Chairman of REC Engineering Company Limited, Chief Executive Officer of VHSOFT Technologies Company Limited, Director of Yau Lee Hing Materials Manufacturing Limited and REC Green Technologies Company Limited.

Ir. Wong is responsible for formulating the Group's overall strategic planning and overseeing business development as well as investment strategy. Ir. Wong is committed to the research and development of green building technologies and green building materials manufacturing, precast construction technologies and the technologies in automation for mould manufacturing, energy efficient electrical and mechanical systems and the use of renewable energy to fulfill the global carbon reduction needs.

Ir. Wong holds a Bachelor Degree in Civil Engineering from the University of Southampton, Master Degree in Foundation Engineering from the University of Birmingham, Master Degree in Business Administration from the Chinese University of Hong Kong and Bachelor Degree in Religious Studies from the Holy Spirit Seminary College of Theology & Philosophy. He is a Fellow of both the Chartered Institute of Building and the Institute of Civil Engineers (United Kingdom). In 2009, he was conferred a Honorary Fellow by the Vocational Training Council and a Honorary Fellow by the University of Central Lancashire in recognition of his contributions. Recently, he was admitted as Fellow of the Hong Kong Institution of Engineers in March 2015.

In public services, Ir. Wong is appointed as the Chairman of the Occupational Safety and Health Council and the Hong Kong Green Building Council, the Deputy Chairman of the Vocational Training Council, a Member of the Antiquities Advisory Board, the Member of the Advisory Council on the Environment, the Member of the Panel on Promoting Testing and Certification Services in Construction Materials Trade under the Hong Kong Council for Testing and Certification, as well as the Director of the World Green Building Council. In the past, Ir. Wong served as the President of the Hong Kong Construction Association, the President of the International Federation of Asia and West Pacific Contractors' Associations, the Chairman of Pneumoconiosis Compensation Fund Board and the Member of Construction Industry Council.

In academic fields, Ir. Wong has been appointed as an Adjunct Professor in the Department of Civil Engineering in the University of Hong Kong. In collaboration with academic and practitioner, Ir. Wong has been appointed as the Chairman of the Department Advisory Committee in the Department of Mechanical Engineering in the Hong Kong Polytechnic University and the Chairman of the Building & Construction Group of CIBIC in the City University of Hong Kong, the Management Committee of the Centre for Innovation in Construction and Infrastructure Development (CICID) as well as the Advisory Committee of the Department of Civil Engineering both in the University of Hong Kong.

He was awarded the "2001 Hong Kong Outstanding Young Digi Persons Award" and the "Bauhinia Cup Outstanding Entrepreneur Award 2002" presented by the Hong Kong Polytechnic University.

Ir. Wong is currently a Member of Guizhou Province Committee of the Chinese People's Political Consultative Conference. Ir. Wong was appointed and served as Justice of the Peace (JP) in 2008 and awarded the Bronze Bauhinia Star (BBS) by the Government of the HKSAR in the year of 2013 for recognition of his outstanding contributions made to Construction Industry.

Ir. Wong is the son of Mr. Wong Ip Kuen and brother of Ms. Wong Wai Man.

## Biographical Details of Directors and Senior Management

### Ms. Wong Wai Man

aged 48, has been appointed as an Executive Director of the Company since 2008, after working with different entities in the Group since 2003.

She is also Director of various companies which carry out primary business of the Group, namely Yau Lee Construction Company Limited, Yau Lee Wah Concrete Precast Products Company Limited, Yau Lee Hing Materials Manufacturing Limited, Yau Lee Curtain Wall and Steel Works Limited, REC Engineering Company Limited, REC Green Technologies Company Limited, REC Green Energy Solutions Company Limited, Ming Hop Company Limited, Yau Lee Development Company Limited, Yau Lee Hotel Limited, Yau Lee Innovative Technology Limited, VHSOFT Technologies Company Limited, InnoVision Architects & Engineers Limited and Leena Theme Painting Limited; CEO of Global Virtual Design and Construction Limited, Global Virtual Design and Construction (Singapore) Pte. Ltd. and Global Virtual Design and Construction Sdn. Bhd.; as well as the Managing Director of Yau Lee Construction (Macau) Company Limited, Yau Lee Construction (Singapore) Pte. Ltd., REC Engineering (Singapore) Pte. Ltd., REC Green Technologies (Singapore) Pte. Ltd. and REC Green Energy Solutions (Singapore) Pte. Ltd.

Ms. Wong plays a pivotal role in formulating the Group's overall strategic planning, overseeing corporate business development, reviewing and improving the internal management systems, actively participating in deeds of fulfilling and discharging corporate social responsibility and overall management of construction projects in Hong Kong, together with the expansion and implementation of the regional and overseas markets namely Macau, Singapore and United Arab Emirates as well as being the chief of the Group's investment projects, advance technologies in concrete, building materials and construction, optimization, carbon reduction, Building Information Modeling, Virtual Design & Construction and green technologies. Under the leadership of Ms. Wong, Yau Lee has excelled into a green integrated corporation internationally.

Ms. Wong holds a Bachelor Degree in Design from the De Montfort University, a Master Degree in Design from the Royal College of Art in the UK, and Executive Master Degree in Business Administration, Master Degree in Philosophy both awarded by the Chinese University of Hong Kong and an executive programme in technology from the Singularity University in the US.

Ms. Wong is the daughter of Mr. Wong Ip Kuen and sister of Ir. Wong Tin Cheung.

### Mr. Sun Chun Wai

aged 54, earned a Bachelor Degree in Britain. He joined the Group in 1992 to manage the Group's property development, construction works, manufacturing and supply of building materials, and development and marketing of computer software in Mainland China. Mr. Sun was appointed as an Executive Director of the Company in 1994 and is responsible for the Group's business management and development in Mainland China.

## Independent non-executive directors

### Mr. Chan, Bernard Charnwut

aged 50, has been an Independent Non-Executive Director of the Company since 2000. He is a graduate of Pomona College in California, USA and he holds the positions of Executive Director and President of Asia Financial Holdings Limited and Asia Insurance Company Limited. Mr. Chan is a Hong Kong Deputy to the National People's Congress of the People's Republic of China and a Member of Hong Kong's Executive Council. He is Chairman of the Advisory Committee on Revitalising Historical Buildings. He is a Non-Executive Director of City e-Solutions Limited, and an Independent Non-Executive Director of Chen Hsong Holdings Limited and China Resources Enterprise Limited, all of which are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). In addition, he is also an Advisor of the Bangkok Bank (China) Company Limited, the Chairman of Hong Kong-Thailand Business Council, the Chairperson of The Hong Kong Council of Social Service and a Trustee of the Pomona College, California, USA.

## Biographical Details of Directors and Senior Management

### Mr. Wu King Cheong

aged 63, has been an Independent Non-Executive Director of the Company since 1994. Mr. Wu is a Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an Executive Director of Lee Cheong Gold Dealers Limited. He is also an Independent Non-Executive Director of Henderson Land Development Company Limited, Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and Hong Kong Ferry (Holdings) Company Limited, all of which are companies listed in Hong Kong.

### Dr. Yeung Tsun Man, Eric

aged 69, has been an Independent Non-Executive Director of the Company since 1993. Dr. Yeung is Director and Vice President of Perfekta Enterprises Limited, a toy manufacturing company. He holds directorships of companies in Hong Kong, Macau, Mainland China, USA and Australia, which are engaged in electronics, trading and agricultural businesses. He is a Standing Committee Member of the National Committee, The Chinese People's Political Consultative Conference, an Executive Committee Council Member of the Hong Kong Management Association, the Chairman of Macau Productivity and Technology Transfer Centre, a Member of World Presidents' Organisation. He was awarded the Medal of Merit by the Macau Government in 1994, Commander of the Order of Merit by the Government of Portugal in 1998, the Medal of Professional Merit by the Macau SAR Government in 2001 and Gold Lotus Medal of Honor by the Macau SAR Government in 2010. He is also listed in "The Marquis Who's Who in the World" and "The International Who's Who of Professionals".

## Senior management#

### Mr. Chan Chi Ming Antonio, Executive Director of REC Engineering Company Limited

Aged 54, joined the Group in 1996 as a Building Services Project Manager and became Building Services Manager in 2002. He was appointed as Executive Director in 2008 upon successful acquisition of REC Engineering Company Limited as part of the Group. He is responsible for the Hong Kong and Singapore operation. Under the directions of the Board of Directors, he successfully leads his team to achieve triple platinum international green awards plus Three Star Rating awarded by China Green Building Design Label in the Group's hotel development – Holiday Inn Express Hong Kong SoHo.

He graduated from Portsmouth University of UK with a Bachelor Degree in Electrical and Electronic Engineering. He also holds a Master of Science Degree in Fire Safety Engineering from University of Central Lancashire of UK and an Executive Master of Business Administration degree from the Chinese University of Hong Kong.

He is a Chartered Engineer of UK, a Fellow Member of the Hong Kong Institution of Engineers ("HKIE"), a Member of the Institution of Engineering and Technology, a Member of the Institution of Fire Engineers and a Member of the European Federation of Engineers. In addition, he is also a Registered Professional Engineer as well as a BEAM Professional. Currently he is the Chairman of Hong Kong Air Conditioning and Refrigeration Association, Vice President of Hong Kong Energy Conservation Association, Committee Member of Building Services Division of the HKIE, a Member of Fire Services Statutory Advisory Group and Ventilation Installation Liaison Group to Fire Services Department and a Committee Member of the Industrial Liaison Group to the SCOPE of City University of Hong Kong. He is also appointed as a Director of Hong Kong Green Building Council at the beginning of 2014.

### Mr. Choy Cheong Wah, Deputy Head of Yau Lee Curtain Wall and Steel Works Limited

aged 55, joined the Group in 2014. He holds a Bachelor of Science Honours Degree in Construction Project Management of University of Central Lancashire (UK), Diploma in Business Management of The Chinese University of Hong Kong, Endorsement Certificate in Design of Reinforced Concrete and Steel Structures of Hong Kong Polytechnic and Higher Certificate in Civil Engineering of Hong Kong Polytechnic. He has over 34 years of experience in construction industry especially in steel construction and facade field. He is now the Deputy Head of Yau Lee Curtain Wall and Steel Works Limited, one of the subsidiaries of the Group, and is responsible for overseeing the daily operation jointly with the Head of this subsidiary.

# In alphabetical order

## Biographical Details of Directors and Senior Management

### **Ms. Lam Kwok Fan, Chief Financial Officer and Company Secretary**

aged 49, joined the Group in 2012. She holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. She is a Practicing Member of the Hong Kong Institute of Certified Public Accountants, a Fellow Member of the Association of Chartered Certified Accountants and an Associate Member of the Hong Kong Institute of Chartered Secretaries. She has over 20 years of experience in auditing, accounting, finance and company secretarial field. Prior to joining the Company, she has worked for one of the big four international audit firms and has held senior finance positions in international bank and large corporation.

### **Mr. Lee Shiu Ming, Deputy General Manager (Engineering)**

aged 58, joined the Group in 1987. He has held various posts within the Group namely, Quality Control Engineer, Research, Design and Development Manager and Project Manager before promotion to the present position in 2010. He has over 30 years working experience, particularly in the precast construction technology. He holds a Higher Diploma in Structural Engineering and a Master Degree in Business Administration (Total Quality Management). He is a Chartered Engineer in UK and a Corporate Member of the Institution of Structural Engineers. He is also a Fellow Member of the Hong Kong Institution of Engineers and a Registered Professional Engineers (Structural). He has been appointed as an Adjunct Associate Professor in the Department of Civil and Structural Engineering of The Hong Kong Polytechnic University. He is also appointed by Buildings Department to continue as a Member of the Technical Committee for the Code of Practice for Precast Concrete Construction up to February 2017. He is currently serving as a Vice-Chairman in Building Committee of Hong Kong Construction Association.

### **Mr. Lok Tat Hong Howard, Executive Director of REC Engineering Company Limited**

aged 61, joined REC Engineering Company Limited in 1988 as Senior Manager of the Electrical Installation Department and was appointed as Executive Director in 2007. Over the years, he has been involved in the Hong Kong and Macau operations, and he is responsible for the China operation from 2009 onwards.

He holds a Bachelor of Applied Science Degree in Electrical Engineering from University of Ottawa. He is a Fellow Member of the Hong Kong Institution of Engineers, Fellow Member of the Chartered Institution of Building Services Engineers and Member of the Institution of Engineering and Technology. Currently he is the Life President of the Hong Kong Electrical Contractors' Association, Chairman of the Hong Kong Federation of Electrical and Mechanical Contractors Limited and Member of the Electrical Safety Advisory Committee.

### **Mr. So Ho Man, Chief Quantity Surveyor**

aged 50, joined the Group in 2010. Mr. So is a Professional Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors, a Member of The Chartered Institute of Building, a Member of The Hong Kong Institute of Construction Managers and also a Registered Professional Surveyor (Quantity Surveying). He holds a Bachelor of Science Honours Degree in Quantity Surveying of The University of Greenwich (UK), a Master Degree in Business Administration (Construction and Real Estate) of The University of Reading (UK) and a Postgraduate Diploma in Project Management of The College of Estate Management (UK). He has over 25 years of experience in quantity surveying and is responsible for contractual matters of Yau Lee Construction Company Limited.

## Biographical Details of Directors and Senior Management

### **Ms. Tang Wai Chun, Chief Quantity Surveyor**

aged 58, joined the Group in 1993. Ms. Tang is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors, Member of the Chartered Institute of Arbitrators, Society of Construction Law Hong Kong and Registered Professional Surveyor (Quantity Surveying). She is also a Certified General Contractor in Construction in the state of Florida, the USA. She holds a Bachelor Degree in Quantity Surveying. She has over 30 years of experience in litigation, arbitration, mediation, quantity surveying, project management and subcontracting business in civil, building, maintenance & repair and fitting-out works in Hong Kong, Macau, the United Kingdom, Central America and the USA. She has been the Chairperson and Member of the Course Advisory Committee on Measurement Technician Programme and Course Advisory Committee on Certificate in Quantity Measurement of the Construction Industry Council Training Academy from 2002 to 2004 and from 2004 to 2014 respectively. She is responsible for quantity surveying management, contract and disputes resolution advisory of Yau Lee Construction Company Limited.

### **Mr. Wai Yip Kin, Executive Director of REC Engineering Company Limited**

aged 55, joined REC Engineering Company Limited in 1986 as Assistant Engineer of the Electrical Installation Department and was appointed as Executive Director in 2011. Over the years, he has been involved in the Hong Kong and Macau operations.

He holds a Bachelor of Science Degree in Electrical and Electronic Engineering from University of Brighton, a Master of Science Degree in Nuclear Reactor Science and Engineering from Queen Mary College, University of London.

He is a Member of the Hong Kong Institution of Engineers and the Institution of Engineering and Technology. Currently he is the Chairman of the Hong Kong Electrical Contractors' Association, Council Member of The Hong Kong Federation of Electrical and Mechanical Contractors Limited, Council Member of The Hong Kong E&M Contractors' Association Limited, Member of the Electrical and Mechanical Services Training Board and Committee on Technologist Training of the Vocational Training Council and Electrical & Mechanical Services Industry Training Advisory Committee of the Qualifications Framework.

### **Mr. Wong Chi Leung, General Manager of Yau Lee Wah Concrete Precast Products Company Limited**

aged 56, joined the Group in 1997. Mr. Wong holds a Higher Diploma in Civil Engineering from the Hong Kong Polytechnic, a Master Degree in Civil Engineering (Structural) from the University of New South Wales, Australia. Mr. Wong is a Chartered Engineer and a Corporate Member of the Hong Kong Institution of Engineers. He is now the General Manager of Yau Lee Wah Concrete Precast Products Company Limited, one of the subsidiaries of the Group. He has been focused on the development of precast concrete construction technology for the Group and the operation of precast production plants in China.

# Biographical Details of Directors and Senior Management

## Site management

### Project Directors<sup>#</sup>

- Chan Yuk
- Cheung Yu Wai
- Lam Lap Wa
- Lau Wai Foo
- Man Tin Hung
- Ngan Siu Tak
- Wong Kwok Keung

### Project Managers<sup>#</sup>

- Chan Chi Wa
- Chiang Kin Ming
- Ho Chi Man
- Lee Kam Sang
- Li She Chuen
- Wu Yuk Cheung

## Head office management

### Department Heads<sup>#</sup>

- |                    |                                    |
|--------------------|------------------------------------|
| • Cheung Man Ching | Legal Advisor                      |
| • Kwan Man Ho      | Machinery and Logistics Department |
| • Lam Chan Sing    | Health and Safety Department       |
| • Lee Chi Kin      | Building Services Department       |
| • Wong Ko Yin      | Tender and Planning Department     |
| • Wong Sik Yan     | Information Technology Department  |
| • Wu Wing Shan     | Administration Department          |
| • Yu Chi Kin       | Quality Department                 |
| • Yu Kwok Yan      | Tender Department                  |

<sup>#</sup> In alphabetical order

# Biographical Details of Directors and Senior Management

## Subsidiaries management

### Ming Hop Company Limited#

- Ng Hak Ming Contract Manager
- Wong Lai Ying Deputy General Manager

### VHSoft Technologies Company Limited

- Mak Yiu Kau, Hubert Chief Operating Officer

### Yau Lee Building Construction and Decoration Company Limited

- Ho Chi Fai General Manager (BR)

### Yau Lee Construction (Singapore) Pte. Ltd.#

- Goh Hock Chai Director
- Wong Ming Tak Commercial Director

### Yau Lee Curtain Wall and Steel Works Limited

- Lee Shiu Ming Head

### Yau Lee Wah Concrete Precast Products Company Limited

- Wong Chi Leung General Manager

# In alphabetical order

# Report of the Directors

The Directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2015.

## Principal activities and segment analysis

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are 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. In addition, the Group is engaged in other activities which mainly include computer software development and architectural and engineering services.

An analysis of the Group’s performance for the year by business segments is set out in Note 5 to the consolidated financial statements.

## Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 65.

An interim dividend of HK1.00 cent (2014: HK1.00 cent) per share was paid during the year ended 31 March 2015.

In the Board meeting held on 24 June 2015, the Directors recommended the payment of a final dividend of HK2.38 cents (2014: HK1.38 cents) per share, totalling approximately HK\$10,426,000 (2014: HK\$6,045,000) for the year ended 31 March 2015.

## Closure of register of members

The register of members of the Company will be closed from 21 August 2015 (Friday) to 26 August 2015 (Wednesday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting (“AGM”).

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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 20 August 2015 (Thursday).

The register of members of the Company will be closed again from 7 September 2015 (Monday) to 10 September 2015 (Thursday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK2.38 cents per share for the year ended 31 March 2015, following the approval at the AGM of the Company.

In order to qualify for the 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 4 September 2015 (Friday).

# Report of the Directors

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in Notes 35 and 43 to the consolidated financial statements.

## Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$430,000 (2014: HK\$575,000).

## Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

## Investment properties

Details of the principal properties held for investment purposes are set out on page 147 of this annual report.

## Distributable reserves

At 31 March 2015, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK\$952,022,000 (2014: HK\$962,241,000).

## Share capital

Details of the share capital of the Company are set out in Note 34 to the consolidated financial statements.

## Pre-emptive rights

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws of Bermuda.

## Five year financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 148.

## 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 2015.

## Directors

The Directors during the year and up to the date of this report were:

### Executive Directors

Mr. Wong Ip Kuen (*Chairman*)  
Ir. Wong Tin Cheung (*Vice Chairman*)  
Ms. Wong Wai Man  
Mr. Sun Chun Wai

### Independent Non-Executive Directors

Mr. Chan, Bernard Charnwut  
Mr. Wu King Cheong  
Dr. Yeung Tsun Man, Eric

In accordance with the Company's bye-laws and the Corporate Governance Code (the "Code") under the Rules Governing The Listing of Securities on The SEHK ("Listing Rules"), Ir. Wong Tin Cheung, Mr. Wu King Cheong and Dr. Yeung Tsun Man, Eric retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

### Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Group which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

### Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation

At the date of this report, 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 SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

# Report of the Directors

## Shares of HK\$0.2 each in the Company

| Director         | Number of shares held<br>(long position) |            |
|------------------|--|------------|
|                  | Corporate interest                       | Percentage |
| Mr. Wong Ip Kuen | 262,834,599                              | 60.00%     |

The shares referred to above are registered in the name of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 32,155,000 shares of the Company. 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 year, 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 year was the Company, its subsidiaries, its associates, its joint ventures or 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 corporation.

## Substantial shareholders' interests and short positions in shares, underlying shares of the company

At 31 March 2015, the register of substantial shareholders maintained under Section 336 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.

## Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

### Purchases

|                          |     |
|--------------------------|-----|
| – five largest suppliers | 11% |
| – the largest supplier   | 3%  |

### Sales

|                          |     |
|--------------------------|-----|
| – five largest customers | 83% |
| – the largest customer   | 30% |

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interests in the major suppliers or customers noted above.

## Connected transactions

Significant related party transactions entered into by the Group during the year ended 31 March 2015, which do not constitute connected transactions under the Listing Rules are disclosed in Note 40 to the consolidated financial statements.

## Continuing obligations under chapter 13 of the listing rules – Loan agreements with covenants relating to specific performance of the controlling shareholder

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors of the Company reported the following loan facilities which included a condition relating to specific performance of the controlling shareholder of the Company.

On 29 March 2012, a wholly-owned subsidiary of the Company entered into a term loan facility of up to HK\$475,000,000 with a bank in Hong Kong for the exclusive purpose of refinancing an existing indebtedness between the subsidiary and the bank. The loan shall be repaid by twenty consecutive semi-annual instalments with the first repayment date falls on six months after the date of the loan agreement. Pursuant to the facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family members, hold directly or indirectly less than 40% of the equity interest and voting shares of the Company.

