



有利集團有限公司 Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 0406



BIM FOR
FULL LIFECYCLE
MANAGEMENT
INDUSTRIALIZED
BUILDING PROCESS
MODULAR INTEGRATED
CONSTRUCTION



2019
Interim
Report



This interim report is printed on environmentally friendly paper

CORPORATE INFORMATION

Board of directors

Executive directors

Wong Ip Kuen (*Chairman*)
Wong Tin Cheung (*Vice Chairman*)
Wong Rosana 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 Cheung (*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/listco/hk/yaulee/>

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



HIGHLIGHTS

The Group reported revenue of HK\$3,237,212,000 (2018: HK\$2,461,439,000) for the six months ended 30 September 2019 (the “period”).

The gross profit for the period was HK\$244,664,000 (2018: HK\$244,839,000).

Profit for the period was HK\$6,607,000 (2018: HK\$11,312,000).

Basic and diluted earnings per share was approximately HK1.60 cents (2018: HK2.53 cents).

The net asset value attributable to equity holders of the Company as at 30 September 2019 was HK\$1,336,296,000 (31 March 2019: HK\$1,379,293,000), equivalent to HK\$3.05 (31 March 2019: HK\$3.15) per share based on the 438,053,600 (31 March 2019: 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 (collectively the “Group”) for the six months ended 30 September 2019 were as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2019

		Six months ended	
		30 September	
		2019	2018
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Revenue	6	3,237,212	2,461,439
Cost of sales	8	(2,992,548)	(2,216,600)
Gross profit		244,664	244,839
Other income and losses, net	7	6,935	6,399
Selling and distribution costs	8	(7,358)	(10,834)
Administrative expenses	8	(207,276)	(203,982)
Other operating expenses	8	(3,001)	(2,707)
Operating profit		33,964	33,715
Finance costs	9	(15,578)	(15,495)
Share of profit of associates		112	59
Share of loss of joint ventures		(3,278)	(276)
Profit before income tax		15,220	18,003
Income tax expense	10	(8,613)	(6,691)
Profit for the period		6,607	11,312
Attributable to:			
Equity holders of the Company		7,017	11,077
Non-controlling interests		(410)	235
		6,607	11,312
Interim dividend	11	4,381	6,571
Earnings per share (basic and diluted)	12	HK1.60 cents	HK2.53 cents



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Profit for the period	6,607	11,312
Other comprehensive loss		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	<u>(43,443)</u>	(79,714)
Total comprehensive loss for the period	<u>(36,836)</u>	<u>(68,402)</u>
Attributable to:		
Equity holders of the Company	(36,426)	(68,637)
Non-controlling interests	<u>(410)</u>	235
Total comprehensive loss for the period	<u>(36,836)</u>	<u>(68,402)</u>



UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2019

		30 September 2019	31 March 2019
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,219,578	1,191,001
Investment properties	13	236,562	241,962
Leasehold land and land use rights	13	–	68,064
Intangible assets		9,870	10,398
Goodwill		15,905	15,905
Associates		1,341	1,229
Joint ventures		96,007	87,577
Deferred income tax assets		7,945	7,945
Financial assets at fair value through other comprehensive income		12,200	12,200
Mortgage loans receivable		56,431	57,502
Other non-current assets		1,333	1,440
		<u>1,657,172</u>	<u>1,695,223</u>
Current assets			
Cash and bank balances	14	831,710	836,838
Trade debtors, net	15	645,632	783,573
Contract assets		853,501	747,186
Prepayments, deposits and other receivables		479,219	398,296
Mortgage loans receivable		2,103	2,199
Inventories		131,468	119,512
Completed properties held for sale		60,617	60,617
Property under development for sale		381,283	355,783
Due from associates		–	114
Due from joint ventures/joint operations		45,152	35,549
Prepaid income tax		7,372	7,536
		<u>3,438,057</u>	<u>3,347,203</u>
Total assets		<u><u>5,095,229</u></u>	<u><u>5,042,426</u></u>



UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2019

		30 September 2019 <i>HK\$'000</i>	31 March 2019 <i>HK\$'000</i>
EQUITY			
Share capital	16	87,611	87,611
Other reserves		402,809	446,252
Retained profits		<u>845,876</u>	<u>845,430</u>
Attributable to equity holders of the Company		1,336,296	1,379,293
Non-controlling interests		<u>3,656</u>	<u>4,066</u>
Total equity		<u>1,339,952</u>	<u>1,383,359</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	17	1,493,105	1,135,247
Deferred income tax liabilities		11,893	12,158
Other non-current liabilities		<u>12,384</u>	<u>–</u>
		<u>1,517,382</u>	<u>1,147,405</u>
Current liabilities			
Short-term bank loans	17	662,750	772,282
Current portion of long-term borrowings	17	159,993	431,878
Derivative financial liabilities		471	137
Payables to suppliers and subcontractors	18	452,583	281,868
Accruals, retention payables, deposits received and other liabilities		534,931	502,109
Income tax payable		15,950	8,011
Obligation in respect of joint ventures		1,613	1,609
Contract liabilities		366,627	481,641
Due to joint operations		3,945	2,799
Due to other partners of joint operations		<u>39,032</u>	<u>29,328</u>
		<u>2,237,895</u>	<u>2,511,662</u>
Total liabilities		<u>3,755,277</u>	<u>3,659,067</u>
Total equity and liabilities		<u>5,095,229</u>	<u>5,042,426</u>



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to equity holders of the Company							Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Property revaluation reserve	Other reserve	Retained profits			
	<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 2018	87,611	413,776	359	32,271	43,226	1,092	852,911	1,431,246	3,745	1,434,991
Profit for the period	-	-	-	-	-	-	11,077	11,077	235	11,312
Other comprehensive loss:										
Currency translation differences	-	-	-	(79,714)	-	-	-	(79,714)	-	(79,714)
2018 final dividend (<i>Note 11</i>)	-	-	-	-	-	-	(6,571)	(6,571)	-	(6,571)
As at 30 September 2018	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>(47,443)</u>	<u>43,226</u>	<u>1,092</u>	<u>857,417</u>	<u>1,356,038</u>	<u>3,980</u>	<u>1,360,018</u>
As at 1 April 2019	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>(24,341)</u>	<u>55,366</u>	<u>1,092</u>	<u>845,430</u>	<u>1,379,293</u>	<u>4,066</u>	<u>1,383,359</u>
Profit/(loss) for the period	-	-	-	-	-	-	7,017	7,017	(410)	6,607
Other comprehensive loss:										
Currency translation differences	-	-	-	(43,443)	-	-	-	(43,443)	-	(43,443)
2019 final dividend (<i>Note 11</i>)	-	-	-	-	-	-	(6,571)	(6,571)	-	(6,571)
As at 30 September 2019	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>(67,784)</u>	<u>55,366</u>	<u>1,092</u>	<u>845,876</u>	<u>1,336,296</u>	<u>3,656</u>	<u>1,339,952</u>



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cash flows from operating activities		
Operating profit	33,964	33,715
Interest income	(11,682)	(9,827)
Dividend income from financial assets at fair value through other comprehensive income	–	(1,200)
Loss/(gain) on disposal of property, plant and equipment, net	18	(79)
Fair value loss/(gain) on investment properties, net	5,447	(1,000)
Amortisation of intangible assets	528	528
Amortisation of leasehold land and land use rights	–	997
Depreciation	48,397	46,491
Movement in loss allowance for trade debtors	344	146
	<hr/>	<hr/>
Operating profit before working capital changes	77,016	69,771
Trade debtors, net	135,822	71,888
Inventories	(18,376)	(1,120)
Prepayments, deposits and other receivables	(71,441)	(31,947)
Contract assets	(106,315)	(135,020)
Property under development for sale	(25,500)	(34,054)
Completed properties held for sale	–	9,100
Net change in balances with joint ventures/joint operations/other partners of joint operations	1,247	(4,121)
Payables to suppliers and subcontractors	170,715	(84,295)
Accruals, retention payables, deposit received and other liabilities	18,703	(102,631)
Contract liabilities	(115,014)	57,826
	<hr/>	<hr/>
Net cash from/(used in) operations	66,857	(184,603)
Hong Kong profits tax refunded	33	–
Overseas tax paid	(576)	(460)
	<hr/>	<hr/>
Net cash from/(used in) operating activities	66,314	(185,063)



