

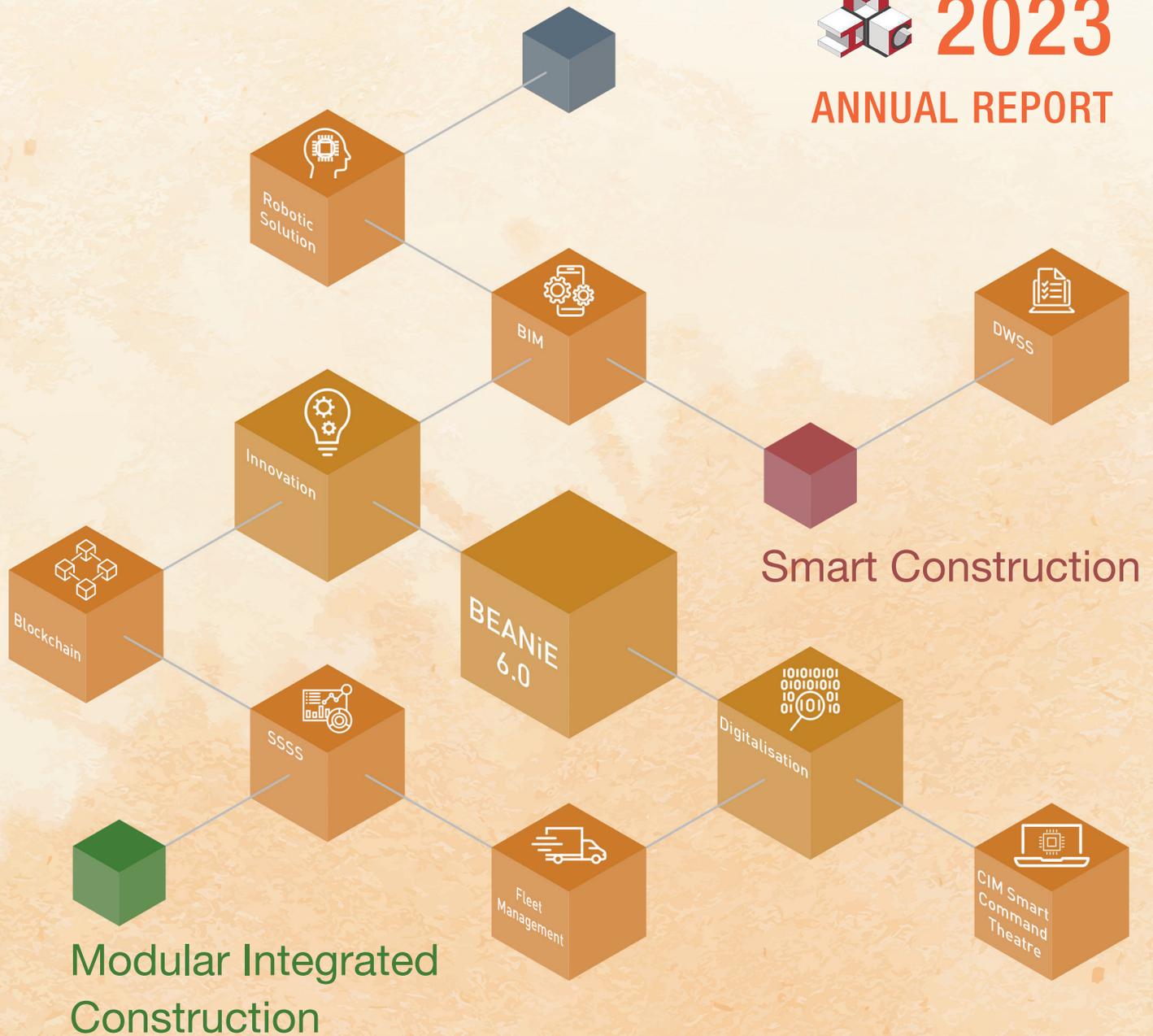


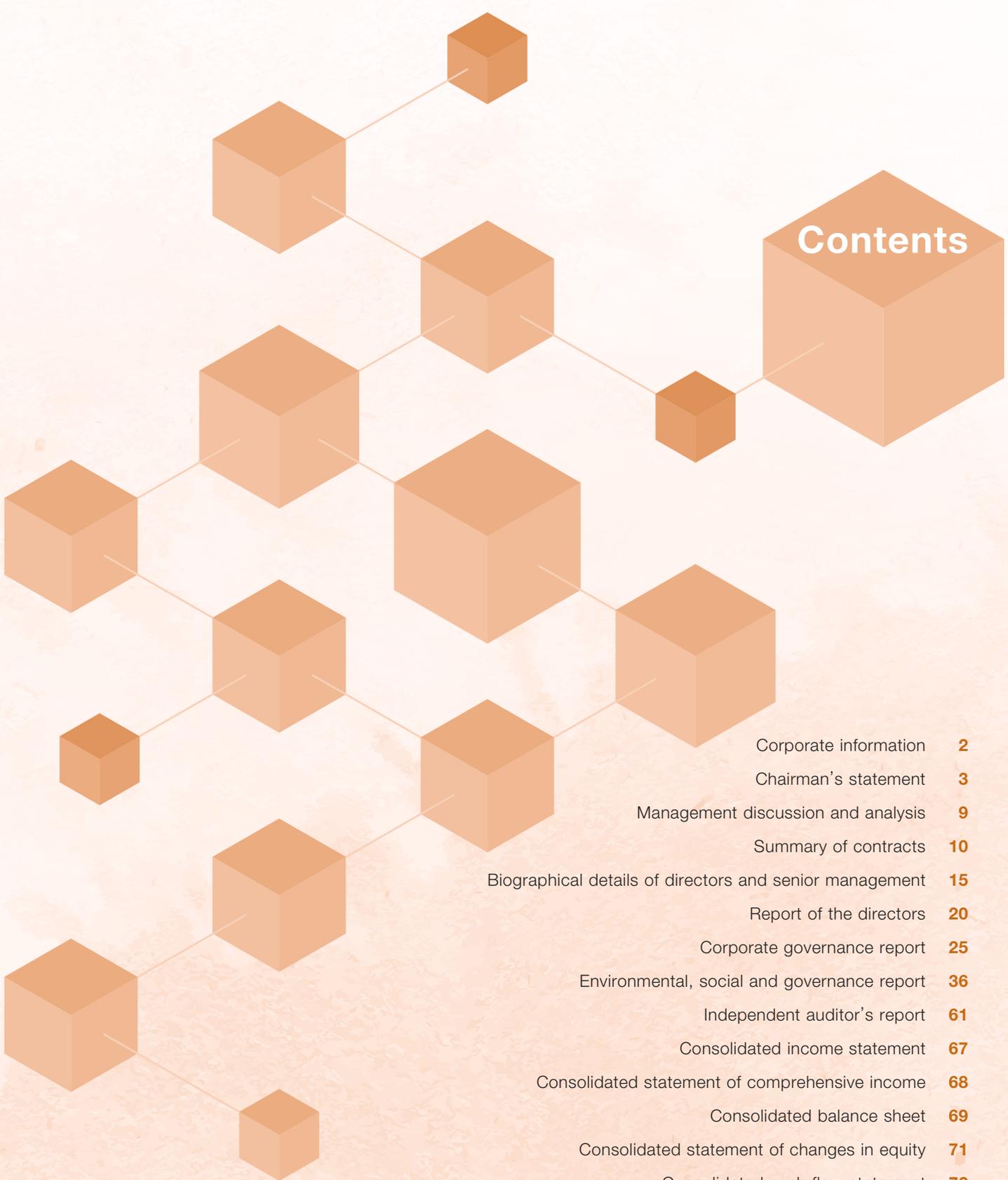
BIM For Full Lifecycle Management



2023

ANNUAL REPORT





Contents

| | |
|---|-----|
| Corporate information | 2 |
| Chairman's statement | 3 |
| Management discussion and analysis | 9 |
| Summary of contracts | 10 |
| Biographical details of directors and senior management | 15 |
| Report of the directors | 20 |
| Corporate governance report | 25 |
| Environmental, social and governance report | 36 |
| Independent auditor's report | 61 |
| Consolidated income statement | 67 |
| Consolidated statement of comprehensive income | 68 |
| Consolidated balance sheet | 69 |
| Consolidated statement of changes in equity | 71 |
| Consolidated cash flow statement | 72 |
| Notes to the consolidated financial statements | 73 |
| List of investment properties | 145 |
| Five year financial summary | 146 |



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

Corporate Governance Committee

Chan Bernard Charnwut (*Chairman*)
 Wong Tin Cheung
 Wong Rosana Wai Man
 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
 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.
 Shops 1712-1716
 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai
 Hong Kong



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby report the annual performance of Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2023 to all the shareholders.

Result for the Year

Hong Kong faced a challenging 2022, with the economy affected severely by the fifth wave of COVID-19, interest rate hikes, rising operation costs and so on and so forth. In the tough and highly competitive business environment, the Group delivered a dynamic and encouraging result for the year.

Consolidated revenue generated in the year was HK\$6,686 million, leveled with last year of HK\$6,733 million despite no property sales recorded in this year. Increases of revenue from construction segment and Electrical and Mechanical Installation (E&M) segment covered the shortfall of last year's property sales. It reflects that our core businesses are healthy and strong.

The Group's consolidated gross profit was HK\$552 million compared with HK\$659 million last year. Major difference was last year's property sales profit. For the core segments of construction and E&M, the gross margin remained stable in these two years.

Total operating expenses decreased from HK\$545 million to HK\$461 million, representing a drop of 15% year on year. Firstly, there was no sale and marketing expenses for the residential properties sales in this year. Secondly, expended tender costs reduced. Also, the transportation costs incurred by the factory dropped because the volume of deliveries was largely reduced as a result of the land-based cross border logistic disruption during the fifth wave of COVID-19.

Consolidated net profit before tax was HK\$68 million whereas last year was HK\$86 million. As mentioned earlier, the variation in profit was mainly from the residential properties' sales carried out last year.