## Report of the Directors

On 12 October 2012, a wholly-owned subsidiary of the Company entered into a term loan facility of up to HK\$300,000,000 with a bank in Hong Kong for exclusive purpose of financing the general working capital requirements of the subsidiary. The loan shall be repaid by ten consecutive semi-annual instalments with the first repayment date falls on six months after the date of the loan agreement. Pursuant to the facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family members, hold directly or indirectly less than 40% of the equity interest and voting shares of the Company.

By a Facility Agreement made between a wholly-owned subsidiary of the Company and a bank in Hong Kong dated 22 November 2011 (as supplemented by a First Supplemental Agreement made between the same parties dated 6 December 2013) (such Facility Agreement as supplemented shall hereinafter be called “the Facility Agreement”), term loan facilities of up to HK\$325,500,000 have been granted to the subsidiary for the purpose of financing in part of the premium payment and construction costs of a new building. The loan shall be repaid in 48 months from the date of the Facility Agreement or 6 months from the date of the occupation permit issued by the Hong Kong Building Authority in respect of the new building, whichever shall be the earlier.

According to the Facility Agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, ceases to beneficially own 50% or more of the entire issued voting share capital of the Company.

As at 31 March 2015 and up to the date of this report, there is no breach of the covenants.

### Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

### Corporate governance

The Company's Corporate Governance Report is set out on pages 31 to 36.

### Independent auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Wong Ip Kuen**

*Chairman*

Hong Kong, 24 June 2015

# Corporate Governance Report

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 Code as set out in the Appendix 14 of 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.

## The Board of Directors

During the year, the Board of Directors of the Company comprises four Executive Directors and three Independent Non-Executive Directors, whose personal biographies are set out on pages 18 to 20 of this annual report.

The Company forms its Board of Directors based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required experience and management expertise. In order to balance the power between the Executive Directors and Independent Non-Executive Directors, the Company appointed three qualified candidates to become its Independent Non-Executive Directors to ensure the independence of the policy making process of the Board and protect the interests of its shareholders. The Company has received confirmations of independence from each of the Independent Non-Executive Directors. The Company considers them to be independent.

The responsibilities of the Chairman and the Vice Chairman of the Company are properly defined and separated. The Chairman is responsible for leading the Board of Directors to ensure effective operation of the Board and compliance with corporate governance requirements. The Vice Chairman is responsible for the day-to-day operation of the Company and implementation of the development strategy adopted by the Board of Directors. The Chairman is the father of the Vice Chairman.

The Directors delegate day-to-day operation of the business of the Group to the management of relevant subsidiaries or divisions.

The Directors held regular meetings during the year to discuss the overall development strategy, operations and financial reporting of the Company. The matters resolved and considered by the Directors include overall development strategies, major acquisitions and disposals, annual and interim results, dividend policy, proposed appointment and re-election of directors, appointment of auditor and other operational and financial matters relating to the Company. Notice convening each regular Board meeting was sent at least 14 days in advance, and reasonable notice would be given for other Board meetings. The agenda, accompanied by the relevant documents of the Board meeting were sent to each Director with sufficient period in advance to enable each Director to fully understand the matters to be discussed and make an informed opinion. Each Director had the right to seek independent professional advice in furtherance of his duties at the expense of the Company.

# Corporate Governance Report

During the year, four Board meetings were held. The attendance of the Directors at the meetings of the Board, its respective committees and general meeting is as follows:

|                            | <b>Board</b> | <b>Audit Committee</b> | <b>Remuneration Committee</b> | <b>Nomination Committee</b> | <b>Corporate Governance Committee</b> | <b>General Meeting</b> |
|----------------------------|--------------|------------------------|-------------------------------|-----------------------------|---------------------------------------|------------------------|
| Mr. Wong Ip Kuen           | 4/4          | N/A                    | N/A                           | N/A                         | N/A                                   | 1/1                    |
| Ir. Wong Tin Cheung        | 4/4          | N/A                    | 1/1                           | N/A                         | 1/1                                   | 1/1                    |
| Ms. Wong Wai Man           | 4/4          | N/A                    | N/A                           | N/A                         | N/A                                   | 1/1                    |
| Mr. Sun Chun Wai           | 4/4          | N/A                    | N/A                           | N/A                         | N/A                                   | 1/1                    |
| Mr. Chan, Bernard Charnwut | 4/4          | 2/2                    | 1/1                           | 1/1                         | 1/1                                   | 1/1                    |
| Mr. Wu King Cheong         | 4/4          | 2/2                    | 1/1                           | 1/1                         | 1/1                                   | 1/1                    |
| Dr. Yeung Tsun Man, Eric   | 3/4          | 2/2                    | 1/1                           | 1/1                         | 0/1                                   | 1/1                    |

## Committees of the Board

In accordance with the Code, the Board has established Audit, Remuneration, Nomination and Corporate Governance Committees, each with defined terms of reference and is chaired by an Independent Non-Executive Director. The duties of the four committees are as follows:

### Audit Committee

The Audit Committee was established in April 1999 and comprises three Independent Non-Executive Directors. The Board is satisfied that the current mix of experience of the committee members facilitates an effective functioning of their roles. The members of the Audit Committee are:

Dr. Yeung Tsun Man, Eric – Chairman of the Committee  
Mr. Chan, Bernard Charnwut  
Mr. Wu King Cheong

The Audit Committee is responsible for monitoring the integrity of the financial statements of the Company, reviewing the Company's risk management process and system and overseeing the relationships between the Company and its independent auditor. The terms of reference of the Audit Committee are posted on the Company's website.

During the year ended 31 March 2015, the Audit Committee held two meetings to review the results, the accounting principles and practices adopted by the Company and discuss with senior management and the independent auditor on the matters arising from audits and the effectiveness of the Company's internal control and risk management system. The record of attendance of the members is listed above.

## Remuneration Committee

The Remuneration Committee was established in April 2005 and comprises four Directors, three of whom are Independent Non-Executive Directors. The Remuneration Committee is responsible for reviewing and advising on the remuneration packages (including non-monetary benefits, retirement benefits and share option scheme) for all Directors and some senior management, who are not on the Board. The Remuneration Committee met once during the year ended 31 March 2015 and the record of attendance of the members is listed on page 32. The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are posted on the Company's website. The members of the Remuneration Committee are:

Mr. Chan, Bernard Charnwut – Chairman of the Committee  
Ir. Wong Tin Cheung  
Mr. Wu King Cheong  
Dr. Yeung Tsun Man, Eric

## Nomination Committee

The Nomination Committee was established in April 2005 and comprises three Independent Non-Executive Directors. The terms of reference of the Nomination Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The Nomination Committee is responsible for formulating nomination policy for consideration by the Board. It makes recommendations to the Board on the appointments or re-appointments of directors and succession planning for directors. The Nomination Committee met once during the year ended 31 March 2015 and the record of attendance of the members is listed on page 32. The members of the Nomination Committee are:

Mr. Wu King Cheong – Chairman of the Committee  
Mr. Chan, Bernard Charnwut  
Dr. Yeung Tsun Man, Eric

The Board believes that building a diverse and inclusive culture is integral to the success of the Group. A truly diverse Board will include and make good use of differences in the skill, regional and industry experience, background, race, gender and other qualities of directors.

In 2013, the Board formulated a Board Diversity Policy to set out the approach to achieve diversity on the Board of Directors of the Group. In determining the Board's composition, the Group will consider Board diversity in terms of, among other things, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee shall review this policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee shall consider the policy when they make recommendations to the Board on the appointment or re-appointments of directors.

# Corporate Governance Report

## Corporate Governance Committee

The Corporate Governance Committee was established in January 2012 and comprises four Directors, three of whom are Independent Non-Executive Directors. The terms of reference of the Corporate Governance Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The committee is responsible for monitoring, reviewing and enhancing the corporate governance of the Company. It assists the Board in performing the corporate governance duties as required under the Listing Rules.

In accordance with the terms of reference of the Corporate Governance Committee, the committee shall meet not less than once a year to consider corporate governance issues. In addition to reviewing the result of the internal control review, the committee meets with the independent auditor to discuss the matters arising from the review and makes recommendations to the Board. The Corporate Governance Committee met once during the year ended 31 March 2015 and the record of attendance of the members is listed on page 32. The members of the Corporate Governance Committee are:

Mr. Chan, Bernard Charnwut – Chairman of the Committee  
Ir. Wong Tin Cheung  
Mr. Wu King Cheong  
Dr. Yeung Tsun Man, Eric

## Auditor's remuneration

The Company engaged PricewaterhouseCoopers as the Company's independent auditor. For the year ended 31 March 2015, PricewaterhouseCoopers provided the following services to the Group:

|                   | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Audit services    | <b>5,153</b>                   | 4,914                   |
| Taxation services | <b>287</b>                     | 310                     |
|                   | <b>5,440</b>                   | 5,224                   |

## Directors' responsibilities for financial reporting

The Directors of the Company acknowledged their responsibility for the preparation of consolidated financial statements that give a true and fair view of the state of affairs of the Group and of the Group's results and cash flows during the year. The Directors are responsible for keeping of appropriate accounting records that reasonably and accurately disclose the consolidated financial position of the Group from time to time. In preparing the consolidated financial statements for the year ended 31 March 2015, appropriate accounting policies are selected and applied consistently by the Directors who made careful and reasonable judgements and estimates, and prepared the consolidated financial statements on an on-going basis.

The independent auditor's report, which contains the statement of the independent auditor about its reporting responsibilities on the Company's consolidated financial statements, is set out on pages 63 to 64 of this annual report.

## Internal control

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day business operation. The system is designed to manage, rather than eliminate the risk of failure to achieve our business goals and provide a reasonable, as opposed to an absolute assurance in this respect.

The Board appointed an international accounting firm, Baker Tilly Hong Kong, to conduct a review of the internal control system of the Group for the year ended 31 March 2015 including financial, operational and compliance controls, as well as the Group's risk management functions. The results of the internal control review were submitted to the Corporate Governance Committee for its consideration. The Corporate Governance Committee has reviewed the results of the internal control review and is satisfied that the Group's system of internal control is sound and adequate. As part of the process of the annual review, the Board has performed evaluation of the Group'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 Group's internal control system, taking into account the prevailing regulatory requirements, the interests of shareholders, and the Group's business growth and development.

## Directors' and employees' securities transactions

The Company has adopted the requirements of 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 2015.

## 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 2015 except for the Code provision A.2.1 which 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 enables the Company to make and facilitate the implementation of decisions promptly and efficiently.

# Corporate Governance Report

## Communication with shareholders

The Board endeavours to maintain an on-going dialogue with shareholders. All Directors are encouraged to attend the general meetings to have direct communication with shareholders. In the AGM, Chairman of the Board and the Chairman of each committee are required to attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The independent auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

The Company's AGM and extraordinary general meeting provide good opportunities for shareholders to air their views and ask Directors and management questions regarding the Company. Separate resolutions are required at general meetings on each distinct issue. Each shareholder is permitted to appoint one or more proxies to attend and vote in his stead.

Information relating to the Group's and Company's financial results, corporate details, notifiable transactions and major events are disseminated through publication of interim and annual report, announcements, circulars, press release and newsletters. These publications can also be obtained from the Company's website ([www.yaulee.com](http://www.yaulee.com)).

The Company is offering options to the shareholders to receive corporate communications of the Company by electronic means or in printed form. The Board believes that electronic means of communication will increase the efficiency of communication between the Company and the shareholders. We will continue to enhance the Company's website as a channel of communication with shareholders.

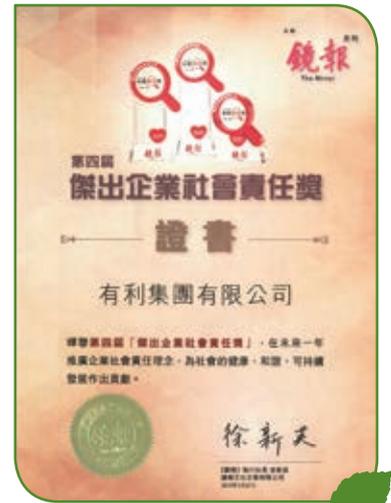
The Board has established a shareholders' communication policy which is posted on the Company's website. The policy is reviewed on a regular basis by the Board to ensure its effectiveness.

## Voting by poll

The Company supports the principal of voting by poll as stipulated under Rule 13.39(4) of the Listing Rules. Accordingly, the resolutions proposed at the AGM will also be taken by poll. A poll results announcement will be made by the Company after the AGM in accordance with Rule 13.39(5) of the Listing Rules.

# Corporate Social Responsibility Report

Yau Lee's principal areas of operation are in construction, electrical and mechanical installation, building materials supply, property investment and development and hotel operations. We have long embraced the belief of "to create a greener and better world". We aspire for quality and sustainability at every stage of the building life cycle and aim to create value for clients, employees, shareholders and the community. We are committed to act responsibly for people and the environment, both now and in the future.



We continue to strive to make a positive impact to our society by actively implementing Corporate Social Responsibility (CSR) principles into all activities. Again, Yau Lee received the Caring Company Award presented by The Hong Kong Council of Social Service, aims at promoting CSR through caring for the community, employees and the environment, in recognition of our good corporate citizenship. We carry the Caring Company Logo for more than 10 years.

Besides, Yau Lee was honored with "The 4th Outstanding Corporate Social Responsibility Award" by the Mirror Magazine in recognition of its commitment in CSR. "The 4th Outstanding Corporate Social Responsibility Award" is organised by the Mirror Magazine, aims at establishing a platform to enhance the communication and experience sharing among corporations. Its judging criteria include shareholder commitment, employee care, environmental protection, customer commitment, social concern and leadership.



# Corporate Social Responsibility Report

## WORKPLACE QUALITY

People are Yau Lee's most valuable assets. The Group treasures employees as it is the key to drive the success and maintain the sustainability of the corporation. It invests constantly on good working conditions, improving occupational health and safety, training and development and a healthy living style.

### Health and Safety

Yau Lee places a lot of importance on workplace health and safety and exercises its safety leadership role. As an OHSAS 18001 certified company, the Group strives not only to observe the standards but to surpass them. A team of highly professional staff are trained and dedicated to the enhancement of safety provisions and equipment as well as the development of innovative safety systems.

Occupational health and safety is the Group's top priority and is communicated relentlessly within group. The Group has a separate Health and Safety Department to provide trainings on occupational risk assessment, identify any actual or potential hazards and risks to individuals, monitor and review the safety management system, perform regular audits on safety and health matters and maintain emergency procedures.



## Innovative Initiatives on Safety

The Group invests heavily and uses innovation and technology to drive for a safe and healthy working environment. Our innovation and creativity products won different awards including gold, silver, bronze and merit awards in the Innovative Safety Initiative Award 2015 co-organised by the Development Bureau, the Construction Industry Council and the Hong Kong Construction Association. Some are highlighted as follows:

### 1. Electronic and Real Time Permit to Work System

The Electronic and Real Time Permit to Work System is a new sub-feature developed in VHSmart S<sup>3</sup> Phone, an in-house developed mobile site management system which also won a gold award in Innovative Safety Initiative Award in 2013. Management can review the procedures of work and related matters, so as to confirm to issue permits to work management system immediately after inspection. It can improve efficiency by real time site supervision and safety inspection by giving permit simultaneously. The application won the gold award of Safety Management System, Training and Promotion category in Innovative Safety Initiative Award 2015.



# Corporate Social Responsibility Report

## 2. Use of Building Information Modeling (BIM) on Erection of Tower Crane

Construction works are known to be challenging due to the complexity and constantly changing site conditions. The erection of tower crane is one of the high risk construction works. We apply BIM in the erection process aiming to enhance operational safety and reduce risk of injuries. By simulating the process through BIM, risk areas are identified in advance and preventive measures can be implemented beforehand. Also, workers would be briefed clearly the whole process in advance. Potential safety risk due to mis-handling could be largely reduced. The application of BIM on erection of tower crane won the bronze award of Safety Management System, Training and Promotion category in Innovative Safety Initiative Award 2015.



## 3. Electricity Supply and Illumination System Testing

Electricity Supply and Illumination System Testing is a tool developed by REC Engineering to reduce potential dangers when carrying out electric power supply system test. The potential dangers include workers injured from electric shocks and falling from height of ladder. This tool is designed with extendable insulation resistance tester that can avoid the dangers mentioned and awarded the silver award of Safety Operational Device category in Innovative Safety Initiative Award 2015.



## 4. **Mobile Mist Sprayer**

Mobile Mist Sprayer is an application that can provide a convenient dust control solution at site. The sprayer generates a fine mist which binds the dust particles that become airborne. The application won the merit award of Safety Operational Device category in Innovative Safety Initiative Award 2015.

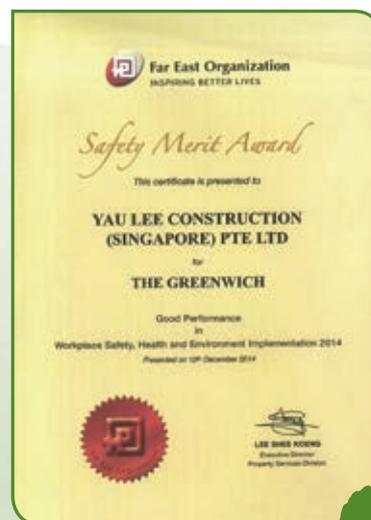


## 5. **Safety Management System Enhancement for Working Platform on Scaffolding**

In traditions, scaffolding is a temporary working platform using material of bamboo. Yau Lee enhanced the working platform by using portable aluminium that is easy for carry and recyclable. The aluminium gangway can easily be extended to fit different lengths. The solution won the merit award of Safety Management System, Training and Promotion category in Innovative Safety Initiative Award 2015.

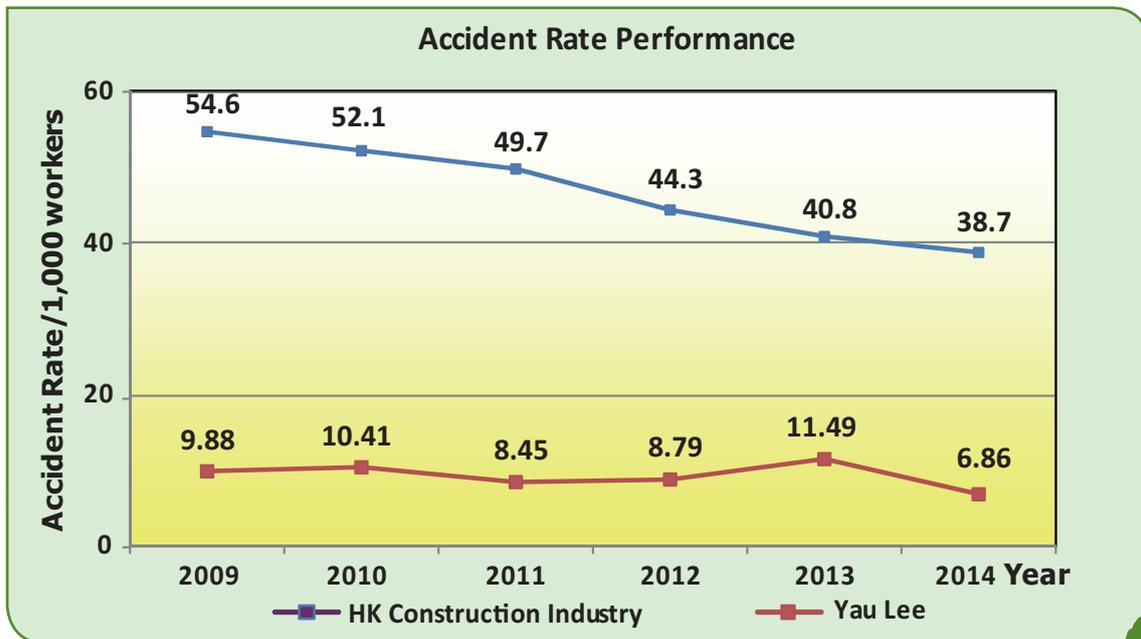


As a responsible contractor, Yau Lee leads safety measures from site establishment to standardized work activities. We promote and support our business partners in maintaining high standards in health and safety. We extend our commitment to safety to subcontractors through organizing Safety Training Workshops where subcontractors and their site managements are invited to participate and share the latest best-practices and legislation in safety and the pursuit of quality construction outcomes.



# Corporate Social Responsibility Report

Our continuous efforts in this respect resulted in remarkable track records of safety performance and had long been held up as exemplary in the industry. For many years, Yau Lee has achieved low accident rates which were far below the records of the industry for many years. We are pleased that the rates went further down quite substantively this year.



We are keen in promoting occupational safety and health internally and to the community. We participate in various activities organised by the industry for the purpose, one of the key events held in this year was “Healthy Workplace is a Happy Workplace” Campaign organised by the Occupational Safety and Health Council, the Hong Kong Chinese Importers’ & Exporters’ Association and the Labour Department. Ir. Wong Tin Cheung, the Vice Chairman of Yau Lee Group led a group of staff to participate in the “Let’s Stretch Together” activity held at the Hong Kong Culture Centre Piazza in Tsim Sha Tsui. About 800 people from different industries did stretching exercise together to promote occupational safety and health.



# Corporate Social Responsibility Report

## Working Conditions

Yau Lee believes in the importance of good engagement and communications with employees. Every year, the Vice Chairman of the Group presents to the employee the Group's performance, direction and outlook at the start of the year. Colleagues appreciate receiving such information first-hand from top management. Also, business units' tours like factory site visits will be arranged to newly recruited staff throughout the year. During the visits, demonstrations and presentations are made to share the business development of the respective business units.



During the year, the Group conducted a survey on work-life activities to all employees. Different forms of communication channels, including internal news letters and intranet, are in place to ensure voices of employees are being heard, and their needs are properly addressed.

## Fair Workplace and Labour Standards

It is always the Group's policy to eliminate discrimination, harassment and vilification in employment, to promote equal employment opportunities, and to adopt good management practices.

The Group adopted Anti-discrimination and Harassment Code and Guideline with reference to the Personal Data (Privacy) Ordinance. It also introduced Sex Discrimination and Disability Discrimination Ordinance in the Employees' Handbook.