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 September 2019

	Six months ended	
	30 September	
Note	2019	2018
	HK\$'000	HK\$'000
Cash flows from investing activities		
Investment in joint ventures	(11,705)	(20,459)
Purchase of property, plant and equipment	(6,643)	(19,759)
Additions to investment properties	(47)	–
Proceeds from disposal of property, plant and equipment	183	588
Dividend received from an associate	114	114
Dividend received from financial assets at fair value through other comprehensive income	–	1,200
Interest received	2,828	3,269
Net decrease in mortgage loan receivables	1,167	–
Net cash used in investing activities	(14,103)	(35,047)
Cash flows from financing activities		
Repayment of bank loans	(190,375)	(73,778)
Drawdown of bank loans	167,696	160,420
Decrease in restricted deposits	2,496	35,876
Capital element of lease payments (2018: Capital element of finance lease payments)	(6,625)	(2,930)
Interest element of lease payments (2018: Interest element of finance lease payments)	(436)	(15)
Dividend paid	(6,571)	(6,571)
Interest paid	(15,142)	(15,480)
Net cash (used in)/from financing activities	(48,957)	97,522
Net increase/(decrease) in cash and cash equivalents	3,254	(122,588)
Cash and cash equivalents at beginning of period	747,136	620,759
Exchange loss on cash and cash equivalents	(5,886)	(659)
Cash and cash equivalents at end of period	744,504	497,512
Analysis of cash and cash equivalents		
	14	
Cash and bank balances	407,096	394,036
Time deposits	337,408	103,476
	744,504	497,512



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

Condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board of Directors on 27 November 2019.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2019 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

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



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

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the audited consolidated financial statements for the year ended 31 March 2019.

3.1 New standard, amendments to standards and interpretation adopted by the Group

Amendments to HKFRSs	Annual improvements to HKFRS 2015-2017 Cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKFRS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC) – Interpretation 23	Uncertainty over income tax treatments

3.1.1 HKFRS 16 Leases

The Group has adopted HKFRS 16 “Leases” from 1 April 2019 retrospectively but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rates as at 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to these lease liabilities on 1 April 2019 was 3.4%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

Non-current lease liabilities are included in “Other non-current liabilities” in the consolidated balance sheet. Current lease liabilities are included in “Accruals, retention payables, deposits received and other liabilities” in the consolidated balance sheet.



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

3. ACCOUNTING POLICIES (CONTINUED)

3.1 New standard, amendments to standards and interpretation adopted by the Group (Continued)

3.1.1 HKFRS 16 Leases (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

	<i>HK\$' 000</i>
Operating lease commitments disclosed as at 31 March 2019	21,110
Discounted using the lessee's incremental borrowing rate at the date of initial application	(868)
Add: finance lease liabilities recognised as at 31 March 2019	1,066
Less: short-term leases recognised on straight-line basis as expenses	<u>(1,347)</u>
Lease liabilities recognised as at 1 April 2019	<u>19,961</u>
Of which are:	
Current lease liabilities	8,563
Non-current lease liabilities	<u>11,398</u>
	<u>19,961</u>

The associated right-of-use assets were measured as an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Right-of-use assets are included in "Property, plant and equipment" in the consolidated balance sheet.

The leasehold land and land use rights previously presented as a separate item on the consolidated balance sheet are grouped as part of "Property, plant and equipment" with effect from 1 April 2019.



