



有利集團有限公司 Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 0406



2013 Interim Report



This interim report is printed on environmentally friendly paper

CORPORATE INFORMATION

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

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
Kowloon
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

HIGHLIGHTS

The Group reported an increase in revenue from HK\$1,776,593,000 to HK\$1,832,709,000.

The Group reported gross profit of HK\$157,553,000 (2012: HK\$152,243,000) in current period.

Profit for the period decreased from HK\$36,595,000 to HK\$21,597,000.

Basic and diluted earnings per share was approximately HK4.92 cents (2012: HK8.34 cents).

The net asset value attributable to equity holders of the Company as at 30 September 2013 was HK\$1,517,592,000 (31 March 2013: HK\$1,499,440,000), equivalent to HK\$3.46 (31 March 2013: HK\$3.42) per share based on the 438,053,600 (31 March 2013: 438,053,600) ordinary shares in issue.

INTERIM RESULTS

The Board of Directors (the “Board”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2013 were as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

		Six months ended	
		30 September	
		2013	2012
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Revenue	6	1,832,709	1,776,593
Cost of sales	8	(1,675,156)	(1,624,350)
Gross profit		157,553	152,243
Other income and gains	7	45,355	39,107
Distribution costs	8	(10,783)	(16,064)
Administrative expenses	8	(168,907)	(139,222)
Other operating expenses	8	(2,646)	(2,474)
Operating profit		20,572	33,590
Finance costs	9	(22,633)	(19,644)
Share of profit of jointly controlled entities		22,766	23,426
Share of profit of an associate		306	17
Profit before income tax		21,011	37,389
Income tax credit/(expense)	10	586	(794)
Profit for the period		21,597	36,595
Attributable to:			
Equity holders of the Company		21,557	36,528
Non-controlling interests		40	67
		21,597	36,595
Interim dividend	11	4,381	4,381
Earnings per share (basic and diluted)	12	4.92 cents	8.34 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
Profit for the period	21,597	36,595
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Currency translation differences	<u>2,659</u>	<u>1,403</u>
Total comprehensive income for the period	<u>24,256</u>	<u>37,998</u>
Attributable to:		
Equity holders of the Company	24,197	37,931
Non-controlling interests	<u>59</u>	<u>67</u>
Total comprehensive income for the period	<u>24,256</u>	<u>37,998</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2013

	<i>Note</i>	30 September 2013 HK\$'000	31 March 2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>13</i>	1,121,399	1,086,815
Investment properties	<i>13</i>	338,242	324,023
Leasehold land and land use rights	<i>13</i>	60,209	59,801
Intangible assets		16,206	16,734
Goodwill		15,905	15,905
Associates		1,709	1,402
Jointly controlled entities		71,504	48,524
Deferred income tax assets		4,081	3,681
Other non-current assets		45,164	45,164
		1,674,419	1,602,049
Current assets			
Cash and bank balances	<i>14</i>	402,930	453,507
Trade debtors, net	<i>15</i>	632,821	635,960
Prepayments, deposits and other receivables		463,588	385,684
Inventories		107,904	79,127
Prepaid income tax		310	130
Due from customers on construction contracts		980,286	611,282
Financial assets at fair value through profit or loss		42,534	42,402
Due from associates		1,257	159
Due from jointly controlled entities		2,422	2,411
Property under development for sale		411,164	386,926
		3,045,216	2,597,588
Total assets		4,719,635	4,199,637