As at 31 March 2023, the Group's contract on hand is stable at HK\$22,559 million (2022: HK\$21,427 million). We secured new contracts of HK\$6,517 million this year versus last year of HK\$9,321 million. With a robust order book, we were more conservative in job bidding in the reporting year. We pursued for contracts that give reasonable margins to cope with the upward trend in operation costs. In any case, we will adjust our tender approach for optimal capacity utilization. After the year end date, the E&M segment made good progress in the Mainland China market and gained new orders of HK\$507 million.

Dividend

In the Board meeting held on 27 June 2023, the Directors recommended the payment of a final dividend of HK2.50 cents (2022: HK2.50 cents) per share. Together with the interim dividend of HK2.50 cents (2022: HK2.50 cents) per share, total distribution is HK5.00 cents (2022: HK5.00 cents) per share this year. The recommended final dividend, subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting ("AGM") which is scheduled to be held on 21 August 2023 (Monday), will be payable on 10 October 2023 (Tuesday) to the shareholders whose names appear on the register of members of the Company on 22 September 2023 (Friday).

Chairman's Statement

Review of Operations

Building construction, renovation and maintenance

The segment reported a growth in revenue, amid the disruption caused by the fifth wave of pandemic. Total revenue generated was HK\$4,442 million, up 11% year on year. The high level of new contracts secured in last year attributed to this year's revenue increase. Should the current contracts progress on track, revenue would rise further in next year. New awards for the year totalled HK\$3,890 million (2022: HK\$7,288 million). With a solid level of contracts brought forward from last year, we were a bit more selective in job bidding in this year. We pursued contracts with more balanced risks and rewards. In the current unstable business environment, marked by inflation, rising interest rates and workforce shortage, we shall grow the businesses that give sustainable margins.

As a preeminent leader in MiC construction, we were entrusted by many customers their first MiC projects, like the first public housing project of the Hong Kong Housing Authority, the first Subsidized Sales Flats project of the Hong Kong Housing Society (HKHS) and the first high-rise concrete MiC building project of Architectural Services Department. We provide professional and innovative solutions to fulfill the customers' needs. For HKHS first MiC housing project, we developed a new MiC design and methodology which eases the logistic issue and raises the productivity. The project deploys also our BEANiE, Hong Kong's first blockchain multifunctional platform for the management of full building lifecycle since 2019. BEANiE has been evolving to version 6.0 to include a smart command theater. Through the advanced intelligent command theater, the project management can seamlessly steer and monitor work progress, and customers can access real-time information online. Powered with advance Internet of Things technologies and 5G, the full value chains from off-site production, logistic to site performance are under online real-time supervision and monitoring. This powerful tool makes the 24/7 boundaryless project management feasible. We were honored that the project won the Outstanding MiC Project award in the MiC Achievement Ceremony organized by the Construction Industry Council.

Up to now, we completed over 4,000 MiC units and would come to over 6,000 units upon the completion of on-hand projects. Apart from our patented concrete MiC systems, we build also steel MiC. We are pleased to be awarded the Transitional Housing Project at Chai Wan Sheung On Street, the first new-built transitional housing on Hong Kong Island. It is a steel MiC project. Same as the Group's other concrete MiC projects, the project has been awarded with "CIC Sustainable Finance Certification Scheme – Green Loan". Besides, the Bank of East Asia, Limited has granted a Green Loan to the project too. Both awards are the recognition of our commitment in driving sustainable development.

We expand our MiC product range by developing new and customized designs for the clients. For the four Demountable Transitional Housing projects we engaged, we developed different MiC systems including demountable concrete, hybrid steel-concrete demountable and steel to cater for each project's specific requirements. For the fitting-out and renovation works, we explore the use of MiC too for saving time and costs as well as improving quality and site safety. Our renovation and maintenance team was awarded a Design and Construction contract to refurbish a market under the Market Modernization program. We adopt steel MiC and Design for Manufacture and Assembly (DfMA) in the project which can shorten substantially on-site work period. With more and more proven successful applications of MiC, the Group's edges in full value chain and MiC would gain us a lot of businesses.



Chairman's Statement

Electrical and mechanical installation

Our presence in the Mechanical, Electrical and Plumbing (MEP) industry remains strong. The growing order book achieved by the segment in last few years underpinned the rises in revenue in the following years. The total revenue increased by 15% to HK\$2,616 million year on year. And, segment result grew by 41% to HK\$66 million as compared to that of last year. We managed to keep the administrative and operating expenses at a steady level albeit the soaring inflation in all business running costs. Besides, the segment achieved again a high level of new orders totalled HK\$2,876 million (2022: HK\$3,298 million), which uplifted the contracts on hand as at year end to a record level of HK\$11,266 million (2022: HK\$9,987 million). The strategy set out years ago to expand to the Environmental Protection Engineering sector brings fruitful result. We gained a number of sizeable projects like wastewater biological treatment projects, sea water treatment projects and automated solid waste management projects etc. Through collaborations with distinctive environmental services specialists, we expand technical know in new disciplines and grow the scale of individual project at reduced risk.

With growing alertness and demand for sustainability, the adoption of Environmental, Social and Governance (ESG) measures are now more important than ever for almost all businesses. The AI, IoT and green solution division reaps the benefit of the trend. In fact, the division secured the record new orders in this year. The division aims to develop and deliver to customers innovative solutions to help enable their ESG development. In addition to new inventions, we keep evolving our existing offerings as the applicable technologies advance. For example, most if not all of our products and solutions are now powered with AI enabling performance optimization.

Being an active advocate of MultiTrade integrated approach for Mechanical, Electrical and Plumbing works (MiMEP), we implemented the methodology in a number of projects this year. A remarkable one is the replacement of chillers at Tai Lung Veterinary Laboratory. This project is the first MiMEP pilot project in the Electrical and Mechanical Services Trading Fund (EMSTF). To tackle the challenging issues including the narrow and limited space in the laboratory as well as the need to reduce the impact of works on the daily operation, a number of advanced technologies like MiMEP, BIM, robotic welding, pre-insulated pipe technology, 3D scanning technology and augmented reality technology, all provided by our Group were used. We successfully completed the works in just 38 days, about half of the 90 days required by the conventional method. The success of the project demonstrated that MiMEP is applicable not only to new works but also repair, maintenance, alteration and addition works. And we are pleased that the project was awarded Honorable Mention in Autodesk BIM Award 2022, an industry renowned BIM award. We will continue to develop and explore the applications of MiMEP and various digital technologies in different types of works for a more efficient and effective services to clients.

Building materials supply

Around this time last year, the economy was still in the peak of the fifth wave of the pandemic. The connectivity with the Mainland had been severely affected for a prolonged period. As mentioned in our last year's report, the volume of deliveries by the factory had been sharply cut down to less than one third of the average. The circumstances lasted till end of 2022 and all cross-border transportation anti-pandemic measures were abolished in early 2023. In consequence, sales were severely impacted and got the lowest figures since the factory's full operation in 2012. Annual sales were HK\$373 million, dropped by one third year on year. As a result, the division recorded a segment loss of HK\$61 million, mainly because of insufficient business to pay for the factory overhead. The land-based cross-border logistic arrangement now resumes to pre-COVID one, albeit the cost somewhat rises. The factory is now in full swing to catch up the backlog of orders.

Chairman's Statement

Again, the division attained a high level of new contracts this year including the first public housing project built with MiC method. An amount of HK\$904 million new contracts was secured, driving up the sum of contracts on hand to HK\$1,931 million. We are trusted by customers to deliver innovative and sustainable solutions that can meet their needs. In the reporting year, we expanded our MiC product range. The new method eases the logistic issues and proves MiC buildability in private residential development. We thank the HKHS for their trust, adopting this new design in its first Subsidized Sale Flats project built with MiC in concrete. We will continue to develop more innovative products, helping customers to accomplish more quality projects on budget and time.

According to the National Bureau of Statistics of China, the residential investment in Mainland was down by 9.5% in 2022. As the residential property market remains sluggish, we focused on the fulfillment of on-hand PRC supplies contracts rather than pursuing new business. Based on current contracts on hand, business from Hong Kong would take up most if not all the factory capacity in next year. Given limited capacity available for additional Mainland business, we may pursue new contracts in the country more selectively in short run. China's 14th Five-Year Plan and the pledge to reach net zero by 2060 provide enormous market opportunities to green construction method. In long run and when our production capacity expands further, we would grow more proactively in the Mainland market.

Hotel operation and property investment and development

We are pleased to announce our collaboration with Hilton, a leading global hospitality company with a portfolio of 19 world-class brands comprising more than 7,200 properties in 123 countries and territories. Our hotel in Sheung Wan is now named "Motto by Hilton Hong Kong SoHo". Motto is a new brand in Hilton with an urban vibe in prime global locations. Our property is the first one they sign up for the brand in Asia Pacific region. Motto by Hilton delivers a flexible and innovative hospitality experience through elements like flexible room configuration and occupancy, vibrant communal spaces and smart technologies. The brand vision is a perfect reflection of the core values and capabilities that the Group advocates. With shared core values, the collaboration with Hilton shall be a fruitful one.

Hong Kong's tourism industry has clawed back 49 per cent of pre-pandemic traffic for the March 2023 period. The Government has launched a series of campaigns and promotions to attract more visitors to the city. The Hong Kong Tourism Board expects a major rebound in second half of the year, leading to the arrival target of 25.8 million by the end of the year. Whilst the industry recovers progressively, we would complete the renovation in this ramp-up period and re-open in a new shape early next year. As a leading player in MiC, we maximize the use of MiMEP and DfMA in the renovation works. The Hotel would showcase the Group's industry-leading capabilities in MiC. We look very much forward to sharing with you more about the "new" hotel in next year report.

As reported in last year, we planned to acquire the retail floors of L • Living 23, the property located in Tai Kok Tsui, developed jointly with Urban Renewal Authority. The acquisition will be confirmed by the end of June 2023 and the properties are held for investment. We see the retail sentiment in Hong Kong is improving as the city recovers from COVID-19. Enjoying an extensive connectivity to public transport network, Tai Kok Tsui has becoming a key residential hub of Kowloon. The district is also evolving into a bustling neighborhood and a paradise for food lovers, boasting a diverse range of restaurants, from street food to fine dining. It is an up-and-coming place where appreciation in real estate valuation is anticipated.