The Group encourages a culture of diversity and promotes equal opportunities. The Group strives to create a respectful, fair and safe working environment for its employees in all business units and complies with all statutory requirements. Recently, Singapore Ministry of Communications and Information produced a television commercial themed "Make It Better" promoting cross-cultural mix of workers and colleagues working in Singapore. Yau Lee was so honoured to take part in the program presenting our belief, work done and achievement in this respect.



# Corporate Social Responsibility Report

## HUMAN RESOURCES DEVELOPMENT

Yau Lee invests heavily in employee development. Continuing learning is one of our core values and we provide attractive continuous training opportunities to promote existing strengths and to tap into new potentials. The Group has been providing vocational training programs regarding knowledge, technical know-how and awareness of statutory ordinance.

Apart from job related training, Yau Lee also cares for personal growth. The Group provides various training courses to meet with the needs of employees at different development stages. To promote mental health awareness and help our employee to handle work tension and pressure, we organised a series of emotional intelligence (EQ) training workshops this year. The theory of “HOPE”-“Happiness, Openness, Positive and Energetic” theory was introduced aiming to help employees to overcome challenges and achieve their desired goals.

|   |   |
|---|---|
| <b>希望思維</b><br><b>Happiness</b> 快樂是我們選擇的生活，有得選擇就有改變的可能，人感到就有力量。快樂鎖匙是在自己的手中！<br><b>Openness</b> 開放各種可能性，問題是死，人是生的，不要鑽牛角尖，發掘不同可能性，就會有新辦法和希望。<br><b>Positive</b> 建立正面態度，我們要有反負為正的思維。<br><b>Energetic</b> 注入正能量給自己及身邊的人，共同承擔，不會孤單，給他人能力，自己也會得益。 | <b>EQ 八段錦</b><br>第一式 解決問題重反思<br>第二式 希望思維常樂觀<br>第三式 放鬆情緒舒身心<br>第四式 伸展運動活筋骨<br>第五式 鼓勵分享說感受<br>第六式 適度安慰顯關懷<br>第七式 共尋方法選擇多<br>第八式 助人自助功完滿 |
|---|---|



# Corporate Social Responsibility Report

To nourish the staff overall wellness, a series of staff activities and leisure classes like ice-cream workshop, karaoke night, table tennis and bowling competitions and barbeque gatherings were organised. We extended our warmth and care to also employees' families who were invited and participated in some of our family-friendly recreation and charity activities. The Group's investment in human capital can boost employee's sense of belongings and loyalties to the Group as a whole. Staff could take a break to enjoy great moments with their families.



# Corporate Social Responsibility Report

## GREEN INITIATIVES

Yau Lee apprehends that we are in an industry which builds and develops the society but has impact on environment too. As a responsible corporate citizen, we embrace sustainable construction practices as a key part of our strategy.

Since 2005, we have set up our vision as “Becoming a Green Integrated Building Corporation”. The Group is committed to protecting the environment, conserving resources and improving the standard of environmental protection at works. By continuous perfection of working cycle, Yau Lee has essentially incorporated the green concept into all our business operations. In current year, Yau Lee Construction Company Limited, a wholly owned subsidiary of the Company, won “Hong Kong Green Award 2014 – Sustained Performance 3 years+” by Green Council presented in recognition of our high environment consciousness and social caring.



Besides operating strict compliance ISO14001 Environmental Management System and ISO50001 Energy Monitoring and Analysis System, the Group invests relentlessly in developing different kinds of energy enhancement solution and products.

During the year, some of the Group’s energy enhancement solution services and energy saving products have received industry’s recognition and awards, one of which is Retrofit Kit of iFCU™ Intelligent Fan Coil Unit.

iFCU™ armed with a high efficiency permanent motor to replace the AC motor in conventional fan coil unit. It applies an intelligent control box with variable frequency driver to give stepless control of the fan motor to meet the variable air volume requirements. It is compatible and facilitates retrofitting on existing fan coil units without the need to dispose the original thermostat and cabling. iFCU™ has superior energy saving capacity up to 40%-80%.



# Corporate Social Responsibility Report



The product has won numerous awards since launch and below are some of this year awards:

1. the 2014 Hong Kong Green Innovations Awards: Certificate of Merit by The Environmental Committee;
2. the "2014 Hong Kong Awards for Industries: Equipment and Machinery Design Certificate of Merit";





# Corporate Social Responsibility Report

Apart from that, during the year, REC Green Technologies Co., Ltd and REC Environmental Technology (Guangzhou) Company Limited were accredited with ISO 9001:2008 quality management system under the Hong Kong Certification Body Accreditation Scheme (HKCAS) and awarded the Outstanding Energy Saving Technologies (Products) Supplier 2014 by Guangdong Energy Conservation Association, respectively. Both companies are wholly-owned subsidiaries of the Company. Their mission is to develop and provide innovative energy efficient products and energy saving solutions for environmental sustainability. Other products contribute to energy efficiency includes:

- ECOOL™ – High Efficiency Chiller
  - Oil Free Variable Speed Centrifugal Chiller
  - High Efficiency Water Cooled Variable Speed Chiller
  - Evaporative Cooling Chiller
  - Air Cooled VSD Modular Type Chiller Unit



- RGT-SINRO
  - Air Handling Unit
  - Cooling Tower
  - VAV Box
  - Terminal Thermal Energy Control Valve
  - Zonal Automatic Flow Control Valve

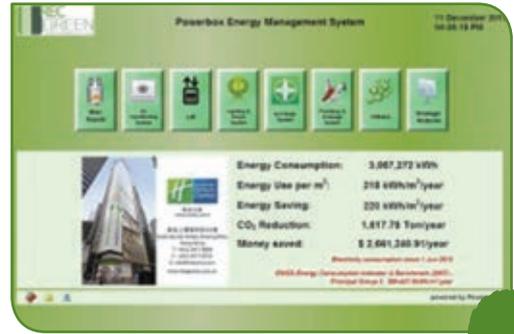


- Bamako Burner™ – All-in-one Joss Paper Burning System for Smoke & Fly Ash Removal and Heat Absorption
- BreeZer™ – Mobile Air Purification System for Fitting Out & Renovation Projects

- Energy Optimisation Solution (“EOS”) – An all-in-one energy optimisation solution, by transforming the renovation or new building to become energy efficiency building, it offers a better environment for its inhabitant; and energy consumption is reduced. It takes a holistic approach from energy consumption diagnosis, MEP system design, performance improvement consultation, installation to system monitoring. The application of energy efficient solutions could lead to a 50% to 70% power saving.
- Pattern Recognition Energy Saving System (“PRESS”) – Integrating pattern recognition technology with a CCTV system for lighting and air-conditioning control to avoid unnecessary energy use.

# Corporate Social Responsibility Report

- Power Box – Energy Monitoring and Analysis System – The Power Box is a web-based platform for all users to view life energy consumption of all projects at any location. Power information of major facilities and systems are collected through the Power Box. Installed with reporting and analysis softwares, it also provides a platform to fulfill the demand of energy monitoring, reporting, and data storage for years to fulfill requirements of Energy Audit and ISO 50001:2011. The building operator and facility management can easily consolidate energy data for monitoring, analysis, and sharing analytic data for third-party control and operation. Details and reports can be printed and emailed for further uses.



The Group's flagship green hotel – Holiday Inn Express Hong Kong SoHo, the first high-rise building (hotel) in the world to achieve quadra platinum of green certificates – LEED, an internationally recognised mark of excellence launched by the US Green Building Council, and 3 other highest level of green certification. A number of renowned awards were received since its operation. In 2014, the hotel won the Merit Winner of Quality Building Award 2014 under the Hong Kong Non-Residential (New Building) category and the Merit Award from Yan Oi Tong Plastic Recycling Partnership Scheme.

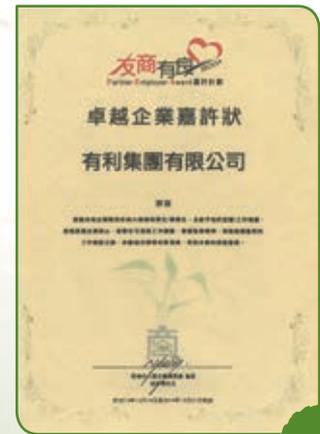


## CARES FOR COMMUNITY

Yau Lee is committed to the community and has a long history of community involvement. The Group always supports fully charities through education, cash or in-kind donations, volunteer services and cooperation with social enterprises.

### Education

Following the success of previous years, the Group continued to run “The Yau Lee Fellowship and Scholarship Program” which aimed to promote the industry to the youths. The program recruited students from universities and colleges yearly. Led by the Group’s senior management members, the participants learnt more about the practice and future development of the industry through a series of activities such as company and site visits, summer internship and competitions. Rewards and sponsorships would be presented to the outstanding ones as encouragement.



# Corporate Social Responsibility Report

In 2014, the Group organised “A Day as an Engineer” to share the career prospect of the industry with secondary school students. The experience day let youngsters learn more about the business and the Company’s success as well as options open to them upon their graduation from secondary school.

## Cash or In-kind Donations

Yau Lee also supports the community by donations and sponsorships and actively encourages employees in their participation in activities designed to provide support and comfort to the disadvantaged of society.

During the year, Yau Lee participated the “CDs Recycling Programme” held by Friends of the Earth (Hong Kong) to support to the environment.



In 2015, the Company joined “Meal Box Distribution” program organized by Green Monday and Food Angel and distributed over 8,000 meal boxes to underprivileged people.

Also, the Group made donations of HK\$100,000 to the families of the brave firemen who were killed or injured in a gas explosion accident in Shek Kip Mei Estate.



## Volunteer Services and Cooperation with Social Enterprises

“Yau Lee Tender-Love-Care Group”, the Group’s volunteer team has been formed for more than 10 years. The team organises and participates in different kinds of community activities to deliver warmth and love to the people in need. This year they visited S.K.H. Holy Carpenter Church Community Centre on Tuen Ng Festival Day and before Christmas and offered gifts and help to the elderly.



There were also activities organised with Mama Group of Association for the Rights of Industrial Accident Victims, including bringing dependent youngsters to buffet gathering and giving student improvement awards to them.



In an effort to promote the volunteer service in the local community, Mr. Antonio Chan, Executive Director of REC Engineering, formed a group and participated the “Standard Chartered Hong Kong Marathon 2015”. The athletes, inspired by the theme “Run For A Reason”, provided each other with the mutual encouragement and support that enabled them all to successfully cross the finish line, a good demonstration of “Collaboration”, one of the Group’s core values. This event raised funds for ORBIS, the Hong Kong Paralympic Committee & Sports Association for the Physically Disabled and the Hong Kong Anti-Cancer Society.



## ONGOING COMMITMENT

Yau Lee is committed to the continuous development of CSR and its integration into the Group’s operations.

# Awards and accolades

## Health & Safety



| Awardee   | Scheme  | Award  | Main Organiser    |
|---|---|--|-------------------|
| Renovation Works to Canossa Hospital (Caritas)  | Construction Industry Safety Award Scheme 2014/2015 | Gold Award in Renovation and maintenance works category        | Labour Department |
| Conversion of Chai Wan Factory Estate to Public Rental Housing and Demolition of Block 1, 2, 3, 12 and a school in Pak Tin Estate   | Construction Industry Safety Award Scheme 2014/2015 | Silver Award in Renovation and maintenance works category      | Labour Department |
| District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin and Sai Kung (3) 2013/2016 | Construction Industry Safety Award Scheme 2014/2015 | Merit Award of Safety Team for Building Sites (Public Sector)  | Labour Department |
| Improvement Work for Battery Room at Ho Tung Lau Depot  | Construction Industry Safety Award Scheme 2014/2015 | Merit Award in Renovation and maintenance minor works category | Labour Department |

## Awards and accolades

| Awardee   | Scheme  | Award  | Main Organiser                       |
|---|---|--|--------------------------------------|
| Construction of The Integrated Contract for Construction of Public Rental Housing Development at Anderson Road Sites A and B Phase 1 and 2  | Quality Public Housing Construction & Maintenance Awards 2014     | Innovative Use of BIM Technology Award of New Works Projects       | Hong Kong Housing Authority          |
| Construction of The Integrated Contract for Construction of Public Rental Housing Development at Anderson Road Sites A and B Phase 1 and 2  | Quality Public Housing Construction & Maintenance Awards 2014     | Best Site Safety – Active Site Safety Improvement Award (Building) | Hong Kong Housing Authority          |
| District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Kowloon West and Hong Kong (4) 2012/2015 | Construction Safety Day   | Bronze Award of Best Refurbishment and Maintenance Contractor      | Occupational Safety & Health Council |
| Conversion of Chai Wan Factory Estate to Public Rental Housing and Demolition of Block 1, 2, 3, 12 and a school in Pak Tin Estate   | Good Housekeeping Plan in the Occupational Health Award 2014/2015 | Bronze Award for the Good Housekeeping Plan                        | Occupational Safety & Health Council |
| District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by Property Service Administration Units/Kwai Chung (1) 2012/2015        | Considerate Contractors Site Award Scheme 2014                    | Merit Award in Non-Public Works Sites – RMAA Works                 | Development Bureau                   |

## Awards and accolades

| Awardee   | Scheme  | Award   | Main Organiser                       |
|---|---|---|--------------------------------------|
| Electronic and Real Time Permit to Work System of Yau Lee Construction Company Limited  | Innovative Safety Initiative Award 2015         | Gold Award in Safety Management System, Training and Promotion Category   | Development Bureau                   |
| Use of Building Information Modeling (BIM) on Erection of Tower Crane of Yau Lee Construction Company Limited                     | Innovative Safety Initiative Award 2015         | Bronze Award in Safety Management System, Training and Promotion Category | Development Bureau                   |
| Safety Management System Enhancement for Working Platform on Scaffolding of Yau Lee Construction Company Limited                  | Innovative Safety Initiative Award 2015         | Merit Award in Safety Management System, Training and Promotion Category  | Development Bureau                   |
| Electricity Supply and Illumination System Testing of REC Engineering Company Limited   | Innovative Safety Initiative Award 2015         | Silver Award in Operational Device Category                               | Development Bureau                   |
| Mobile Mist Sprayer of Yau Lee Construction Company Limited   | Innovative Safety Initiative Award 2015         | Merit Award in Operational Device Category                                | Development Bureau                   |
| Conversion of Chai Wan Factory Estate to Public Rental Housing and Demolition of Block 1, 2, 3, 12 and a school in Pak Tin Estate | Occupational Health Award 2014/2015             | Merit Award for the Hearing Conservation Best Practices Award             | Occupational Safety & Health Council |
| Yau Lee Holdings Limited  | Healthy Workplace is a Happy Workplace Campaign | Appreciation of Healthy Workplace is a Happy Workplace Campaign           | Occupational Safety & Health Council |

## Quality



| Awardee   | Scheme  | Award   | Main Organiser                                     |
|---|---|---|--|
| Holiday Inn Express Hong Kong SoHo  | Quality Building Awards 2014                                    | Certificate in Merit Award in Hong Kong Non Residential (New Building) Category                   | Hong Kong Construction Association                 |
| Construction of Public Rental Housing Development at Sheung Shui Area 36 West | Quality Public Housing Construction and Maintenance Awards 2014 | Outstanding Contractors Award (Domestic Sub-contractor – Drainage) in New Works Projects Category | Hong Kong Housing Authority                        |
| Construction of Public Rental Housing Development at Sheung Shui Area 36 West | Quality Public Housing Construction and Maintenance Awards 2014 | Outstanding Contractors Award (Domestic Sub-contractor – Plumbing) in New Works Projects Category | Hong Kong Housing Authority                        |
| Yau Lee Construction Company Limited  | HKQAA 25th Anniversary Recognition Program                      | Outstanding Organisation with Comprehensive Management Systems                                    | Hong Kong Quality Assurance Agency                 |
| Yau Lee Construction Company Limited  | HKQAA 25th Anniversary Recognition Program                      | Pioneering Organisation in Systems Management   | Hong Kong Quality Assurance Agency                 |
| Yau Lee Construction Company Limited  | N/A   | Appreciation for Performance of Works   | Southern District Council – Mr Au Lap Sing, Julian |

## Awards and accolades

### Green and Environmental Protection



| Awardee                              | Scheme   | Award   | Main Organiser                         |
|--------------------------------------|--|---|--|
| Yau Lee Construction Company Limited | N/A  | Better World Company Logo                         | Junior Chamber International Hong Kong |
| Yau Lee Construction Company Limited | United Nations Millennium Development Goals Green Office Awards Labelling Scheme 2014/15 | Green Office Label and Better World Company Label | World Green Organisation               |
| REC Engineering Company Limited      | United Nations Millennium Development Goals Green Office Awards Labelling Scheme 2014/15 | Green Office Label and Better World Company Label | World Green Organisation               |
| Yau Lee Construction Company Limited | Hong Kong Green Awards 2014  | Silver of Green Management Award (Corporate)      | Green Council                          |

## Awards and accolades

| Awardee  | Scheme  | Award  | Main Organiser                   |
|--|---|--|----------------------------------|
| Yau Lee Construction Company Limited   | Hong Kong Green Awards 2014                                   | Sustained Performance (3 years+) (Corporation)   | Green Council                    |
| Construction of The Integrated Contract for Construction of Public Rental Housing Development at Anderson Road Sites A and B Phase 1 and 2 | Quality Public Housing Construction & Maintenance Awards 2014 | Innovative Use of BIM Technology   | Hong Kong Housing Authority      |
| Conversion of Chai Wan Factory Estate to Public Rental Housing and Demolition of Block 1, 2, 3, 12 and a school in Pak Tin Estate          | Hong Kong Green Building Award 2014                           | Merit Award in Existing Buildings Category of Building Projects under Planning/Design                                    | Hong Kong Green Building Council |
| Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3   | 20th Considerate Contractors Site Award Scheme                | Silver Award of Non-Public Works Sites (New Works)   | Development Bureau               |
| “My Home Purchase Plan” Project at Tsing Luk Street, Tsing Yi, TYTL 138  | 20th Considerate Contractors Site Award Scheme                | Merit Award of Non-Public Works Sites (New Works)  | Development Bureau               |
| Construction of Public Rental Housing Development at Hung Shui Kiu Area 13 Phase 3   | 20th Considerate Contractors Site Award Scheme                | Silver Award of the Outstanding Environmental Management & Performance Grand Award in Non-Public Works Sites (New Works) | Development Bureau               |
| “My Home Purchase Plan” Project at Tsing Luk Street, Tsing Yi, TYTL 138  | 20th Considerate Contractors Site Award Scheme                | Merit Award of Outstanding Environmental Management & Performance Grand Award in Non-Public Works Sites (New Works)      | Development Bureau               |

## Awards and accolades

| Awardee  | Scheme   | Award  | Main Organiser                                      |
|--|--|--|---|
| District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by Property Service Administration Units/Kwai Chung (1) 2012/2015 | 20th Considerate Contractors Site Award Scheme | Merit Award of Non-Public Works Sites (RMAA Works)       | Development Bureau                                  |
| Biennial Term Contract for Provision of Maintenance, Modification and Installation Works of Electronic Systems at Various Sewage Treatment Works and Their Outstations         | 20th Considerate Contractors Site Award Scheme | Merit Award of Public Works Sites (RMAA Works)           | Development Bureau                                  |
| Retrofit Kit of iFCU™ Intelligent Fan Coil Unit of REC Green Technologies Company Limited  | 2014 Hong Kong Green Innovations Awards        | Certificate of Merit                                     | The Environmental Campaign Committee                |
| Retrofit Kit of iFCU™ Intelligent Fan Coil Unit of REC Green Technologies Company Limited  | 2014 Hong Kong Awards for Industries           | Certificate of Merit in Equipment and Machinery Design   | The Chinese Manufacturers' Association of Hong Kong |
| iFCU™ Intelligent Fan Coil Unit and iFCU™ Retrofit Kit of REC Green Technologies Company Limited   | Green Building Award 2014                      | Merit Award in Building Products & Technologies Category | Hong Kong Green Building Council                    |
| Yau Lee Construction Company Limited – 10/F., Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong  | Hong Kong Awards for Environmental Excellence  | “Class of Excellence” Wastewi\$e Label                   | Environmental Campaign Committee                    |

## Awards and accolades

| Awardee   | Scheme   | Award                                  | Main Organiser                   |
|---|--|--|----------------------------------|
| Yau Lee Construction Company Limited – 10/F., Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong                 | Hong Kong Awards for Environmental Excellence  | “Class of Excellence” Energywise Label | Environmental Campaign Committee |
| REC Engineering Company Limited – Units A-D, 15/F, Goodman Kwai Chung Logistics Centre, 585-609 Castle Peak Road, Kwai Chung, N.T., Hong Kong | Energy Performance Recognition Scheme for Office Occupants in Multi-tenancy Office Buildings | Gold Rating                            | Hong Kong Green Building Council |

## Awards and accolades

### People and Corporate Social Responsibility



| Awardee  | Scheme   | Award   | Main Organiser                          |
|--|--|---|---|
| Yau Lee Holdings Limited   | N/A  | 10 Years+ Caring Company 2014/2015  | The Hong Kong Council of Social Service |
| Yau Lee Holdings Limited   | The Mirror's 4th Outstanding Corporate Social Responsibility Award | Outstanding Corporate Social Responsibility Award                                 | The Mirror's                            |
| Yau Lee Holdings Limited   | N/A  | Sunbird Sponsor Certificate of Appreciation of Walk for Nature Mai Po 2014 in WWF | World Wide Fund For Nature Hong Kong    |
| Integrated Contract for Construction of Public Rental Housing Development at Anderson Road Sites A and B Phase 1 and 2 | Quality Public Housing Construction & Maintenance Awards 2014      | Training Scheme for Construction Workers Award of New Works Projects              | Hong Kong Housing Authority             |
| Yau Lee Construction Company Limited   | Outstanding Apprentice/ Trainee Awards Scheme                      | Certificate of Appreciation   | Vocational Training Council             |

# Independent Auditor's Report



羅兵咸永道

## TO THE SHAREHOLDERS OF YAU LEE HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Yau Lee Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 65 to 146, which comprise the consolidated balance sheet as at 31 March 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)*