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2013

	Note	30 September 2013 HK\$'000	31 March 2013 HK\$'000
EQUITY			
Share capital	17	87,611	87,611
Other reserves		451,156	448,516
Retained profits			
Proposed dividends		4,381	6,045
Others		974,444	957,268
Attributable to equity holders of the Company		1,517,592	1,499,440
Non-controlling interests		1,081	1,022
Total equity		1,518,673	1,500,462
LIABILITIES			
Non-current liabilities			
Long-term borrowings	18	1,087,704	1,015,590
Deferred income tax liabilities		6,191	6,349
		1,093,895	1,021,939
Current liabilities			
Short-term bank loans	18	1,068,900	619,372
Current portion of long-term borrowings	18	61,580	69,371
Derivative financial instruments	16	18,923	26,952
Payables to suppliers and subcontractors	19	267,248	274,363
Accruals, retention payables and other liabilities		363,480	328,609
Income tax payable		454	590
Obligation in respect of jointly controlled entities		1,505	1,291
Due to customers on construction contracts		262,565	293,526
Due to jointly controlled entities		62,412	63,162
		2,107,067	1,677,236
Total liabilities		3,200,962	2,699,175
Total equity and liabilities		4,719,635	4,199,637
Net current assets		938,149	920,352
Total assets less current liabilities		2,612,568	2,522,401

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Currency translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
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 period	-	-	-	-	21,557	21,557	40	21,597
Other comprehensive income:								
Currency translation differences	-	-	-	2,640	-	2,640	19	2,659
2013 final dividend (Note 11)	-	-	-	-	(6,045)	(6,045)	-	(6,045)
As at 30 September 2013	87,611	413,776	359	37,021	978,825	1,517,592	1,081	1,518,673
As at 1 April 2012, as previously reported	87,611	413,776	359	32,975	887,108	1,421,829	1,072	1,422,901
Adjustment of change in accounting policy for – adopting amendments to HKAS12	-	-	-	-	21,320	21,320	-	21,320
– retention reclassification	-	-	-	-	3,894	3,894	-	3,894
As at 1 April 2012, as restated	87,611	413,776	359	32,975	912,322	1,447,043	1,072	1,448,115
Comprehensive income:								
Profit for the period	-	-	-	-	36,528	36,528	67	36,595
Other comprehensive income:								
Currency translation differences	-	-	-	1,403	-	1,403	-	1,403
2012 final dividend (Note 11)	-	-	-	-	(9,988)	(9,988)	-	(9,988)
As at 30 September 2012	87,611	413,776	359	34,378	938,862	1,474,986	1,139	1,476,125

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2013

		Six months ended	
		30 September	
		2013	2012
	<i>Note</i>	HK\$'000	HK\$'000
Net cash used in operating activities		(435,225)	(232,656)
Net cash used in investing activities		(111,330)	(82,129)
Net cash from financing activities		508,463	133,575
		<hr/>	<hr/>
Decrease in cash and cash equivalents		(38,092)	(181,210)
Cash and cash equivalents at beginning of period		333,741	450,434
		<hr/>	<hr/>
Cash and cash equivalents at end of period		295,649	269,224
		<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents	<i>14(b)</i>		
Cash and bank balances		208,050	224,542
Time deposits		87,599	44,787
Bank overdrafts		–	(105)
		<hr/>	<hr/>
		295,649	269,224
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Yau Lee Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in 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”).

Condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. Condensed consolidated interim financial information has been approved for issue by the Board of Directors on 25 November 2013.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2013 has been prepared in accordance with HKAS 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

3. ACCOUNTING POLICIES

(i) Adoption of new standards and amendments to existing standards

The following relevant standards and amendments to existing standards have been published that are effective for the accounting period of the Group beginning on 1 April 2013:

– Amendments to HKAS 1 (revised)	Presentation of Financial Information – Presentation of Items of Other Comprehensive Income
– HKAS 27 (2011)	Separate Financial Information
– HKAS 28 (2011)	Investments in Associates and Joint Ventures
– HKFRS 10	Consolidated Financial Information
– HKFRS 11	Joint Arrangements
– HKFRS 12	Disclosure of Interests in Other Entities
– HKFRS 13	Fair Value Measurements
– Annual Improvements 2009 – 2011 Cycle	

The adoption of these relevant standards and amendments to existing standards did not have any significant effect to the Group’s consolidated financial results.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. ACCOUNTING POLICIES (CONTINUED)

(ii) Relevant new or revised standards, amendments to existing standards and interpretations that are not yet effective and have not been early adopted by the Group

The following relevant new or revised standards, amendments to existing standards and interpretations have been published but are not effective for the financial year beginning 1 April 2013 and have not been early adopted by the Group:

– Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	Investment entities
– HKAS 32 (amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
– HKAS 36 (amendment)	Recoverable Amount Disclosures for Non-Financial Assets
– HKAS 39 (amendment)	Novation of Derivatives and Continuation of Hedge Accounting
– HK (IFRIC) – Int 21	Levies
– HKFRS 7 and HKFRS 9 (amendments)	Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transitional Disclosures
– HKFRS 9	Financial Instruments

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

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(i) 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 condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2013.

