



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

2021
Interim Report



BIM FOR
FULL LIFECYCLE MANAGEMENT

INDUSTRIALIZED
BUILDING PROCESS

MODULAR INTEGRATED
CONSTRUCTION

DEMOUNTABLE
MODULAR INTEGRATED CONSTRUCTION



This interim report is printed on environmentally friendly paper

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 Cheung
 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
 Certified Public Accountants
 Registered Public Interest Entity Auditor

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\$3,124,031,000 (2020: HK\$3,411,607,000) for the six months ended 30 September 2021 (the “period”).

The gross profit for the period was HK\$273,462,000 (2020: HK\$273,152,000).

Profit for the period was HK\$44,724,000 (2020: HK\$75,135,000).

Basic and diluted earnings per share were approximately HK10.41 cents (2020: HK17.27 cents).

The net asset value attributable to equity holders of the Company as at 30 September 2021 was HK\$1,494,030,000 (31 March 2021: HK\$1,478,237,000), equivalent to HK\$3.41 (31 March 2021: HK\$3.37) per share based on the 438,053,600 (31 March 2021: 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 2021 were as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2021

		Six months ended 30 September	
	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Revenue	6	3,124,031	3,411,607
Cost of sales	8	(2,850,569)	(3,138,455)
Gross profit		273,462	273,152
Other income and gains, net	7	17,401	17,358
Selling and distribution costs	8	(10,039)	(15,778)
Administrative expenses	8	(222,176)	(175,712)
Other operating expenses	8	(1,594)	(1,706)
Operating profit		57,054	97,314
Finance costs	9	(3,056)	(9,115)
Share of loss of an associate		(151)	(141)
Share of loss of joint ventures		(2,345)	(2,598)
Profit before income tax		51,502	85,460
Income tax expense	10	(6,778)	(10,325)
Profit for the period		44,724	75,135
Attributable to:			
Equity holders of the Company		45,581	75,662
Non-controlling interests		(857)	(527)
		44,724	75,135
Interim dividend	11	10,951	4,381
Earnings per share (basic and diluted)	12	HK10.41 cents	HK17.27 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Profit for the period	44,724	75,135
Other comprehensive income		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	—	26,906
Total comprehensive income for the period	44,724	102,041
Attributable to:		
Equity holders of the Company	45,581	102,568
Non-controlling interests	(857)	(527)
Total comprehensive income for the period	44,724	102,041

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2021

	Note	30 September 2021 HK\$'000	31 March 2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,149,956	1,185,289
Investment properties	13	183,040	183,040
Other intangible assets		7,758	8,286
Goodwill		17,898	16,662
Associate		824	975
Joint ventures		129,615	131,960
Deferred income tax assets		8,382	8,382
Financial assets at fair value through other comprehensive income		–	11,800
Mortgage loans receivables		41,429	53,973
Other non-current assets		–	1,106
		1,538,902	1,601,473
Current assets			
Cash and bank balances	14	1,219,817	728,119
Trade debtors, net	15	619,419	789,528
Contract assets		873,212	703,420
Prepayments, deposits and other receivables		369,549	399,806
Mortgage loans receivables		1,795	2,119
Inventories		88,094	76,183
Completed properties held for sale		41,722	49,486
Property under development for sale		695,595	658,377
Due from joint ventures/joint operations		44,628	46,889
Prepaid income tax		54,419	54,428
		4,008,250	3,508,355
Total assets		5,547,152	5,109,828



UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
(CONTINUED)