Chairman's Statement

Regarding the property development on our ex-Longhua Shenzhen factory site, of which the Group is entitled to 10,000 m² of the new residential properties upon completion, the topping out of the development was held at end of 2022. It is estimated that the development would be completed and offered for sales in early 2024. China's property market has shown signs of stabilizing since 2023. The home prices rose in February for the first time in 18 months. In fact, China's economy is accelerating after pandemic restriction. According to the National Bureau of Statistics, the economy grew at a rate of 4.5% in the first quarter as compared with the same period last year. The economic, demographic, industrial and other fundamentals of first-tier cities remain good and supportive to housing demands in the area. While our property is situated in the prime location of Shenzhen, right next to Metro station, we anticipate the demands for the property remain high.

Outlook

Economic activity in Hong Kong is normalizing with the lifting of anti-epidemic measures and the reopening of border. Led by the recovery of inbound tourism and domestic demand, real GDP recorded year-on-year growth of 2.7% in the first quarter of 2023, having contracted by 4.1% in the preceding quarter. The city is reviving. That said, businesses are facing a number of pressing problems that hinder the recovery. Hong Kong's jobless rate was down to 3.1%, marking the 12th straight month of decline. The city is at a near-full employment level. Tight employment market, surging interest rates and volatile material supplies caused by global supply chain disruption worsen the business environment. The construction industry is facing the productivity and profitability crisis.

The Hong Kong SAR Government has formulated and announced annually specific policies and tasks to increase land and housing supply and to drive development by transport infrastructure since the 2018 Policy Address. A lot of plans and projects have been launched and implemented afterwards, for instance, transitional housing, land creation and housing construction in Kwu Tung North/Fanling North, Hung Shui Kiu/Ha Tsuen, Yuen Long South, and the MTR Tuen Mun South Extension etc. Our Group focuses primarily on public sector works. The project pipelines available to pursue in the decade is clear and solid.

To get the most out of these abundant opportunities, we have to alleviate the impact of productivity and profitability crisis mentioned earlier. For the manpower shortage, we welcome Government's expanded Talent List program and the plan to import over 10,000 workers for various industries. However, the shortage would be somewhat eased but would not be fully fulfilled because it is expected that the workforce of our industry needs to triple in size to meet the growing construction activities and to replenish the retirees in next ten years. Industrialized construction including high volume modular integrated construction, automation and digital tools are the keys to survive the challenges and attain sustainable growth.

As a forerunner in construction innovations and a forward-focused organization, we take fast and giant steps in developing innovative solutions that give quality, high added-value and cost efficiency to clients. For instance, we took the initiatives to develop our patent MiC solutions, 5D Building Information Modeling and BEANiE platform etc. well before they are in demand by the clients. We are pleased that our commitment and unique capabilities are highly recognized and praised in the industry. In one of our Design and Construction projects, a Community Health Centre cum Social Welfare Facilities at Pak Wo Road, North District, we adopt our robotic technologies, Drillbot, a plasma cutting robot and the Weldbot, an automatic welding robot. By using these time and labor-saving robots, productivity has been massively raised by 189% and 437% respectively. With the improving efficiency, quality and site safety, this project was awarded with "Green Contractor Award 2021" organized by the Architectural Services Department.



Chairman's Statement

Furthermore, I am so honored to be awarded the Bronze Bauhinia Star (BBS) by the Hong Kong SAR Government in this year. I sincerely thank the clients for their trust and the opportunities for me to contribute the construction industry by participating in the building of about 15% of the total public housing, to provide homes to over 500,000 people. And as a passionate pioneer in promoting advanced construction technologies, I encourage the Group in developing various industry-leading innovative technologies including precast in building works in the earlier days and now the MiC, 5D BIM, MiMEP, and so on and so forth. Our drive to excellency and distinctive competitiveness make us a trusted and preferred business partner to our clients. My deepest gratitude goes to all of my colleagues who believe in me and support me in this unforgettable journey.

The Group is well positioned on markets that offer opportunities for growth. We would uphold the principles of innovation and sustainable development that help us to stand out from the competition. Whilst the macro outlook is in great uncertainty, we would focus on businesses and geographies with strong competitive position. And we will keep eyes on expansion and diversification at the right time and in the right place.

On behalf of the Board, I would like to express my sincere thanks to everyone in the Group for their hard work and commitment throughout this unprecedented period. I also thank the Board for the expertise and leadership that guide us through the challenging years. Last but not least, I wish to acknowledge the ongoing trust and support from all our shareholders.

Wong Ip Kuen

Chairman

Hong Kong, 27 June 2023



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 31 March 2023, the Group's total cash and bank balances was HK\$743 million (2022: HK\$1,045 million) and total borrowings increased to HK\$1,367 million (2022: HK\$1,318 million). As a number of projects were in early stages of works, the needs for working capital were in general higher, causing the reduction in cash and bank balances. The increase in borrowings was primarily due to finance of new construction projects. The current ratio (total current assets: total current liabilities) as at 31 March 2023 was 1.2 (2022: 1.1). The amount of bank loans and other facilities fall due beyond one year was HK\$449 million (2022: HK\$337 million). With prudent financial management policy in place, the Group considers the financial position as sound and healthy with sufficient liquidity.

All the bank borrowings are arranged on a floating rate basis. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangements when appropriate. As at 31 March 2023, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$3,706 million (2022: HK\$4,071 million), of which HK\$1,761 million (2022: HK\$1,632 million) had been utilised. The Group considers it has sufficient committed and unutilised banking facilities to meet its current business operation, property development requirement and capital expenditure.

Human Resources

As at 31 March 2023, the Group had approximately 3,600 (2022: 3,200) employees. There are approximately 2,800 (2022: 2,500) employees in Hong Kong, Macau and Singapore and 800 (2022: 700) in Mainland China. Yau Lee aims to be a good and attractive employer as we understand people are key to long-term success. The Group offers competitive remuneration packages and employees are rewarded on a performance related basis. The Group also invests substantially on training and staff development. We promote continuing learning and help the professional and personal development of our employees.

SUMMARY OF CONTRACTS

Movement of incomplete contracts

For the year ended 31 March 2023

Contract value

| | 31 March 2022 <i>HK\$'million</i> | Contracts Secured <i>HK\$'million</i> | Completed <i>HK\$'million</i> | 31 March 2023 <i>HK\$'million</i> |
|---|---|---|----------------------------------|---|
| Building construction, renovation and maintenance | 14,210 | 3,890 | (3,830) | 14,270 |
| Electrical and mechanical installation | 9,987 | 2,876 | (1,597) | 11,266 |
| Building materials supply | 1,739 | 904 | (712) | 1,931 |
| Others | 15 | 24 | (23) | 16 |
| Less: Inter-segment contracts | (4,524) | (1,177) | 777 | (4,924) |
| | 21,427 | 6,517 | (5,385) | 22,559 |

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2023

Contracts

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin Region (3) 2019/2022

Term Contract for the Alterations, Additions, Maintenance and Repair of Aided Schools, Buildings and Lands and Other Properties for which the Education Bureau is responsible (Designated Contract Area: Wong Tai Sin, Kwun Tong and Sai Kung) (2020/2022)

Term Contract for the Alterations, Additions, Maintenance and Repair of Aided Schools, Buildings and Lands and Other Properties for which the Education Bureau is responsible (Designated Contract Area: Central & Western, Wan Chai, Eastern and Southern) (2020/2022)

Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is responsible (Designated Contract Area: Kowloon and New Territories) (2020/2023)

Construction of Subsidised Sale Flats Development at Diamond Hill Comprehensive Development Area

The Construction of Footbridge Linking 3AKN and 5AKN for HKSH Eastern District Advanced Medical Centre



Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2023

Contracts

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible (Designated Contract Area: Kowloon City, Sai Kung and Outlying Islands (Sai Kung)) (2020/2024)

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible (Designated Contract Area: Wong Tai Sin and Sha Tin) (2020/2024)

Design and Construction of a Community Health Centre cum Social Welfare Facilities at Pak Wo Road, North District

Hospital Authority Term Contract for Minor Works for Kowloon Central Cluster

Construction of a Primary School at Tai Po

Public Rental Housing Project at Shek Pai Wan Road

Design and Construction of Chai Wan Government Complex and Vehicle Depot

Dedicated Rehousing Estate at Hung Shui Kiu Phase 1A

Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is responsible (Designated Contract Area: Hong Kong Island and Outlying Islands) (2021/2024)

Construction of Public Housing Development at Tung Chung Area 99, Tung Chung



Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in current year

Contracts

Construction of Public Housing Development at Anderson Road Quarry Site R2-5

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin Region (3) 2022/2025

Design and Build Contract for Transitional Housing at Po Lam Road North, Tseung Kwan O

Construction of Public Housing Development at Long Bin Phase 1

Design and Build for Transitional Social Housing Project, Sheung On Street, Chai Wan

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

Contract

Construction of Public Housing Development at Kwu Tung North Area 19 Phase 1A and Phase 1B

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2023

Contracts

Air-conditioning and Ventilation Systems Term Maintenance Contract (Kowloon East, Wong Tai Sin, Tsing Yi, Tsuen Wan, Kwai Chung, Tuen Mun and Yuen Long Regions) 2019/2020 – 2022/2023 for Housing Authority Estates, Areas and Buildings

Provision of On-Site Chlorine Generation Plants for Sha Tin, Pak Kong and Tuen Mun Water Treatment Works (50% effective interest by the Group)



Summary of Contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2023

Contracts

Term Contract for the Alterations, Additions, Maintenance and Repair of Aided Schools, Buildings and Lands and Other Properties for which the Education Bureau is responsible (Designated Contract Area: Wong Tai Sin, Kwun Tong and Sai Kung)*

