



有利集團有限公司 Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 0406



Human-based Management
Continuous R&D
Industrialized Building Process

2017 INTERIM REPORT



This interim report is printed on environmentally friendly paper

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

Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
Hang Seng Bank Limited
Nanyang Commercial Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited

Independent auditor

PricewaterhouseCoopers

Solicitors

Gallant
T.H. Koo & Associates

Hong Kong share registrar and transfer office

Computershare Hong Kong Investor Services Ltd.
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong



HIGHLIGHTS

The Group reported revenue of HK\$2,582,911,000 (2016: HK\$2,814,163,000) for the six months ended 30 September 2017 (the “period”).

The gross profit for the period increased from HK\$187,349,000 to HK\$212,136,000.

Profit for the period was HK\$19,061,000 (2016: loss of HK\$21,220,000).

Basic and diluted earnings per share was approximately HK4.34 cents (2016: losses per share of HK4.85 cents).

The net asset value attributable to equity holders of the Company as at 30 September 2017 was HK\$1,427,629,000 (31 March 2017: HK\$1,395,077,000), equivalent to HK\$3.26 (31 March 2017: HK\$3.18) per share based on the 438,053,600 (31 March 2017: 438,053,600) ordinary shares in issue.

The Board of Directors (the “Board”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2017 were as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2017

		Six months ended	
		30 September	
		2017	2016
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Revenue	6	2,582,911	2,814,163
Cost of sales	8	(2,370,775)	(2,626,814)
		<hr/>	<hr/>
Gross profit		212,136	187,349
Other income and gains, net	7	39,891	2,730
Selling and distribution costs	8	(9,246)	(10,530)
Administrative expenses	8	(196,750)	(177,803)
Other operating expenses	8	(5,674)	(1,227)
		<hr/>	<hr/>
Operating profit		40,357	519
Finance costs	9	(13,667)	(18,795)
Share of (loss)/profit of associates		(7)	394
Share of loss of joint ventures		(3)	(2)
		<hr/>	<hr/>
Profit/(loss) before income tax		26,680	(17,884)
Income tax expense	10	(7,619)	(3,336)
		<hr/>	<hr/>
Profit/(loss) for the period		19,061	(21,220)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		19,007	(21,224)
Non-controlling interests		54	4
		<hr/>	<hr/>
		19,061	(21,220)
		<hr/> <hr/>	<hr/> <hr/>
Interim dividend	11	6,571	–
		<hr/> <hr/>	<hr/> <hr/>
Earnings/(losses) per share (basic and diluted)	12	4.34 cents	(4.85 cents)
		<hr/> <hr/>	<hr/> <hr/>



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Profit/(loss) for the period	19,061	(21,220)
Other comprehensive income/(loss)		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	10,017	(12,015)
Total comprehensive income/(loss) for the period	29,078	(33,235)
Attributable to:		
Equity holders of the Company	29,024	(33,239)
Non-controlling interests	54	4
Total comprehensive income/(loss) for the period	29,078	(33,235)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2017

		30 September 2017	31 March 2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>13</i>	1,224,842	1,207,674
Investment properties	<i>13</i>	231,194	228,075
Leasehold land and land use rights	<i>13</i>	73,053	71,233
Intangible assets		11,982	12,510
Goodwill		15,905	15,905
Associates		1,400	1,407
Deferred income tax assets		7,914	13,143
Available-for-sale financial assets		11,800	11,800
Other non-current assets		46,361	46,165
		<hr/> 1,624,451 <hr/>	<hr/> 1,607,912 <hr/>
Current assets			
Cash and bank balances	<i>14</i>	710,287	737,877
Trade debtors, net	<i>15</i>	847,690	1,123,864
Due from customers on construction contracts		958,965	1,057,607
Prepayments, deposits and other receivables		465,882	436,462
Inventories		103,059	77,023
Completed properties held for sale		176,017	176,017
Property under development for sale		287,445	266,481
Due from associates		–	495
Due from joint ventures/joint operations		33,135	33,250
Due from other partners of joint operations		56,824	56,797
Prepaid income tax		1,568	1,845
		<hr/> 3,640,872 <hr/>	<hr/> 3,967,718 <hr/>
Total assets		<hr/> 5,265,323 <hr/>	<hr/> 5,575,630 <hr/>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2017