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

3. ACCOUNTING POLICIES (CONTINUED)

3.1 New standard, amendments to standards and interpretation adopted by the Group (Continued)

3.1.1 HKFRS 16 Leases (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

The recognised right-of-use assets relate to the following type of assets:

	Unaudited 30 September 2019 HK\$'000	Unaudited 1 April 2019 HK\$'000
Leasehold land and land use rights	115,605	121,242
Buildings	17,716	18,895
Plant and machinery	6,028	–
Motor vehicles	3,502	2,076
	<u>142,851</u>	<u>142,213</u>

(i) Impact on segment disclosures

Right-of-use assets and lease liabilities are now included in segment assets and liabilities respectively. The change in accounting policy resulted in increases in segment assets and segment liabilities as at 30 September 2019, and increase in segment results before corporate expenses for the period ended 30 September 2019 as follows:

	Segment results before corporate expenses HK\$'000	Segment assets HK\$'000	Segment liabilities HK\$'000
Construction	21	6,974	7,044
Electrical and mechanical installation	49	10,534	10,693
Building materials supply	3	208	210



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

3. ACCOUNTING POLICIES (CONTINUED)

3.1 New standard, amendments to standards and interpretation adopted by the Group (Continued)

3.1.1 HKFRS 16 Leases (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 “Lease” and HK (IFRIC) 4 “Determining whether an Arrangement contains a Lease”.

(b) The Group’s leasing activities and how these are accounted for

The Group leases a number of premises mainly for use as office premises, staff quarter and warehouses. The leases are typically made for fixed periods from 2 to 5 years. The terms of the leases are negotiated on an individual basis and contain a range of different terms and conditions. None of the leases includes contingent rentals.





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

3. ACCOUNTING POLICIES (CONTINUED)

3.1 New standard, amendments to standards and interpretation adopted by the Group (Continued)

3.1.1 HKFRS 16 Leases (Continued)

(b) *The Group's leasing activities and how these are accounted for (Continued)*

Until 31 March 2019, leases of office premises, staff quarter and warehouses were classified as operating leases while leases of motor vehicles were classified as finance leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease and these under finance leases were recognised as reduction in obligations under finance lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Other than HKFRS 16, the adoption of the other amendments to standards and interpretation does not have any significant impact on the Group.



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

3. ACCOUNTING POLICIES (CONTINUED)

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

The following new standards, amendments to standards and annual improvement have been published that are not mandatory for the financial year beginning on 1 April 2019 and have not been early adopted by the Group are as follows:

		Effective for accounting periods beginning on or after
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

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 2019.

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including 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 2019.

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	
	2019	2018
	HK\$'000	HK\$'000
Revenue		
Construction	2,577,756	1,811,386
Electrical and mechanical installation	581,623	486,780
Building materials supply	23,315	80,220
Property investment and development	1,534	12,254
Hotel operations	41,089	55,013
Others	11,895	15,786
	<u>3,237,212</u>	<u>2,461,439</u>

For the six months ended 30 September 2019, the Group recognised revenue from contracts with customers (including construction, electrical and mechanical installation, hotel operations and others) over time except for revenue from building materials supply of HK\$23,315,000 (2018: HK\$80,220,000), property sales of HK\$Nil (2018: HK\$10,861,000) and others of HK\$10,873,000 (2018: HK\$12,458,000), which were recognised at a point in time. The revenue from other source (rental income) amounted to HK\$1,534,000 (2018: HK\$1,393,000).