# Independent Auditor's Report

## Auditor's Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 24 June 2015

# Consolidated Income Statement

For the year ended 31 March 2015

|  | Note | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--|------|------------------|------------------|
| Revenue                                | 5    | 9,476,494        | 6,552,586        |
| Cost of sales                          | 7    | (9,020,435)      | (6,110,306)      |
| Gross profit                           |      | 456,059          | 442,280          |
| Other income and gains                 | 6    | 94,434           | 41,514           |
| Distribution costs                     | 7    | (26,737)         | (29,238)         |
| Administrative expenses                | 7    | (389,693)        | (360,849)        |
| Other operating expenses               | 7    | (10,260)         | (8,174)          |
| Operating profit                       |      | 123,803          | 85,533           |
| Finance costs                          | 9    | (28,598)         | (38,818)         |
| Share of profit of associates          | 20   | 706              | 362              |
| Share of loss of joint ventures        | 21   | (59)             | (52)             |
| Profit before income tax               |      | 95,852           | 47,025           |
| Income tax expense                     | 10   | (19,781)         | (7,791)          |
| Profit for the year                    |      | 76,071           | 39,234           |
| Attributable to:                       |      |                  |                  |
| Equity holders of the Company          |      | 76,064           | 38,615           |
| Non-controlling interests              |      | 7                | 619              |
|  |      | 76,071           | 39,234           |
| Dividend                               | 11   | 14,807           | 10,426           |
| Earnings per share (basic and diluted) | 12   | 17.36 cents      | 8.82 cents       |

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2015

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit for the year  | 76,071                  | 39,234                  |
| Other comprehensive income                                     |                         |                         |
| Items that may be reclassified to profit or loss subsequently: |                         |                         |
| Currency translation differences                               | (1,092)                 | 4,000                   |
| <b>Total comprehensive income for the year</b>                 | <b>74,979</b>           | 43,234                  |
| <b>Attributable to:</b>  |                         |                         |
| Equity holders of the Company                                  | 74,972                  | 42,596                  |
| Non-controlling interests                                      | 7                       | 638                     |
| <b>Total comprehensive income for the year</b>                 | <b>74,979</b>           | 43,234                  |

# Consolidated Balance Sheet

As at 31 March 2015

|   | Note  | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Assets</b>   |       |                  |                  |
| <b>Non-current assets</b>                             |       |                  |                  |
| Property, plant and equipment                         | 14    | 1,177,404        | 1,138,264        |
| Investment properties                                 | 15    | 97,177           | 329,115          |
| Leasehold land and land use rights                    | 16    | 58,020           | 59,480           |
| Intangible assets                                     | 18    | 14,622           | 15,678           |
| Goodwill  | 18    | 15,905           | 15,905           |
| Associates  | 20    | 1,596            | 1,384            |
| Deferred income tax assets                            | 31    | 3,400            | 4,481            |
| Available-for-sale financial assets                   | 22    | 11,800           | 11,800           |
| Other non-current assets                              | 23    | 62,442           | 49,364           |
|   |       | <b>1,442,366</b> | 1,625,471        |
| <b>Current assets</b>                                 |       |                  |                  |
| Cash and bank balances                                | 24    | 1,236,477        | 1,001,142        |
| Trade debtors, net                                    | 25(a) | 1,341,801        | 1,190,512        |
| Prepayments, deposits and other receivables           | 25(b) | 601,342          | 773,215          |
| Inventories   | 26    | 125,787          | 115,622          |
| Prepaid income tax                                    |       | 877              | 1,200            |
| Due from customers on construction contracts          | 27    | 1,020,610        | 994,186          |
| Financial assets at fair value through profit or loss | 28    | 42,090           | 32,544           |
| Property under development for sale                   | 17    | 569,459          | 445,744          |
| Due from associates, net                              | 20    | 494              | 1,657            |
| Due from joint ventures/joint operations              | 21    | 33,928           | 4,026            |
| Due from other partners of joint operations           | 21    | 56,797           | 56,797           |
|   |       | <b>5,029,662</b> | 4,616,645        |
| <b>Total assets</b>                                   |       | <b>6,472,028</b> | 6,242,116        |
| <b>Equity</b>   |       |                  |                  |
| Share capital   | 34    | 87,611           | 87,611           |
| Other reserves  | 35    | 451,405          | 452,497          |
| Retained profits                                      |       |                  |                  |
| Proposed final dividend                               | 35    | 10,426           | 6,045            |
| Others  | 35    | 1,046,714        | 985,457          |
| <b>Attributable to equity holders of the Company</b>  |       | <b>1,596,156</b> | 1,531,610        |
| <b>Non-controlling interests</b>                      |       | <b>1,667</b>     | 1,660            |
| <b>Total equity</b>                                   |       | <b>1,597,823</b> | 1,533,270        |

# Consolidated Balance Sheet

As at 31 March 2015

|   | Note | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|---|------|------------------|------------------|
| <b>Liabilities</b>  |      |                  |                  |
| <b>Non-current liabilities</b>  |      |                  |                  |
| Long-term borrowings  | 30   | 851,127          | 1,280,525        |
| Deferred income tax liabilities                                       | 31   | 3,560            | 3,846            |
|   |      | <b>854,687</b>   | 1,284,371        |
| <b>Current liabilities</b>  |      |                  |                  |
| Short-term bank loans   | 30   | 1,105,000        | 1,098,821        |
| Current portion of long-term borrowings                               | 30   | 494,833          | 71,066           |
| Derivative financial liabilities                                      | 29   | 11,700           | 15,127           |
| Payables to suppliers and subcontractors                              | 32   | 652,333          | 591,416          |
| Accruals, retention payables, deposits received and other liabilities | 33   | 893,738          | 567,139          |
| Income tax payable  |      | 27,553           | 12,242           |
| Obligation in respect of joint ventures                               | 21   | 1,402            | 1,343            |
| Due to customers on construction contracts                            | 27   | 743,434          | 985,298          |
| Due to joint operations   | 21   | 59,696           | 60,090           |
| Due to other partners of joint operations                             | 21   | 29,829           | 21,933           |
|   |      | <b>4,019,518</b> | 3,424,475        |
| <b>Total liabilities</b>  |      | <b>4,874,205</b> | 4,708,846        |
| <b>Total equity and liabilities</b>                                   |      | <b>6,472,028</b> | 6,242,116        |
| <b>Net current assets</b>   |      | <b>1,010,144</b> | 1,192,170        |
| <b>Total assets less current liabilities</b>                          |      | <b>2,452,510</b> | 2,817,641        |

Wong Ip Kuen  
Director

Wong Tin Cheung  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

|                                  | Attributable to equity holders of the Company |                |                            |                              |                  |                  |                           |                  |
|----------------------------------|---|----------------|----------------------------|------------------------------|------------------|------------------|---------------------------|------------------|
|                                  | Share capital                                 | Share premium  | Capital redemption reserve | Currency translation reserve | Retained profits | Sub-total        | Non-controlling interests | Total            |
|                                  | HK\$'000                                      | HK\$'000       | HK\$'000                   | HK\$'000                     | HK\$'000         | HK\$'000         | HK\$'000                  | HK\$'000         |
| As at 1 April 2014               | 87,611  | 413,776        | 359                        | 38,362                       | 991,502          | 1,531,610        | 1,660                     | 1,533,270        |
| Comprehensive income:            |   |                |                            |                              |                  |                  |                           |                  |
| Profit for the year              | -   | -              | -                          | -                            | 76,064           | 76,064           | 7                         | 76,071           |
| Other comprehensive income:      |   |                |                            |                              |                  |                  |                           |                  |
| Currency translation differences | -   | -              | -                          | (1,092)                      | -                | (1,092)          | -                         | (1,092)          |
| 2014 final dividend              | -   | -              | -                          | -                            | (6,045)          | (6,045)          | -                         | (6,045)          |
| 2015 interim dividend            | -   | -              | -                          | -                            | (4,381)          | (4,381)          | -                         | (4,381)          |
| <b>As at 31 March 2015</b>       | <b>87,611</b>                                 | <b>413,776</b> | <b>359</b>                 | <b>37,270</b>                | <b>1,057,140</b> | <b>1,596,156</b> | <b>1,667</b>              | <b>1,597,823</b> |
| As at 1 April 2013               | 87,611  | 413,776        | 359                        | 34,381                       | 963,313          | 1,499,440        | 1,022                     | 1,500,462        |
| Comprehensive income:            |   |                |                            |                              |                  |                  |                           |                  |
| Profit for the year              | -   | -              | -                          | -                            | 38,615           | 38,615           | 619                       | 39,234           |
| Other comprehensive income:      |   |                |                            |                              |                  |                  |                           |                  |
| Currency translation differences | -   | -              | -                          | 3,981                        | -                | 3,981            | 19                        | 4,000            |
| 2013 final dividend              | -   | -              | -                          | -                            | (6,045)          | (6,045)          | -                         | (6,045)          |
| 2014 interim dividend            | -   | -              | -                          | -                            | (4,381)          | (4,381)          | -                         | (4,381)          |
| As at 31 March 2014              | 87,611  | 413,776        | 359                        | 38,362                       | 991,502          | 1,531,610        | 1,660                     | 1,533,270        |

# Consolidated Cash Flow Statement

For the year ended 31 March 2015

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Cash flows from operating activities</b>  |                         |                         |
| Net cash from/(used in) operations   | 150,135                 | (177,631)               |
| Hong Kong profits tax refund   | 627                     | 4,019                   |
| Hong Kong profits tax paid   | (404)                   | (1,754)                 |
| Overseas tax paid  | (3,575)                 | (184)                   |
|  | <b>146,783</b>          | <b>(175,550)</b>        |
| <b>Cash flows from investing activities</b>  |                         |                         |
| Purchase of property, plant and equipment  | (120,065)               | (104,585)               |
| Additions to prepayments and deposits of property, plant and equipment             | (15,636)                | –                       |
| Additions to investment properties   | (39,748)                | (2,446)                 |
| Additions to available-for-sale financial assets                                   | –                       | (11,800)                |
| Realised (loss)/gain on financial assets at fair value through profit or loss, net | (77)                    | 654                     |
| Additions to financial assets at fair value through profit or loss                 | (42,388)                | (31,633)                |
| Proceeds from disposal of financial assets at fair value through profit or loss    | 32,474                  | 42,402                  |
| Proceeds from disposal of property, plant and equipment                            | 8,393                   | 7,091                   |
| Proceeds from disposal of investment property, net                                 | 326,232                 | –                       |
| Dividend received from an associate  | 380                     | 114                     |
| Dividend received from investments   | –                       | 74                      |
| Interest received  | 7,057                   | 4,757                   |
|  | <b>156,622</b>          | <b>(95,372)</b>         |

# Consolidated Cash Flow Statement

For the year ended 31 March 2015

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Cash flows from financing activities</b>            |                         |                         |
| 36(b) Repayment of long-term bank loans                | <b>(117,733)</b>        | (55,706)                |
| Drawdown of long-term bank loans                       | <b>108,469</b>          | 295,433                 |
| Increase in short-term bank loans, net                 | <b>6,179</b>            | 449,449                 |
| (Increase)/decrease in restricted deposits             | <b>(223,749)</b>        | 35,663                  |
| Capital element of finance lease payments              | <b>(22,734)</b>         | (10,747)                |
| Interest element of finance lease payments             | <b>(787)</b>            | (146)                   |
| Realised loss on derivative financial liabilities, net | <b>(9,303)</b>          | (9,284)                 |
| Dividend paid  | <b>(10,426)</b>         | (10,426)                |
| Interest paid  | <b>(21,511)</b>         | (38,672)                |
| Net cash (used in)/from financing activities           | <b>(291,595)</b>        | 655,564                 |
| Increase in cash and cash equivalents                  | <b>11,810</b>           | 384,642                 |
| Cash and cash equivalents at beginning of year         | <b>917,039</b>          | 531,598                 |
| Exchange (loss)/gain on cash and cash equivalents      | <b>(224)</b>            | 799                     |
| Cash and cash equivalents at end of year               | <b>928,625</b>          | 917,039                 |
| Analysis of cash and cash equivalents:                 |                         |                         |
| 24 Cash and bank balances                              | <b>775,418</b>          | 560,773                 |
| Time deposits  | <b>153,207</b>          | 356,266                 |
|  | <b>928,625</b>          | 917,039                 |

# Notes to the Consolidated Financial Statements

## 1 General information

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

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

These consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 June 2015.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Other than as disclosed in Notes 2(k), (l) and (n), areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (i) Amendments and interpretations adopted by the Group

The following amendments and interpretations have been published that are effective for the accounting period of the Group beginning 1 April 2014:

|  |  |
|--|--|
| HKAS 32 (amendment)                                    | Financial Instruments: Presentation – Offsetting<br>Financial Assets and Financial Liabilities |
| HKAS 36 (amendment)                                    | Recoverable Amount Disclosures for Non-Financial<br>Assets                                     |
| HKAS 39 (amendment)                                    | Novation of Derivatives and Continuation of Hedge<br>Accounting                                |
| HK(IFRIC) Interpretation 21                            | Levies   |
| Amendments to HKAS 27 (2011),<br>HKFRS 10 and HKFRS 12 | Investment Entities  |

The application of the above amendments and interpretations in the current year had no material impact on the Group's consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (ii) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2014 and have not been early adopted*

The following new and revised standards and amendments to standards have been published and are mandatory for the accounting periods of the Group beginning on or after 1 April 2015 that the Group has not early adopted:

|  |  |
|--|--|
| HKAS 1 (amendment)                                     | Disclosure Initiative  |
| Amendment to HKAS 27                                   | Equity Method in Separate Financial Statements   |
| Amendments to HKAS 16 and<br>HKAS 38                   | Clarification of Acceptable Methods of<br>Depreciation and Amortisation                  |
| Amendment to HKAS 19 (2011)                            | Employee Benefits: Defined Benefit Plans<br>– Employee Contributions                     |
| Amendments to HKAS 28 (2011),<br>HKFRS 10 and HKFRS 12 | Investment Entities: Applying the<br>Consolidation Exception                             |
| Amendments to HKFRS 10 and<br>HKAS 28                  | Sale or Contribution of Assets Between an<br>Investor and its Associate or Joint Venture |
| Amendment to HKFRS 11                                  | Accounting for Acquisitions of Interests in<br>Joint Operations                          |
| HKFRS 9  | Financial Instruments  |
| HKFRS 14   | Regulatory Deferral Accounts   |
| HKFRS 15   | Revenue from Contracts with Customers  |
| Annual improvements to 2010-2012 Cycle                 |  |
| Annual improvements to 2011-2013 Cycle                 |  |
| Annual improvements to 2012-2014 Cycle                 |  |

The Group will adopt the above new and revised standards and amendments to standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group, but is not yet in a position to state whether these would have a significant impact on its result of operations and financial position.

#### **New Hong Kong Companies Ordinance (Cap.622)**

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (b) Consolidation

#### (i) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment (Note 2(l)). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (b) Consolidation (continued)

#### (ii) *Transactions with non-controlling interests*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (iii) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the consolidated income statement.

## 2 Summary of significant accounting policies (continued)

### (b) Consolidation (continued)

#### (iii) Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

#### (iv) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. For the joint arrangements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements, they are classified as joint operations. For the remaining joint arrangements, they are classified as joint ventures.

The assets that the Group has the rights and liabilities that the Group has the obligations in relation to the joint operations are recognised in the consolidated balance sheet on an accrual basis and classified according to the nature of the item. The share of expenses that the Group incurs and its share of income that it earns from the joint operations are included in the consolidated income statement.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are included on the equity basis of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (b) Consolidation (continued)

#### (v) *Partial disposal*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### (c) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. In such case, the operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value, representing market value determined by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by an independent firm of qualified property valuers. Gains or losses in fair values of investment property are recognised in the consolidated income statement as part of "Other income and gains".

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property. Others, including contingent rent payments, are not recognised in the consolidated financial statements.

## 2 Summary of significant accounting policies (continued)

### (c) Investment properties (continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale in the future, the property is transferred to property under development for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

### (d) Property, plant and equipment

Buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Direct and indirect costs relating to the construction in progress, including borrowing costs during the construction period are capitalised as the costs of the assets.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

|  |                                       |
|--|---------------------------------------|
| Hotel property   |                                       |
| – Leasehold land   | Lease term                            |
| – Building   | 50 years                              |
| Leasehold land (classified as finance lease) and buildings | Shorter of lease term and 20-50 years |
| Leasehold improvements                                     | 4 years                               |
| Plant and machinery  | 5-10 years                            |
| Furniture, fixtures and office equipment                   | 3-5 years                             |
| Motor vehicles   | 4-5 years                             |
| Construction in progress                                   | –                                     |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(l)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income and gains" or "Other operating expenses" in the consolidated income statement.

### (e) Goodwill

Goodwill is tested for impairment annually and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

## 2 Summary of significant accounting policies (continued)

### (f) Leasehold land and land use rights

Leasehold land and land use rights represent non-refundable rental payments for lease of land. The up-front payments are amortised over the lease term in accordance with the pattern of benefit provides or on a straight-line basis over the period of the lease. The amortisation of the leasehold land and land use rights is recognised in the consolidated income statement.

### (g) Intangible assets

Intangible assets represent the customer relationships acquired in a business combination, which are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the client relationships of 20 years.

### (h) Leases

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in the long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets held under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases net of any incentives received from the lessors are charged to the consolidated income statement on a straight-line basis over the period of lease.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets when they are within the Group's normal operating cycle of the business. Otherwise, they are classified as non-current.

#### (iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### (iv) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at cost as the fair value of these unlisted financial assets cannot be reliably measured.

## 2 Summary of significant accounting policies (continued)

### (i) Financial assets (continued)

#### (iv) Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the “Financial assets at fair value through profit or loss” category are presented in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss and available-for-sale financial assets are recognised in the consolidated income statement as part of “Other income and gains” when the Group’s right to receive payments is established.

For financial assets at fair value through profit or loss, the fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Unlisted equity as included in available-for-sale financial assets are stated at cost less impairment (which is charged to the profit or loss as the fair value of these unlisted financial assets cannot be reliably measured).

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2(n).

### (j) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. However, as the Group does not designate its hedging instruments, all changes in the fair value of these derivative instruments are recognised in the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (k) Inventories

Inventories comprise building materials and spare parts for sale and are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out (FIFO) basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### (l) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (m) Construction contracts in progress

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, revenue is recognised over the period of the contract. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

The Group presents as an asset the gross amount due from customers on construction contracts for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within "Trade and other receivables".

## 2 Summary of significant accounting policies (continued)

### (m) Construction contracts in progress (continued)

The Group presents as a liability the gross amount due to customers on construction contracts for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

### (n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the consolidated income statement within "Administrative expenses". Subsequent recoveries of amounts previously written off are credited against "Administrative expenses" in the consolidated income statement.

### (o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### (p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

### (r) Payables to suppliers and subcontractors

Payables to suppliers and subcontractors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (s) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

## 2 Summary of significant accounting policies (continued)

### (s) Current and deferred income tax (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly ventures, except for deferred income tax liability where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are accounted for on the accrued basis and are charged to the consolidated income statement during the financial period in which they are incurred.

### (w) Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (w) Employee benefits (continued)

#### (ii) Retirement benefit obligations

The Group operates defined contribution schemes which are available to all employees. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the consolidated income statement as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (iii) Bonus entitlements

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

### (x) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue, cost incurred or to be incurred in respect of a transaction can be reliably measured, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold are retained, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all the contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (x) Revenue recognition (continued)

#### (i) **Contract revenue**

To the extent that the outcome of the contract can be estimated reliably, revenue from construction contracts is recognised using the percentage of completion method, measured by reference to the percentage of work performed to date as a percentage of total contract value. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

#### (ii) **Sale of building materials**

Sale of building materials is recognised when significant risks and rewards of ownership of the goods have been transferred to customers that is upon delivery of the goods to customers.

#### (iii) **Operating lease rental income**

Operating lease rental income is recognised on a straight-line basis over the terms of the respective leases.

#### (iv) **Hotel revenue**

Hotel revenue from room rental and other ancillary services is recognised when the services are rendered.

#### (v) **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

#### (vi) **Dividend income**

Dividend income is recognised when the right to receive payment is established.

### (y) Foreign currency translation

#### (i) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the Company's functional and the Group's presentation currency.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (y) Foreign currency translation (continued)

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within “Other income and gains” or “Other operating expenses”.

#### (iii) Group companies

The results and financial position of all the Group entities (none of which operate in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company (the “Executive Directors”) that make strategic decisions.

### (aa) Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s and the Company’s financial statements in the period in which the dividend is approved by the Company’s shareholders and Directors as appropriate.

### (ab) Impairment of financial assets carried at amortised cost

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

## 2 Summary of significant accounting policies (continued)

### (ab) Impairment of financial assets carried at amortised cost (continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

### (ac) Property under development for sale

Property under development for sale comprises leasehold land, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. Property under development for sale is stated at lower of cost and net realisable value.

Upon completion, completed properties for pre-determined sale purpose are classified as "Completed properties held for sale".

Property under development for sale is classified as current assets as the construction period of the relevant property development project is expected to be completed within the normal operating cycle and is intended for sale.

Deposits and instalments received on properties sold prior to transfer of the significant risks and rewards of the properties are included as deposits received from sales of properties under current liabilities.

# Notes to the Consolidated Financial Statements

## 3 Financial risk management

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's management under the supervision of the Audit Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Audit Committee provides guidance for overall risk management.

#### (i) Market risk

##### (a) Price risk

The Group's investment securities are exposed to price risk as they are classified as financial assets at fair value through profit or loss. The Group manages its price risk arising in investment securities through maintaining diversified investments. The price risk is being monitored regularly.

Had the price of these investments increased/decreased by 5% with all other variables held constant, post-tax profit would have been HK\$1,757,000 (2014: HK\$1,359,000) higher/lower.