	30 September 2017	31 March 2017
Note	HK\$'000	HK\$'000
EQUITY		
Share capital	16 87,611	87,611
Other reserves	469,487	449,897
Retained profits	870,531	857,569
	<hr/>	<hr/>
Attributable to equity holders of the Company	1,427,629	1,395,077
Non-controlling interests	3,637	328
	<hr/>	<hr/>
Total equity	1,431,266	1,395,405
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Non-current liabilities		
Long-term borrowings	17 1,196,376	989,186
Deferred income tax liabilities	23,771	23,192
	<hr/>	<hr/>
	1,220,147	1,012,378
	<hr/> <hr/>	<hr/> <hr/>
Current liabilities		
Short-term bank loans	17 875,597	1,101,597
Current portion of long-term borrowings	17 273,344	434,473
Payables to suppliers and subcontractors	18 290,104	361,744
Accruals, retention payables, deposits received and other liabilities	665,002	804,828
Income tax payable	5,458	3,817
Obligation in respect of joint ventures	1,515	1,511
Due to customers on construction contracts	416,254	373,041
Due to joint operations	59,596	59,596
Due to other partners of joint operations	27,040	27,240
	<hr/>	<hr/>
	2,613,910	3,167,847
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities	3,834,057	4,180,225
	<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities	5,265,323	5,575,630
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Property revaluation reserve	Other reserve	Retained profits	Sub-total	Non- controlling interests	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
As at 1 April 2016	87,611	413,776	359	21,228	-	(8,481)	887,367	1,401,860	286	1,402,146
(Loss)/profit for the period	-	-	-	-	-	-	(21,224)	(21,224)	4	(21,220)
Other comprehensive loss:										
Currency translation differences	-	-	-	(12,015)	-	-	-	(12,015)	-	(12,015)
As at 30 September 2016	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>9,213</u>	<u>-</u>	<u>(8,481)</u>	<u>866,143</u>	<u>1,368,621</u>	<u>290</u>	<u>1,368,911</u>
As at 1 April 2017	87,611	413,776	359	1,017	43,226	(8,481)	857,569	1,395,077	328	1,395,405
Profit for the period	-	-	-	-	-	-	19,007	19,007	54	19,061
Other comprehensive income:										
Currency translation differences	-	-	-	10,017	-	-	-	10,017	-	10,017
Transactions with non-controlling interests	-	-	-	-	-	9,573	-	9,573	3,255	12,828
2017 final dividend (Note 11)	-	-	-	-	-	-	(6,045)	(6,045)	-	(6,045)
As at 30 September 2017	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>11,034</u>	<u>43,226</u>	<u>1,092</u>	<u>870,531</u>	<u>1,427,629</u>	<u>3,637</u>	<u>1,431,266</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2017

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
Cash flows from operating activities		
Operating profit	40,357	519
Interest income	(7,213)	(6,646)
(Gain)/loss on disposal of property, plant and equipment, net	(285)	48
Fair value (gain)/loss on investment properties, net	(1,434)	1,242
Amortisation of intangible assets	528	528
Amortisation of leasehold land and land use rights	963	988
Depreciation	47,097	52,551
Write-back of impaired receivables, net	(1,499)	-
Gain on financial assets at fair value through profit or loss	-	(174)
	<hr/>	<hr/>
Operating profit before working capital changes	78,514	49,056
Loans to employees	(196)	-
Trade debtors, net	276,558	119,433
Inventories	(23,103)	17,005
Prepayments, deposits and other receivables	(25,347)	(5,908)
Due from customers on construction contracts	98,804	(158,381)
Property under development for sale	(20,964)	(257,794)
Due from associates	-	(1)
Net change in balances with joint ventures/joint operations/other partners of joint operations	(111)	(1,571)
Payables to suppliers and subcontractors	(73,232)	(177,738)
Accruals, retention payables, deposit received and other liabilities	(143,065)	(14,301)
Due to customers on construction contracts	42,703	(72,015)
	<hr/>	<hr/>
Net cash from/(used in) operations	210,561	(502,215)
Hong Kong profits tax refunded	132	74
Hong Kong profits tax paid	-	(3)
Overseas tax paid	(691)	(5,341)
	<hr/>	<hr/>
Net cash from/(used in) operating activities	210,002	(507,485)
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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 September 2017