There have been no changes in any risk management policies since the financial year end.

(ii) 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 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 September 2013				
Financial assets at fair value through profit or loss	–	42,534	–	42,534
Derivative financial instruments	–	(18,923)	–	(18,923)
As at 31 March 2013				
Financial assets at fair value through profit or loss	–	42,402	–	42,402
Derivative financial instruments	–	(26,952)	–	(26,952)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Valuation techniques used to derive Level 2 fair values

Level 2 financial assets at fair value through profit or loss comprise of unlisted money market funds. These funds have been fair valued using observable interest rates. The effects of discounting are insignificant for the valuation of these funds.

Level 2 derivatives comprise forward foreign exchange contracts and interest rate swaps. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

(iv) Group's valuation processes

The Group's finance department reviews the valuations of the Group's financial instruments that are stated at fair value for financial reporting purposes. These valuation results are then reported to the chief financial officer and group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

6. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
Revenue		
Construction	1,189,526	906,774
Electrical and mechanical installation	464,857	580,626
Building materials supply	120,058	280,846
Property investment and development	1,030	943
Hotel operations	52,347	403
Others	4,891	7,001
	1,832,709	1,776,593

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Construction HK\$'000	Electrical and mechanical installation HK\$'000	Building materials supply HK\$'000	Property investment and development HK\$'000	Hotel operations HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended							
30 September 2013							
Total sales	1,197,778	504,526	229,934	1,030	52,347	21,616	2,007,231
Inter-segment sales	(8,252)	(39,669)	(109,876)	-	-	(16,725)	(174,522)
External sales	1,189,526	464,857	120,058	1,030	52,347	4,891	1,832,709
Jointly controlled entities sales	620,627	4,648	-	-	-	-	625,275
	<u>1,810,153</u>	<u>469,505</u>	<u>120,058</u>	<u>1,030</u>	<u>52,347</u>	<u>4,891</u>	<u>2,457,984</u>
Segment results	19,138	(8,179)	(5,697)	12,838	9,774	(3,425)	24,449
Share of profit of an associate	-	306	-	-	-	-	306
Share of profit/(loss) of jointly controlled entities	22,980	(213)	(1)	-	-	-	22,766
	<u>42,118</u>	<u>(8,086)</u>	<u>(5,698)</u>	<u>12,838</u>	<u>9,774</u>	<u>(3,425)</u>	<u>47,521</u>
Unallocated expenses							(3,877)
Finance costs							(22,633)
Profit before income tax							21,011
Income tax credit							586
Profit for the period							<u>21,597</u>
At 30 September 2013							
Segment assets	1,861,499	475,720	710,670	763,690	663,173	137,101	4,611,853
Interests in associates	-	1,683	-	-	-	26	1,709
Interests in jointly controlled entities	71,504	-	-	-	-	-	71,504
Unallocated assets							34,569
Total assets							<u>4,719,635</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Construction <i>HK\$'000</i>	Electrical and mechanical installation <i>HK\$'000</i>	Building materials supply <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 September 2012							
Total sales	920,811	667,172	292,882	943	403	14,871	1,897,082
Inter-segment sales	(14,037)	(86,546)	(12,036)	-	-	(7,870)	(120,489)
External sales	906,774	580,626	280,846	943	403	7,001	1,776,593
Jointly controlled entities sales	488,025	1,588	-	-	-	-	489,613
	<u>1,394,799</u>	<u>582,214</u>	<u>280,846</u>	<u>943</u>	<u>403</u>	<u>7,001</u>	<u>2,266,206</u>
Segment results	974	(4,746)	30,818	26,343	(8,184)	(4,279)	40,926
Share of profit of an associate	-	17	-	-	-	-	17
Share of profit/(loss) of jointly controlled entities	23,433	-	(7)	-	-	-	23,426
	<u>24,407</u>	<u>(4,729)</u>	<u>30,811</u>	<u>26,343</u>	<u>(8,184)</u>	<u>(4,279)</u>	<u>64,369</u>
Unallocated expenses							(7,336)
Finance costs							(19,644)
Profit before income tax							37,389
Income tax expense							(794)
Profit for the period							<u>36,595</u>
At 31 March 2013							
Segment assets	1,411,483	549,504	649,749	717,652	676,938	109,944	4,115,270
Interests in associates	-	1,377	-	-	-	25	1,402
Interests in jointly controlled entities	48,524	-	-	-	-	-	48,524
Unallocated assets							34,441
Total assets							<u>4,199,637</u>