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

Design & Construction of a Community Health Centre cum Social Welfare Facilities at Pak Wo Road, North District*

Design, Supply and Installation of Seawater Supply System for Seawater Pump House 1 & 7 at Hong Kong International Airport

Term Contract for Inspection, Repair, Overhaul & Testing of Electrical & Mechanical Installations at Various Sewage Treatment Works and Pumping Stations in New Territories West and New Territories North (2020-2023)

Building Services Installation for Hospital Authority Term Contract for Minor Works at Kowloon Central Cluster*

Contracts secured in current year

Contracts

Term Contract for Overhaul, Maintenance, Testing & Plant Engineering works of Electrical & Mechanical Installations for various Sewage Treatment Facilities & Pumping Stations on Lantau & Outlying Islands

Air-conditioning and Ventilation Systems Term Maintenance Contract (Kowloon East, Wong Tai Sin, Tsing Yi, Tsuen Wan, Kwai Chung, Tuen Mun and Yuen Long Regions) 2022/2023 – 2025/2026 for Housing Authority Estates, Areas and Buildings

Electrical Installation for Construction of Public Housing Development at Long Bin Phase 1*

Mechanical Ventilation and Air conditioning Installation for Housing Development at Kai Tak Area 1E1

Plumbing & Drainage Installation for Construction of Public Housing Development at Long Bin Phase 1*

Redevelopment of Yuen Long Stadium

* Inter-Segment Contracts



Summary of Contracts

Electrical and mechanical installation segment (continued)

Contracts secured by a joint operation in prior years

Contracts

Provision of on-site Chlorine Generation Plants for Sheung Shui, Silver Mine Bay, Siu Ho Wan and Ma On Shan Water Treatment Works (50% effective interest by the Group)

Term Contract for Maintenance and Operation Support of On-site Chlorine Generation Plants (Phase 2) of Water Supplies Department (2022-2026) (50% effective interest by the Group)

Contract secured by a joint operation in current year

Contract

Construction of Siu Ho Wan Water Treatment Works Extension and Siu Ho Wan Raw Water Booster Pumping Station (35% effective interest by the Group)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Wong Ip Kuen, BBS

aged 87, is the Chairman of the Group. Mr. Wong has over 70 years of experience in the building construction industry of Hong Kong. He is responsible for the overall strategic development and management of the Group. Mr. Wong has been awarded the Bronze Bauhinia Star (BBS) by the Government of the HKSAR in the year of 2022 for his notable contributions to the construction industry in particular driving Hong Kong to become one of the global leading forces in applying precast elements in building works.

Mr. Wong is the father of Ir. Dr. Wong Tin Cheung and Ms. Wong Rosana Wai Man.

Ir. Dr. Wong Tin Cheung, BBS, JP

aged 59, is a professional engineer who has over 30 years of building construction experience. He is the Vice Chairman of the Company, undertaking the post of Managing Director of Yau Lee Construction Company Limited.

Ir. Dr. Wong is responsible for the overall strategy formulation of the Group, including overseeing business and technologies development. Ir. Dr. Wong has particular passion for green building technologies, Building Information Modeling (BIM), modular and precast construction as well as manufacturing automation. Under his leadership, Yau Lee has successfully introduced the first concrete Modular Integrated Construction (MiC) in Hong Kong for a government quarter project. Since 2017, Ir. Dr. Wong has been putting a great deal of effort in developing various robotic and Artificial Intelligence (AI) applications for the construction industry.

Ir. Dr. Wong holds a Bachelor Degree of Science in Civil Engineering from the University of Southampton, Master Degree of Science (Engineering) in Foundation Engineering from the University of Birmingham, Master Degree of Business Administration from the Chinese University of Hong Kong and Bachelor Degree in Religious Studies from the Holy Spirit Seminary College of Theology & Philosophy. He is a Fellow member of the Hong Kong Institution of Engineers, the Chartered Institute of Building, the Institution of Civil Engineers (United Kingdom), the Hong Kong Institute of Building Information Modelling as well as the Hong Kong Institute of Construction Managers. In October 2020, Ir. Dr. Wong completed his Doctor of Philosophy Degree in City University of Hong Kong. His speciality is adopting AI to optimise energy consumption for large scale central air conditioning system. Ir. Dr. Wong has also been appointed as the Adjunct Professor by the Department of Civil Engineering in the University of Hong Kong.

Ir. Dr. Wong is very active in public and community services. Currently, he is the Chairman of the Council of the Hong Kong Metropolitan University, the Chairman of the New Energy Transport Fund Steering Committee, the Member of the Energy Advisory Committee, the Member of the Trade and Industry Advisory Board, the Member of the Environmental Campaign Committee and the Chairman of the Awards Committee on the Hong Kong Awards for Environmental Excellence, the Member of the Town Planning Board, and the Member of the Court of the City University of Hong Kong. In the past, Ir. Dr. Wong served as the Deputy Chairman of Vocational Training Council, the Chairman of the Occupational Safety and Health Council, the Chairman of the Hong Kong Green Building Council, the President of the Hong Kong Construction Association, the President of the International Federation of Asian and Western Pacific Contractors' Associations, the Chairman of Pneumoconiosis Compensation Fund Board, the Member of Construction Industry Council, the Member of the Antiquities Advisory Board, the Member of the Advisory Council on the Environment and the Director of the World Green Building Council.

Ir. Dr. Wong was awarded the "2001 Hong Kong Outstanding Young Digi Persons Award" and the "Bauhinia Cup Outstanding Entrepreneur Award 2002" presented by the Hong Kong Polytechnic University. In 2009, he was conferred the Honorary Fellow by the Vocational Training Council and the Honorary Fellow by the University of Central Lancashire in recognition of his contributions. Recently, he was conferred the Honorary Fellow by the Hong Kong Institute of Marketing in 2022.

Ir. Dr. Wong was a Member of 10th and 11th Guizhou Province Committee of the Chinese People's Political Consultative Conference and he was appointed Justice of the Peace (J.P.) in 2008 and awarded the Bronze Bauhinia Star (BBS) by the Government of the HKSAR in the year of 2013 for recognition of his outstanding contributions made to Construction Industry.

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



Biographical Details of Directors and Senior Management

Ms. Wong Rosana Wai Man

aged 56, has been appointed as an Executive Director of the Company since 2008, after working with different entities in the Group since 2003.

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

Ms. Wong leads the Group's integrated business sectors and plays a pivotal role in formulating overall strategic planning. With over a decade of entrepreneurial experience, she oversees corporate business development, management of construction projects in Hong Kong, together with the expansion of regional and overseas markets, implementation of full lifecycle management and Virtual Design & Construction. Ms. Wong is driven by her passion for combining technology, innovation and science with sustainable ecosystem in Energy & Environmental Systems, Water Sustainability, Nanotechnology & Digital Fabrication, Artificial Intelligence, Augmented Reality, Coding, Networks & Computing Systems, Cyber Security as well as E-health, Wellness & Biotechnology. Under her leadership, Yau Lee has diversified its businesses ranging from building construction, IT solutions, MEP Services, architecture & engineering, energy optimisation solutions, precast and low carbon building materials, curtain wall & steel works, to investment, property and hotel development and grown to be an award winning, forward-thinking and green corporation on a global scale.

Ms. Wong has been appointed as different advisory committees by the Government of the HKSAR, including Chair of Transport Complaints Unit, Transport Advisory Committee, Green Minibus Operators Selection Board, Longterm Decarbonisation Strategies Support Group of Council for Sustainable Development and Sub-committee on Access of the Rehabilitation Advisory Committee.

Ms. Wong is also a Vice President of Smart City Consortium (the "SCC"), Chair of SCC's Smart Living Committee, Deputy Director of China Green Building (Hong Kong) Council, Member of Construction Industry Council's Committee on Building Information Modelling, Co-chair of CIC's Task Force on BIM Personnel Development and Member of other CIC's Task Forces including BIM Submission to the Buildings Department and Development of BIM-related Digital Solutions, Member of Advisory Panel for Signature CDE Course and Master Class on AI, Council Member of HKTDC Mainland Business Advisory Committee, Member of HKTaxi Industry Innovation Committee, Council Member of The Better Hong Kong Foundation, Council Member of The Zonta Club of Kowloon, Member of the Federation of Hong Kong Hotel Owners, Council Member of the Orion Astropreneur Space Academy and its former Board Member, and Member of Center for Integrated Facility Engineering (CIFE) at Stanford University. During 2017-2023, Ms. Wong served as a Director for Hong Kong Cyberport and the Chair of Construction and Facilities Committee.

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

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

Mr. Sun Chun Wai

aged 62, earned a Bachelor Degree in Britain. He joined the Group in 1992 to manage the Group's property development, construction works, manufacturing and supply of building materials, and development and marketing of computer software in Mainland China. Mr. Sun was appointed as an Executive Director of the Company in 1994 and is responsible for the Group's business management and development in Mainland China.

Biographical Details of Directors and Senior Management

Independent non-executive directors

Mr. Chan Bernard Charnwut

aged 58, has been an Independent Non-Executive Director of the Company since 2000. He is a graduate of Pomona College in California, USA and he is the Chairman & President of the publicly-listed Asia Financial Holdings Ltd. and Chairman of Asia Insurance Co. Ltd. Mr. Chan was a Hong Kong Deputy to the National People's Congress of The People's Republic of China (2008-2023) and the previous Convenor of the Non-Official Members of the Executive Council (2017-2022). He is a former non-official member of Hong Kong's Executive Council (2004-2009 and 2012-2022) and former member of Hong Kong's Legislative Council (1998-2008) representing the insurance industry. He is Chairman of M Plus Museum, Chairman of the Tai Kwun Culture & Arts Co. Ltd. and Chairman of the Executive Committee of the Hong Kong Chronicles Institute. He is an Independent Non-Executive Director of Cathay Pacific Airways Limited, Chen Hsong Holdings Limited and China Resources Beer (Holdings) Limited, all of which are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). In addition, he is also an Advisor of the Bangkok Bank (China) Company Limited, the Chairman of Hong Kong-Thailand Business Council, the Chairperson of The Hong Kong Council of Social Service and a Trustee Emeritus of the Pomona College, California, USA.