		Six months ended 30 September 2017	2016
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from investing activities			
Purchase of property, plant and equipment		(42,656)	(32,351)
Additions to investment properties	13	–	(42)
Realised gain on financial assets at fair value through profit or loss, net		–	174
Proceeds from disposal of financial assets at fair value through profit or loss		–	6,157
Proceeds from disposal of property, plant and equipment		881	4,666
Dividend received from an associate		495	494
Interest received		3,189	2,607
		(38,091)	(18,295)
Cash flows from financing activities			
Repayment of long-term bank loans		(209,532)	(182,190)
Drawdown of long-term bank loans		257,103	482,123
(Decrease)/increase in short-term bank loans, net		(226,000)	343,372
Decrease in restricted deposits		23,897	2,085
Capital element of finance lease payments		(5,536)	(10,433)
Interest element of finance lease payments		(168)	(220)
Realised loss on derivative financial liabilities, net		–	(47)
Dividend paid		(6,045)	–
Interest paid		(13,499)	(18,528)
		(179,780)	616,162
Net cash (used in)/from financing activities		(179,780)	616,162
Net (decrease)/increase in cash and cash equivalents		(7,869)	90,382
Cash and cash equivalents at beginning of period		552,451	448,711
Exchange gain/(loss) on cash and cash equivalents		4,176	(2,320)
		548,758	536,773
Cash and cash equivalents at end of period		548,758	536,773
Analysis of cash and cash equivalents			
Cash and bank balances	14(b)	516,595	522,329
Time deposits		32,163	14,444
		548,758	536,773
		548,758	536,773



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

Condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. Condensed consolidated interim financial information has been approved for issue by the Board of Directors on 29 November 2017.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The unaudited condensed consolidated interim financial information has been prepared under historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss and investment properties which are carried at fair value.

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

Certain comparative figures have been reclassified to conform to the presentation of current period.

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

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the audited consolidated financial statements for the year ended 31 March 2017, except for the adoption of the following new amendments issued by the HKICPA which became effective for the six months ended 30 September 2017.

HKAS 7 Amendments	Disclosure Initiative
HKAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle: HKFRS 12 Amendments	Disclosure of Interests in Other Entities

The adoption of these new amendments has not had any significant effect on the accounting policies or results reported and financial position of the Group.

The following new standards, amendments and interpretation, which have been published but are not yet effective, have not been early adopted in the condensed consolidated interim financial information. These are effective for the Group's accounting periods beginning on or after 1 April 2018.

HKAS 28 (2011) and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
HKAS 40 Amendments	Transfers of Investment Property ⁽¹⁾
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions ⁽¹⁾
HKFRS 4 Amendments	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ⁽¹⁾
HKFRS 9 (2014)	Financial Instruments ⁽¹⁾
HKFRS 15	Revenue from Contracts with Customers ⁽¹⁾
HKFRS 16	Leases ⁽²⁾
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ⁽¹⁾
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ⁽²⁾
Annual Improvements to HKFRSs 2014-2016 Cycle ⁽³⁾	

The Group is in the process of making an assessment of the impact of these new and revised Hong Kong Financial Reporting Standards (HKFRSs) upon initial application. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the unaudited condensed consolidated financial statements will be resulted.

- ⁽¹⁾ effective for accounting periods beginning on or after 1 January 2018
- ⁽²⁾ effective for accounting periods beginning on or after 1 January 2019
- ⁽³⁾ effective for accounting periods beginning on or after 1 January 2018 except for HKFRS 12 Amendments which were effective for accounting periods beginning on or after 1 January 2017
- ⁽⁴⁾ no mandatory effective date is determined yet but early application is permitted



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

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 2017.

5. FINANCIAL RISK MANAGEMENT

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 2017.