There has been no material change in total liabilities from the amount disclosed in the last annual financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
Other income		
Dividend income from investments	74	149
Bank interest income	1,450	1,154
Interest income from subcontractors	8,305	6,581
Management service income from a jointly controlled entity	902	758
Sundry income	7,724	1,458
	<u>18,455</u>	<u>10,100</u>
	-----	-----
Other gains		
Fair value gain on investment properties, net	14,174	27,603
Gain on financial assets at fair value through profit or loss	757	153
Gain on derivative financial instruments	8,029	-
Gain on disposal of property, plant and equipment, net	814	53
Exchange gain, net	3,126	1,198
	<u>26,900</u>	<u>29,007</u>
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	<u>45,355</u>	<u>39,107</u>
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. EXPENSES BY NATURE

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
Cost of construction	1,152,671	1,144,824
Cost of inventories sold	190,238	211,424
Staff cost (including Directors' emoluments)	365,262	298,465
Depreciation		
Owned property, plant and equipment	38,717	26,601
Leased property, plant and equipment	2,789	1,330
	41,506	27,931
Operating lease rentals of		
Land and buildings	6,908	6,474
Other equipment	37,276	25,796
	44,184	32,270
Amortisation of leasehold land and land use rights	732	736
Amortisation of intangible assets	528	528
Auditor's remuneration	2,153	1,865
Direct operating expenses arising from investment properties		
– Generate rental income	139	171
– Not generate rental income	24	21
Distribution costs	10,783	16,064
Others	49,272	47,811
Total cost of sales, distribution costs, administrative and other operating expenses	1,857,492	1,782,110

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9. FINANCE COSTS

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
Interest on overdrafts and short-term bank loans	20,434	10,642
Interest on long-term bank loans repayable within five years	3,256	5,369
Interest on long-term bank loans repayable after five years	136	2,246
Interest element of finance lease payments	228	135
	<hr/>	<hr/>
Total borrowing costs incurred	24,054	18,392
Less: Classified as cost of construction	(2,921)	(2,806)
Capitalised in construction in progress	–	(4,584)
Capitalised in investment properties	(1,084)	(785)
Capitalised in property under development for sale	(2,116)	(2,028)
	<hr/>	<hr/>
	17,933	8,189
Loss on financial assets at fair value through profit or loss	29	20
Loss on derivative financial instruments	4,671	11,435
	<hr/>	<hr/>
	22,633	19,644
	<hr/> <hr/>	<hr/> <hr/>

10. INCOME TAX (CREDIT)/EXPENSE

No taxation on Hong Kong profits tax for the period has been provided as there were no estimated assessable profits in Hong Kong (2012: Nil).