As at 30 September 2021

		30 September 2021 <i>HK\$'000</i>	31 March 2021 <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Share capital	16	87,611	87,611
Other reserves		458,233	458,233
Retained profits		948,186	932,393
		<hr/>	<hr/>
Attributable to equity holders of the Company		1,494,030	1,478,237
Non-controlling interests		1,208	2,065
		<hr/>	<hr/>
Total equity		<u>1,495,238</u>	<u>1,480,302</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	17	304,787	835,571
Deferred income tax liabilities		7,545	7,632
Other non-current liabilities		27,858	37,842
		<hr/>	<hr/>
		340,190	881,045
		<hr/>	<hr/>
Current liabilities			
Short-term bank loans	17	575,236	263,076
Current portion of long-term borrowings	17	918,726	611,947
Payables to suppliers and subcontractors	18	267,732	259,267
Accruals, retention payables, deposits received and other liabilities		716,543	722,300
Derivative financial liabilities		123	–
Income tax payable		14,415	10,205
Contract liabilities		1,174,718	833,145
Due to joint operations		2,799	2,799
Due to other partners of joint operations		41,432	45,742
		<hr/>	<hr/>
		3,711,724	2,748,481
		<hr/>	<hr/>
Total liabilities		<u>4,051,914</u>	<u>3,629,526</u>
		<hr/>	<hr/>
Total equity and liabilities		<u>5,547,152</u>	<u>5,109,828</u>

UNAUDITED CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2021

	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>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2020	87,611	413,776	359	(73,287)	55,366	704	792,917	1,277,446	3,202	1,280,648
Profit/(loss) for the period	-	-	-	-	-	-	75,662	75,662	(527)	75,135
Other comprehensive income:										
Currency translation differences	-	-	-	26,906	-	-	-	26,906	-	26,906
2020 final dividend (Note 11)	-	-	-	-	-	-	(6,571)	(6,571)	-	(6,571)
As at 30 September 2020	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>(46,381)</u>	<u>55,366</u>	<u>704</u>	<u>862,008</u>	<u>1,373,443</u>	<u>2,675</u>	<u>1,376,118</u>
As at 1 April 2021	87,611	413,776	359	(11,972)	55,366	704	932,393	1,478,237	2,065	1,480,302
Profit/(loss) for the period	-	-	-	-	-	-	45,581	45,581	(857)	44,724
2021 final dividend (Note 11)	-	-	-	-	-	-	(29,788)	(29,788)	-	(29,788)
As at 30 September 2021	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>(11,972)</u>	<u>55,366</u>	<u>704</u>	<u>948,186</u>	<u>1,494,030</u>	<u>1,208</u>	<u>1,495,238</u>

UNAUDITED CONDENSED CONSOLIDATED
CASH FLOW STATEMENT

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from operating activities		
Operating profit	57,054	97,314
Interest income	(7,734)	(10,854)
Interest expense	5,804	12,632
Loss/(gain) on disposal of other property, plant and equipment, net	4	(33)
Gain on lease modification	(94)	-
Fair value loss on investment properties, net	-	3,191
Amortisation of intangible assets	528	528
Depreciation	53,461	49,340
Movement in loss allowance for trade debtors	1,222	(295)
Loss on derivative financial liabilities	123	-
	<hr/>	<hr/>
Operating profit before working capital changes	110,368	151,823
Trade debtors, net	168,887	(2,570)
Inventories	(11,911)	6,542
Prepayments, deposits and other receivables	37,725	56,585
Contract assets	(169,792)	191,856
Property under development for sale	(32,589)	(84,525)
Completed properties held for sale	7,764	(142)
Net change in balances with joint ventures/joint operations/other partners of joint operations	(2,049)	(10,897)
Payables to suppliers and subcontractors	8,465	42,375
Accruals, retention payables, deposit received and other liabilities	(35,121)	17,816
Contract liabilities	341,573	301,152
	<hr/>	<hr/>
Net cash from operations	423,320	670,015
Hong Kong profits tax refunded	-	3,124
Hong Kong profits tax paid	(2,308)	(2,107)
Non-Hong Kong tax paid	(338)	(42,099)
	<hr/>	<hr/>
Net cash from operating activities	420,674	628,933
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UNAUDITED CONDENSED CONSOLIDATED
CASH FLOW STATEMENT (CONTINUED)
For the six months ended 30 September 2021