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

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

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	
	2017	2016
	HK\$'000	HK\$'000
Revenue		
Construction	1,903,801	2,185,345
Electrical and mechanical installation	570,418	527,723
Building materials supply	48,976	49,707
Property investment and development	1,308	1,016
Hotel operations	47,123	43,742
Others	11,285	6,630
	<u>2,582,911</u>	<u>2,814,163</u>

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 <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 2017							
Total sales	1,929,401	873,449	233,224	1,308	47,123	38,399	3,122,904
Less: Inter-segment sales	(25,600)	(303,031)	(184,248)	-	-	(27,114)	(539,993)
External sales	<u>1,903,801</u>	<u>570,418</u>	<u>48,976</u>	<u>1,308</u>	<u>47,123</u>	<u>11,285</u>	<u>2,582,911</u>
Segment results	(13,445)	1,780	42,464	1,910	7,949	(10,001)	30,657
Share of loss of associates	-	(7)	-	-	-	-	(7)
Share of loss of joint ventures	-	-	(3)	-	-	-	(3)
	<u>(13,445)</u>	<u>1,773</u>	<u>42,461</u>	<u>1,910</u>	<u>7,949</u>	<u>(10,001)</u>	<u>30,647</u>
Unallocated income							9,700
Finance costs							(13,667)
Profit before income tax							26,680
Income tax expense							(7,619)
Profit for the period							<u>19,061</u>
At 30 September 2017							
Segment assets	2,244,609	683,146	849,366	717,271	580,975	150,380	5,225,747
Interests in associates	-	1,374	-	-	-	26	1,400
Unallocated assets							<u>38,176</u>
Total assets							<u>5,265,323</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 2016							
Total sales	2,232,227	985,454	209,982	1,016	43,742	30,757	3,503,178
Less: Inter-segment sales	(46,882)	(457,731)	(160,275)	-	-	(24,127)	(689,015)
External sales	<u>2,185,345</u>	<u>527,723</u>	<u>49,707</u>	<u>1,016</u>	<u>43,742</u>	<u>6,630</u>	<u>2,814,163</u>
Segment results	1,057	4,090	(1,612)	(1,184)	1,788	(12,171)	(8,032)
Share of profit of associates	-	394	-	-	-	-	394
Share of loss of joint ventures	-	-	(2)	-	-	-	(2)
	<u>1,057</u>	<u>4,484</u>	<u>(1,614)</u>	<u>(1,184)</u>	<u>1,788</u>	<u>(12,171)</u>	<u>(7,640)</u>
Unallocated income							8,551
Finance costs							<u>(18,795)</u>
Loss before income tax							(17,884)
Income tax expense							<u>(3,336)</u>
Loss for the period							<u>(21,220)</u>
At 31 March 2017							
Segment assets	2,488,925	774,104	865,572	690,764	589,897	120,307	5,529,569
Interests in associates	-	1,382	-	-	-	25	1,407
Unallocated assets							<u>44,654</u>
Total assets							<u>5,575,630</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, NET

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
Other income		
Bank interest income	3,189	2,607
Interest income from subcontractors	4,024	4,039
Management service income from a joint operation	12	8
Sundry income	4,504	11,748
	<u>11,729</u>	<u>18,402</u>
Other gains/(losses), net		
Fair value gain/(loss) on investment properties, net	1,434	(1,242)
Gain on financial assets at fair value through profit or loss	-	174
Gain/(loss) on disposal of property, plant and equipment, net	285	(48)
Exchange gain/(loss), net	26,443	(14,556)
	<u>28,162</u>	<u>(15,672)</u>
	<u><u>39,891</u></u>	<u><u>2,730</u></u>

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

8. EXPENSES BY NATURE

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
Cost of construction	1,836,679	2,045,664
Cost of inventories sold	148,189	157,204
Staff cost (including directors' emoluments)	436,978	443,241
Depreciation		
Owned property, plant and equipment	43,561	46,250
Leased property, plant and equipment	3,536	6,301
	47,097	52,551
Operating lease rentals of		
Land and buildings	6,085	5,400
Other equipment	31,202	43,220
	37,287	48,620
Amortisation of leasehold land and land use rights	963	988
Amortisation of intangible assets	528	528
Write-back of impaired receivables, net	(1,499)	–
Auditor's remuneration	2,847	2,669
Direct operating expenses arising from investment properties		
– Generate rental income	165	130
– Not generate rental income	14	16
Selling and distribution costs	9,246	10,530
Others	63,951	54,233
Total cost of sales, selling and distribution costs, administrative and other operating expenses	2,582,445	2,816,374