Mr. Wu King Cheong

aged 71, has been an Independent Non-Executive Director of the Company since 1994. Mr. Wu is a Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an Independent Non-Executive Director of Henderson Land Development Company Limited, Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and Hong Kong Ferry (Holdings) Company Limited, all of which are companies listed in Hong Kong.

Dr. Yeung Tsun Man Eric

aged 77, has been an Independent Non-Executive Director of the Company since 1993. Dr. Yeung is Managing Director of Perfekta Toys Lda. He holds directorships of companies in Hong Kong, Macau and Mainland China, which are engaged in electronics, respirator, trading and agricultural businesses. He was a Standing Committee Member of the National Committee, 10th, 11th and 12th session of the Chinese People's Political Consultative Conference, the Chairman of Macau Productivity and Technology Transfer Centre and a Member of YPO Gold Organization. He was awarded the Medal of Merit by the Macau Government in 1994, Commander of the Order of Merit by the Government of Portugal in 1998, the Medal of Professional Merit by the Macau SAR Government in 2001 and Gold Lotus Medal of Honor by the Macau SAR Government in 2010. He is also listed in "The Marquis Who's Who in the World" and "The International Who's Who of Professionals".

Senior management[#]

Mr. Au Kam Fai Eric, Commercial Director

aged 69, joined the Group in 2014 as a Contracts Advisor and was appointed as Commercial Director in 2016. Mr. Au is a Fellow Member of the Hong Kong Institute of Surveyors. He holds a Law Degree and a Master Degree in Arbitration & Dispute Resolution. He has been the Chairman of the Quantity Surveying Division of the Hong Kong Institute of Surveyors (1994/1995). Before joining the Group, Mr. Au has over 40 years of experience in quantity surveying and has been appointed as Expert Witness in respect of the valuation of variations and assessment of claims for a number of arbitration and litigation cases. He has an in-depth working knowledge of contract administration and construction law and of the various standard forms of contract, methods of measurement, specifications and other related documentation. He also has substantial experience in dealing with additional costs/loss & expenses/damages claims and the causes and effects of delays to construction works. Mr. Au is now responsible for managing both the contractual and commercial matters of the projects handled by the Group.

[#] In alphabetical order



Biographical Details of Directors and Senior Management

Mr. Chan Chi Ming Antonio, Deputy Managing Director of REC Engineering Company Limited

aged 61, joined the Group in 1996 as a Building Services Project Manager and became Building Services Manager in 2002. He was appointed as Executive Director in 2008 upon successful acquisition of REC Engineering Company Limited as part of the Group. He was promoted to Deputy Managing Director starting from January 2018 and is now responsible for the overall operation of the company in Hong Kong, China and Macau. Under the directions of the Board of Directors, he successfully leads the team to implement many pilot projects including the first Floating PV System in Shek Pik Reservoir, the first Automated Parking System in EMSD Headquarters. He also leads the team actively participating in smart building, smart mobility, sustainability and advanced construction technology including robotic welding.

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

He is a Chartered Engineer of Engineering Council UK, a Fellow Member of the Hong Kong Institution of Engineers, a Member of the Institution of Engineering and Technology, a Member of the Institution of Fire Engineers and a Member of the European Federation of Engineers. In addition, he is also a Registered Professional Engineer, a BEAM Professional as well as a CIC-Certified BIM Manager. Currently he is a Council Member of the Hong Kong Institution of Engineers, Council Member of the Hong Kong Federation of Electrical and Mechanical Contractors, Hon Secretary of the Hong Kong E&M Contractors' Association, Vice President of Hong Kong Energy Conservation Association, Committee Member of the Guangzhou Association for Science and Technology, Committee Member of the Industrial Liaison Group to the SCOPE of City University of Hong Kong, Member of the Steering Committee of Construction Innovation and Technology Fund, Member of the Electrical Safety Advisory Committee, Member of the CIC BIM Committee, Member of the CIC Task Force on BIM Training, Member of the VTC Electrical and Mechanical Training Board and Member of the VTC Engineering Discipline Advisory Board. He is also the Past President of Hong Kong Air Conditioning and Refrigeration Association, Past Chairman of the HKIE-Building Services Division and Ex-Director of the Hong Kong Green Building Council.

Mr. Hui Yuet Chun, Executive Director of REC Engineering Company Limited

aged 68, joined REC Engineering Company Limited in 1992 as Manager of the Environmental Engineering Department and was appointed as Executive Director in 2018. Over the years, he has been involved in Hong Kong and Macau projects.

He holds a Higher National Diploma in Mechanical Engineering in Dorset Institute of Higher Education (UK) and a Graduate Diploma in Business Systems from Monash University of Melbourne (Australia). He is a Fellow Member of the Hong Kong Institution of Engineers. Currently he is the Member of the Registered Energy Assessors (REA) and Member of the Registered Professional Engineer (RPE).

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

aged 57, joined the Group in 2012. She holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and Executive Master Degree in Business Administration from The Chinese University of Hong Kong. She is a Practicing Member of the Hong Kong Institute of Certified Public Accountants and an Associate Member of the Hong Kong Institute of Chartered Secretaries. She has more than 30 years of experience in auditing, accounting, finance and company secretarial field. Prior to joining the Company, she has worked for one of the big four international audit firms and has held senior finance positions in international bank and large corporation.



Biographical Details of Directors and Senior Management

Mr. Lee Shiu Ming, General Manager

aged 66, joined the Group in 1987. He has held various posts within the Group namely, Quality Control Engineer, Research, Design and Development Manager, Project Manager and Deputy General Manager (Engineering) before promotion to the present position in 2016. He has 40 years working experience, particularly in the precast construction technology. He holds a Higher Diploma in Structural Engineering and a Master Degree in Business Administration (Total Quality Management). He is a Chartered Engineer in UK and a Corporate Member of the Institution of Structural Engineers. He is also a Fellow Member of the Hong Kong Institution of Engineers and a Registered Professional Engineers (Structural). He has been appointed as an Adjunct Associate Professor in the Department of Civil and Environmental Engineering of The Hong Kong Polytechnic University. He is currently serving as the Vice-President (Building), the Chairman in Building Committee and a Vice-Chairman in Health and Safety Committee of Hong Kong Construction Association.

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

aged 64, joined the Group in 1997. Mr. Wong holds a Higher Diploma in Civil Engineering from the Hong Kong Polytechnic, a Master Degree in Civil Engineering (Structural) from the University of New South Wales, Australia. Mr. Wong is a Chartered Engineer and a Corporate Member of the Hong Kong Institution of Engineers. He is now the General Manager of Yau Lee Wah Concrete Precast Products Company Limited, one of the subsidiaries of the Group. He has been focused on the development of precast concrete construction technology for the Group and the operation of precast production plants in China. Mr. Wong was elected as the expert of China Association for Engineering Construction Standardization (China Institute of Building Standard Design & Research) in 2017.



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2023.

Principal activities, segment analysis and business review

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials supply, property investment and development and hotel operations. In addition, the Group is engaged in other activities which mainly include computer software development and architectural and engineering services.

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

The business review of the Group for the year and the outlook of the Group’s future business developments are provided in the Chairman’s Statement and the Management Discussion and Analysis sections on pages 3 to 9 of this annual report.

Particulars on the Group’s environmental policies and performance, and key relationships with employees, customers, suppliers and others were set out in the Environmental, Social and Governance Report on pages 36 to 60 of this annual report.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 67.

An interim dividend of HK2.50 cents (2022: HK2.50 cents) per share was paid during the year ended 31 March 2023.

In the Board meeting held on 27 June 2023, the Directors recommended the payment of a final dividend of HK2.50 cents (2022: HK2.50 cents) per share, totalling of HK\$10,951,000 (2022: HK\$10,951,000) for the year ended 31 March 2023.

Closure of register of members for AGM

The register of members of the Company will be closed from 16 August 2023 (Wednesday) to 21 August 2023 (Monday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 21 August 2023 (Monday).

In order to qualify for attendance to the AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 15 August 2023 (Tuesday).



Report of the Directors

Closure of register of members for payment of final dividend

The register of members of the Company will be closed from 20 September 2023 (Wednesday) to 22 September 2023 (Friday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK2.50 cents per share for the year ended 31 March 2023, following the approval at the AGM.

In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 19 September 2023 (Tuesday).

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$931,000 (2022: HK\$1,158,000).

Principal properties

Details of the principal properties held for investment purposes are set out on page 145 of this annual report.

Distributable reserves

At 31 March 2023, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK\$994,065,000 (2022: HK\$1,007,623,000).

Pre-emptive rights

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

Five year financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 146 of this annual report.

Purchase, sale or redemption of shares

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold the Company's listed securities during the year ended 31 March 2023.



Report of the Directors

Directors

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

Executive Directors

Mr. Wong Ip Kuen (*Chairman*)

Ir. Dr. Wong Tin Cheung (*Vice Chairman*)

Ms. Wong Rosana Wai Man

Mr. Sun Chun Wai

Independent Non-Executive Directors

Mr. Chan Bernard Charnwut

Mr. Wu King Cheong

Dr. Yeung Tsun Man Eric

In accordance with the Company's bye-laws and the Corporate Governance Code (the "Code") under The Rules Governing the Listing of Securities on The SEHK ("Listing Rules"), Mr. Wong Ip Kuen and Mr. Sun Chun Wai shall retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

Directors' service contracts

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



Report of the Directors

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

At the date of this report, the interests of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

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 name 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 of the Company. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Investment Company Limited and Billion Goal Holdings Limited. All Fine Investment Company Limited and Billion Goal Holdings Limited are incorporated in the British Virgin Islands. Mr. Wong Ip Kuen is a director of both All Fine Investment Company Limited and Billion Goal Holdings Limited.