##### (b) Foreign currency risk

The Group mainly operates in Hong Kong, Macau, Singapore and Mainland China. However, the transactions of the group companies are predominantly conducted in the functional currency of the respective group entities. Therefore, the Group is not significantly exposed to foreign currency risk. Although the group companies hold cash and bank balances in currencies other than in their functional currencies, the exposure to foreign currency risk is not significant.

##### (c) Cash flow interest rate risk

The Group's exposure to cash flow interest rate risk mainly arises from its borrowings, obligations under finance lease and interest bearing cash deposits issued at variable rates.

The Group manages its exposure to interest rate risk by maintaining borrowings and obligations under finance lease at a low level.

Had interest rates been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK\$17,625,000 (2014: HK\$18,094,000) lower/higher after capitalisation of interest expense to properties under development for sale, mainly as a result of higher/lower interest expense on floating rate borrowings and obligations under finance lease net of higher/lower interest income on cash deposits.

## 3 Financial risk management (continued)

### (a) Financial risk factors (continued)

#### (ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises mainly from trade debtors, other receivables, amounts due from associates, subsidiaries, joint ventures, joint operations and other partners of joint operations, deposits with banks, as well as credit exposure to customers. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, the management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade and other receivable to ensure that adequate impairment is made for the irrecoverable amounts.

The Group has no significant credit risk regarding deposits with banks as these are held with high-credit-quality financial institutions, substantially comprising the Group's principal bankers.

#### (iii) Liquidity risk

In order to maintain flexibility in funding, the Group has credit facilities available from various banks. The Group has bank borrowings as at 31 March 2015 and 2014 to finance its operations.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at 31 March 2015, the Group held cash and bank deposits of HK\$1,236,477,000 (2014: HK\$1,001,142,000) and other current assets of HK\$3,793,185,000 (2014: HK\$3,615,503,000) that are expected to generate cash inflows in the next twelve months for managing liquidity risk.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

# Notes to the Consolidated Financial Statements

## 3 Financial risk management (continued)

### (a) Financial risk factors (continued)

#### (iii) Liquidity risk (continued)

|  | Less than<br>1 year<br><i>HK\$'000</i> | Between<br>1 and 2 years<br><i>HK\$'000</i> | Between<br>2 and 5 years<br><i>HK\$'000</i> | After<br>5 years<br><i>HK\$'000</i> |
|--|--|---|---|-------------------------------------|
| <b>At 31 March 2015</b>                            |  |   |   |                                     |
| Short-term bank loans and interest thereon         | 1,131,952                              | –   | –   | –                                   |
| Long-term borrowings and interest thereon          | 521,798                                | 189,887                                     | 408,261                                     | 308,121                             |
| Derivative financial liabilities                   | 655                                    | 11,045                                      | –   | –                                   |
| Payables to suppliers and subcontractors           | 652,333                                | –   | –   | –                                   |
| Accruals, retention payables and other liabilities | 496,911                                | 140,891                                     | 54,033                                      | –                                   |
| Due to joint operations                            | 59,696                                 | –   | –   | –                                   |
| Due to other partners of joint operations          | 29,829                                 | –   | –   | –                                   |
| <b>At 31 March 2014</b>                            |  |   |   |                                     |
| Short-term bank loans and interest thereon         | 1,124,893                              | –   | –   | –                                   |
| Long-term borrowings and interest thereon          | 101,413                                | 480,913                                     | 522,154                                     | 356,172                             |
| Derivative financial liabilities                   | –                                      | –   | 15,127                                      | –                                   |
| Payables to suppliers and subcontractors           | 591,416                                | –   | –   | –                                   |
| Accruals, retention payables and other liabilities | 492,757                                | 15,249                                      | 59,133                                      | –                                   |
| Due to joint operations                            | 60,090                                 | –   | –   | –                                   |
| Due to other partners of joint operations          | 21,933                                 | –   | –   | –                                   |

# Notes to the Consolidated Financial Statements

## 3 Financial risk management (continued)

### (b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and bank balances.

The Group's strategy is to maintain a gearing ratio at a minimal level. The gearing ratios at 31 March 2015 and 2014 were as follows:

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Total borrowings ( <i>Note 30</i> )            | <b>(2,450,960)</b>      | (2,450,412)             |
| Add: Cash and bank balances ( <i>Note 24</i> ) | <b>1,236,477</b>        | 1,001,142               |
| Net debt                                       | <b>(1,214,483)</b>      | (1,449,270)             |
| Total equity                                   | <b>1,597,823</b>        | 1,533,270               |
| Gearing ratio                                  | <b>0.76</b>             | 0.95                    |

The net debt position resulted primarily from normal operating and investing activities of the Group which include the acquisition of property, plant and equipment, investment properties and property under development for sale (Notes 14, 15 and 17) in prior years and during the year.

The decrease in gearing ratio was due to the pre-sale proceeds received from the Group's residential property development for sale and the proceeds from the disposal of an investment property during the year.

# Notes to the Consolidated Financial Statements

## 3 Financial risk management (continued)

### (c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table represents the Group's financial assets and liabilities measured at fair value:

|   | Level 1<br><i>HK\$'000</i> | Level 2<br><i>HK\$'000</i> | Level 3<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|----------------------------|----------------------------|----------------------------|--------------------------|
| <b>As at 31 March 2015</b>                            |                            |                            |                            |                          |
| Financial assets at fair value through profit or loss | –                          | 42,090                     | –                          | 42,090                   |
| Derivative financial liabilities                      | –                          | (11,700)                   | –                          | (11,700)                 |
| <b>As at 31 March 2014</b>                            |                            |                            |                            |                          |
| Financial assets at fair value through profit or loss | –                          | 32,544                     | –                          | 32,544                   |
| Derivative financial liabilities                      | –                          | (15,127)                   | –                          | (15,127)                 |

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The present value of the estimated future cash flows based on observable yield curves.

The carrying values of the Group's other financial assets and liabilities approximate their fair values.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

## 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works (including electrical and mechanical installation) as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

### (b) Estimation of foreseeable losses in respect of construction works

The Group's management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise subcontracting charges and costs of materials are prepared by management on the basis of quotations provided by the major contractors, suppliers and vendors involved, and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that will subject to significant variances and impact the amount of provision of foreseeable losses of construction contracts include the changes in estimations or the actual costs incurred for materials, staff costs, the amount of variation orders and claims as compared to management's budget.

### (c) Investment properties

The fair values of investment properties are determined by independent valuers on an open market value basis. In making the judgements, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date. These estimates are compared to actual market data.

# Notes to the Consolidated Financial Statements

## 4 Critical accounting estimates and judgements (continued)

### (d) Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for the related depreciation charges of its property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different from previous estimates, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

### (e) Income taxes

The Group is mainly subject to income taxes in Hong Kong, Macau, Singapore and Mainland China. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Recognition of deferred income tax asset, which principally relates to tax losses of certain subsidiaries, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

### (f) Provision for property under development for sale

The Group assesses the carrying amount of property under development for sale according to its recoverable amount based on the realisability of the property, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

### (g) Provision for impairment of trade debtors

The policy of provision for impairment of trade debtors of the Group is based on the evaluation of the recoverability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counterparty. If the financial conditions of counterparty of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required.

# Notes to the Consolidated Financial Statements

## 5 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.

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue                                |                         |                         |
| Construction                           | <b>7,444,396</b>        | 4,893,720               |
| Electrical and mechanical installation | <b>1,821,834</b>        | 1,457,294               |
| Building materials supply              | <b>74,998</b>           | 72,056                  |
| Property investment and development    | <b>2,113</b>            | 2,076                   |
| Hotel operations                       | <b>115,056</b>          | 115,671                 |
| Others                                 | <b>18,097</b>           | 11,769                  |
|  | <b>9,476,494</b>        | 6,552,586               |

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 Consolidated Financial Statements

## 5 Revenue and segment information (continued)

|  | Construction<br>HK\$'000 | Electrical &<br>Mechanical<br>Installation<br>HK\$'000 | Building<br>Materials<br>Supply<br>HK\$'000 | Property<br>Investment<br>and<br>Development<br>HK\$'000 | Hotel<br>Operations<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|--|--------------------------|--|---|--|---------------------------------|--------------------|-------------------|
| <b>Year ended 31 March 2015</b>                    |                          |  |   |  |                                 |                    |                   |
| Total sales  | 7,620,840                | 2,324,662  | 418,647                                     | 2,113  | 115,056                         | 65,651             | 10,546,969        |
| Inter-segment sales                                | (176,444)                | (502,828)  | (343,649)                                   | -  | -                               | (47,554)           | (1,070,475)       |
| External sales                                     | 7,444,396                | 1,821,834  | 74,998                                      | 2,113  | 115,056                         | 18,097             | 9,476,494         |
| Segment results                                    | 49,860                   | 10,675   | (10,128)                                    | 53,785   | 24,288                          | (8,572)            | 119,908           |
| Share of profit of associates                      | -                        | 706  | -   | -  | -                               | -                  | 706               |
| Share of loss of joint ventures                    | -                        | -  | (59)  | -  | -                               | -                  | (59)              |
|  | 49,860                   | 11,381   | (10,187)                                    | 53,785   | 24,288                          | (8,572)            | 120,555           |
| Unallocated income                                 |                          |  |   |  |                                 |                    | 3,895             |
| Finance costs                                      |                          |  |   |  |                                 |                    | (28,598)          |
| Profit before income tax                           |                          |  |   |  |                                 |                    | 95,852            |
| Income tax expense                                 |                          |  |   |  |                                 |                    | (19,781)          |
| Profit for the year                                |                          |  |   |  |                                 |                    | 76,071            |
| <b>At 31 March 2015</b>                            |                          |  |   |  |                                 |                    |                   |
| Segment assets                                     | 3,143,561                | 792,651  | 768,561                                     | 846,304  | 634,269                         | 247,787            | 6,433,133         |
| Interests in associates                            | -                        | 1,571  | -   | -  | -                               | 25                 | 1,596             |
| Unallocated assets                                 |                          |  |   |  |                                 |                    | 37,299            |
| Total assets                                       |                          |  |   |  |                                 |                    | 6,472,028         |
| Segment liabilities                                | (1,528,869)              | (608,066)  | (55,206)                                    | (204,710)  | (7,169)                         | (50,853)           | (2,454,873)       |
| Bank loans   |                          |  |   |  |                                 |                    | (2,412,661)       |
| Obligation in respect of joint ventures            | -                        | -  | (1,402)                                     | -  | -                               | -                  | (1,402)           |
| Unallocated liabilities                            |                          |  |   |  |                                 |                    | (5,269)           |
| Total liabilities                                  |                          |  |   |  |                                 |                    | (4,874,205)       |
| <b>Year ended 31 March 2015</b>                    |                          |  |   |  |                                 |                    |                   |
| Capital expenditure                                | 23,361                   | 36,775   | 33,964                                      | 163,501  | 1,776                           | 50,429             | 309,806           |
| Depreciation                                       | 18,759                   | 5,774  | 30,631                                      | 3  | 24,260                          | 21,468             | 100,895           |
| Amortisation of leasehold land and land use rights | 56                       | -  | 1,404                                       | -  | -                               | -                  | 1,460             |
| Amortisation of intangible assets                  | -                        | 1,056  | -   | -  | -                               | -                  | 1,056             |
| Fair value gain on investment properties, net      | -                        | -  | -   | (37,264)   | -                               | -                  | (37,264)          |
| Other non-cash income, net                         |                          |  |   |  |                                 |                    | (3,129)           |

# Notes to the Consolidated Financial Statements

## 5 Revenue and segment information (continued)

|  | Construction<br>HK\$'000 | Electrical &<br>Mechanical<br>Installation<br>HK\$'000 | Building<br>Materials<br>Supply<br>HK\$'000 | Property<br>Investment<br>and<br>Development<br>HK\$'000 | Hotel<br>Operations<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|--|--------------------------|--|---|--|---------------------------------|--------------------|-------------------|
| Year ended 31 March 2014                           |                          |  |   |  |                                 |                    |                   |
| Total sales  | 4,977,813                | 1,749,961  | 533,733                                     | 2,076  | 115,671                         | 46,940             | 7,426,194         |
| Inter-segment sales                                | (84,093)                 | (292,667)  | (461,677)                                   | -  | -                               | (35,171)           | (873,608)         |
| External sales                                     | 4,893,720                | 1,457,294  | 72,056                                      | 2,076  | 115,671                         | 11,769             | 6,552,586         |
| Segment results                                    | 34,245                   | 31,973   | 4,476                                       | 2,981  | 28,120                          | (10,724)           | 91,071            |
| Share of profit of associates                      | -                        | 362  | -   | -  | -                               | -                  | 362               |
| Share of loss of joint ventures                    | -                        | -  | (52)  | -  | -                               | -                  | (52)              |
|  | 34,245                   | 32,335   | 4,424                                       | 2,981  | 28,120                          | (10,724)           | 91,381            |
| Unallocated expenses                               |                          |  |   |  |                                 |                    | (5,538)           |
| Finance costs                                      |                          |  |   |  |                                 |                    | (38,818)          |
| Profit before income tax                           |                          |  |   |  |                                 |                    | 47,025            |
| Income tax expense                                 |                          |  |   |  |                                 |                    | (7,791)           |
| Profit for the year                                |                          |  |   |  |                                 |                    | 39,234            |
| At 31 March 2014                                   |                          |  |   |  |                                 |                    |                   |
| Segment assets                                     | 3,170,849                | 758,917  | 635,866                                     | 790,402  | 658,310                         | 188,403            | 6,202,747         |
| Interests in associates                            | -                        | 1,359  | -   | -  | -                               | 25                 | 1,384             |
| Unallocated assets                                 |                          |  |   |  |                                 |                    | 37,985            |
| Total assets                                       |                          |  |   |  |                                 |                    | 6,242,116         |
| Segment liabilities                                | (1,549,278)              | (616,276)  | (57,519)                                    | (3,541)  | (11,430)                        | (33,407)           | (2,271,451)       |
| Bank loans   |                          |  |   |  |                                 |                    | (2,415,519)       |
| Obligation in respect of joint ventures            | -                        | -  | (1,343)                                     | -  | -                               | -                  | (1,343)           |
| Unallocated liabilities                            |                          |  |   |  |                                 |                    | (20,533)          |
| Total liabilities                                  |                          |  |   |  |                                 |                    | (4,708,846)       |
| Year ended 31 March 2014                           |                          |  |   |  |                                 |                    |                   |
| Capital expenditure                                | 27,036                   | 4,000  | 50,547                                      | 61,264   | 3,122                           | 57,066             | 203,035           |
| Depreciation                                       | 18,837                   | 5,072  | 36,570                                      | -  | 24,017                          | 8,394              | 92,890            |
| Amortisation of leasehold land and land use rights | 56                       | -  | 1,391                                       | -  | -                               | -                  | 1,447             |
| Amortisation of intangible assets                  | -                        | 1,056  | -   | -  | -                               | -                  | 1,056             |
| Fair value gain on investment properties, net      | -                        | -  | -   | (4,310)  | -                               | -                  | (4,310)           |
| Other non-cash income, net                         |                          |  |   |  |                                 |                    | (12,112)          |

# Notes to the Consolidated Financial Statements

## 6 Other income and gains

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Other income   |                         |                         |
| Dividend income from investments                                     | –                       | 74                      |
| Bank interest income   | 7,057                   | 4,757                   |
| Interest income from subcontractors                                  | 14,226                  | 14,260                  |
| Management service income from a joint venture and a joint operation | 493                     | 499                     |
| Sundry income  | 11,604                  | 14,049                  |
|  | <b>33,380</b>           | 33,639                  |
| Other gains  |                         |                         |
| Gain on disposal of property, plant and equipment, net               | 2,717                   | –                       |
| Fair value gain on investment properties, net ( <i>Note 15</i> )     | 37,264                  | 4,310                   |
| Gain on disposal of an investment property                           | 21,025                  | –                       |
| Gain on financial assets at fair value through profit or loss        | 48                      | 940                     |
| Gain on derivative financial liabilities, net                        | –                       | 2,541                   |
| Exchange gain, net   | –                       | 84                      |
|  | <b>61,054</b>           | 7,875                   |
|  | <b>94,434</b>           | 41,514                  |

# Notes to the Consolidated Financial Statements

## 7 Expenses by nature

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Cost of construction  | 7,659,239               | 4,798,613               |
| Cost of inventories sold  | 299,712                 | 405,673                 |
| Staff costs (excluding directors' emoluments) (Note 13)                                       | 1,117,053               | 939,614                 |
| Directors' emoluments   | 20,070                  | 18,375                  |
| Depreciation  |                         |                         |
| Owned property, plant and equipment   | 88,294                  | 86,693                  |
| Leased property, plant and equipment  | 12,601                  | 6,197                   |
|   | <b>100,895</b>          | 92,890                  |
| Operating lease rentals of  |                         |                         |
| Land and buildings  | 14,689                  | 14,723                  |
| Other equipment   | 80,223                  | 103,760                 |
|   | <b>94,912</b>           | 118,483                 |
| Amortisation of leasehold land and land use rights (Note 16)                                  | 1,460                   | 1,447                   |
| Amortisation of intangible assets (Note 18)   | 1,056                   | 1,056                   |
| Write off of impaired receivables   | 1,326                   | –                       |
| Provision for impaired receivables, net of write back of<br>impaired receivables (Note 25(a)) | 4,020                   | 224                     |
| Provision for inventories   | 20,914                  | 63                      |
| Auditor's remuneration  | 5,245                   | 5,224                   |
| Loss on disposal of property, plant and equipment, net  | –                       | 3,020                   |
| Exchange loss, net  | 5,795                   | –                       |
| Direct operating expenses arising from investment properties                                  |                         |                         |
| – Generate rental income  | 293                     | 414                     |
| – Not generate rental income  | 31                      | 32                      |
| Distribution costs  | 26,737                  | 29,238                  |
| Others  | 88,367                  | 94,201                  |
| Total cost of sales, distribution costs, administrative and<br>other operating expenses       | <b>9,447,125</b>        | 6,508,567               |

# Notes to the Consolidated Financial Statements

## 8 Directors' and senior management's emoluments

### (a) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2014: three) Directors whose emoluments are reflected in the analysis shown in Note 41. The emoluments paid and payable to the remaining two (2014: two) highest-paid individuals in 2015 were as follows:

|                     | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|---------------------|------------------|------------------|
| Salaries            | 4,034            | 2,618            |
| Bonuses             | 455              | 1,179            |
| Retirement benefits | 250              | 206              |
|                     | <b>4,739</b>     | 4,003            |

The emoluments fell within the following band:

|                             | Number of individuals |      |
|-----------------------------|-----------------------|------|
|                             | 2015                  | 2014 |
| HK\$1,500,001-HK\$2,000,000 | –                     | 1    |
| HK\$2,000,001-HK\$2,500,000 | 2                     | 1    |

(b) During the years ended 31 March 2015 and 2014, no emoluments have been paid by the Group to the Directors or the five highest-paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors waived or has agreed to waive any emoluments.

### (c) Senior management (excluding directors) remuneration by bands

The remuneration fell within the following bands for the years ended 31 March 2015 and 2014:

|                             | Number of individuals |      |
|-----------------------------|-----------------------|------|
|                             | 2015                  | 2014 |
| HK\$1,000,000 or below      | –                     | 2    |
| HK\$1,000,001-HK\$1,500,000 | 3                     | 4    |
| HK\$1,500,001-HK\$2,000,000 | 5                     | 3    |
| HK\$2,000,001-HK\$2,500,000 | 1                     | 1    |
|                             | <b>9</b>              | 10   |

# Notes to the Consolidated Financial Statements

## 9 Finance costs

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest on overdrafts and short-term bank loans              | 30,559                  | 26,899                  |
| Interest on long-term bank loans repayable within five years  | 19,520                  | 14,921                  |
| Interest on long-term bank loans repayable after five years   | 10,728                  | 11,097                  |
| Interest element of finance lease payments                    | 1,065                   | 479                     |
| <b>Total borrowing costs incurred</b>                         | <b>61,872</b>           | 53,396                  |
| Less: Classified as cost of construction                      | <b>(17,563)</b>         | (8,652)                 |
| Capitalised in investment properties                          | <b>(510)</b>            | (1,871)                 |
| Capitalised in property under development for sale            | <b>(21,503)</b>         | (4,055)                 |
|   | <b>22,296</b>           | 38,818                  |
| Loss on financial assets at fair value through profit or loss | 424                     | –                       |
| Loss on derivative financial liabilities                      | 5,878                   | –                       |
|   | <b>28,598</b>           | 38,818                  |

## 10 Income tax expense

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Hong Kong profits tax provision for the year   | 1,128                   | 883                     |
| Overseas tax provision for the year  | 18,628                  | 12,059                  |
| Over-provision in prior years  | (770)                   | (997)                   |
| Deferred income tax relating to the origination and reversal of temporary differences ( <i>Note 31</i> ) | 795                     | (4,154)                 |
|  | <b>19,781</b>           | 7,791                   |

Hong Kong profits tax was calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

## Notes to the Consolidated Financial Statements

### 10 Income tax expense (continued)

The tax charge on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before income tax                             | 95,852                  | 47,025                  |
| Share of profit of associates and joint ventures     | (647)                   | (310)                   |
|  | <b>95,205</b>           | 46,715                  |
| Calculated at a taxation rate of 16.5% (2014: 16.5%) | 15,709                  | 7,708                   |
| Effect of different tax rates in other countries     | (9,370)                 | (2,000)                 |
| Income not subject to taxation                       | (10,618)                | (4,355)                 |
| Expenses not deductible for taxation purposes        | 2,232                   | 5,343                   |
| Temporary differences not recognised                 | 1,763                   | (1,128)                 |
| Tax losses not recognised                            | 33,270                  | 26,119                  |
| Recognition of previously unrecognised tax losses    | (1,537)                 | –                       |
| Utilisation of previously unrecognised tax losses    | (10,895)                | (22,908)                |
| Over-provision in prior years                        | (770)                   | (997)                   |
| Others   | (3)                     | 9                       |
| Income tax expense                                   | <b>19,781</b>           | 7,791                   |

### 11 Dividend

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interim dividend paid during the year                        |                         |                         |
| Interim – HK1.00 cent (2014: HK1.00 cent) per ordinary share | 4,381                   | 4,381                   |
| Proposed final dividend                                      |                         |                         |
| Final – HK2.38 cents (2014: HK1.38 cents) per ordinary share | 10,426                  | 6,045                   |
|  | <b>14,807</b>           | 10,426                  |

In the Board meeting held on 24 June 2015, the Board recommended the payment of a final dividend at HK2.38 cents (2014: HK1.38 cents) per share, totalling HK\$10,426,000 (2014: HK\$6,045,000) for the year ended 31 March 2015.