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

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

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



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

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 2019							
Total sales	2,601,783	851,521	187,621	1,534	41,089	58,598	3,742,146
Less: Inter-segment sales	(24,027)	(269,898)	(164,306)	-	-	(46,703)	(504,934)
External sales	<u>2,577,756</u>	<u>581,623</u>	<u>23,315</u>	<u>1,534</u>	<u>41,089</u>	<u>11,895</u>	<u>3,237,212</u>
Segment results	53,715	8,924	(31,837)	(6,031)	4,765	(6,065)	23,471
Share of profit of associates	-	112	-	-	-	-	112
Share of loss of joint ventures	-	-	(3,278)	-	-	-	(3,278)
	<u>53,715</u>	<u>9,036</u>	<u>(35,115)</u>	<u>(6,031)</u>	<u>4,765</u>	<u>(6,065)</u>	<u>20,305</u>
Unallocated income							10,493
Finance costs							(15,578)
Profit before income tax							15,220
Income tax expense							(8,613)
Profit for the period							<u>6,607</u>
At 30 September 2019							
Segment assets	2,217,422	627,724	748,518	676,900	545,823	151,080	4,967,467
Interests in associates	-	1,316	-	-	-	25	1,341
Interests in joint ventures	-	-	96,007	-	-	-	96,007
Unallocated assets							<u>30,414</u>
Total assets							<u>5,095,229</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 2018							
Total sales	1,842,975	724,827	228,419	12,254	55,013	48,679	2,912,167
Less: Inter-segment sales	(31,589)	(238,047)	(148,199)	-	-	(32,893)	(450,728)
External sales	<u>1,811,386</u>	<u>486,780</u>	<u>80,220</u>	<u>12,254</u>	<u>55,013</u>	<u>15,786</u>	<u>2,461,439</u>
Segment results	1,183	15,116	(4,686)	2,153	12,885	(5,176)	21,475
Share of profit of associates	-	59	-	-	-	-	59
Share of loss of joint ventures	-	-	(276)	-	-	-	(276)
	<u>1,183</u>	<u>15,175</u>	<u>(4,962)</u>	<u>2,153</u>	<u>12,885</u>	<u>(5,176)</u>	<u>21,258</u>
Unallocated income							12,240
Finance costs							(15,495)
Profit before income tax							18,003
Income tax expense							(6,691)
Profit for the period							<u>11,312</u>
At 31 March 2019							
Segment assets	1,945,253	769,100	804,053	659,058	555,194	184,431	4,917,089
Interests in associates	-	1,204	-	-	-	25	1,229
Interests in joint ventures	-	-	87,577	-	-	-	87,577
Unallocated assets							<u>36,531</u>
Total assets							<u>5,042,426</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 LOSSES, NET

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Dividend income from financial assets at fair value through other comprehensive income	—	1,200
Bank interest income	2,828	3,269
Interest income from subcontractors	8,854	6,558
Management service income from a joint operation	8	191
Sundry income	5,869	5,513
	<u>17,559</u>	<u>16,731</u>
Other losses, net		
Fair value (loss)/gain on investment properties, net	(5,447)	1,000
(Loss)/gain on disposal of property, plant and equipment, net	(18)	79
Exchange loss, net	(5,159)	(11,411)
	<u>(10,624)</u>	<u>(10,332)</u>
	<u>6,935</u>	<u>6,399</u>



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

8. EXPENSES BY NATURE

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of construction	2,438,797	1,712,167
Cost of properties sold	–	9,100
Cost of inventories sold	135,437	127,253
Staff cost (including directors' emoluments)	480,715	431,657
Depreciation		
Owned property, plant and equipment	41,492	44,745
Leased property, plant and equipment	6,905	1,746
	48,397	46,491
Operating lease rentals of		
Land and buildings	2,648	6,001
Other equipment	33,456	25,286
	36,104	31,287
Amortisation of leasehold land and land use rights	–	997
Amortisation of intangible assets	528	528
Movement in loss allowance for trade receivables	344	146
Auditor's remuneration	2,443	2,821
Direct operating expenses arising from investment properties		
– Generate rental income	128	166
– Not generate rental income	30	22
Selling and distribution costs	7,358	10,834
Others	59,902	60,654
Total cost of sales, selling and distribution costs, administrative and other operating expenses	3,210,183	2,434,123



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

9. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on overdrafts and short-term bank loans	16,995	17,857
Interest on long-term bank loans	23,129	15,235
Interest element of lease payments	456	51
	<hr/>	<hr/>
Total borrowing costs incurred	40,580	33,143
Less: Classified as cost of construction	(18,800)	(13,141)
Capitalised in property under development for sale	(6,202)	(4,507)
	<hr/>	<hr/>
	15,578	15,495
	<hr/> <hr/>	<hr/> <hr/>

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2018: 16.5%) on the estimated assessable profits for the six months ended 30 September 2019. Under the two-tiered profits tax rates regime introduced on 29 March 2018, Hong Kong profits tax rate for the first HK\$2 million of assessable profits is 8.25%. Assessable profits above HK\$2 million is at the rate of 16.5%.