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

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

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

At 31 March 2023, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

Management contracts

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



Report of the Directors

Major suppliers and customers

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

Purchases

| | |
|--------------------------|-----|
| – five largest suppliers | 12% |
| – the largest supplier | 3% |

Sales

| | |
|--------------------------|-----|
| – five largest customers | 56% |
| – the largest customer | 21% |

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

Directors' material interest in transactions, arrangements or contracts

Pursuant to an agreement dated 28 March 2023 (the "Agreement") made between REC Engineering Company Limited ("REC"), a wholly owned subsidiary of the Company, and Asia Insurance Company Limited ("ASI"), REC agreed to pay an annual fee for the provision of insurance services in accordance with the terms of the Agreement. ASI was paid a premium amount of HK\$724,000 for the service from 1 April 2023 to 31 March 2024. Mr. Chan Bernard Charnwut, an Independent Non-Executive Director of the Company, is interested in this transaction to the extent that ASI is controlled by him.

Save as disclosed above, there was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2023 (2022: Nil).

Sufficiency of public float

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

Corporate governance

The Company's Corporate Governance Report is set out on pages 25 to 35.

Independent auditor

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

On behalf of the Board

Wong Ip Kuen

Chairman

Hong Kong, 27 June 2023



CORPORATE GOVERNANCE REPORT

The Board believes that corporate governance is fundamental to corporate long-term success and the enhancement of shareholders' value. The Company has adopted the principles and practices of the Code as set out in the Appendix 14 of Listing Rules. The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders through prudent management, investment and treasury policies.

The Board of Directors

During the year, the Board of Directors of the Company comprises four Executive Directors and three Independent Non-Executive Directors, whose biographical details are set out on pages 15 to 19 of this annual report.

The Company forms its Board of Directors based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required experience and management expertise. In order to balance the power between the Executive Directors and Independent Non-Executive Directors, the Company appointed three qualified candidates to become its Independent Non-Executive Directors to ensure the independence of the policy making process of the Board and protect the interests of its shareholders. The Company has received written annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers them independent.

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

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

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

Corporate Governance Report

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

| | Number of meetings attended/held | | | | | |
|---------------------------|----------------------------------|-----------------|------------------------|----------------------|--------------------------------|-----------------|
| | Board | Audit Committee | Remuneration Committee | Nomination Committee | Corporate Governance Committee | General Meeting |
| Mr. Wong Ip Kuen | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Ir. Dr. Wong Tin Cheung | 4/4 | N/A | 2/2 | N/A | 1/1 | 1/1 |
| Ms. Wong Rosana Wai Man | 4/4 | N/A | N/A | N/A | 0/1 | 1/1 |
| Mr. Sun Chun Wai | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Mr. Chan Bernard Charnwut | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 | 0/1 |
| Mr. Wu King Cheong | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 | 1/1 |
| Dr. Yeung Tsun Man Eric | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 | 1/1 |

Diversity Policy

Purpose

This policy aims to set out the approach to achieve diversity on the Board of the Company.

Vision

Building a diverse and inclusive culture is integral to the success of the Company. The Company recognises the benefits of having a diverse Board and believes that Board diversity will enhance decision-making capability and quality of its performance. A truly diverse Board will include and make good use of differences in the skill, regional and industry experience, background, race, gender and other qualities of directors.

Policy statement

In determining the Board's composition, the Company will consider Board diversity in respect of a number of different aspects, including but not limited to gender, cultural and educational background, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders. All Board appointments will be based on merit, and candidates will be considered against appropriate objective criteria, having due regard for the benefits of diversity on the Board.

Gender

The Company is committed to foster gender equality and recognises the benefits of multiplicity of perspectives and wider possible pool of available talent.

Cultural and education background

A diverse Board composing of different cultural and education background contributes to a greater knowledge base and helps to identify and better manage emerging risks to cope with changes in the competitive environment.



Corporate Governance Report

Professional experience, skills, knowledge and length of service

A Board with professional experience, skills and knowledge is considered essential to contribute in the achievement of the Company's long-term business strategies. It also helps the Company to develop diversified business portfolio and identify business opportunities. Further, length of service is also a self-evidently important contributor to the quality of the Board's decision making. All of our executive directors have been with the Company for long periods of time.

Commitment by shareholders

The Board considers that the Company benefits substantially from the long-term commitment by its principal shareholders to its affairs. This commitment is facilitated by those being appropriately represented on the Board.

Measurable objectives

The Nomination Committee will discuss relevant measurable objectives and assess annually on the Board's profile and its progress in achieving its diversity objectives for the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board for consideration and approval.

Review and monitoring

The Nomination Committee has primary responsibility for identifying and nominating suitably qualified candidates for appointments to the Board and, in carrying out this responsibility, will give adequate consideration to this policy. Periodically, the Nomination Committee will monitor the implementation of this policy, to ensure the effectiveness of this policy and its continued suitability and to evaluate the Board's composition under diversified perspectives. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Workforce Diversity

The Group continues to adopt employee diversity measures to promote the diversity at all levels of its workforce. All eligible employees enjoy the equal opportunities for employment, training and career development without discrimination. As at 31 March 2023, the Group had a total workforce (including senior management) of approximately 3,600 employees, of which 78.5% are males, and 21.5% are females.

While we believe our future employee recruitment should predominantly be merit-based, we would review our gender diversity regularly and setting the target for the gender ratio as appropriate and in a timely manner. We recognize and embrace the benefits of having a diverse workforce, and will continue to enhance the diversity of our workforce, subject to availability of suitable candidates.

Committees of the Board

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

Audit Committee

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

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



Corporate Governance Report

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

During the year ended 31 March 2023, the Audit Committee held two meetings to review the results, the accounting principles and practices adopted by the Company and discuss with senior management and the independent auditor on the matters arising from audits and the effectiveness of the Company's internal control and risk management system. The record of attendance of the members is listed on page 26.

Remuneration Committee

The Remuneration Committee was established in 2005 and comprises four Directors, three of whom are Independent Non-Executive Directors. The Remuneration Committee is responsible for reviewing and advising on the remuneration packages (including non-monetary benefits, retirement benefits and share option scheme) for all Directors and some senior management, who are not on the Board. The Remuneration Committee met twice during the year ended 31 March 2023 and the record of attendance of the members is listed on page 26. The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are posted on the Company's website. The members of the Remuneration Committee are:

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

Nomination Committee

The Nomination Committee was established in 2005 and comprises three Independent Non-Executive Directors. The terms of reference of the Nomination Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The Nomination Committee is responsible for formulating nomination policy for consideration by the Board. It makes recommendations to the Board on the appointments or re-appointments of directors and succession planning for directors. The Nomination Committee met twice during the year ended 31 March 2023 and the record of attendance of the members is listed on page 26. The members of the Nomination Committee are:

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

Nomination Policy

This Policy sets out the approach and procedures the Board adopts for the nomination and selection of directors of the Company, including the appointment of additional directors, replacement of directors, and re-election of directors.

The Group recognises the importance of having a qualified and competent Board to achieve the Group corporate strategy as well as promote shareholder value.

The Nomination Committee reviews the structure, size and composition of the Board on a regular basis and may make recommendations to the Board on relevant matters relating to the appointment, re-appointment and succession planning of directors. The ultimate responsibility for the selection and appointment of directors rests with the entire Board. This Policy sets out the procedures for the selection, appointment and re-appointment of directors and the selection criteria.



Corporate Governance Report

Selection criteria

The criteria listed below would be used as a reference by the Nomination Committee when recommending a candidate to be nominated for directorship appointment or re-appointment:

- (a) Character and integrity;
- (b) Experience in the construction, property development and related industries;
- (c) Professional qualifications, expertise, skills and knowledge;
- (d) Diversity (Please refer to the Company's Diversity Policy for details);
- (e) Independence of a candidate proposed to be an independent non-executive director;
- (f) Commitment in respect of time; and
- (g) Other relevant factors as may be determined by the Committee or the Board from time to time.

These criteria are for reference only and are not meant to be decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination procedures for new and replacement directors

In order to ensure the appointment decisions made are in the best interest of the Group, the formal and transparent nomination procedures below should be adopted:

- (a) Identify qualified director candidates;
- (b) Shortlist candidates based on the selection criteria and other factors that is considered appropriate;
- (c) Conduct interview(s) with prospective candidates;
- (d) Perform adequate due diligence such as background and reference checks;
- (e) Provide relevant information to the Remuneration Committee to determine remuneration packages; and
- (f) Make recommendations for the Board's consideration and approval.

Nomination procedures for re-election of directors and nomination from shareholders

The Nomination Committee reviews the overall contribution and service to the Company where a retiring director, being eligible, offers himself for re-election. The Board shall consider and, if consider appropriate, recommend such retiring director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

Please refer to the "Procedures for Election of Directors", which is available on the Group's website, for procedures for shareholders' nomination of any proposed candidate for election as a director.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting, in accordance with the provisions in the Company's Bye-Laws.

Review and monitoring

The Nomination Committee will review and monitor this Policy, as appropriate from time to time, to ensure it remains relevant to the Company's needs, the effectiveness and compliance with regulatory requirements and the Listing Rules. The Nomination Committee will revisit the Policy that may be required and make recommendation to the Board for approval.



Corporate Governance Report

Corporate Governance Committee

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

In accordance with the terms of reference of the Corporate Governance Committee, the committee shall meet not less than once a year to consider corporate governance issues. In addition to reviewing the result of the internal control review, the committee meets with the independent auditor to discuss the matters arising from the review and makes recommendations to the Board. The Corporate Governance Committee met once during the year ended 31 March 2023 and the record of attendance of the members is listed on page 26. The members of the Corporate Governance Committee are:

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

Directors' training

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary from time to time reports latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime and arranges suitable trainings related to the roles, functions and responsibilities of the Directors.