	Six months ended 30 September	
<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Cash flows from investing activities		
Investment in joint ventures	–	(29,440)
Purchase of property, plant and equipment	(15,287)	(4,756)
Proceeds from disposal of financial assets at fair value through other comprehensive income	11,800	–
Acquisition of a subsidiary, net of cash acquired	(1,236)	–
Proceeds from disposal of property, plant and equipment	358	215
Interest received	1,650	2,575
Net decrease in mortgage loan receivables	12,741	9,308
Net cash from/(used in) investing activities	<u>10,026</u>	<u>(22,098)</u>
Cash flows from financing activities		
Repayment of bank loans	(226,000)	(241,522)
Drawdown of bank loans	314,004	1,736
(Increase)/decrease in restricted deposits	(389,990)	4,094
Capital element of lease payments	(13,517)	(9,565)
Interest element of lease payments	(487)	(463)
Dividend paid	–	(6,571)
Interest paid	(13,002)	(25,757)
Net cash used in financing activities	<u>(328,992)</u>	<u>(278,048)</u>
Net increase in cash and cash equivalents	101,708	328,787
Cash and cash equivalents at beginning of period	650,748	570,567
Exchange gain on cash and cash equivalents	–	4,255
Cash and cash equivalents at end of period	<u>752,456</u>	<u>903,609</u>
Analysis of cash and cash equivalents		
	<i>14(b)</i>	
Cash and bank balances	747,395	898,550
Time deposits	5,061	5,059
	<u>752,456</u>	<u>903,609</u>

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 25 November 2021.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2021 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 2021, 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 2021.

3.1 Amendments to standards adopted by the Group

Amendment to HKFRS 16	COVID-19-Related Rent Concession
Amendment to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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

The following new standard, amendments to standards, annual improvements, guideline and interpretation have been published that are not mandatory for the financial year beginning on 1 April 2021 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture	To be announced
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

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 2021.

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 2021.

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	
	2021 HK\$'000	2020 HK\$'000
Revenue		
Construction	2,117,594	2,699,884
Electrical and mechanical installation	857,827	655,953
Building materials supply	120,440	40,750
Property investment and development	10,651	655
Hotel operations	1,310	1,085
Others	16,209	13,280
	3,124,031	3,411,607

For the six months ended 30 September 2021, 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\$120,440,000 (2020: HK\$40,750,000), property sales of HK\$9,839,000 (2020: HK\$Nil) and others of HK\$14,751,000 (2020: HK\$12,323,000), which were recognised at a point in time. The revenue from other source (rental income included in property investment and development and hotel operations) amounted to HK\$2,122,000 (2020: HK\$1,592,000).

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 2021							
Total sales	2,171,006	1,073,354	314,780	10,651	1,310	64,456	3,635,557
Less: Inter-segment sales	(53,412)	(215,527)	(194,340)	-	-	(48,247)	(511,526)
External sales	<u>2,117,594</u>	<u>857,827</u>	<u>120,440</u>	<u>10,651</u>	<u>1,310</u>	<u>16,209</u>	<u>3,124,031</u>
Segment results	67,880	14,233	(6,737)	(3,544)	(11,040)	(6,443)	54,349
Share of loss of an associate	-	(151)	-	-	-	-	(151)
Share of loss of joint ventures	-	-	(2,345)	-	-	-	(2,345)
	<u>67,880</u>	<u>14,082</u>	<u>(9,082)</u>	<u>(3,544)</u>	<u>(11,040)</u>	<u>(6,443)</u>	<u>51,853</u>
Unallocated income							2,705
Finance costs							(3,056)
Profit before income tax							51,502
Income tax expense							(6,778)
Profit for the period							<u>44,724</u>
At 30 September 2021							
Segment assets	1,693,963	890,861	819,258	1,323,262	496,757	160,192	5,384,293
Interests in an associate	-	799	-	-	-	25	824
Interests in joint ventures	-	-	129,615	-	-	-	129,615
Unallocated assets							32,420
Total assets							<u>5,547,152</u>
Segment liabilities	(922,225)	(775,820)	(88,907)	(415,803)	(1,244)	(9,482)	(2,213,481)
Bank loans							(1,798,749)
Unallocated liabilities							(39,684)
Total liabilities							<u>(4,051,914)</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 2020							
Total sales	2,835,949	1,037,825	292,191	655	1,085	65,617	4,233,322
Less: Inter-segment sales	(136,065)	(381,872)	(251,441)	-	-	(52,337)	(821,715)
External sales	<u>2,699,884</u>	<u>655,953</u>	<u>40,750</u>	<u>655</u>	<u>1,085</u>	<u>13,280</u>	<u>3,411,607</u>
Segment results	67,850	38,218	10,068	(4,500)	(13,534)	(1,629)	96,473
Share of loss of an associate	-	(141)	-	-	-	-	(141)
Share of loss of joint ventures	-	-	(2,598)	-	-	-	(2,598)
	<u>67,850</u>	<u>38,077</u>	<u>7,470</u>	<u>(4,500)</u>	<u>(13,534)</u>	<u>(1,629)</u>	<u>93,734</u>
Unallocated income							841
Finance costs							(9,115)
Profit before income tax							85,460
Income tax expense							(10,325)
Profit for the period							<u>75,135</u>
At 31 March 2021							
Segment assets	1,696,001	868,116	792,889	901,988	505,960	182,764	4,947,718
Interests in an associate	-	950	-	-	-	25	975
Interests in joint ventures	-	-	131,960	-	-	-	131,960
Unallocated assets							29,175
Total assets							<u>5,109,828</u>
Segment liabilities	(1,007,074)	(795,554)	(52,364)	(26,062)	(1,315)	(26,052)	(1,908,421)
Bank loans							(1,710,594)
Unallocated liabilities							(10,511)
Total liabilities							<u>(3,629,526)</u>