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

The amount of income tax (credited)/charged to the unaudited condensed consolidated income statement represents:

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
Overseas tax provision for the period	61	881
Over-provision in prior years	(160)	–
Deferred income tax relating to the origination and reversal of temporary differences	(487)	(87)
	<hr/>	<hr/>
	(586)	794
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. DIVIDENDS

	Six months ended	
	30 September	2012
	2013	2012
	HK\$'000	HK\$'000
Dividends paid during the period		
Final in respect of the financial year ended		
31 March 2013 – HK1.38 cents		
(2012: HK2.28 cents) per ordinary share	<u>6,045</u>	<u>9,988</u>
Declared interim dividend		
Interim – HK1.0 cent (2012: HK1.0 cent)		
per ordinary share	<u>4,381</u>	<u>4,381</u>

The interim dividend was declared after the period ended 30 September 2013, and therefore has not been included as a liability in the condensed consolidated balance sheet. The interim dividend will be paid to the shareholders whose names appear in the register of members on 30 December 2013.

12. EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of earnings per share is based on:

	Six months ended	
	30 September	2012
	2013	2012
	HK\$'000	HK\$'000
Net profit attributable to		
the equity holders of the Company	<u>21,557</u>	<u>36,528</u>
	Six months ended	
	30 September	2012
	2013	2012
Weighted average number of shares		
in issue during the period	<u>438,053,600</u>	<u>438,053,600</u>

Diluted earnings per share for the six months ended 30 September 2013 and 2012 are not presented as there are no potential dilutive shares in issue during the periods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land and land use rights <i>HK\$'000</i>
Net book amount as at 1 April 2013	1,086,815	324,023	59,801
Additions	72,013	576	–
Interest capitalised	–	1,084	–
Fair value gain on investment properties, net	–	14,174	–
Currency translation differences	4,129	(1,615)	1,140
Disposals	(52)	–	–
Depreciation/amortisation charge (Note 8)	(41,506)	–	(732)
	<u>1,121,399</u>	<u>338,242</u>	<u>60,209</u>
Net book amount as at 30 September 2013			
Net book amount as at 1 April 2012	923,271	265,557	60,897
Additions	80,187	793	355
Interest capitalised	4,584	785	–
Fair value gain on investment properties, net	–	27,603	–
Currency translation differences	314	636	–
Disposals	(188)	–	–
Depreciation/amortisation charge (Note 8)	(27,931)	–	(736)
	<u>980,237</u>	<u>295,374</u>	<u>60,516</u>
Net book amount as at 30 September 2012			

The fair value of the Group's investment properties has been arrived at on the basis of valuations carried out by an independent firm of qualified property valuers not connected with the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. CASH AND BANK BALANCES

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Cash and bank balances	208,050	203,410
Time deposits	87,599	130,331
Restricted deposits (Note a)	107,281	119,766
	<u>402,930</u>	<u>453,507</u>

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

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Cash and bank balances	208,050	203,410
Time deposits	87,599	130,331
	<u>295,649</u>	<u>333,741</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. TRADE DEBTORS, NET

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

The trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products. As at 30 September 2013, trade debtors of HK\$115,583,000 (31 March 2013: HK\$54,469,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aging analysis of the trade debtors, net is as follows:

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Current	<u>517,238</u>	<u>581,491</u>
Overdue by:		
1-30 days	27,407	16,026
31-90 days	30,362	15,071
91-180 days	9,124	3,411
Over 180 days	<u>48,690</u>	<u>19,961</u>
	<u>115,583</u>	<u>54,469</u>
	<u>632,821</u>	<u>635,960</u>

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Hong Kong dollars interest rate swap	<u>18,923</u>	<u>26,952</u>

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 four years later after the effective date.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17. SHARE CAPITAL

	Number of shares		Amount	
	30 September 2013	31 March 2013	30 September 2013 <i>HK\$'000</i>	31 March 2013 <i>HK\$'000</i>
Ordinary shares of HK\$0.2 each				
Authorised:				
At beginning and end of the period/year	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning and end of the period/year	<u>438,053,600</u>	<u>438,053,600</u>	<u>87,611</u>	<u>87,611</u>

18. BORROWINGS

The maturity of borrowings is as follows:

	Bank loans		Obligations under finance lease	
	30 September 2013 <i>HK\$'000</i>	31 March 2013 <i>HK\$'000</i>	30 September 2013 <i>HK\$'000</i>	31 March 2013 <i>HK\$'000</i>
Within 1 year	1,123,530	683,956	6,950	4,787
Between 1 and 2 years	192,736	130,381	2,376	2,491
Between 2 and 5 years	534,757	505,584	964	1,265
After 5 years	356,871	375,869	-	-
	<u>2,207,894</u>	<u>1,695,790</u>	<u>10,290</u>	<u>8,543</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18. BORROWINGS (CONTINUED)

Movements in borrowings are analysed as follows:

	Long-term bank loans	Short-term bank loans	Obligations under finance lease
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2013	1,076,418	619,372	8,543
Repayment of long-term bank loans	(30,862)	–	–
Drawdown of long-term bank loans	93,433	–	–
Increase in short-term bank loans, net	–	449,647	–
Capital element of finance lease payments	–	–	(4,044)
Inception of finance lease obligation	–	–	5,874
Amortisation charges of prepaid loan arrangement fee	518	–	–
Currency translation differences	(513)	(119)	(83)
As at 30 September 2013	<u>1,138,994</u>	<u>1,068,900</u>	<u>10,290</u>
As at 1 April 2012	784,357	578,734	6,457
Repayment of long-term bank loans	(15,863)	–	–
Increase in short-term bank loans, net	–	167,538	–
Capital element of finance lease payments	–	–	(2,443)
Inception of finance lease obligation	–	–	3,498
Amortisation charges of prepaid loan arrangement fee	431	–	–
Currency translation differences	280	–	50
As at 30 September 2012	<u>769,205</u>	<u>746,272</u>	<u>7,562</u>

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.

19. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	30 September 2013	31 March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	231,663	257,103
1-30 days	19,400	12,076
31-90 days	14,312	2,374
91-180 days	1,181	1,710
Over 180 days	692	1,100
	<u>267,248</u>	<u>274,363</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20. COMMITMENTS AND CONTINGENT LIABILITIES

The Group has the following outstanding commitments and contingent liabilities:

- (a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 30 September 2013, 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 filed a statement of claims against a subcontractor 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 HK\$10,000,000. The case is in the process of exchanging evidence for proceedings. 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\$786,161,000 (31 March 2013: HK\$776,230,000) in favour of the Group's customers.
- (d) As at 30 September 2013, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of plant and equipment and setup of a factory in Mainland China of approximately HK\$14,485,000 (31 March 2013: HK\$18,524,000).
- (e) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Land and buildings		
Within one year	10,958	11,664
One year to five years	19,197	23,062
More than five years	36,175	35,476
	66,330	70,202

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21. RELATED PARTY TRANSACTIONS

Key management compensation

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

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
Salaries and fees	6,972	6,831
Discretionary bonuses	–	200
Pension costs – defined contribution scheme	327	297
	<u>7,299</u>	<u>7,328</u>

22. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

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

	30 September	31 March
	2013	2013
	HK\$'000	HK\$'000
Within one year	4,318	4,235
One year to five years	2,023	3,666
	<u>6,341</u>	<u>7,901</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Review of Operation

The Group's turnover for the first half of 2013 was HK\$1,833 million, representing a mild growth of 3% period-on-period. When turnover of joint venture projects counted, the like-for-like turnover was increased by 9% period-on-period. Construction and maintenance revenue grew 30% to HK\$1,810 million as the three big projects awarded at last year end commenced works during the period. Electrical and mechanical installation segment turnover was decreased by 19% to HK\$469 million. Turnover dropped because major newly awarded contracts started works in second quarter and therefore recognised a small amount of revenue in first half of the year. Likewise, timing of project commencement caused turnover drop in building materials supply segment. The segment also recorded a reduction in turnover of 21%. Nonetheless, both segments would catch up in remaining period of the year considering latest project progresses.