Taxation on 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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax provision for the period	8,464	6,643
Overseas tax provision for the period	236	135
Deferred income tax relating to the origination and reversal of temporary differences	(87)	(87)
	<hr/>	<hr/>
	8,613	6,691
	<hr/> <hr/>	<hr/> <hr/>



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

11. DIVIDENDS

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Dividends paid during the period		
Final in respect of the financial year ended 31 March 2019 – HK1.50 cents (2018: HK1.50 cents) per ordinary share	<u>6,571</u>	<u>6,571</u>
Declared interim dividend		
Interim – HK1.00 cent (2018: HK1.50 cents) per ordinary share	<u>4,381</u>	<u>6,571</u>

The interim dividend was declared after the period ended 30 September 2019, 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 20 December 2019.

12. EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of earnings per share is based on:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Net profit attributable to the equity holders of the Company	7,017	11,077
	Six months ended 30 September	2018
	2019	2018
Weighted average number of shares in issue during the period	438,053,600	438,053,600
Basic earnings per share	<u>HK1.60 cents</u>	<u>HK2.53 cents</u>

Diluted earnings per share for the six months ended 30 September 2019 and 2018 are equal to basic earnings 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 2018	1,281,052	234,577	76,701
Additions	19,759	–	–
Fair value gain on investment properties, net	–	1,000	–
Currency translation differences	(46,020)	(2,389)	(6,694)
Disposals	(509)	–	–
Depreciation/amortisation charge (Note 8)	(46,491)	–	(997)
	<u>1,207,791</u>	<u>233,188</u>	<u>69,010</u>
Net book amount as at 30 September 2018			
Net book amount as at 31 March 2019, as previously reported	1,191,001	241,962	68,064
Adjustment on adoption of HKFRS 16 (Note 3.1)	86,959	–	(68,064)
	<u>1,277,960</u>	<u>241,962</u>	–
Net book amount as at 1 April 2019, restated			
Additions	19,835	47	–
Fair value gain on investment properties, net	–	(5,447)	–
Currency translation differences	(29,619)	–	–
Disposals	(201)	–	–
Depreciation/amortisation charge (Note 8)	(48,397)	–	–
	<u>1,219,578</u>	<u>236,562</u>	–
Net book amount as at 30 September 2019			

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 2019	31 March 2019
	HK\$'000	HK\$'000
Cash and bank balances	407,096	559,785
Time deposits	337,408	187,351
Restricted deposits (<i>Note a</i>)	87,206	89,702
	<u>831,710</u>	<u>836,838</u>

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 2019	31 March 2019
	HK\$'000	HK\$'000
Cash and bank balances	407,096	559,785
Time deposits with original maturity of less than three months	337,408	187,351
	<u>744,504</u>	<u>747,136</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. The aging analysis of the trade debtors, net by overdue day(s) is as follows:

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Current	581,280	721,581
1-30 days	17,061	16,682
31-90 days	10,362	12,574
91-180 days	9,169	15,294
Over 180 days	27,760	17,442
	64,352	61,992
	645,632	783,573



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

16. SHARE CAPITAL

	Number of shares		Amount	
	30 September 2019	31 March 2019	30 September 2019 <i>HK\$'000</i>	31 March 2019 <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>

17. BORROWINGS

The maturity of borrowings is as follows:

	Bank loans		Obligations under finance lease	
	30 September 2019 <i>HK\$'000</i>	31 March 2019 <i>HK\$'000</i>	30 September 2019 <i>HK\$'000</i>	31 March 2019 <i>HK\$'000</i>
Within 1 year	822,743	1,203,394	–	766
Between 1 and 2 years	281,314	104,073	–	300
Between 2 and 5 years	<u>1,211,791</u>	<u>1,030,874</u>	<u>–</u>	<u>–</u>
	<u>2,315,848</u>	<u>2,338,341</u>	<u>–</u>	<u>1,066</u>

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



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

18. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Current	<u>413,752</u>	<u>260,217</u>
1-30 days	31,197	17,975
31-90 days	4,155	1,139
91-180 days	616	150
Over 180 days	<u>2,863</u>	<u>2,387</u>
	<u>38,831</u>	<u>21,651</u>
	<u>452,583</u>	<u>281,868</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 2019, 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 awarded 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 in September 2016 by the subcontractor 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 2018, the subsidiary received a payment of HK\$4,116,237 which has been recognised in income statement. For the remaining balance of the judgment debt, the subsidiary is currently pursuing enforcement proceedings for the recovery of the same.