## Notes to the Consolidated Financial Statements

### 12 Earnings per share (basic and diluted)

The calculation of earnings per share is based on:

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Net profit attributable to the equity holders of the Company | <b>76,064</b>           | 38,615                  |
|  | 2015                    | 2014                    |
| Weighted average number of shares in issue during the year   | <b>438,053,600</b>      | 438,053,600             |

Diluted earnings per share for the years ended 31 March 2015 and 2014 are not presented as there are no potential dilutive shares in issue during the years.

### 13 Staff costs (excluding directors' emoluments)

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Salaries, wages and bonuses             | <b>1,063,543</b>        | 894,536                 |
| Unutilised annual leave                 | <b>154</b>              | 3,505                   |
| Long service payments and pension costs |                         |                         |
| – defined contribution scheme           | <b>38,979</b>           | 31,361                  |
| Termination benefits                    | <b>14,377</b>           | 10,212                  |
|   | <b>1,117,053</b>        | 939,614                 |

# Notes to the Consolidated Financial Statements

## 14 Property, plant and equipment

|                                  | Hotel<br>property<br>HK\$'000 | Leasehold<br>land and<br>buildings<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Furniture,<br>fixtures and<br>office<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Construction<br>in progress<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------------|-------------------------------|--|---------------------------------------|------------------------------------|---|-------------------------------|---|-------------------|
| At 31 March 2013                 |                               |  |                                       |                                    |   |                               |   |                   |
| Cost                             | 490,993                       | 250,119  | 161,400                               | 287,097                            | 134,497   | 61,137                        | 15,195                                  | 1,400,438         |
| Accumulated depreciation         | (1,723)                       | (50,127)                                       | (15,165)                              | (113,667)                          | (78,947)  | (45,796)                      | -                                       | (305,425)         |
| Net book value                   | 489,270                       | 199,992  | 146,235                               | 173,430                            | 55,550  | 15,341                        | 15,195                                  | 1,095,013         |
| Year ended 31 March 2014         |                               |  |                                       |                                    |   |                               |   |                   |
| Opening net book value           | 489,270                       | 199,992  | 146,235                               | 173,430                            | 55,550  | 15,341                        | 15,195                                  | 1,095,013         |
| Additions                        | -                             | -  | 10,927                                | 75,713                             | 16,243  | 12,118                        | 26,769                                  | 141,770           |
| Disposals                        | -                             | -  | -                                     | (8,866)                            | (608)   | (637)                         | -                                       | (10,111)          |
| Transfer                         | -                             | 12,780   | -                                     | -                                  | -   | -                             | (12,780)                                | -                 |
| Depreciation                     | (2,954)                       | (9,237)  | (16,706)                              | (37,823)                           | (18,346)  | (7,824)                       | -                                       | (92,890)          |
| Currency translation differences | -                             | 2,195  | 3                                     | 1,733                              | 51  | 63                            | 437                                     | 4,482             |
| Closing net book value           | 486,316                       | 205,730  | 140,459                               | 204,187                            | 52,890  | 19,061                        | 29,621                                  | 1,138,264         |
| At 31 March 2014                 |                               |  |                                       |                                    |   |                               |   |                   |
| Cost                             | 490,993                       | 265,636  | 172,307                               | 343,862                            | 144,963   | 70,750                        | 29,621                                  | 1,518,132         |
| Accumulated depreciation         | (4,677)                       | (59,906)                                       | (31,848)                              | (139,675)                          | (92,073)  | (51,689)                      | -                                       | (379,868)         |
| Net book value                   | 486,316                       | 205,730  | 140,459                               | 204,187                            | 52,890  | 19,061                        | 29,621                                  | 1,138,264         |
| Year ended 31 March 2015         |                               |  |                                       |                                    |   |                               |   |                   |
| Opening net book value           | 486,316                       | 205,730  | 140,459                               | 204,187                            | 52,890  | 19,061                        | 29,621                                  | 1,138,264         |
| Additions                        | -                             | 34,529   | 1,983                                 | 66,462                             | 13,906  | 4,964                         | 24,499                                  | 146,343           |
| Disposals                        | -                             | (1,404)  | (15)                                  | (3,777)                            | (232)   | (248)                         | -                                       | (5,676)           |
| Transfer                         | -                             | 33,472   | -                                     | -                                  | -   | -                             | (33,472)                                | -                 |
| Depreciation                     | (2,953)                       | (10,988)                                       | (17,857)                              | (42,754)                           | (19,131)  | (7,212)                       | -                                       | (100,895)         |
| Currency translation differences | -                             | -  | (21)                                  | (389)                              | (199)   | (23)                          | -                                       | (632)             |
| Closing net book value           | 483,363                       | 261,339  | 124,549                               | 223,729                            | 47,234  | 16,542                        | 20,648                                  | 1,177,404         |
| At 31 March 2015                 |                               |  |                                       |                                    |   |                               |   |                   |
| Cost                             | 490,993                       | 331,389  | 174,100                               | 365,744                            | 145,930   | 71,677                        | 20,648                                  | 1,600,481         |
| Accumulated depreciation         | (7,630)                       | (70,050)                                       | (49,551)                              | (142,015)                          | (98,696)  | (55,135)                      | -                                       | (423,077)         |
| Net book value                   | 483,363                       | 261,339  | 124,549                               | 223,729                            | 47,234  | 16,542                        | 20,648                                  | 1,177,404         |

## Notes to the Consolidated Financial Statements

### 14 Property, plant and equipment (continued)

- (a) The net book value of property, plant and equipment held under finance lease obligations comprises:

|                     | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---------------------|--------------------------------|-------------------------|
| Plant and machinery | <b>43,327</b>                  | 31,211                  |
| Motor vehicles      | <b>6,196</b>                   | 11,286                  |
|                     | <b>49,523</b>                  | 42,497                  |

- (b) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK\$564,234,000 (2014: HK\$569,762,000) (Notes 30 and 37(e)).

### 15 Investment properties

|                                  | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|----------------------------------|--------------------------------|-------------------------|
| Beginning of year                | <b>329,115</b>                 | 324,023                 |
| Additions                        | <b>39,748</b>                  | 2,446                   |
| Disposal                         | <b>(305,207)</b>               | –                       |
| Fair value gain, net             | <b>37,264</b>                  | 4,310                   |
| Currency translation differences | <b>(3,743)</b>                 | (1,664)                 |
| End of year                      | <b>97,177</b>                  | 329,115                 |

# Notes to the Consolidated Financial Statements

## 15 Investment properties (continued)

### Valuation process

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31 March 2015 and 2014 have been determined on the basis of valuations carried out by independent valuers. Investment properties situated in Hong Kong were valued as at 31 March 2015 by Savills Valuation and Professional Services Limited, an independent firm of qualified property valuers. Investment properties situated in Singapore were valued as at 31 March 2015 by Savills (Singapore) Pte. Ltd., an independent firm of qualified property valuers. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method.

### Fair value measurements using significant unobservable inputs

Fair values of completed investment properties and the estimated capital value of the under development investment property assuming completion as at the date of valuation are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently been transacted. However, given the heterogeneous nature of real estate properties, significant adjustments are required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of under development investment property is generally derived using the residual method. This valuation method is essentially a means of valuing the property by reference to its development potential by deducting development costs together with developer's profit and risk margin from the estimated capital value of the proposed development assuming completion as at the date of valuation. Estimated costs to completion and developer's profit and risk margins required are estimated by independent valuer based on market conditions at year end and up to the date of disposal. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions.

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

# Notes to the Consolidated Financial Statements

## 15 Investment properties (continued)

### Fair value measurements using significant unobservable inputs (continued)

*Information about fair value measurements using significant unobservable inputs for the Group's principal investment properties*

| Location  | Description                                 | Fair value       |                  | Valuation techniques | Unobservable inputs  | Relationship of unobservable inputs to fair value                         |
|-----------|---|------------------|------------------|----------------------|--|---|
|           |   | 2015<br>HK\$'000 | 2014<br>HK\$'000 |                      |  |   |
| Singapore | Residential units/<br>retail shops          | 51,277           | 55,315           | Direct comparison    | Comparable sales price<br>– S\$1,500 to S\$1,900<br>per square feet<br>(2014: S\$1,600 to<br>S\$2,200 per square feet) | The higher the<br>comparable sales<br>price, the higher<br>the fair value |
| Hong Kong | Retail shops                                | 39,400           | –                | Direct comparison    | Comparable sales price<br>– HK\$30,000 to HK\$53,495<br>per square feet  | The higher the<br>comparable sales<br>price, the higher<br>the fair value |
| Hong Kong | Investment<br>property under<br>development | –                | 268,000          | Residual             | Estimated costs to completion<br>– HK\$2,600 per square feet<br>Estimated developer's profit<br>and risk margin – 15%  | The higher the costs<br>and the margins,<br>the lower the<br>fair value   |

Investment properties amounting to HK\$51,277,000 (2014: HK\$323,315,000) are pledged as security for the bank loans of the Group (Notes 30 and 37(e)).

# Notes to the Consolidated Financial Statements

## 16 Leasehold land and land use rights

|                                  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Beginning of year                | 59,480                  | 59,801                  |
| Amortisation                     | (1,460)                 | (1,447)                 |
| Currency translation differences | –                       | 1,126                   |
| End of year                      | <b>58,020</b>           | 59,480                  |

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments. Leasehold land and land use rights with total net book values of HK\$1,859,000 (2014: HK\$1,916,000) were pledged as security for the Group's banking facilities (Note 37(e)).

## 17 Property under development for sale

|                   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Beginning of year | 445,744                 | 386,926                 |
| Additions         | 123,715                 | 58,818                  |
| End of year       | <b>569,459</b>          | 445,744                 |

Property under development for sale amounting to HK\$569,459,000 (2014: HK\$445,744,000) are pledged as security for the bank loans of the Group (Notes 30 and 37(e)).

## Notes to the Consolidated Financial Statements

### 18 Goodwill and intangible assets

|                                 | <b>Goodwill</b><br><i>HK\$'000</i> | <b>Intangible<br/>assets</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|---------------------------------|------------------------------------|---|---------------------------------|
| <b>Year ended 31 March 2014</b> |                                    |   |                                 |
| Opening net book value          | 15,905                             | 16,734  | 32,639                          |
| Amortisation                    | –                                  | (1,056)   | (1,056)                         |
| Closing net book value          | 15,905                             | 15,678  | 31,583                          |
| <b>At 31 March 2014</b>         |                                    |   |                                 |
| Cost                            | 15,905                             | 21,837  | 37,742                          |
| Accumulated amortisation        | –                                  | (6,159)   | (6,159)                         |
| Net book value                  | 15,905                             | 15,678  | 31,583                          |
| <b>Year ended 31 March 2015</b> |                                    |   |                                 |
| Opening net book value          | <b>15,905</b>                      | <b>15,678</b>                                   | <b>31,583</b>                   |
| Amortisation                    | –                                  | <b>(1,056)</b>                                  | <b>(1,056)</b>                  |
| Closing net book value          | <b>15,905</b>                      | <b>14,622</b>                                   | <b>30,527</b>                   |
| <b>At 31 March 2015</b>         |                                    |   |                                 |
| Cost                            | <b>15,905</b>                      | <b>21,837</b>                                   | <b>37,742</b>                   |
| Accumulated amortisation        | –                                  | <b>(7,215)</b>                                  | <b>(7,215)</b>                  |
| Net book value                  | <b>15,905</b>                      | <b>14,622</b>                                   | <b>30,527</b>                   |

# Notes to the Consolidated Financial Statements

## 18 Goodwill and intangible assets (continued)

- (a) Goodwill is allocated to REC's cash generating units ("CGUs") identified according to operating segments.

For impairment assessment of goodwill, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections prepared based on financial budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates which do not exceed the long-term average growth rate in which the CGU operates.

Key assumptions used in value-in-use calculations include:

- (i) gross margin ranging from 5% to 6% per annum (2014: 5% to 6%);
- (ii) growth rate ranging from 1% to 2% per annum (2014: 1% to 2%); and
- (iii) discount rate of 9% per annum (2014: 9%).

Management determined budgeted gross margin based on past performance and the expectations for the market development.

- (b) Intangible assets relate substantially to the customer relationships held by REC. The Group has entered into agreements to deliver electrical and mechanical installation services to long-term customers, including various government departments and major players in the construction industry, and expect to continue having business with these long-term customers in the future.

# Notes to the Consolidated Financial Statements

## 19 Subsidiaries

The following is a list of the principal subsidiaries as at 31 March 2015:

| Name  | Place of incorporation/<br>operation | Particulars of registered/issued share capital | Principal activities  | Percentage of registered/issued share capital held by |              |       |
|---|--------------------------------------|--|---|---|--------------|-------|
|   |                                      |  |   | Company   | Subsidiaries | Group |
| Bellaglade Company Limited  | Hong Kong                            | HK\$2  | Property holding  | –   | 100%         | 100%  |
| Best Ease Investment Limited  | Hong Kong                            | HK\$2  | Property investment   | –   | 100%         | 100%  |
| Best Fortune Investment Limited   | Hong Kong                            | HK\$5,000,000                                  | Property investment and development   | –   | 100%         | 100%  |
| City Hope Limited   | The British Virgin Islands/Hong Kong | US\$10   | Property investment   | –   | 90%          | 90%   |
| First Smart Investment Limited  | Hong Kong                            | HK\$2  | Investment holding  | –   | 100%         | 100%  |
| Global Virtual Design and Construction (Singapore) Pte. Ltd.              | Singapore                            | S\$10,000                                      | Provision of Building Information Modeling and other Virtual Design & Construction Services | –   | 100%         | 100%  |
| Global Virtual Design and Construction Limited                            | Hong Kong                            | HK\$1  | Provision of Building Information Modeling and other Virtual Design & Construction Services | –   | 100%         | 100%  |
| Global Virtual Design and Construction Sdn. Bhd.                          | Malaysia                             | RM100  | Provision of Building Information Modeling and other Virtual Design & Construction Services | –   | 100%         | 100%  |
| Grace Top Investment Limited  | Hong Kong                            | HK\$1  | Property holding  | –   | 100%         | 100%  |
| Guangdong Yuean REC Mechanical and Electrical Engineering Company Limited | Mainland China                       | RMB3,204,836                                   | Engineering services  | –   | 60%          | 60%   |
| InnoVision Architects & Engineers Limited                                 | Hong Kong                            | HK\$1  | Architectural and engineering services  | –   | 100%         | 100%  |
| Leena Theme Painting (Macau) Limited                                      | Macau                                | MOP100,000                                     | Theme painting  | –   | 100%         | 100%  |
| Leena Theme Painting Limited  | Hong Kong                            | HK\$1  | Theme painting  | –   | 100%         | 100%  |
| Million Wealth Enterprises Limited  | Hong Kong                            | HK\$2  | Property investment   | –   | 100%         | 100%  |

# Notes to the Consolidated Financial Statements

## 19 Subsidiaries (continued)

| Name   | Place of incorporation/<br>operation | Particulars of registered/issued share capital | Principal activities   | Percentage of registered/issued share capital held by |              |       |
|--|--------------------------------------|--|--|---|--------------|-------|
|  |                                      |  |  | Company   | Subsidiaries | Group |
| Ming Hop Company Limited                               | Hong Kong                            | HK\$1,000,000                                  | Trading of construction materials and execution of plumbing works  | –   | 100%         | 100%  |
| Nanjing Nanda VH Software Intelligence Company Limited | Mainland China                       | RMB1,500,000                                   | Development and sale of computer software  | –   | 70%          | 70%   |
| REC (China) Company Limited                            | Hong Kong                            | HK\$13,800,000                                 | Electrical and mechanical engineering services and investment holding  | –   | 100%         | 100%  |
| REC Building Services (Macao) Limited                  | Macao                                | MOP100,000                                     | Provision of design, installation and maintenance services of building services  | –   | 100%         | 100%  |
| REC Engineering (Singapore) Pte. Ltd.                  | Singapore                            | S\$1,500,000                                   | Electrical and mechanical engineering services   | –   | 100%         | 100%  |
| REC Engineering Company Limited                        | Hong Kong                            | HK\$50,000,000                                 | Electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services and investment holding | 100%  | –            | 100%  |
| REC Engineering Contracting Company Limited            | Hong Kong                            | HK\$2,000,000                                  | Electrical and mechanical engineering services   | –   | 100%         | 100%  |
| REC Green Energy Solutions (Singapore) Pte. Ltd.       | Singapore                            | S\$100,000                                     | Development of environmental protection related software and programming activities  | –   | 100%         | 100%  |
| REC Green Energy Solutions Company Limited             | Hong Kong                            | HK\$1  | Trading and engineering services   | –   | 100%         | 100%  |
| REC Green Technologies (Singapore) Pte. Ltd.           | Singapore                            | S\$100,000                                     | Engage in energy optimisation solution and environmental protection business   | –   | 100%         | 100%  |
| REC Green Technologies Company Limited                 | Hong Kong                            | HK\$1  | Provision of energy optimisation and savings solution and energy efficient green products  | –   | 100%         | 100%  |
| Right Motive Limited                                   | Hong Kong                            | HK\$6,000                                      | Property holding   | –   | 100%         | 100%  |
| Solid Star Company Limited                             | Hong Kong                            | HK\$2  | Property holding   | –   | 100%         | 100%  |
| Steerers Engineering Limited                           | Hong Kong                            | HK\$20   | Engineering services   | –   | 100%         | 100%  |

# Notes to the Consolidated Financial Statements

## 19 Subsidiaries (continued)

| Name  | Place of incorporation/<br>operation | Particulars of registered/issued<br>share capital | Principal activities   | Percentage of registered/issued<br>share capital held by |              |       |
|---|--------------------------------------|---|--|--|--------------|-------|
|   |                                      |   |  | Company  | Subsidiaries | Group |
| Tin Sing Chemical Engineers Limited                             | Hong Kong                            | HK\$1,000,000                                     | Water treatment services   | –  | 100%         | 100%  |
| Trinity Crown Limited   | Hong Kong                            | HK\$2   | General trading  | –  | 100%         | 100%  |
| VHSoft Technologies<br>(Nanjing) Company Limited                | Mainland China                       | US\$500,000                                       | Development and sale of<br>construction equipment and<br>computer software | –  | 100%         | 100%  |
| VHSoft Technologies (Singapore)<br>Pte. Ltd.                    | Singapore                            | S\$10,000   | Computer software development  | –  | 100%         | 100%  |
| VHSoft Technologies<br>Company Limited                          | Hong Kong                            | HK\$2   | Computer software development  | –  | 100%         | 100%  |
| Yau Lee Building Construction and<br>Decoration Company Limited | Hong Kong                            | HK\$100,000                                       | Building construction,<br>maintenance and fitting-out                      | –  | 100%         | 100%  |
| Yau Lee Building Materials<br>Trading Company Limited           | Hong Kong                            | HK\$2   | Trading of building materials  | –  | 100%         | 100%  |
| Yau Lee Construction (Macau)<br>Company Limited                 | Macau                                | MOP1,000,000                                      | Building construction,<br>maintenance and fitting-out                      | –  | 100%         | 100%  |
| Yau Lee Construction (Singapore)<br>Pte. Ltd.                   | Singapore                            | S\$22,000,000                                     | Building construction,<br>maintenance and fitting-out                      | –  | 100%         | 100%  |
| Yau Lee Construction (UAE)<br>Company Limited                   | Hong Kong                            | HK\$2   | Investment holding   | –  | 100%         | 100%  |
| Yau Lee Construction<br>Company Limited                         | Hong Kong                            | HK\$236,000,000                                   | Building construction,<br>maintenance and fitting-out                      | –  | 100%         | 100%  |
| Yau Lee Construction Materials &<br>Technology Limited          | Hong Kong                            | HK\$2   | Sale of building materials and<br>precast products                         | –  | 100%         | 100%  |
| Yau Lee Curtain Wall and<br>Steel Works (Macau) Limited         | Macau                                | MOP100,000  | Curtain wall installation  | –  | 100%         | 100%  |
| Yau Lee Curtain Wall and<br>Steel Works (Singapore) Pte. Ltd.   | Singapore                            | S\$50,000   | Curtain wall installation  | –  | 100%         | 100%  |
| Yau Lee Curtain Wall and<br>Steel Works Limited                 | Hong Kong                            | HK\$10,000,000                                    | Curtain wall installation  | –  | 100%         | 100%  |
| Yau Lee Development (Singapore)<br>Pte. Ltd.                    | Singapore                            | S\$50,000   | Property and investment holding  | –  | 100%         | 100%  |
| Yau Lee Equipment Leasing Limited                               | Hong Kong                            | HK\$2   | Equipment leasing  | –  | 100%         | 100%  |