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

9. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Interest on overdrafts and short-term bank loans	11,883	16,397
Interest on long-term bank loans	14,218	12,772
Interest element of finance lease payments	238	279
	<hr/>	<hr/>
Total borrowing costs incurred	26,339	29,448
Less: Classified as cost of construction	(9,962)	(10,700)
Capitalised in property under development for sale	(2,710)	–
	<hr/>	<hr/>
Loss on derivative financial liabilities	13,667	18,748
	–	47
	<hr/>	<hr/>
	13,667	18,795
	<hr/> <hr/>	<hr/> <hr/>

10. INCOME TAX EXPENSE

Hong Kong profits tax was calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the six months ended 30 September 2017.

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 charged to the unaudited condensed consolidated income statement represents:

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong profits tax provision for the period	1,371	335
Overseas tax provision for the period	689	–
Under/(over)-provision in prior years	417	(9)
Deferred income tax relating to the origination and reversal of temporary differences	5,142	3,010
	<hr/>	<hr/>
	7,619	3,336
	<hr/> <hr/>	<hr/> <hr/>

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

11. DIVIDENDS

	Six months ended	
	30 September	2016
	2017	2016
	HK\$'000	HK\$'000
Dividends paid during the period		
Final in respect of the financial year ended		
31 March 2017 – HK1.38 cents (2016: Nil)		
per ordinary share	<u>6,045</u>	<u>–</u>
Declared interim dividend		
Interim – HK1.50 cents (2016: Nil)		
per ordinary share	<u>6,571</u>	<u>–</u>

The interim dividend was declared after the period ended 30 September 2017, 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 on the Company's register of members on 29 December 2017.

12. EARNINGS/(LOSSES) PER SHARE (BASIC AND DILUTED)

The calculation of earnings/(losses) per share is based on:

	Six months ended	
	30 September	2016
	2017	2016
	HK\$'000	HK\$'000
Net profit/(loss) attributable to equity holders of the Company	19,007	(21,224)
	Six months ended	30 September
	2017	2016
Weighted average number of shares in issue during the period	438,053,600	438,053,600
Basic earnings/(losses) per share	<u>4.34 cents</u>	<u>(4.85 cents)</u>

Diluted earnings/(losses) per share for the six months ended 30 September 2017 and 2016 are equal to basic earnings/(losses) per share 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	Investment properties (Note)	Leasehold land and land use rights
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book amount as at 1 April 2016	1,254,044	183,520	77,647
Additions	35,766	42	–
Fair value loss on investment properties, net	–	(1,242)	–
Currency translation differences	(13,447)	–	(2,315)
Disposals	(4,714)	–	–
Depreciation/amortisation charge (Note 8)	(52,551)	–	(988)
	<u>1,219,098</u>	<u>182,320</u>	<u>74,344</u>
Net book amount as at 30 September 2016			
Net book amount as at 1 April 2017	1,207,674	228,075	71,233
Additions	46,417	–	–
Fair value gain on investment properties, net	–	1,434	–
Currency translation differences	18,444	1,685	2,783
Disposals	(596)	–	–
Depreciation/amortisation charge (Note 8)	(47,097)	–	(963)
	<u>1,224,842</u>	<u>231,194</u>	<u>73,053</u>
Net book amount as at 30 September 2017			

Note: The fair value of the Group's investment properties has been arrived at based on the 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	31 March
	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	516,595	529,247
Time deposits	32,163	23,204
Restricted deposits (Note a)	161,529	185,426
	710,287	737,877
	710,287	737,877

Notes:

- (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	31 March
	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	516,595	529,247
Time deposits with original maturity of less than three months	32,163	23,204
	548,758	552,451
	548,758	552,451

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 2017, trade debtors of HK\$127,306,000 (31 March 2017: HK\$110,956,000) 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 by overdue day(s) is as follows:

	30 September 2017 HK\$'000	31 March 2017 HK\$'000
Current	<u>720,384</u>	1,012,908
1-30 days	27,228	7,327
31-90 days	13,377	16,659
91-180 days	7,916	3,652
Over 180 days	<u>78,785</u>	83,318
	<u>127,306</u>	110,956
	<u>847,690</u>	<u>1,123,864</u>