Consolidated gross profits for the period were HK\$157.6 million or a gross profit margin of 8.6%, the percentage remained same as that in last year. Although the shortage of skilled labour and subcontractors keep jacking up construction costs, we manage to maintain the margin through innovative construction technologies. We will continue to strive for operation efficiency.

Total operating expenses have increased by 15% period-on-period, reflecting changes in business structures and market conditions. Distribution expenses have been decreased by 33% which were in line with the change in building materials supply sales volume. Administrative expenses were up by 21%, reflecting mainly the newly reported depreciation and running costs of the hotel which had not commenced operation in the same period last year. Besides, the operation expansions in Singapore and Huizhou factory caused a rise in administrative expenses.

Net profit attributable to shareholders for the period was HK\$21.6 million, down from HK\$36.6 million a year earlier. The reduction was largely from the drop in unrealised fair value gain on investment properties. With the introduction of a range of cooling measures including increased stamp duties, property markets stagnate. Though downward price adjustment in commercial property market is not manifested, volume of transactions reduced. Buyers are very cautious in offer. Growth in the Group's property portfolio valuation has therefore slowed down.

As at 30 September 2013, the value of contracts in hand excluding joint venture contracts remains at a high level of HK\$21,139 million, 2.3% higher than that at end of March 2013. Following a fruitful Year 2012, the Group again secured an institution design and construction project of HK\$1.5 billion in first half of the year. For capping limit compliance and optimal business mix, the Group holds back temporarily on public housing tendering and has eye on quality private sector projects. We targeted some opportunities and believe some of them would be concluded in second half of the year. Electrical and mechanical installation segment also obtained new orders of HK\$768 million, representing a growth of 13.8% period-on-period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Movement of Contracts

For the six months ended 30 September 2013 (excluding jointly controlled entities' contracts)

	31 March 2013 <i>HK\$'million</i>	Contracts		30 September 2013 <i>HK\$'million</i>
		Secured <i>HK\$'million</i>	Completed <i>HK\$'million</i>	
Building construction, renovation and maintenance*	16,302	1,527	(903)	16,926
Electrical and mechanical installation**	4,912	768	(545)	5,135
Building materials supply	2,147	54	(132)	2,069
Computer software development and architectural and engineering services	26	2	(11)	17
Less: Inter-segment contracts	<u>(2,725)</u>	<u>(532)</u>	<u>249</u>	<u>(3,008)</u>
	<u><u>20,662</u></u>	<u><u>1,819</u></u>	<u><u>(1,342)</u></u>	<u><u>21,139</u></u>

* The above contract value as at 30 September 2013 did not include two contracts of jointly controlled entities with HK\$12,984,000,000 in total value.

** The above contract value as at 30 September 2013 did not include a contract of a jointly controlled entity of HK\$300,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Position

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 30 September 2013, the Group's total cash in hand was HK\$402.9 million (31 March 2013: HK\$453.5 million) and total borrowings was increased to HK\$2,218.2 million (31 March 2013: HK\$1,704.3 million) during the period. The increase in borrowing is largely to finance the newly secured construction projects. The current ratio (total current assets: total current liabilities) as at 30 September 2013 was 1.44 (31 March 2013: 1.55). The amount of bank loans and other facilities fall due beyond one year was HK\$1,087.7 million (31 March 2013: HK\$1,015.6 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 hedging instruments 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 30 September 2013, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$3,460,348,000 (31 March 2013: HK\$3,149,919,000), of which HK\$2,765,555,000 (31 March 2013: HK\$2,184,655,000) had been utilised. The Group considers it has sufficient committed and unutilised banking facilities to meet its current business operation, property development requirement and capital expenditure.