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

7. OTHER INCOME AND GAINS, NET

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Bank interest income	1,650	2,575
Interest income from subcontractors	6,084	8,279
Management service income from a joint operation	8	8
Sundry income	8,844	7,711
	<u>16,586</u>	<u>18,573</u>
Other gains/(losses), net		
Fair value loss on investment properties, net	–	(3,191)
(Loss)/gain on disposal of property, plant and equipment, net	(4)	33
Exchange gain, net	819	1,943
	<u>815</u>	<u>(1,215)</u>
	<u><u>17,401</u></u>	<u><u>17,358</u></u>

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

8. EXPENSES BY NATURE

	Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
Cost of construction	2,211,786	2,581,440
Cost of inventories sold	185,690	162,359
Cost of properties sold	7,764	–
Staff costs (including directors' emoluments)	520,326	428,769
Depreciation		
Owned property, plant and equipment	39,818	39,513
Leased property, plant and equipment	13,643	9,827
	53,461	49,340
Expenses relating to short-term leases of		
Land and buildings	2,141	1,578
Other equipment	27,307	37,214
	29,448	38,792
Amortisation of intangible assets	528	528
Movement in loss allowance for trade debtors	1,222	(295)
Auditor's remuneration	2,261	2,421
Direct operating expenses arising from investment properties		
– Generate rental income	379	211
– Not generate rental income	33	38
Selling and distribution costs	10,039	15,778
Others	61,441	52,270
Total cost of sales, selling and distribution costs, administrative and other operating expenses	3,084,378	3,331,651

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

9. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Interest on overdrafts and short-term bank loans	4,653	10,477
Interest on long-term bank loans	8,349	15,280
Interest element of lease payments	487	463
	<hr/>	<hr/>
Total borrowing costs incurred	13,489	26,220
Less: Classified as cost of construction	(5,804)	(12,632)
Capitalised in property under development for sale	(4,629)	(4,473)
	<hr/>	<hr/>
	3,056	9,115
	<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% (2020: 8.25% and 16.5%) on the estimated assessable profits for the six months ended 30 September 2021. Under the two-tiered profits tax rates regime introduced on 29 March 2018, Hong Kong profits tax rate for the first HK\$2 million of assessable profits is 8.25%. Assessable profits above HK\$2 million is at the rate of 16.5%.

Taxation on non-Hong Kong profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries/regions in which the Group operates.