16. SHARE CAPITAL

	Number of shares		Amount	
	30 September 2017	31 March 2017	30 September 2017 HK\$'000	31 March 2017 HK\$'000
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>

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

17. BORROWINGS

The maturity of borrowings is as follows:

	Bank loans		Obligations under finance lease	
	30 September 2017 <i>HK\$'000</i>	31 March 2017 <i>HK\$'000</i>	30 September 2017 <i>HK\$'000</i>	31 March 2017 <i>HK\$'000</i>
Within 1 year	1,143,188	1,529,139	5,753	6,931
Between 1 and 2 years	460,820	132,974	1,614	2,028
Between 2 and 5 years	733,942	854,036	-	148
After 5 years	-	-	-	-
	<u>2,337,950</u>	<u>2,516,149</u>	<u>7,367</u>	<u>9,107</u>

The bank borrowings are secured by certain property, plant and equipment, investment properties and restricted deposits of the Group.

18. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	30 September 2017 <i>HK\$'000</i>	31 March 2017 <i>HK\$'000</i>
Current	248,467	337,157
1-30 days	32,884	16,320
31-90 days	1,628	1,549
91-180 days	339	496
Over 180 days	6,786	6,222
	<u>41,637</u>	<u>24,587</u>
	<u>290,104</u>	<u>361,744</u>

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

19. 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 2017, 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 a subsidiary of the Company instigated legal proceedings against a subcontractor, claiming a sum of approximately HK\$10,000,000 in respect of the subcontractor's failure to perform certain contractual duties and for recovery of over-payments made to the subcontractor. The subcontractor's director was also joined in as co-defendant, for liabilities owed under a personal guarantee for the subcontractor's liabilities. The subcontractor also filed a counterclaim, for payment allegedly payable under the subcontract, at around HK\$5,000,000. The trial of the case was concluded in early June 2016. Judgment handed down on 15 August 2016 awards the subsidiary the full aggregate amount as claimed under various heads, at HK\$9,020,775, together with interests and legal costs. However, a Notice of Appeal was filed on 23 September 2016 for appeal against some of the awarded claims which has yet been set down in the List of Appeal.

The total outstanding indebtedness, as at 31 January 2017, amounts to HK\$15,379,062 (principal sum and interests accrued). In enforcement proceedings, the subsidiary has obtained and registered a Charging Order against a landed property owned by the guarantor and is currently pursuing statutory demand action (prior to filing a Bankruptcy petition) pursuant to the Bankruptcy Ordinance. On the other hand, steps have been taken for the subsidiary's legal costs to be taxed.

Recent applications filed with the Court by the subsidiary include the statutory examination proceedings of both the subcontractor company and its guaranteeing director as judgments debtors to be examined for the purpose of ascertaining if the judgment debtors have the financial resources to satisfy the judgment debt. The substantive hearing thereof is pending.

- (c) The Group has provided performance bonds amounting to approximately HK\$689,937,000 (31 March 2017: HK\$811,136,000) in favour of the Group's customers.
- (d) As at 30 September 2017, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and a joint venture of approximately HK\$10,170,000 (31 March 2017: HK\$23,537,000) and HK\$35,000,000 (31 March 2017: Nil) respectively.

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

19. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

- (e) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

	30 September	31 March
	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
Within one year	8,903	11,261
One year to five years	18,259	19,309
	27,162	30,570
	27,162	30,570

20. 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
	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,610	3,932
One year to five years	2,653	2,251
	7,263	6,183
	7,263	6,183

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	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and fees	7,952	7,962
Pension costs – defined contribution scheme	402	399
Others	567	497
	8,921	8,858
	8,921	8,858

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Review of Operation

In the first six months ended 30 September 2017, Group revenue recorded HK\$2,583 million, decreasing HK\$231 million or 8% as compared to the corresponding period of last year. The decrease was mainly related to lower revenue from Singapore construction segment. According to advanced estimates by the Ministry of Trade and Industry of Singapore, the construction sector contracted by 1.1% and 5.6% respectively on a year-on-year basis in the first and second quarter. The sector was weighed down by a weakness in both private sector and public sector construction activities. The revenue of electrical and mechanical segment also slid by 11%. The decrease was mainly due to lower revenue from several major projects completed during the period. Revenue from new projects did not offset the reduction because work activities in general are lower in early stage. Nonetheless, Hong Kong construction segment and hotel operation reported growth of 16% and 8% respectively. The two public housing developments at North West Kowloon and Fanling area awarded last year commenced works during the period and attributed a growth in revenue. As to the hotel performance, total revenue increased by 8%, driven by the growths in both occupancy and room rates.