- (c) The Group has provided performance bonds amounting to approximately HK\$471,953,000 (31 March 2019: HK\$616,033,000) in favour of the Group's customers.
- (d) As at 30 September 2019, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and joint ventures of approximately HK\$1,043,000 (31 March 2019: HK\$1,361,000) and RMB38,000,000 (31 March 2019: RMB36,000,000) respectively.



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

20. FUTURE MINIMUM RENTAL RECEIVABLE

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

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Within one year	6,066	4,819
One year to five years	7,707	3,549
	<u>13,773</u>	<u>8,368</u>

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 2019 HK\$'000	2018 HK\$'000
Salaries and fees	9,311	8,798
Pension costs – defined contribution scheme	470	443
Others	586	554
	<u>10,367</u>	<u>9,795</u>





MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Review of Operation

The Group's turnover for the six months ended 30 September 2019 was HK\$3,237 million, representing an increase of 32% on a comparable basis. Increases in construction and electrical and mechanical installation revenue attributed to the rise in group revenue. Both segments secured good amounts of contracts in last year, providing solid basis for current year businesses. Having said that, revenue from building materials supply and hotel operation declined. On building material supply, majority of the on-hand contracts are scheduled to deliver in second half of the year. We anticipate more revenue would be recognised then. As to the hotel businesses, revenue was impacted inevitably in light of the current social unrest. Both the room rate and occupancy rate dropped, which made the half year revenue down by 25% period on period.

Consolidated gross profit for the period was HK\$245 million which was comparable with last period. Despite so, the overall gross margin was somewhat lessened as a result of the reduction of gross margins in building material supply and hotel segments. In general, the gross profits percentages of these two segments were higher than the Group. As such, the changes of rates in these two segments would lead a higher impact on the Group's gross profit percentage.

Operating expenses totaled HK\$210 million compared to HK\$207 million in corresponding period of last year. Major change was the salaries which were adjusted with reference to market rates. For other expenses, we endeavor to keep in control.

Consolidated net profits before tax for the period was HK\$15 million, as compared to HK\$18 million in prior period. During the period, we recorded a fair value revaluation loss of HK\$5.4 million in investment properties whilst there was a gain of a million in prior period. Since Hong Kong's commercial property market cooled down in the period, market value of some of our properties were adjusted down accordingly. Besides, we reported a small loss of HK\$3 million for our joint ventures in PRC. These joint venture factories are in early business development stages which are yet to fully utilize the capacities. Operation losses are anticipated in early years. In sum, the operation profits excluding properties revaluation losses and joint ventures' losses increased slightly period on period.

As at 30 September 2019, the value of contracts in hand was around HK\$19,895 million as compared to HK\$21,387 million in prior period. The HKSAR Government has launched a series of measures in last two policies address to increase land supply. Yet, it takes some time to come to fruition. There is no quick fix for the current land shortage issue. The finite amount of land supply coupled with the prolonged approval process in Legco impacted the availability of sizeable building projects in near term. The resulted extremely keen competitions drove margins to unusual low levels that we were hesitated to get. Nonetheless, we would strive to secure more new orders to replenish the order book.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Movement of Contracts

For the six months ended 30 September 2019

	31 March 2019 <i>HK\$'million</i>	Contracts		30 September 2019 <i>HK\$'million</i>
		Secured <i>HK\$'million</i>	Completed <i>HK\$'million</i>	
Building construction, renovation and maintenance	16,430	397	(2,338)	14,489
Electrical and mechanical installation	7,411	419	(803)	7,027
Building materials supply	2,164	121	(118)	2,167
Others	21	7	–	28
Less: Inter-segment contracts	<u>(3,920)</u>	<u>(185)</u>	<u>289</u>	<u>(3,816)</u>
	<u>22,106</u>	<u>759</u>	<u>(2,970)</u>	<u>19,895</u>