# Notes to the Consolidated Financial Statements

## 19 Subsidiaries (continued)

| Name  | Place of incorporation/<br>operation | Particulars of registered/issued share capital | Principal activities                                     | Percentage of registered/issued share capital held by |              |       |
|---|--------------------------------------|--|--|---|--------------|-------|
|   |                                      |  |  | Company   | Subsidiaries | Group |
| Yau Lee Equipment Services Limited                              | Hong Kong                            | HK\$1  | Provision of plant and machineries services              | –   | 100%         | 100%  |
| Yau Lee Hing Contracting and Decoration (Macau) Company Limited | Macau                                | MOP100,000                                     | Building construction, maintenance and fitting-out       | –   | 100%         | 100%  |
| Yau Lee Hing Materials Manufacturing (UAE) Limited              | Hong Kong                            | HK\$1  | Trading of building materials                            | –   | 100%         | 100%  |
| Yau Lee Hing Materials Manufacturing Limited                    | Hong Kong                            | HK\$1  | Trading of building materials                            | –   | 100%         | 100%  |
| Yan Lee Hotel Limited   | Hong Kong                            | HK\$2  | Hotel management   | –   | 100%         | 100%  |
| Yau Lee Innovative Technology Limited                           | Hong Kong                            | HK\$2  | Licensing of patent                                      | –   | 100%         | 100%  |
| Yau Lee Investment Limited                                      | The Cook Islands/<br>Hong Kong       | US\$100  | Investment holding                                       | 100%  | –            | 100%  |
| Yau Lee Management (UAE) Limited                                | Hong Kong                            | HK\$2  | Provision of management services                         | –   | 100%         | 100%  |
| Yau Lee Wah Concrete Precast Products (Macau) Company Limited   | Macau                                | MOP200,000                                     | Sale of precast products                                 | –   | 100%         | 100%  |
| Yau Lee Wah Concrete Precast Products Company Limited           | Hong Kong                            | HK\$10,000,000                                 | Sale of precast products                                 | –   | 100%         | 100%  |
| 有利華建材(惠州)有限公司   | Mainland China                       | HK\$120,000,000                                | Manufacturing of precast products and building materials | –   | 100%         | 100%  |
| 有利華建築預制件(深圳)有限公司  | Mainland China                       | HK\$21,000,000                                 | Manufacturing of precast products                        | –   | 100%         | 100%  |
| 有利興建材(惠州)有限公司   | Mainland China                       | HK\$96,146,284                                 | Manufacturing of building materials                      | –   | 100%         | 100%  |
| 利盈電機電工程(上海)有限公司   | Mainland China                       | US\$13,920,000                                 | Engineering services                                     | –   | 100%         | 100%  |
| 利華泰建材貿易(深圳)有限公司   | Mainland China                       | HK\$2,100,000                                  | Trading of building materials                            | –   | 100%         | 100%  |
| 盈電環保節能科技(廣州)有限公司  | Mainland China                       | RMB1,500,000                                   | Trading of environmental technology products             | –   | 100%         | 100%  |
| 緯衡浩建科技(深圳)有限公司  | Mainland China                       | HK\$3,000,000                                  | Computer software development                            | –   | 100%         | 100%  |

# Notes to the Consolidated Financial Statements

## 20 Associates

|                          | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--------------------------|------------------|------------------|
| Beginning of year        | 1,384            | 1,402            |
| Share of profit          | 706              | 362              |
| Dividend                 | (494)            | (380)            |
| End of year              | 1,596            | 1,384            |
| Due from associates      | 494              | 11,331           |
| Provision for impairment | –                | (9,674)          |
| Due from associates, net | 494              | 1,657            |

(a) The following are the details of the principal associates at 31 March 2015 and 2014:

| Name   | Particulars of issued share capital | Place of incorporation | Assets<br>HK\$'000 | Liabilities<br>HK\$'000 | Revenue<br>HK\$'000 | Profit/<br>(loss)<br>HK\$'000 | Interest held |
|--|-------------------------------------|------------------------|--------------------|-------------------------|---------------------|-------------------------------|---------------|
| <b>2015</b>  |                                     |                        |                    |                         |                     |                               |               |
| Yau Lee Development Company Limited ("YLDC") (Note (b))      | HK\$100                             | Hong Kong              | 7                  | –                       | –                   | 25,270                        | 50%           |
| EYE Lighting (Hong Kong) Limited ("Eye Lighting") (Note (c)) | HK\$2,000,000                       | Hong Kong              | 6,541              | (2,408)                 | 8,488               | 1,858                         | 38%           |
| <b>2014</b>  |                                     |                        |                    |                         |                     |                               |               |
| Yau Lee Development Company Limited ("YLDC") (Note (b))      | HK\$100                             | Hong Kong              | 1                  | (25,264)                | –                   | (1,945)                       | 50%           |
| EYE Lighting (Hong Kong) Limited ("Eye Lighting") (Note (c)) | HK\$2,000,000                       | Hong Kong              | 5,185              | (1,611)                 | 5,808               | 952                           | 38%           |

(b) YLDC was engaged in a residential and commercial property development project in Shunde, Mainland China ("Fuli Building") with Chinese parties. The Group did not recognise the profit/(loss) of the associate for the year ended 31 March 2015 and 2014 as the Group's share of the accumulated losses exceeds its investment in YLDC.

(c) Eye Lighting is 38% owned by the Group and it is engaged in the trading of electric bulbs, light fittings and related products.

(d) The amounts due from associates are unsecured, interest free and repayable on demand.

# Notes to the Consolidated Financial Statements

## 21 Joint arrangements

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Obligation in respect of joint ventures                       |                         |                         |
| Beginning of year   | <b>(1,343)</b>          | (1,291)                 |
| Share of loss   | <b>(59)</b>             | (52)                    |
| End of year   | <b>(1,402)</b>          | (1,343)                 |
| Due from joint ventures <i>(Note (e))</i>                     | <b>2,613</b>            | 2,502                   |
| Due from joint operations <i>(Note (e))</i>                   | <b>31,315</b>           | 1,524                   |
|   | <b>33,928</b>           | 4,026                   |
| Due to joint operations <i>(Note (e))</i>                     | <b>(59,696)</b>         | (60,090)                |
| Due from other partners of joint operations <i>(Note (e))</i> | <b>56,797</b>           | 56,797                  |
| Due to other partners of joint operations <i>(Note (e))</i>   | <b>(29,829)</b>         | (21,933)                |

# Notes to the Consolidated Financial Statements

## 21 Joint arrangements (continued)

(a) The following is a list of the principal joint ventures at 31 March 2015 and 2014:

| Name  | Particulars of registered/issued share capital | Place of incorporation | Assets   | Liabilities | Revenue  | Loss     | Effective interest |
|---|--|------------------------|----------|-------------|----------|----------|--------------------|
|   |  |                        | HK\$'000 | HK\$'000    | HK\$'000 | HK\$'000 |                    |
| <b>2015</b>   |  |                        |          |             |          |          |                    |
| Yau Lee Formglas Limited<br>("YLFG") (Note (b))         | HK\$1,000,000                                  | Hong Kong              | 848      | (4,756)     | -        | (83)     | 51%                |
| Yau Lee Formglas (Macau)<br>Limited ("YLFM") (Note (c)) | MOP200,000                                     | Macau                  | 1,785    | (626)       | -        | (32)     | 51%                |
| Total   |  |                        | 2,633    | (5,382)     | -        | (115)    |                    |
| The Group's share                                       |  |                        | 1,343    | (2,745)     | -        | (59)     |                    |
| <b>2014</b>   |  |                        |          |             |          |          |                    |
| Yau Lee Formglas Limited<br>("YLFG") (Note (b))         | HK\$1,000,000                                  | Hong Kong              | 851      | (4,676)     | -        | (81)     | 51%                |
| Yau Lee Formglas (Macau)<br>Limited ("YLFM") (Note (c)) | MOP200,000                                     | Macau                  | 1,786    | (595)       | -        | (22)     | 51%                |
| Total   |  |                        | 2,637    | (5,271)     | -        | (103)    |                    |
| The Group's share                                       |  |                        | 1,345    | (2,688)     | -        | (52)     |                    |

(b) YLFG is a joint venture with a Canadian party, and is engaged in investment holding of YLFM.

(c) YLFM is a wholly-owned subsidiary of YLFG, and is inactive as at 31 March 2015.

# Notes to the Consolidated Financial Statements

## 21 Joint arrangements (continued)

(d) The following is a list of the principal joint operations at 31 March 2015 and 2014:

| Name                             | Place of establishment | Principal activities               | Effective interest |      |
|----------------------------------|------------------------|------------------------------------|--------------------|------|
|                                  |                        |                                    | 2015               | 2014 |
| Hsin Chong-Yau Lee Joint Venture | Hong Kong              | Building construction              | 50%                | 50%  |
| Yau Lee-Hsin Chong Joint Venture | Hong Kong              | Building construction              | 60%                | 60%  |
| BYME-REC Joint Venture           | Hong Kong              | Electrical and mechanical services | 50%                | 50%  |
| Paul Y. – Yau Lee Joint Venture  | Macau                  | Building construction              | 40%                | 40%  |

(e) The amount due from/(to) joint ventures, joint operations and other partners of joint operations of the Group and the Company were unsecured, interest free and repayable on demand.

## 22 Available-for-sale financial assets

### Unlisted equity securities, at cost

|                   | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-------------------|------------------|------------------|
| Beginning of year | 11,800           | –                |
| Additions         | –                | 11,800           |
| End of year       | 11,800           | 11,800           |

The balances are denominated in Hong Kong dollars. The maximum exposure to credit risk at the year end is the carrying value.

## Notes to the Consolidated Financial Statements

### 23 Other non-current assets

|                          | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Prepayments and deposits | <b>62,442</b>           | 49,364                  |

The balance includes a prepayment for an office premise in Guangzhou and a set of machinery for the construction of production lines for producing environmentally friendly and high performance building materials which will serve both local and overseas markets.

### 24 Cash and bank balances

|                                       | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Cash and bank balances                | <b>775,418</b>          | 560,773                 |
| Time deposits                         | <b>153,207</b>          | 356,266                 |
| Restricted deposits ( <i>Note a</i> ) | <b>307,852</b>          | 84,103                  |
|                                       | <b>1,236,477</b>        | 1,001,142               |

- (a) Restricted deposits are funds which are pledged as security for the banking facilities of the Group (Notes 30 and 37(a)).
- (b) Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

|                        | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|------------------------|-------------------------|-------------------------|
| Cash and bank balances | <b>775,418</b>          | 560,773                 |
| Time deposits          | <b>153,207</b>          | 356,266                 |
|                        | <b>928,625</b>          | 917,039                 |

# Notes to the Consolidated Financial Statements

## 24 Cash and bank balances (continued)

(c) The Group's cash and bank balances are mainly denominated in the following currencies:

|                       | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-----------------------|-------------------------|-------------------------|
| Hong Kong dollars     | 762,964                 | 586,756                 |
| Renminbi              | 316,567                 | 334,440                 |
| Macau Patacas         | 123,360                 | 63,322                  |
| Singapore dollars     | 31,327                  | 3,300                   |
| United States dollars | 1,951                   | 12,640                  |
| Other currencies      | 308                     | 684                     |
|                       | <b>1,236,477</b>        | 1,001,142               |

(d) Interest rates of time deposits and restricted deposits ranged from 0.001% to 3.80% (2014: 0.001% to 4.00%) per annum.

## 25 Trade and other receivables

(a) Trade debtors, net

|                          | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Trade debtors            | 800,066                 | 800,323                 |
| Retention receivables    | 547,898                 | 392,332                 |
| Provision for impairment | (6,163)                 | (2,143)                 |
|                          | <b>1,341,801</b>        | 1,190,512               |

# Notes to the Consolidated Financial Statements

## 25 Trade and other receivables (continued)

### (a) Trade debtors, net (continued)

The aging analysis of the trade debtors, net is as follows:

|               | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| Current       | 1,237,411               | 1,116,185               |
| 1-30 days     | 36,254                  | 15,203                  |
| 31-90 days    | 10,566                  | 16,742                  |
| 91-180 days   | 4,152                   | 7,299                   |
| Over 180 days | 53,418                  | 35,083                  |
|               | 104,390                 | 74,327                  |
|               | 1,341,801               | 1,190,512               |

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2015, trade debtors of HK\$104,390,000 (2014: HK\$74,327,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

As at 31 March 2015, trade debtors of HK\$6,163,000 (2014: HK\$2,143,000) were impaired and fully provided for. The individually impaired receivables relate to customers who experienced unexpected difficult economic situations. All of these trade debtors were overdue by more than 180 days as at 31 March 2015 and 2014.

# Notes to the Consolidated Financial Statements

## 25 Trade and other receivables (continued)

### (a) Trade debtors, net (continued)

Movements of provision for impairment of trade debtors are as follows:

|                               | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Beginning of year             | 2,143                   | 1,919                   |
| Impairment loss recognised    | 4,020                   | 476                     |
| Write back of impairment loss | –                       | (252)                   |
| End of year                   | <b>6,163</b>            | 2,143                   |

The Group's trade debtors balances are mainly denominated in the following currencies:

|                   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Hong Kong dollars | 1,106,824               | 966,020                 |
| Singapore dollars | 149,444                 | 80,467                  |
| Macau Patacas     | 67,336                  | 125,844                 |
| Renminbi          | 18,197                  | 18,181                  |
|                   | <b>1,341,801</b>        | 1,190,512               |

Trade receivables of certain construction contracts are pledged as security for the banking facilities of the Group (Note 37(d)).

# Notes to the Consolidated Financial Statements

## 25 Trade and other receivables (continued)

### (b) Prepayments, deposits and other receivables

|                            | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Advances to subcontractors | 392,096                 | 620,939                 |
| Prepayments and deposits   | 39,947                  | 52,173                  |
| Other receivables          | 169,299                 | 100,103                 |
|                            | <b>601,342</b>          | 773,215                 |

The Group's prepayments, deposits and other receivables are mainly denominated in Hong Kong dollars and United States dollars. Included in advances to subcontractors are amounts of HK\$221,134,000 (2014: HK\$202,196,000) which bear interest ranging from 8.0% to 9.0% (2014: 8.0% to 9.0%) per annum. All other advances to subcontractors are interest free and have no fixed terms of repayment. None of the prepayments, deposits and other receivables have been impaired.

The Group does not hold any collateral as security for trade and other receivables.

## 26 Inventories

|                | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Raw materials  | 76,244                  | 57,934                  |
| Finished goods | 45,892                  | 56,311                  |
| Others         | 3,651                   | 1,377                   |
|                | <b>125,787</b>          | 115,622                 |

# Notes to the Consolidated Financial Statements

## 27 Construction contracts in progress

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Contract costs incurred plus attributable profits<br>less foreseeable losses to date | <b>28,461,243</b>       | 25,465,287              |
| Progress billings to date  | <b>(28,184,067)</b>     | (25,456,399)            |
|  | <b>277,176</b>          | 8,888                   |
| Included in current assets/(liabilities) are the following:                          |                         |                         |
| Due from customers on construction contracts   | <b>1,020,610</b>        | 994,186                 |
| Due to customers on construction contracts   | <b>(743,434)</b>        | (985,298)               |
|  | <b>277,176</b>          | 8,888                   |

Retention receivables from customers in respect of construction contracts in progress of HK\$547,898,000 (2014: HK\$392,332,000) are classified under trade debtors, net (Note 25(a)).

## 28 Financial assets at fair value through profit or loss

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Money market fund at fair value<br>– unlisted | <b>42,090</b>           | 32,544                  |

Financial assets at fair value through profit or loss of HK\$42,090,000 (2014: HK\$32,544,000) which were pledged as security for the Group's and Company's banking facilities (Notes 30 and 37(b)).

# Notes to the Consolidated Financial Statements

## 29 Derivative financial liabilities

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>At fair value</b>                                   |                         |                         |
| Hong Kong dollars interest rate swap ( <i>Note a</i> ) | 11,045                  | 15,127                  |
| Foreign currency forward contracts ( <i>Note b</i> )   | 655                     | –                       |
|  | <b>11,700</b>           | 15,127                  |

*Note:*

- (a) In 2011, the Group entered into several interest rate swap agreements with banks at a total notional amount of HK\$600,000,000. Under these agreements, the Group will pay fixed rate and receive floating rate plus credit margin, which mitigate its interest rate exposure arising from its operation. These swap agreements have taken effect during the period from June 2012 to August 2012 and will expire 4 years later after the effective date.
- (b) The Group entered into several foreign currency forward contracts to mitigate its exchange rate exposure in Euro and Pound Sterling. These forward contracts will expire during the period from August 2015 to November 2015.

## 30 Borrowings

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Non-current  |                         |                         |
| Obligations under finance lease                    | 18,114                  | 19,117                  |
| Long-term bank loans-secured                       | 833,013                 | 1,261,408               |
|  | <b>851,127</b>          | 1,280,525               |
| Current  |                         |                         |
| Short-term bank loans-secured                      | 1,105,000               | 1,098,821               |
| Current portion of obligations under finance lease | 20,185                  | 15,776                  |
| Current portion of long-term bank loans-secured    | 474,648                 | 55,290                  |
|  | <b>1,599,833</b>        | 1,169,887               |
| Total borrowings                                   | <b>2,450,960</b>        | 2,450,412               |

# Notes to the Consolidated Financial Statements

## 30 Borrowings (continued)

(a) The maturity of borrowings is as follows:

|                       | Bank loans       |                  | Obligations under finance lease |                  |
|-----------------------|------------------|------------------|---------------------------------|------------------|
|                       | 2015<br>HK\$'000 | 2014<br>HK\$'000 | 2015<br>HK\$'000                | 2014<br>HK\$'000 |
| Within 1 year         | <b>1,579,648</b> | 1,154,111        | <b>20,185</b>                   | 15,776           |
| Between 1 and 2 years | <b>157,799</b>   | 446,655          | <b>16,207</b>                   | 11,123           |
| Between 2 and 5 years | <b>378,528</b>   | 476,900          | <b>1,907</b>                    | 7,994            |
| After 5 years         | <b>296,686</b>   | 337,853          | <b>–</b>                        | –                |
|                       | <b>2,412,661</b> | 2,415,519        | <b>38,299</b>                   | 34,893           |

(b) The annual effective interest rates at the balance sheet date are as follows:

|                                 | 2015<br>%  | 2014<br>% |
|---------------------------------|------------|-----------|
| Short-term bank loans           | <b>2.4</b> | 2.4       |
| Long-term bank loans            | <b>2.3</b> | 2.3       |
| Obligations under finance lease | <b>2.3</b> | 2.2       |

(c) The carrying amounts of borrowings approximate their fair values.

(d) The borrowings are mainly denominated in the following currencies:

|                   | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-------------------|------------------|------------------|
| Hong Kong dollars | <b>2,437,050</b> | 2,373,564        |
| Singapore dollars | <b>13,910</b>    | 76,848           |
|                   | <b>2,450,960</b> | 2,450,412        |

## Notes to the Consolidated Financial Statements

### 30 Borrowings (continued)

(e) The bank borrowings are secured by certain property, plant and equipment, investment properties, property under development for sale, restricted deposits and financial assets at fair value through profit or loss of the Group (Notes 14, 15, 17, 24, 28 and 37).

(f) The obligations under finance lease are as follows:

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Within one year                                  | 20,996                  | 16,506                  |
| In the second to fifth year                      | 18,513                  | 19,625                  |
|  | <b>39,509</b>           | 36,131                  |
| Future finance charges on finance lease          | <b>(1,210)</b>          | (1,238)                 |
|  | <b>38,299</b>           | 34,893                  |
| Present value of obligations under finance lease | <b>38,299</b>           | 34,893                  |

### 31 Deferred income tax

The movement of net deferred income tax (liabilities)/assets is as follows:

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Beginning of year  | 635                     | (3,554)                 |
| (Charged)/credited to consolidated income statement ( <i>Note 10</i> ) | <b>(795)</b>            | 4,154                   |
| Currency translation differences                                       | -                       | 35                      |
|  | <b>(160)</b>            | 635                     |
| End of year  | <b>(160)</b>            | 635                     |

# Notes to the Consolidated Financial Statements

## 31 Deferred income tax (continued)

The movement in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same taxation jurisdiction is as follows:

| Assets/(liabilities)                                | Tax losses |          | Intangible assets |          | Accelerated depreciation allowance |          | Total    |          |
|---|------------|----------|-------------------|----------|------------------------------------|----------|----------|----------|
|   | 2015       | 2014     | 2015              | 2014     | 2015                               | 2014     | 2015     | 2014     |
|   | HK\$'000   | HK\$'000 | HK\$'000          | HK\$'000 | HK\$'000                           | HK\$'000 | HK\$'000 | HK\$'000 |
| Beginning of year                                   | 37,422     | 29,702   | (2,467)           | (2,641)  | (34,320)                           | (30,615) | 635      | (3,554)  |
| (Charged)/credited to consolidated income statement | (1,239)    | 7,720    | 174               | 174      | 270                                | (3,740)  | (795)    | 4,154    |
| Currency translation differences                    | -          | -        | -                 | -        | -                                  | 35       | -        | 35       |
| End of year   | 36,183     | 37,422   | (2,293)           | (2,467)  | (34,050)                           | (34,320) | (160)    | 635      |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

|   | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|---|------------------|------------------|
| Deferred income tax assets                |                  |                  |
| Recoverable more than twelve months       | 2,720            | 3,585            |
| Recoverable within twelve months          | 680              | 896              |
|   | 3,400            | 4,481            |
| Deferred income tax liabilities           |                  |                  |
| Payable or settle more than twelve months | (2,848)          | (3,077)          |
| Payable or settle within twelve months    | (712)            | (769)            |
|   | (3,560)          | (3,846)          |

## Notes to the Consolidated Financial Statements

### 31 Deferred income tax (continued)

As at 31 March 2015, the Group has unrecognised tax losses of approximately HK\$701,915,000 (2014: HK\$660,167,000) to carry forward against future taxable income.