Human Resources

As at 30 September 2013, the Group had approximately 4,400 (31 March 2013: 3,500) employees. There are approximately 2,800 (31 March 2013: 2,400) employees in Hong Kong, Macau and Singapore and 1,600 (31 March 2013: 1,100) 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Outlook

The Group's core markets are still on a growth path. In Hong Kong, the Housing Authority targets to construct about 79,000 public rental housing flats in coming five years. The Government also announced in the 2013 Policy Address that they will increase the supply of subsidised housing in short to medium-term partly through adopting a production target of at least 100,000 public rental housing units over the five years starting 2018. Building construction demands would remain at high level in coming years. In Singapore, the government also announced new housing plan which promises every Singaporean family who is working can afford their home. Both governments' commitments to housing supply give a clear indication of building construction markets, based on which we can plan our strategy effectively. We would attempt an optimal business mix between government and private sector for enhanced return and minimised risks. Government projects with a price adjustment mechanism that negates partially the impact of inflation continue to be our primary business in view of current market conditions whereas rising costs and liquidity are critical issues. On private sector, we will work for customers who value and trust in our core competency. Nowadays, green construction has moved from pure slogan to a key element. Yau Lee has long been one of the innovators in the industry. Our greatest strength is our ongoing development of latest sustainable construction techniques and ultra-efficient building technology. We will ride on these edges to win over businesses for reasonable margins.

Being a green integrated corporation, we will for sure develop and devote more resources on green businesses, one of which is the energy saving solutions. In last year, we carried out many pre-marketing activities including hotel visits and seminars to introduce our achievement in this area. We are ready to roll out the business after our hotel Holiday Inn Express Hong Kong SoHo completes a full year operation in November whereupon our capability would be authenticated with actual and solid energy saving data.

Meanwhile, we will keep our eyes on property market for good developments to enlarge our property investment portfolio.

We anticipate the Group's contracts in hand would be kept at high level, from which our performance in coming few years is envisioned. We think opportunities abound in years ahead. We are positive about the business outlook but would stay alert to the still-challenging economic environment and keep tight controls over the execution of projects.

OTHER INFORMATION

INTERIM DIVIDEND

On 25 November 2013, the Board has resolved to declare the payment of an interim dividend of HK1.0 cent per ordinary share in respect of the six months ended 30 September 2013 to shareholders registered on the register of members on 30 December 2013. The interim dividend will be payable on or before 15 January 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 December 2013 to 30 December 2013, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 20 December 2013.

DIRECTORS' INTERESTS

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

Shares of HK\$0.2 each in the Company

Director	Number of shares held (long position)	
	Corporate interest	Percentage
Mr. Wong Ip Kuen	260,659,599	59.50%

The shares referred to above are registered in the names of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 29,980,000 shares. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Investment Company Limited and Billion Goal Holdings Limited. All Fine Investment Company Limited and Billion Goal Holdings Limited are incorporated in the Cook Islands and the British Virgin Islands respectively. Mr. Wong Ip Kuen is a director of both All Fine Investment Company Limited and Billion Goal Holdings Limited.

During the period ended 30 September 2013, 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).

OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

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

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

As at 30 September 2013, 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, the Company's listed securities during the six months ended 30 September 2013.

REVIEW OF INTERIM FINANCIAL INFORMATION

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

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE SEHK ("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 22 November 2011, a wholly-owned subsidiary of the Company was granted a term loan facility in the aggregate sum of HK\$207,500,000 to 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 an entire new building, whichever shall be the earlier. The facility is for the purpose of construction of a new building, which is in part financed or refinanced by the facility. Pursuant 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.

OTHER INFORMATION (CONTINUED)

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE SEHK (“LISTING RULES”) – LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER (CONTINUED)

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 installments 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.

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.

As at 30 September 2013 and up to the date of this report, there is no breach of the covenants.

CORPORATE GOVERNANCE

The Board believes that corporate governance is fundamental to corporate long-term success and the enhancement of shareholder value. The Company has adopted the principles and practices of the Code on Corporate Governance Practice (the “Code”) as set out in the Appendix 14 of the Listing Rules. The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders through prudent management, investment and treasury policies. Detailed disclosure of the Company’s corporate governance practices is available in the 2013 Annual Report.

OTHER INFORMATION (CONTINUED)

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 period ended 30 September 2013 except for the Code provision A.2.1.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the securities transactions of the Directors of the Company. Having made specific enquiries to all Directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code during the accounting period covered by this interim report.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 25 November 2013