The amount of income tax charged to the unaudited condensed consolidated income statement represents:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong profits tax provision for the period	6,862	9,889
Non-Hong Kong tax provision for the period	–	523
Under-provision in prior years	3	–
Deferred income tax relating to the origination and reversal of temporary differences	(87)	(87)
	<hr/>	<hr/>
	6,778	10,325
	<hr/> <hr/>	<hr/> <hr/>

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

11. DIVIDENDS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Dividends payable/paid during the period		
Final in respect of the financial year ended 31 March 2021 – HK6.80 cents (2020: HK1.50 cents) per ordinary share	<u>29,788</u>	<u>6,571</u>
Declared interim dividend		
Interim – HK2.50 cents (2020: HK1.00 cent) per ordinary share	<u>10,951</u>	<u>4,381</u>

The interim dividend was declared after the period ended 30 September 2021, 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 22 December 2021.

12. EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of earnings per share is based on:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Net profit attributable to the equity holders of the Company	<u>45,581</u>	75,662
Weighted average number of shares in issue during the period	<u>438,053,600</u>	438,053,600
Basic earnings per share	<u>HK10.41 cents</u>	<u>HK17.27 cents</u>

Diluted earnings per share for the six months ended 30 September 2021 and 2020 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
	<i>HK\$'000</i>	<i>(Note) HK\$'000</i>
Net book amount as at 1 April 2020	1,181,326	229,412
Additions	18,090	–
Fair value loss on investment properties, net	–	(3,191)
Currency translation differences	15,820	1,633
Disposals	(182)	–
Depreciation charge (<i>Note 8</i>)	(49,340)	–
	<hr/>	<hr/>
Net book amount as at 30 September 2020	<u>1,165,714</u>	<u>227,854</u>
Net book amount as at 1 April 2021	1,185,289	183,040
Additions	20,180	–
Disposals	(362)	–
Lease modification	(1,690)	–
Depreciation charge (<i>Note 8</i>)	(53,461)	–
	<hr/>	<hr/>
Net book amount as at 30 September 2021	<u>1,149,956</u>	<u>183,040</u>

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 2021 HK\$'000	31 March 2021 HK\$'000
Cash and bank balances	747,395	638,904
Time deposits	5,061	11,844
Restricted deposits (<i>Note a</i>)	467,361	77,371
	<u>1,219,817</u>	<u>728,119</u>

Notes:

- (a) Restricted deposits of HK\$76,366,000 (2020: HK\$77,371,000) 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 2021 HK\$'000	31 March 2021 HK\$'000
Cash and bank balances	747,395	638,904
Time deposits with original maturity of less than three months	5,061	11,844
	<u>752,456</u>	<u>650,748</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 2021 HK\$'000	31 March 2021 HK\$'000
Current	508,629	723,756
1-30 days	45,278	8,118
31-90 days	25,478	19,890
91-180 days	8,147	4,647
Over 180 days	31,887	33,117
	<u>110,790</u>	<u>65,772</u>
	<u>619,419</u>	<u>789,528</u>

16. SHARE CAPITAL

	Number of shares		Amount	
	30 September 2021	31 March 2021	30 September 2021 HK\$'000	31 March 2021 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	
	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Within 1 year	1,493,962	875,023
After 1 year but within 2 years	304,787	748,571
After 2 years but within 5 years	—	87,000
	<u>1,798,749</u>	<u>1,710,594</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.

18. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Current	228,426	223,380
1-30 days	27,729	27,620
31-90 days	1,676	4,294
91-180 days	2,298	1,154
Over 180 days	7,603	2,819
	<u>39,306</u>	<u>35,887</u>
	<u>267,732</u>	<u>259,267</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 2021, the Group has various liquidated damages claims on certain contracts for which the respective extension of time claims have been forwarded and filed to the clients. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.
- (b) The Group has provided performance bonds amounting to approximately HK\$550,919,000 (31 March 2021: HK\$468,977,000) in favour of the Group's customers.
- (c) As at 30 September 2021, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and joint ventures of approximately HK\$1,386,000 (31 March 2021: HK\$7,297,000) and RMB26,036,000 (31 March 2021: RMB26,036,000) respectively.
- (d) The future aggregate minimum lease rental payable under non-cancellable short-term leases is as follows:

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Land and buildings Within one year	—	745