All Directors have provided to the Company their records of training which they have received during the year. Details as follows:

| Name | Attending seminar(s) or programme(s)/reading relevant materials |
|--|--|
| Executive Directors | |
| Mr. Wong Ip Kuen | ✓ |
| Ir. Dr. Wong Tin Cheung | ✓ |
| Ms. Wong Rosana Wai Man | ✓ |
| Mr. Sun Chun Wai | ✓ |
| Independent Non-Executive Directors | |
| Mr. Chan Bernard Charnwut | ✓ |
| Mr. Wu King Cheong | ✓ |
| Dr. Yeung Tsun Man Eric | ✓ |



Corporate Governance Report

Auditor's remuneration

The Company engaged PricewaterhouseCoopers as the Company's independent auditor. For the year ended 31 March 2023, PricewaterhouseCoopers provided the following services to the Group:

| | 2023 | 2022 |
|--------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Audit services | 4,872 | 4,718 |
| Non-audit services | 977 | 374 |
| | 5,849 | 5,092 |

Directors' responsibilities for financial reporting

The Directors of the Company acknowledged their responsibility for the preparation of consolidated financial statements that give a true and fair view of the state of affairs of the Group and of the Group's results and cash flows during the year. The Directors are responsible for keeping of appropriate accounting records that reasonably and accurately disclose the consolidated financial position of the Group from time to time. In preparing the consolidated financial statements for the year ended 31 March 2023, appropriate accounting policies are selected and applied consistently by the Directors who made careful and reasonable judgements and estimates, and prepared the consolidated financial statements on an on-going basis.

The independent auditor's report, which contains the statement of the independent auditor about its reporting responsibilities on the Company's consolidated financial statements, is set out on pages 61 to 66 of this annual report.

Risk management and internal control

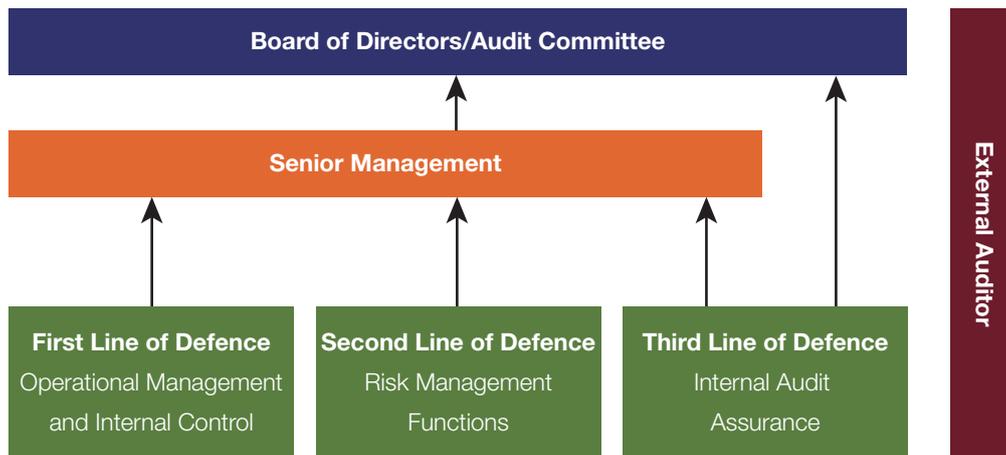
The Company recognises that it is exposed to a number of risks, which is inherent in the industries that it operates in. The Board acknowledges that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining appropriate and effective risk management and internal control system. In this regard, the Company has established a risk management system and an internal control system. However, the systems are designed to manage rather than eliminate the risk of failing to achieve business objectives and to make reasonable, but not absolute, assurances that there will be no material misrepresentation or loss.

Management formed the Risk Management Committee to assess and manage the Company's principal risks, including but not limited to compliance risks, financial risks, operating risks and strategic risks. It supports the Board in fulfilling its corporate governance and regulatory responsibilities to monitor and review the Company's risk management framework and processes. The Risk Management Committee also provides confirmation to the Board on the effectiveness of the systems.

Corporate Governance Report

Risk management framework

The Company's risk management framework follows the common and widely accepted model "three lines of defence". The first line of defence is the operational management and internal control measures, the second line of defence is risk management, and the third line of defence is internal audit.



Risk management procedures



The Company has formulated an enterprise risk management process to effectively manage the risks faced by the Company. The process clearly defines four procedures for the Company's management of risk, including identification, assessment, monitoring and reporting. In the event of risk identification, management communicates with the operational functions and collects significant risk factors affecting the Company from bottom to top. These risk factors are included as enterprise risk register. Management evaluates the risks in the register and prioritises them for follow-up actions according to their potential impact, occurrence opportunity and sufficiency of current measures tackling the risks. The risk register is reviewed at least once a year, new risks are added while existing risks are removed, if necessary, after the assessment. The changes are reported to the Board at a timely manner. This process can effectively ensure that the Company takes the initiative to manage the risks it faces and that all risk holders are aware of their liability so that they can develop appropriate and effective measures in time to control the risk.

The Company's risk management activities are continuously going. The risk management framework is assessed annually for its effectiveness and management meetings are conducted on a regular basis to review the monitoring work. Management is committed to ensuring that risk management forms part of the day-to-day business processes so that risk management effectively aligns with business goals.



Corporate Governance Report

During the reported year, management has engaged an independent professional consultancy firm, Shinewing Risk Services Limited (“SW”), for an enterprise risk assessment which was conducted under the approach adopted in the “COSO Enterprise Risk Management – Integrated Framework”. According to the assessment result, management has updated the enterprise risk register with the changes of risk factors, as well as submitted an assessment report containing recommendations to the Board to enable the Board to effectively monitor the business risk and understand how management responds and mitigates the risks.

To comply with the SFO, the Company has also developed internal control mechanisms for handling and disseminating insider information, including information flow and reporting processes, confidentiality arrangement, disclosure procedures and staff trainings. In addition, whistleblowing policy has been established to encourage employees to report incidents of alleged misconduct or fraud.

Internal Audit

The Company has implemented an internal control system to minimise the risks to which the Company is exposed to and used it as a management tool for day-to-day business operation. The internal control system is reviewed twice a year. The Board has appointed SW to conduct reviews of the Company’s internal control system for the year ended 31 March 2023. The reviews covered financial, operational and compliance controls on selected operation cycles according to the Company’s 3-year internal audit plan. In the review reports, corrective actions and improvement programs have been proposed for the internal control problems or deficiencies found. The results of the internal control reviews have been submitted to the Corporate Governance Committee for consideration.

Based on the review results for the year, management has made a confirmation to the Board that the Company’s risk management and internal control systems are effective and sufficient. The Board is satisfied with the review results and pleased to receive management’s acknowledgement. As part of the annual review process, the Board has performed evaluation of the Company’s accounting and financial reporting function to ensure that there is adequacy of resources, staff qualifications and experience, training programmes and budget of the function.

The Board will continue to review and improve the Company’s risk management and internal control systems in accordance with the existing regulatory requirements, the interests of shareholders and the growth and development of the Company’s business.

Anti-corruption System

The Group has established and implemented a sound anti-corruption system. The Group defines the anti-corruption supervision and management process clearly in the Integrity Management Policy. The Group establishes a red line in the Employee Handbook and requires new employees to attend anti-corruption training organized by the regulatory body. The Group builds an anti-corruption culture and continuously strengthens the awareness of integrity of employees via training and advocacy.

Whistleblowing Policy

Whistleblowing policy and system have been established for employees and those who have business dealings with the Company. They may raise concerns, in confidence, to the Board about the possible improprieties in any matters related to the Company.



Corporate Governance Report

Directors' and employees' securities transactions

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions by the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2023.

Dividend Policy

In determining any dividend payment, the Board will review and consider factors including the financial performance, business environment and economic conditions, forecast cash flow and liquidity positions, working capital requirements and investment needs to support the future business growth of the Company. Therefore, the dividend pay-out ratio may vary from year to year, and there is no assurance that dividends will be paid in any particular amount for any given period.

Subject to the factors described above, the Company will normally consider and recommend payments of interim and final dividends during each year. In addition, the Board may also consider and recommend special dividends payment where appropriate.

Periodically, the Board will review the frequency and amount of dividends to assess its suitability.

Compliance with Listing Rules

In the opinion of the Directors, the Company has complied with the requirements of the Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2023 except for deviations from the code provision as described below.

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

Shareholders' rights

Procedures for shareholders to convene special general meetings

Pursuant to the Bye-Laws of the Company, shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The purposes of the meeting must be stated in the written requisition. The requisition must be signed by the requisitioner(s) and deposited with the Company Secretary at the head office of the Company at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in accordance with Section 74 of the Companies Act 1981 of Bermuda (as amended).



Corporate Governance Report

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Companies Act 1981 of Bermuda (as amended), shareholders holding not less than one-twentieth of the total voting rights or not less than one hundred shareholders may request the Company to give shareholders notice of a resolution which is intended to be moved at the next general meeting. A written notice to that effect signed by the requisitionist(s) with contact information must be deposited at the head office of the Company at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong (addressed to the Company Secretary).

Procedures for shareholders to send enquiries to the Board

Shareholders are welcome to send their enquiries to the Board in writing attention to the Company Secretary via e-mail at info@yaulee.com or to the head office of the Company at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong.

Communication with shareholders

The Company maintains an on-going dialogue with investors and shareholders. The Company's AGM provides good opportunities for shareholders to air their views and ask questions regarding the Company. In the AGM, the chairman of the Board and the chairmen of Board Committees (in their absence, another member of the committee or failing this his duly appointed delegate) will attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The independent auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

Separate resolutions are required at general meetings on each distinct issue. Each shareholder is permitted to appoint one or more proxies to attend and vote in his/her stead.

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

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

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

Voting by poll

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

Changes in constitutional documents

There is no change in the Company's constitutional documents during the year ended 31 March 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

Welcome to the Environmental and Social and Governance (“ESG”) Report (the Report) of Yau Lee Holdings Limited, covering the financial year from 1 April 2022 – 31 March 2023 (FY2022/23)

The Report aims to help our stakeholders understand Yau Lee’s ESG approaches to its principal activities of the Group, including construction, electrical and mechanical installation (“E&M”), building materials supply, property investment and development and hotel operations. It covers about 90 subsidiaries with operational guidance and supervision, equivalent to about 99.98% business scope.