Consolidated gross profit for the period was up by HK\$25 million or 13%, albeit a reduction in revenue. The improved margins in precast supply business and hotel operation compensated the decreases in gross profits of construction and electrical and mechanical segments. Construction sector incurred a loss mainly because of cost overrun in two Macau projects. Since the projects were practically completed, the adverse effect on profits shall be reflected only in this year. As to the electrical and mechanical segment, gross profits dropped following the reduction in revenue. The segment's profits shall be up when more works done in second half of the year.

Operating expenses increased as a result of more R&D expenditure invested for continuous process improvements in prefabrication and building materials production. In term of finance costs, we achieved some savings because of decrease in bank lending resulting from an improved cash flow from operation.

The Group reported an after-tax profit of HK\$19 million as compared to a loss of HK\$21 million for same period last year. Despite a decline in revenue, the Group attained an operation profit which was comparable to prior period. Besides, we recorded a foreign currency revaluation gain because Renminbi has been strengthening against the HK dollar. Both factors attributed to the positive result of the period.

As at 30 September 2017, the value of contracts in hand was around HK\$21,868 million. On construction, we continued to look for new businesses proactively in Hong Kong whilst we were busy with the current projects comprising the two substantial new-built projects secured last year. Among the submitted tenders, there is one with very good chance. Hopefully, the award would be determined before end of the year. In the electrical and mechanical installation division, new contracts of HK\$932 million were signed. Besides, another HK\$121 million orders are known to be secured but contracts are yet to be signed. Total order intake, taking into accounts the known-to-be secured one, is comparable to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Movement of Contracts

For the six months ended 30 September 2017

	31 March 2017 <i>HK\$'million</i>	Contracts Secured <i>HK\$'million</i>	Completed <i>HK\$'million</i>	30 September 2017 <i>HK\$'million</i>
Building construction, renovation and maintenance	18,889	18	(1,541)	17,366
Electrical and mechanical installation	6,328	932	(582)	6,678
Building materials supply	1,768	221	(290)	1,699
Others	15	13	–	28
Less: Inter-segment contracts	<u>(3,441)</u>	<u>(654)</u>	<u>192</u>	<u>(3,903)</u>
	<u>23,559</u>	<u>530</u>	<u>(2,221)</u>	<u>21,868</u>



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 2017, the Group's total cash and bank balances was HK\$710 million (31 March 2017: HK\$738 million) and total borrowings decreased to HK\$2,345 million (31 March 2017: HK\$2,525 million) during the period. The decrease in borrowings was primarily due to repayment of some project loans. The current ratio (total current assets: total current liabilities) as at 30 September 2017 was 1.4 (31 March 2017: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK\$1,196 million (31 March 2017: HK\$989 million).

All the bank borrowings are arranged on a floating rate basis. The Group will closely monitor and manage its exposure to interest rate fluctuations and consider engaging relevant hedging arrangements when appropriate. As at 30 September 2017, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$4,851 million (31 March 2017: HK\$5,084 million), of which HK\$2,841 million (31 March 2017: HK\$3,007 million) had been utilised. The Group considers it has sufficient committed and unutilised banking facilities to meet its current business operation, property development requirement and capital expenditure.

Human Resources

As at 30 September 2017, the Group had approximately 2,900 (31 March 2017: 3,100) employees. There are approximately 2,200 (31 March 2017: 2,300) employees in Hong Kong, Macau and Singapore and 700 (31 March 2017: 800) in Mainland China. Yau Lee aims to be a good and attractive employer as we understand people are key to long-term success. The Group offers competitive remuneration packages and employees are rewarded on a performance related basis. The Group is firmly committed to training and staff development. We work continuously to ensure employees can realise their full potentials and thus to foster their development to the Group.