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 2021 HK\$'000	31 March 2021 HK\$'000
Within one year	2,838	2,533
One year to five years	<u>3,803</u>	<u>1,477</u>
	<u>6,641</u>	<u>4,010</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 2021 HK\$'000	2020 HK\$'000
Salaries and fees	10,362	9,876
Pension costs – defined contribution scheme	492	470
Others	<u>22</u>	<u>21</u>
	<u>10,876</u>	<u>10,367</u>

Interim Results and Review of Operation

Despite the persistence of the pandemic, the Group delivered a resilient result for the first six months ended 30 September 2021. Operation performance enhanced notwithstanding a small reduction in total revenue.

The Group's revenue for the first six month in 2021 was HK\$3,124 million, down 8% from the same period last year. Major variations were in construction and electrical and mechanical installation ("E&M") segments. Work done by construction fell by around 22% due to time lags existing in between projects completions and commencements in the year. Following the completion of a few major projects in last year, project teams moved to new jobs. At present, most of the newly commenced projects are still at gearing up stage and recorded little work done at interim. Fall in turnover was thus reported which shall remain and reflect also in the yearly result. Despite so, the fall in construction revenue was offset and compensated by the growth in E&M revenue. With a record high order book, the segment achieved strong sales of HK\$858 million, up by 31% period on period. Provided that there is no significant change in work plan, we anticipated the total revenue generated by the E&M segment would reach new height at year end.

Consolidated gross profit remained at HK\$273 million, albeit a drop in revenue. Last year, some project costs provisions were adjusted upward reflecting time and supplies disruptions caused by the pandemic to the projects. Without such cost adjustments in this period, the margin improved and gross profit figures increased in relative term.

Total operating expenses was HK\$234 million, up by HK\$41 million period on period. The increases were mainly in staff costs and pre-sales expenses of the Group's residential development in Tai Kok Tsui. Staff cost in last interim period lessened after offset with the Government's Employment Support Scheme ("ESS") subsidy. The absence of such offset and annual pay rise raised the staff cost in the period.

Consolidated net profits before tax for the period was HK\$52 million, as compared to HK\$85 million in prior period. Excluding the non-recurring ESS subsidy received in last year, the operation result was in fact increased by HK\$22 million. Moreover, the Group improved continuously in cash flow. We gained a cash surplus from operations even after outflow for the new capital expenditure and property development costs incurred in the period. The Group's financial position was solid and healthy.

Contracts in hand as at 30 September 2021 remained robust at HK\$24,616 million. New contracts awarded during the period amounted to HK\$5,252 million, up by 112% period on period. Both construction and E&M, the two core segments gained a good amount of new contracts. The strong order book shows sustained business growth and positive outlook of the business.

Our strength brings to us businesses as well as market recognition. The Group has received fourteen different prizes and awards covering quality, safety, environmental protection and innovative technologies since the beginning of the year. Of all these awards, three of them honored our outstanding construction digitalization capabilities in Central Market Revitalization project and Long Span Footbridge connecting Hoi Ying Estate and Hoi Tat Estate, the two prominent projects in the year. Global Virtual Design and Construction Limited, our subsidiary specialized in construction digital technologies, is the forerunner of the discipline. Through strategic partnerships with global leading technology firms, the subsidiary developed a comprehensive scope of digitalized construction and project management services and solutions including but not limited to 5D BIM and BIM-enabled Blockchain Multifunctional Platform for Modular Integrated Construction (“MiC”) QA/QC monitoring which are customized to fit for markets we serve. It provides virtual and digital solutions and consultancy services to the Group as well as external clients across different disciplines of the industry like developers, contractors and institutions local and oversea. The subsidiary boosts in both businesses and market recognition in these years.