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| With no expiry date  | 633,038                 | 583,642                 |
| Expiring not later than one year                           | 323                     | 274                     |
| Expiring later than one year and not later than five years | 68,554                  | 76,251                  |
|  | <b>701,915</b>          | 660,167                 |

### 32 Payables to suppliers and subcontractors

The aging analysis of payables to suppliers and subcontractors is as follows:

|               | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| Current       | 614,268                 | 529,633                 |
| 1-30 days     | 19,330                  | 47,966                  |
| 31-90 days    | 5,461                   | 11,915                  |
| 91-180 days   | 1,801                   | 412                     |
| Over 180 days | 11,473                  | 1,490                   |
|               | <b>652,333</b>          | 591,416                 |

## Notes to the Consolidated Financial Statements

### 32 Payables to suppliers and subcontractors (continued)

The Group's payables to suppliers and subcontractors balances are mainly denominated in the following currencies:

|                   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Hong Kong dollars | 446,256                 | 430,588                 |
| Singapore dollars | 162,863                 | 63,013                  |
| Macau Patacas     | 26,245                  | 64,652                  |
| Renminbi          | 16,292                  | 32,309                  |
| Others            | 677                     | 854                     |
|                   | <b>652,333</b>          | 591,416                 |

### 33 Accruals, retention payables, deposits received and other liabilities

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Retention payables                               | 453,044                 | 279,625                 |
| Deposits received from sales of properties       | 201,903                 | –                       |
| Other deposits and receipts in advance           | 51,061                  | 52,810                  |
| Due to non-controlling interests ( <i>Note</i> ) | 16,304                  | 520                     |
| Others   | 171,426                 | 234,184                 |
|  | <b>893,738</b>          | 567,139                 |

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

### 34 Share capital

|                                  | Number of shares     |               | Amount                  |                         |
|----------------------------------|----------------------|---------------|-------------------------|-------------------------|
|                                  | 2015                 | 2014          | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
| Ordinary shares of HK\$0.2 each  |                      |               |                         |                         |
| Authorised:                      |                      |               |                         |                         |
| At beginning and end of the year | <b>1,000,000,000</b> | 1,000,000,000 | <b>200,000</b>          | 200,000                 |
| Issued and fully paid:           |                      |               |                         |                         |
| At beginning and end of the year | <b>438,053,600</b>   | 438,053,600   | <b>87,611</b>           | 87,611                  |

# Notes to the Consolidated Financial Statements

## 35 Other reserves and retained profits

|                                  | Other reserves            |  |                              |                   | Retained profits<br>HK\$'000 |
|----------------------------------|---------------------------|--|------------------------------|-------------------|------------------------------|
|                                  | Share premium<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Total<br>HK\$'000 |                              |
| At 1 April 2014                  | 413,776                   | 359                                    | 38,362                       | 452,497           | 991,502                      |
| Profit for the year              | -                         | -                                      | -                            | -                 | 76,064                       |
| 2014 final dividend              | -                         | -                                      | -                            | -                 | (6,045)                      |
| 2015 interim dividend            | -                         | -                                      | -                            | -                 | (4,381)                      |
| Currency translation differences | -                         | -                                      | (1,092)                      | (1,092)           | -                            |
| <b>At 31 March 2015</b>          | <b>413,776</b>            | <b>359</b>                             | <b>37,270</b>                | <b>451,405</b>    | <b>1,057,140</b>             |
| Representing:                    |                           |  |                              |                   |                              |
| 2015 final dividend proposed     |                           |  |                              |                   | 10,426                       |
| Others                           |                           |  |                              |                   | 1,046,714                    |
| <b>At 31 March 2015</b>          |                           |  |                              |                   | <b>1,057,140</b>             |
| At 1 April 2013                  | 413,776                   | 359                                    | 34,381                       | 448,516           | 963,313                      |
| Profit for the year              | -                         | -                                      | -                            | -                 | 38,615                       |
| 2013 final dividend              | -                         | -                                      | -                            | -                 | (6,045)                      |
| 2014 interim dividend            | -                         | -                                      | -                            | -                 | (4,381)                      |
| Currency translation differences | -                         | -                                      | 3,981                        | 3,981             | -                            |
| At 31 March 2014                 | 413,776                   | 359                                    | 38,362                       | 452,497           | 991,502                      |
| Representing:                    |                           |  |                              |                   |                              |
| 2014 final dividend proposed     |                           |  |                              |                   | 6,045                        |
| Others                           |                           |  |                              |                   | 985,457                      |
| At 31 March 2014                 |                           |  |                              |                   | 991,502                      |

# Notes to the Consolidated Financial Statements

## 36 Notes to consolidated cash flow statement

### (a) Reconciliation of operating profit to net cash from/(used in) operations

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Operating profit   | 123,803                 | 85,533                  |
| Interest income  | (21,283)                | (19,017)                |
| Dividend income from investments   | –                       | (74)                    |
| (Gain)/loss on disposal of property,<br>plant and equipment, net                                   | (2,717)                 | 3,020                   |
| Fair value gain on investment properties, net  | (37,264)                | (4,310)                 |
| Gain on disposal of an investment property   | (21,025)                | –                       |
| Amortisation of intangible assets  | 1,056                   | 1,056                   |
| Amortisation of leasehold land and land use rights   | 1,460                   | 1,447                   |
| Depreciation   | 100,895                 | 92,890                  |
| Write off of impaired receivables  | 1,326                   | –                       |
| Provision for impaired receivables, net of write back of<br>impaired receivables                   | 4,020                   | 224                     |
| Provision for inventories  | 20,914                  | 63                      |
| Gain on derivative financial liabilities, net  | –                       | (2,541)                 |
| Gain on financial assets at fair value through profit or loss                                      | (48)                    | (940)                   |
| Operating profit before working capital changes  | 171,137                 | 157,351                 |
| Increase in loans to employees   | (1,642)                 | –                       |
| Decrease/(increase) in loans to suppliers  | 4,200                   | (4,200)                 |
| Increase in trade debtors, net   | (149,750)               | (506,608)               |
| Increase in inventories  | (31,078)                | (38,094)                |
| Decrease/(increase) in prepayments, deposits and<br>other receivables                              | 187,252                 | (379,999)               |
| Increase in due from customers on construction contracts   | (36,337)                | (380,213)               |
| Additions to property under development for sale   | (123,715)               | (58,818)                |
| Decrease/(increase) in due from associates   | 1,277                   | (1,232)                 |
| Net change in balances with joint ventures/joint operations/<br>other partners of joint operations | (22,400)                | (60)                    |
| Increase in payables to suppliers and subcontractors   | 65,192                  | 277,735                 |
| Increase in accruals, retention payables, deposits received<br>and other liabilities               | 327,863                 | 211,449                 |
| (Decrease)/increase in due to customers<br>on construction contracts                               | (241,864)               | 545,058                 |
| Net cash from/(used in) operations   | 150,135                 | (177,631)               |

## Notes to the Consolidated Financial Statements

### 36 Notes to consolidated cash flow statement (continued)

#### (b) Analysis of changes in financing during the year

|   | Non-<br>controlling<br>interests<br><i>HK\$'000</i> | Obligations<br>under finance<br>lease<br><i>HK\$'000</i> | Long-term<br>bank loans<br><i>HK\$'000</i> | Short-term<br>bank loans<br><i>HK\$'000</i> | Restricted<br>deposits<br><i>HK\$'000</i> |
|---|---|--|--|---|---|
| At 1 April 2014   | 1,660   | 34,893   | 1,316,698                                  | 1,098,821                                   | (84,103)                                  |
| Net cash (outflow)/inflow<br>from financing activities        | -   | (22,734)   | (9,264)                                    | 6,179                                       | (223,749)                                 |
| Amortisation charges of<br>prepaid loan arrangement fee       | -   | -  | 1,153                                      | -   | -   |
| Share of profit by<br>non-controlling interests               | 7   | -  | -  | -   | -   |
| Inception of finance lease<br>obligations ( <i>Note (c)</i> ) | -   | 26,278   | -  | -   | -   |
| Currency translation differences                              | -   | (138)  | (926)                                      | -   | -   |
| <b>At 31 March 2015</b>                                       | <b>1,667</b>  | <b>38,299</b>  | <b>1,307,661</b>                           | <b>1,105,000</b>                            | <b>(307,852)</b>                          |
| At 1 April 2013   | 1,022   | 8,543  | 1,076,418                                  | 649,372                                     | (119,766)                                 |
| Net cash (outflow)/inflow<br>from financing activities        | -   | (10,747)   | 239,727                                    | 449,449                                     | 35,663                                    |
| Amortisation charges of<br>prepaid loan arrangement fee       | -   | -  | 1,082                                      | -   | -   |
| Share of profit by<br>non-controlling interests               | 619   | -  | -  | -   | -   |
| Inception of finance lease<br>obligations ( <i>Note (c)</i> ) | -   | 37,185   | -  | -   | -   |
| Currency translation differences                              | 19  | (88)   | (529)                                      | -   | -   |
| At 31 March 2014  | 1,660   | 34,893   | 1,316,698                                  | 1,098,821                                   | (84,103)                                  |

#### (c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK\$26,278,000 (2014: HK\$37,185,000).

# Notes to the Consolidated Financial Statements

## 37 Banking facilities

As at 31 March 2015, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$4,546,076,000 (2014: HK\$4,244,255,000), of which HK\$3,085,603,000 (2014: HK\$2,931,535,000) had been utilised. These banking facilities are secured by the following:

- (a) Restricted deposits of HK\$307,852,000 (2014: HK\$84,103,000) (Note 24);
- (b) Financial assets at fair value through profit or loss of HK\$42,090,000 (2014: HK\$32,544,000) (Note 28);
- (c) Guarantees of HK\$4,526,304,000 (2014: HK\$4,222,056,000) given by the Company;
- (d) Trade receivables of certain construction contracts (Note 25 (a)); and
- (e) Property, plant and equipment of HK\$564,234,000 (2014: HK\$569,762,000), investment properties of HK\$51,277,000 (2014: HK\$323,315,000), leasehold land and land use rights of HK\$1,859,000 (2014: HK\$1,916,000) and property under development for sale of HK\$569,459,000 (2014: HK\$445,744,000) (Notes 14, 15, 16 and 17).

## 38 Commitments and contingent liabilities

The Group had 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 2015, the Group has various liquidated damages claims on certain contracts for which the respective extension of time claims have been forwarded and filed to the clients. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.
- (b) In 2010, the Group instigated legal proceedings against a subcontractor claiming a sum of HK\$10,000,000 in respect of the subcontractor's failure to perform contractual duties and for recovery of overpayment made to the subcontractor. The subcontractor raised a counterclaim against the Group in the sum of approximately HK\$4,898,000 as recently amended. The case is in the process of pre-trial management review pending a trial date to be fixed. The Directors are of the view that no provision is presently required with respect to the case.
- (c) The Group has provided performance bonds amounting to approximately HK\$971,529,000 (2014: HK\$884,253,000) in favour of the Group's customers.

## Notes to the Consolidated Financial Statements

### 38 Commitments and contingent liabilities (continued)

- (d) As at 31 March 2015, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of a land use right, plant and equipment and setup of a factory in Mainland China of approximately HK\$35,356,000 (2014: HK\$16,170,000).
- (e) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

|                        | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|------------------------|-------------------------|-------------------------|
| Land and buildings     |                         |                         |
| Within one year        | 9,652                   | 11,328                  |
| One year to five years | 4,276                   | 19,912                  |
| More than five years   | –                       | 33,126                  |
|                        | <b>13,928</b>           | 64,366                  |

With reference to Note 42, the above minimum lease rental payable under non-cancellable operating leases excluded the operating lease commitment in relation to the land parcels located at Longhua New District, Shenzhen.

### 39 Future minimum rental payments receivable

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of its investment properties as follows:

|                        | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|------------------------|-------------------------|-------------------------|
| Within one year        | 3,433                   | 3,849                   |
| One year to five years | 1,814                   | 1,316                   |
|                        | <b>5,247</b>            | 5,165                   |

# Notes to the Consolidated Financial Statements

## 40 Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group and are as follows:

### Key management compensation

Key management includes Directors (Executive and Independent Non-Executive Directors) of the Group. The compensation paid or payable to key management for employee services is shown below:

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Salaries and fees                           | 16,565                  | 15,250                  |
| Discretionary bonuses                       | 2,780                   | 2,460                   |
| Pension costs – defined contribution scheme | 725                     | 665                     |
| Others                                      | 74                      | 74                      |
|   | <b>20,144</b>           | 18,449                  |

# Notes to the Consolidated Financial Statements

## 41 Benefits and interests of directors

### Directors' and chief executive's emoluments

The remuneration of the Directors is set out below:

For the year ended 31 March 2015:

Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

| Name                       | Fees     | Salaries | Discretionary bonuses | Housing allowance | Estimated money value of other benefits | Employer's contribution to retirement benefit scheme | Total    |
|----------------------------|----------|----------|-----------------------|-------------------|---|--|----------|
|                            |          |          |                       |                   | (Note)                                  |  |          |
|                            | HK\$'000 | HK\$'000 | HK\$'000              | HK\$'000          | HK\$'000                                | HK\$'000   | HK\$'000 |
| Mr. Wong Ip Kuen           | -        | 7,850    | 820                   | -                 | 31                                      | 363  | 9,064    |
| Ir. Wong Tin Cheung        | -        | 2,544    | 780                   | 936               | 17                                      | 161  | 4,438    |
| Ms. Wong Wai Man           | -        | 2,890    | 680                   | -                 | 15                                      | 134  | 3,719    |
| Mr. Sun Chun Wai           | -        | 1,445    | 500                   | -                 | 11                                      | 67   | 2,023    |
| Mr. Chan, Bernard Charnwut | 300      | -        | -                     | -                 | -                                       | -  | 300      |
| Mr. Wu King Cheong         | 300      | -        | -                     | -                 | -                                       | -  | 300      |
| Dr. Yeung Tsun Man, Eric   | 300      | -        | -                     | -                 | -                                       | -  | 300      |
|                            | 900      | 14,729   | 2,780                 | 936               | 74                                      | 725  | 20,144   |

# Notes to the Consolidated Financial Statements

## 41 Benefits and interests of directors (continued)

For the year ended 31 March 2014:

Certain of the comparative information of directors' emoluments for the year ended 31 March 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

| Name                       | Fees     | Salaries | Discretionary bonuses | Housing allowance | Estimated money value of other benefits (Note) | Employer's contribution to retirement benefit scheme | Total    |
|----------------------------|----------|----------|-----------------------|-------------------|--|--|----------|
|                            | HK\$'000 | HK\$'000 | HK\$'000              | HK\$'000          | HK\$'000                                       | HK\$'000   | HK\$'000 |
| Mr. Wong Ip Kuen           | -        | 7,250    | 750                   | -                 | 30   | 335  | 8,365    |
| Ir. Wong Tin Cheung        | -        | 2,450    | 720                   | 720               | 17   | 147  | 4,054    |
| Ms. Wong Wai Man           | -        | 2,640    | 550                   | -                 | 16   | 122  | 3,328    |
| Mr. Sun Chun Wai           | -        | 1,320    | 440                   | -                 | 11   | 61   | 1,832    |
| Mr. Chan, Bernard Charnwut | 290      | -        | -                     | -                 | -  | -  | 290      |
| Mr. Wu King Cheong         | 290      | -        | -                     | -                 | -  | -  | 290      |
| Dr. Yeung Tsun Man, Eric   | 290      | -        | -                     | -                 | -  | -  | 290      |
|                            | 870      | 13,660   | 2,460                 | 720               | 74   | 665  | 18,449   |

Note: Other benefits include insurance premium.

## 42 Post balance sheet event

On 29 April 2015, two wholly-owned subsidiaries of the Company entered into a relocation compensation agreement with the landlord of two parcels of land located at Longhua New District, Shenzhen, pursuant to which the two subsidiaries will receive an aggregate compensation of RMB350,000,000 or its monetary worth (as the case may be), RMB100,000,000 of which in the form of cash and RMB250,000,000 in kind by way of new residential properties to be constructed at or near the same location for the early termination of the two lease agreements.

The parcels of land are currently occupied on lease by the subsidiaries as factory, offices and warehouse. The relocation is expected to be completed by 3 November 2015.

# Notes to the Consolidated Financial Statements

## 43 Balance sheet and reserve movement of the Company

### Balance sheet of the Company

As at 31 March 2015

|   | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|---|------------------|------------------|
| <b>Assets</b>   |                  |                  |
| <b>Non-current asset</b>                              |                  |                  |
| Subsidiaries  | 571,615          | 571,615          |
| <b>Current assets</b>                                 |                  |                  |
| Cash and bank balances                                | 10,628           | 18,528           |
| Prepayments, deposits and other receivables           | 950              | 1,538            |
| Financial assets at fair value through profit or loss | 19,194           | 9,232            |
| Due from subsidiaries                                 | 1,146,558        | 1,125,729        |
| Due from an associate                                 | –                | 63               |
| Due from a joint venture                              | 280              | 200              |
|   | 1,177,610        | 1,155,290        |
| <b>Total assets</b>                                   | <b>1,749,225</b> | 1,726,905        |
| <b>Equity</b>   |                  |                  |
| Share capital   | 87,611           | 87,611           |
| Other reserves  | 414,135          | 414,135          |
| Retained profits                                      | 952,022          | 962,241          |
|   | 1,453,768        | 1,463,987        |
| <b>Liabilities</b>                                    |                  |                  |
| <b>Current liabilities</b>                            |                  |                  |
| Short-term bank loans                                 | 20,000           | 30,000           |
| Accruals and other liabilities                        | 699              | 568              |
| Due to subsidiaries                                   | 274,758          | 232,350          |
|   | 295,457          | 262,918          |
| <b>Total liabilities</b>                              | <b>295,457</b>   | 262,918          |
| <b>Total equity and liabilities</b>                   | <b>1,749,225</b> | 1,726,905        |
| <b>Net current assets</b>                             | <b>882,153</b>   | 892,372          |
| <b>Total assets less current liabilities</b>          | <b>1,453,768</b> | 1,463,987        |

# Notes to the Consolidated Financial Statements

## 43 Balance sheet and reserve movement of the Company (continued)

**Note: Reserve movement of the Company  
For the year ended 31 March 2015**

|   | Share<br>premium<br><i>HK\$'000</i> | Other reserves<br>Capital<br>redemption<br>reserve<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> | Retained<br>profits<br><i>HK\$'000</i> |
|---|-------------------------------------|---|--------------------------|--|
| <b>At 1 April 2014</b>                                  | <b>413,776</b>                      | <b>359</b>  | <b>414,135</b>           | <b>962,241</b>                         |
| Profit attributable to equity holders<br>of the Company | –                                   | –   | –                        | 207                                    |
| 2014 final dividend                                     | –                                   | –   | –                        | (6,045)                                |
| 2015 interim dividend                                   | –                                   | –   | –                        | (4,381)                                |
| <b>At 31 March 2015</b>                                 | <b>413,776</b>                      | <b>359</b>  | <b>414,135</b>           | <b>952,022</b>                         |
| Representing:   |                                     |   |                          |  |
| 2015 final dividend proposed                            |                                     |   |                          | 10,426                                 |
| Others  |                                     |   |                          | 941,596                                |
| <b>At 31 March 2015</b>                                 |                                     |   |                          | <b>952,022</b>                         |
| At 1 April 2013   | 413,776                             | 359   | 414,135                  | 980,177                                |
| Loss attributable to equity holders<br>of the Company   | –                                   | –   | –                        | (7,510)                                |
| 2013 final dividend                                     | –                                   | –   | –                        | (6,045)                                |
| 2014 interim dividend                                   | –                                   | –   | –                        | (4,381)                                |
| At 31 March 2014  | 413,776                             | 359   | 414,135                  | 962,241                                |
| Representing:   |                                     |   |                          |  |
| 2014 final dividend proposed                            |                                     |   |                          | 6,045                                  |
| Others  |                                     |   |                          | 956,196                                |
| At 31 March 2014  |                                     |   |                          | 962,241                                |

# List of Investment Properties

| Property   | Location and lease term   | Area   | Existing use                         | Group's interest |
|--|---|--|--------------------------------------|------------------|
| 1. 40 Prinsep Street<br>Singapore<br>188666  | Lot No. 491K Town Subdivision 11 for a term of leasehold 99 years with effect from 1 March 1995     | Approximate building floor area 4,306 sq.ft.   | The property is currently leased out | 100%             |
| 2. 10 Gopeng Street<br>#38-26 Icon<br>Singapore<br>078878                                | Lot No. U2246A Town Subdivision 3 for a term of leasehold 99 years with effect from 29 January 2002 | Approximate strata floor area 936 sq.ft.   | The property is currently leased out | 100%             |
| 3. Rear Portion of<br>4th Floor 33 & 33A<br>Pok Fu Lam Road<br>Sai Ying Pun<br>Hong Kong | Inland Lot No. 5821 for a term of 999 years commencing on 30 June 1862                              | Approximate saleable area 654 sq.ft.   | The property is currently leased out | 90%              |
| 4. G/F and Cockloft<br>of No. 30<br>Western Street<br>Sai Ying Pun<br>Hong Kong          | Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860                           | Approximate shop saleable area 495 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 327 sq.ft. | The property is currently leased out | 60%              |
| 5. G/F and Cockloft<br>of No. 32<br>Western Street<br>Sai Ying Pun<br>Hong Kong          | Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860                           | Approximate shop saleable area 462 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 271 sq.ft. | The property is currently vacant     | 60%              |

# Five Year Financial Summary

## Consolidated Results

For the year ended 31 March

|   | 2011<br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Revenue   | 3,813,032               | 4,815,198               | 4,196,546               | 6,552,586               | <b>9,476,494</b>        |
| Profit before income tax                                | 87,528                  | 50,240                  | 73,490                  | 47,025                  | <b>95,852</b>           |
| Income tax expense                                      | (6,683)                 | (7,582)                 | (8,180)                 | (7,791)                 | <b>(19,781)</b>         |
| Loss/(profit) attributable to non-controlling interests | 594                     | (1,167)                 | 50                      | (619)                   | <b>(7)</b>              |
| Profit attributable to equity holders of the Company    | 81,439                  | 41,491                  | 65,360                  | 38,615                  | <b>76,064</b>           |

## Consolidated assets and liabilities

As at 31 March

|   | 2011<br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total assets                                    | 3,094,811               | 3,990,249               | 4,412,525               | 6,242,116               | <b>6,472,028</b>        |
| Total liabilities and non-controlling interests | (1,688,044)             | (2,543,206)             | (2,913,085)             | (4,710,506)             | <b>(4,875,872)</b>      |
| Shareholders' equity                            | 1,406,767               | 1,447,043               | 1,499,440               | 1,531,610               | <b>1,596,156</b>        |

The above financial summary is extracted from the audited consolidated financial statements of the Group.