Financial Position

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 30 September 2019, the Group's total cash and bank balances was HK\$832 million (31 March 2019: HK\$837 million) and total borrowings was HK\$2,316 million (31 March 2019: HK\$2,339 million). The slight decrease in borrowings was primarily due to repayment of a project loan. The current ratio (total current assets: total current liabilities) as at 30 September 2019 was 1.5 (31 March 2019: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK\$1,493 million (31 March 2019: HK\$1,135 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 2019, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$5,445 million (31 March 2019: HK\$5,295 million), of which HK\$2,700 million (31 March 2019: HK\$2,703 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.





MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Human Resources

As at 30 September 2019, the Group had approximately 2,960 (31 March 2019: 2,900) employees. There are approximately 2,230 (31 March 2019: 2,200) employees in Hong Kong, Macau and Singapore and 730 (31 March 2019: 700) in Mainland China. Yau Lee aims to be a good and attractive employer as we understand people are key to long-term success. The Group offers competitive remuneration packages and employees are rewarded on a performance related basis. The Group is firmly committed to training and staff development. We work continuously to ensure employees can realise their full potentials and thus to foster their development to the Group.

Outlook

The Hong Kong Government has set out plans in Year 2019-20 Budget to raise substantially capital works, covering the construction of public and private housing, hospital development and redevelopment projects. Further, the Government announced in latest Policy Address to set aside HK\$5 billion to increase the number of transitional housing projects substantially to provide a total of 10,000 units in next three years and also 3,300 youth hostel places. All such plans aim to accelerate the building of houses. The Group's patented concrete MiC technology and proprietary prefabrication knowhow are good fit for speedy construction. Also, we developed an integrated platform called BEANiE, employing BIM and blockchain technologies for digital monitoring, recording and compliance assurance. We speed up the building works with enhanced controls and productivity. The Group's state-of-art technologies would help us to create competitive advantages. We are cautiously optimistic about the construction market in medium to long term.

On the prefabrication industrialization in Mainland China, the Group signed up two new joint ventures in Shandong and Yunnan respectively. As of the reporting date, we have established ten partnerships in Mainland China. For those factories commencing operations recently, the businesses grew steadily. Certainly, it takes some times for each of these factories to scale up and make reasonable profits, given the fairly large size of each of them. It is anticipated that a certain amount of controlled operation losses may incur in early years. In addition to partnerships, we expand our presence in China by tap into domestic sales. Our first precast supply contract in Mainland is to supply to a residential development project in Dongguan. It is an initial step but critically important to our entry to China market.

The Hong Kong economy is hard hit by the China-US trade tension and the social unrests in the city. The economy shrank 3.2% in July-September from the previous quarter, pushing the city into a technical recession. The economic outlook is dim in short run. We are devising plans and strategies to prepare for the chilly winter. Looking beyond the short term challenges, we see the market is potentially positive in the medium to long run. With the Government's sustained efforts to resolve the housing shortage problems, the building market is still full of opportunities.

Ahead of us lies a year paved with opportunities and challenges. We will endeavor to do our best for sustainable growth. The construction industry is changing and evolving. Technologies are developed and applied to make the construction safer, more efficient and effective. The Group, being a forerunner, continues to develop and implement innovative building technologies such as MiC, A.I., blockchain etc. for better performance and rewards.



OTHER INFORMATION

INTERIM DIVIDEND

On 27 November 2019, the Board has resolved to declare the payment of an interim dividend of HK1.00 cent (2018: HK1.50 cents) per ordinary share in respect of the six months ended 30 September 2019 to shareholders registered on the register of members on 20 December 2019. The interim dividend will be payable on or before 10 January 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 December 2019 (Wednesday) to 20 December 2019 (Friday), both days inclusive, during which period no transfer of shares shall be effected. To qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 17 December 2019 (Tuesday).

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	267,214,599	61.00%

The shares referred to above are registered in the names of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 36,535,000 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 2019, 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 2019, 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 2019.

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 2019 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 2019 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 2019.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 27 November 2019