Movement of Contracts

For the six months ended 30 September 2021

	31 March	Contracts		30 September
	2021	Secured	Completed	2021
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Building construction, renovation and maintenance	16,796	4,163	(3,462)	17,497
Electrical and mechanical installation	9,876	1,432	(1,462)	9,846
Building materials supply	1,213	896	(412)	1,697
Others	15	6	(3)	18
Less: Inter-segment contracts	(3,947)	(1,245)	750	(4,442)
	<u>23,953</u>	<u>5,252</u>	<u>(4,589)</u>	<u>24,616</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 2021, the Group's total cash and bank balances was HK\$1,220 million (31 March 2021: HK\$728 million) and total borrowings was HK\$1,799 million (31 March 2021: HK\$1,711 million). The increase of total cash and bank balances was largely from pre-sale proceeds received from the Group's residential property development project "L · Living 23". The mild increase of borrowing was primarily to finance existing construction projects. The current ratio (total current assets: total current liabilities) as at 30 September 2021 was 1.1 (31 March 2021: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK\$305 million (31 March 2021: HK\$836 million). The decrease was due to some project loans becoming due within one year as project completions were approaching.

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 2021, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$4,258 million (31 March 2021: HK\$4,558 million), of which HK\$2,236 million (31 March 2021: HK\$2,071 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 2021, the Group had approximately 3,200 (31 March 2021: 3,200) employees. There are approximately 2,500 (31 March 2021: 2,500) employees in Hong Kong, Macau and Singapore and 700 (31 March 2021: 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

In addition to the series of measures announced in last year, the Government launched more massive plans and policies that form a strong and solid foundation for future housing development in this year's Policy Address. Some 330,000 public housing units will be built by 2032. The Northern Metropolis, a gigantic project is put forth for the City's sustainable growth and a resolution for land supply. The plans and policies point to upturn in new businesses across the construction sector in a rather long term. Business opportunities of our core market would remain high in a fairly long run.

With construction activities continuing to rise, and with materials in general in short supply globally, cost inflation emerged. Prices of major materials like steel, cement and aggregates are very volatile and move upward. Besides, manpower shortfall seems worsening. The industry faces not only a lack of labor force but also the professionals across all disciplines. Staff cost surged and is on a rising trend as a result of the foreseeable enormous growth in construction activities. High cost would remain an issue in coming years. Effective project management and cost control are the crucial challenges that the industry has to deal with or profits would be eaten away.

It is certain that Smart Construction Digitalization is a long term solution for the industry. Smart construction raises productivity through better value chain management that enhances cost control, time management and quality assurance etc. Artificial Intelligence, Robot and Virtual Design & Construction are key areas to pursue. The Group sees innovation as an integral part for our sustainable growth and has invested and prepared for the transformation many years ago. Through strategic engagements with academic institutions and local start-ups, we are developing a series of robots to take up certain monotonous tasks at site such as exterior wall painting, welding and grinding. Though the use of robots is still relatively limited at the moment and are subject to enhancement, we expect the commercialization and adoption of robot would be widespread in foreseeable future.

Apart from digitalization, we continue the invention in concrete MiC, an innovative construction method that can shorten construction time, reduce on-site manpower and enhance safety at site. Since the Government promoted actively MiC a few years ago, more and more MiC construction projects were launched and in pipeline. In addition to the original concrete system, we got also demountable system, hybrid system etc. Our methods have been proven successful in saving time and manpower. In response to diverse building designs and customer needs, we would develop continuously the technology to create greater value for the clients, the industry and the society as a whole.

The outlook of the market is bright but the industry is facing increasingly severe challenges. One of our competitive edges to respond the challenges lies with innovation. The Group would continue to develop and embrace new technologies to further strengthen our position in the markets and to pursue sustainable return for our stakeholders.

OTHER INFORMATION

INTERIM DIVIDEND

On 25 November 2021, the Board has resolved to declare the payment of an interim dividend of HK2.50 cents (2020: HK1.00 cent) per ordinary share in respect of the six months ended 30 September 2021 to shareholders registered on the register of members on 22 December 2021. The interim dividend will be payable on or before 7 January 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 December 2021 (Monday) to 22 December 2021 (Wednesday), 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 2021 (Friday).

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	267,642,599	61.10%

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 36,963,000 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.

DIRECTORS' INTERESTS (CONTINUED)

During the six months ended 30 September 2021, 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 2021, 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 2021.

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 2021 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 2021 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 2021.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 25 November 2021