Outlook

The future for the Group's core businesses is full of opportunities. The promulgated long term public housing development plans, the HK\$200 billion 10-year public hospital development plan, the published Master Plan 2030 of the Hong Kong Airport Authority and URA's HK\$34 billion development plan on redevelopment, rehabilitation, heritage preservation and revitalization project, etc give a clear visibility of projects to pursue in coming years. Private projects demanding high level of technical expertise like theme park are also in the pipeline. The Group will continue to pursue business growths in both public and private sectors.

Despite an abundant of opportunities ahead, there are pressing issues to be dealt with. According to the latest international construction cost index, Hong Kong is the costliest Asian city to get anything built, due to its severe shortage of skilled labour. The manpower shortfall, affecting project profitability, productivity as well as project delivering, is expected to last in the foreseeable years. Most, if not all, stakeholders of the construction industry generally consent that innovative technologies and ideas have to be explored and adopted to uplift the industry's competitiveness and contribute to environmental protection of the community. The Group, an advocate of innovative construction technologies, invests relentlessly in this respect for years and is renowned as a frontrunner in the industry. Our subsidiary Global Virtual Design and Construction Limited (GVDC), established to develop and employ BIM services and various virtual construction technologies, has been regarded as one of the leading services providers in the industry. Throughout the years, it delivered a wide spectrum of solutions across the full life cycle of management, for example, BIM consultancy and training, 3D laser scanning, GIS and Drone reconnaissance and surveillance services and assets and facilities management solutions to many renowned customers like the Airport Authority, the Sanatorium Hospital, URA, Tencent, etc, which entrusted us with their unique and prestigious developments. We see the construction IT technologies a smart way forward to keep up our core competitive edges and to achieve a sustainable development, both in Hong Kong and overseas markets.

In term of business growth, environmental protection business and prefabrication business are the key growth drivers. The expansion of the Huizhou factory to take on domestic sales has just been completed and all the related business registrations and license were obtained. We are now ready to tap into the precast supply market in Mainland China. In respect of the prefabrication industrialization, we advance smoothly. For the three joint ventures signed early this year, we are locating the right places to build the factories. Probably, some land purchases can be sealed before the end of the year. Besides, we entered into another joint venture in the period. We will continue to expand our presence in more provinces and cities by partnering with local renowned market players. As prefabricated construction is greatly promoted by the State Policy, the industry is developed rapidly. However, there are challenges such as shortage of related qualified professionals. As a strategic move, the Group partnered with Nanjing University and the Housing and Construction Bureau of Shenzhen Municipality to provide accredited programs to train the talents for the industry. The Group with a wealth of expertise and experiences in prefabrication is privileged to help the industry development by assisting in the talent nurturing. We think our engagement would also strengthen our presence in the market.

We are confident that our long-standing strategy of "Being an innovative green corporation" would bring us to the long term success and we are on course to the successful execution of it.

OTHER INFORMATION

INTERIM DIVIDEND

On 29 November 2017, the Board has resolved to declare the payment of an interim dividend of HK1.50 cents per ordinary share in respect of the six months ended 30 September 2017 to shareholders registered on the register of members on 29 December 2017. The interim dividend will be payable on or before 15 January 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 December 2017 to 29 December 2017, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 22 December 2017.

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	265,486,599	60.61%

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 34,807,000 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.

OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

During the six months ended 30 September 2017, none of the Directors and chief executives (including their spouses and minor children) had any interests in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

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

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

As at 30 September 2017, the register of substantial shareholders maintained under Section 336 of Part XV of the SFO showed that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, the Company's listed securities during the six months ended 30 September 2017.

REVIEW OF INTERIM FINANCIAL INFORMATION

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

CORPORATE GOVERNANCE

The Board believes that corporate governance is fundamental to corporate long-term success and the enhancement of shareholder value. The Company has adopted the principles and practices of the Corporate Governance Code (the "Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the SEHK ("Listing Rules"). The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders through prudent management, investment and treasury policies. Detailed disclosure of the Company's corporate governance practices is available in the 2017 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 six months ended 30 September 2017 except for the Code provision A.2.1.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the securities transactions of the Directors of the Company. Having made specific enquiries to all Directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code during the six months ended 30 September 2017.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 29 November 2017