This Report has been prepared in accordance with the “mandatory disclosure requirements” and “comply or explain” provisions as set out in Appendix 27, Environmental, Social and Governance Reporting Guide (ESG Guide), of The Stock Exchange of Hong Kong Limited (HKEx). A Content Index is available on pages 59 and 60 to help readers locate relevant information within this Report.

We value your views and comments on this Report and our ESG performance for our continuous improvement. Please contact us via email at info@yaulee.com.



Our Approach

Our Corporate Social Responsibility (CSR) Policy developed a decade ago provides us with a solid foundation for our overall ESG approach to date, guiding us the way we manage our ESG issues in the face of the rapidly changing regulatory environment and customers’

expectations and community lives. The five major areas outlined in this Policy, including ethics, environment, safety, people and community, correspond to the most material ESG topics identified by the materiality assessment conducted in FY2021/22.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board Commitment to ESG

The responsibility of the Board is to steer the direction of the overall ESG approach, review the ESG performance and approve the ESG report. In addition, the Board assesses ESG risks during the enterprise risk assessment exercise every year, including risks arising due to economic, political and social uncertainties, market, industry and customer needs, business development and climate change risk. On our day-to-day management, the senior management of the Group implements the overall ESG approach and strategies adopted by the Board. The detailed ESG governance structure can be seen in Our ESG Governance.

Our ESG Commitment

To demonstrate our ESG commitment, we joined the ESG Pledge scheme organised by The Chinese Manufacturers' Association of Hong Kong and co-operated with the Hong Kong Brand Development Council. We selected the following ESG areas to put our pledge into concrete actions:

Environment

- Embed eco-friendly elements in product and packaging design
- Committed to reducing carbon emissions / conducting carbon audits
- Develop and implement green procurement policies
- Obtain environmental-related certifications for our products or management systems

Social

- Care for employees
- Support charity and public welfare
- Obtain certifications for our occupational health and safety as well as social responsibility related management system

Governance

- Improve the company's organisational structure
- Improve the transparency and information disclosure of business operations
- Emphasise in the protection of intellectual property rights and commercial secrets
- Comply with the rules and regulations of anti-competition, anti-corruption, anti-discrimination, privacy and confidentiality and fair operation



Our ESG Governance

Yau Lee developed a very clear structure to govern its ESG matters with defined responsibility from the Board and management to the supervisors and frontline staff and workers. The Board is the highest governance body to oversee and review the risks and opportunities as well as evaluate the ESG performance of the group.

The management is responsible for embedding ESG into the operations, including but not limited to policy making, procedure development, resource allocation, initiatives development to respond to ESG issues, internal and external communication, and performance review.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have a suites of polices to manage our ESG performance, including but not limited to:



Tackling Climate-related Risks

We identified our climate risks to strengthen the resilience of our business, construction sites, communities, customers, and people by conducting an enterprise risk assessment exercise yearly. We found that climate-related risks could result in huge financial loss and/or reduced operational efficiency for the business; national environmental policies, for example, will affect the way we run our current and future business.

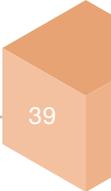
To tackle climate change, we have the Environmental, Energy and Green Procurement Policies in place that outlines the principles of our approach for not only legal compliance and protection of our environment wisely, but also supporting the reduction of emissions, energy conservation, technology development and green product purchasing & design as well as adopting clean fuel on our construction sites. Our Environmental Policy updated in May 2022 illustrates the impact of climate change on our business operations that will be taken into consideration when making business decisions.

During the year, we made our net zero pledge by joining a net zero coalition, as we are keen to play a part in achieving net zero emissions and managing climate change across our business operations. Moving forward, we will develop strategies to reduce our greenhouse gas emissions and energy consumption by setting measurable environmental targets and implementing best practices that help us achieve net zero by 2050. On August 26, 2022, we are honoured to receive Pioneering Organisation in Net-Zero Contribution – Commitment to Net-Zero by Hong Kong Quality Assurance Agency (HKQAA) for the outstanding contributions to the scopes of carbon neutrality, environment, social and governance (ESG). Please refer to the **Carbon Emission Section** for our decarbonisation actions.



Stakeholder engagement and Materiality

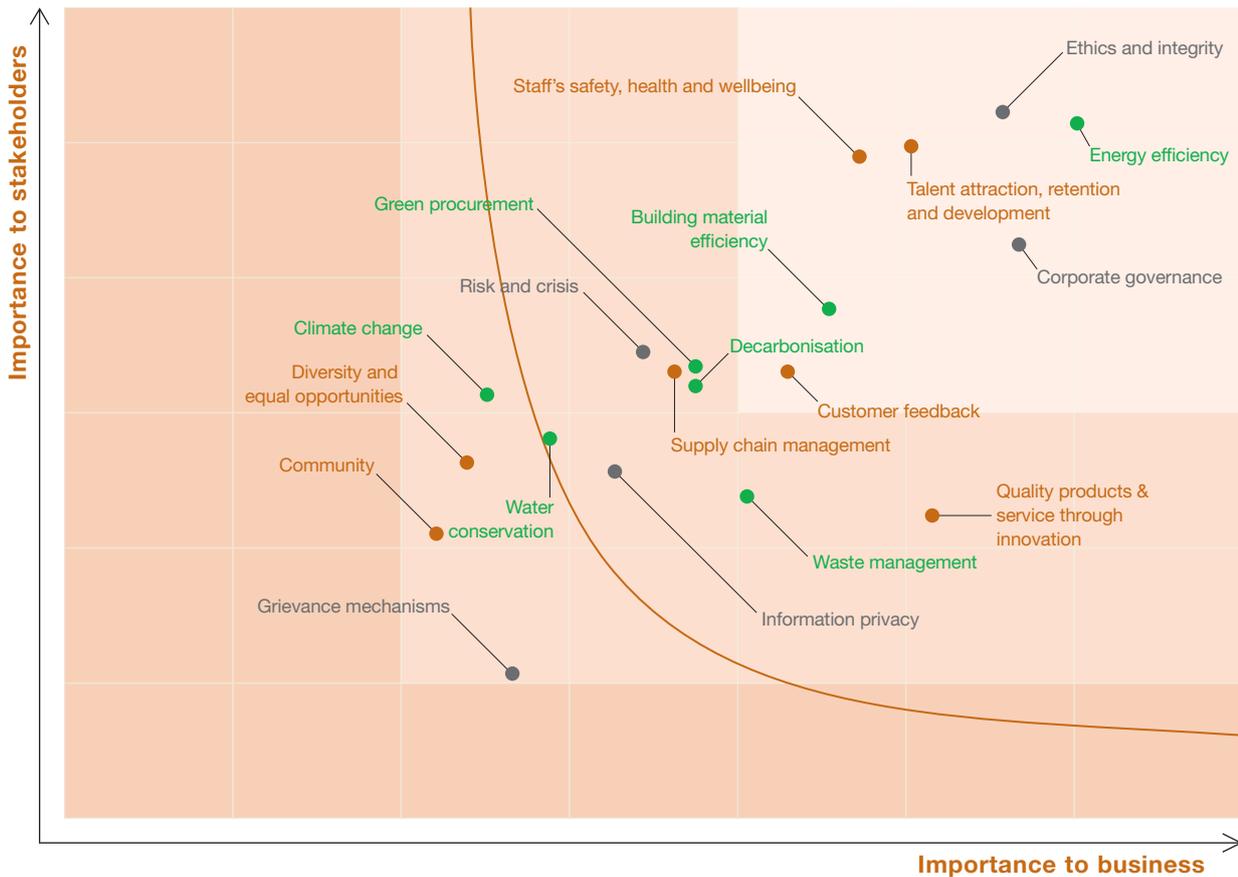
Stakeholder engagement is a continuous process to understand stakeholders' expectations and concerns in the midst of the rise of geopolitical tensions, resource scarcity, severe change in climate and other imminent global risks. All these issues pose risks to our business, while guiding us to run our business responsibly.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To this end, we conducted a stakeholder engagement exercise and materiality assessment in March 2022 to gauge what ESG issues they think are most critical to us. Since there was no major change in our business nature, after reassessing the ESG issues, the material issues remain the same as reported in FY2021/22. For detail on our stakeholder engagement exercise, materiality assessment and regular engagement practice, please refer to the **ESG Section of our Annual Report 2022**.

Materiality matrix



The top right quadrant lists out highly material issues, whereas the least material issues are shown at the bottom left. The top 15 issues plotted above the curve line in the materiality matrix, correspond closely to the top issues identified by our stakeholders, which Yau Lee continues to consider important and aims to address.

Our top material ESG issues:

Environment

- Water conservation
- Green procurement
- Decarbonisation
- Waste management
- Building material efficiency
- Energy efficiency

Social

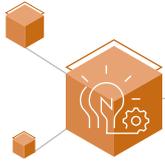
- Staff's safety, health and wellbeing
- Customer feedback
- Quality products & service through innovation
- Supply chain management
- Talent attraction, retention and development

Governance

- Information privacy
- Risk and crisis
- Ethics and integrity
- Corporate governance



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Running our Business Responsibly

Corporate Governance

Yau Lee recognises its duty to run our business responsibly to build a sustainable society in Hong Kong. We adopt a systematic approach to ensure our overall business is effectively and prudently oversight by the board and managed by our senior leaders with integrity, as well as informed and sound decisions with the support of our policies and management systems to mitigate our risks and in the best interest of our stakeholders.

Guided by the Corporate Governance Code, we have established a robust governance structure with our board members sitting on the Audit, Remuneration, Nomination and Corporate Governance Committees. Each of the Committees is chaired by an Independent Non-Executive Director with defined terms of reference. In addition to this, we maintain our board diversity as guided by the Diversity Policy to our decision-making process takes into consideration of our diverse stakeholders.

This section of the report should be read in conjunction with the **Corporate Governance Report of our Annual Report 2023**, which is the primary source of information about the Group's corporate governance structures, risk management, terms of reference of each board-level committee, board diversity, etc.

Ethics and Integrity

Ethics and Integrity is the cornerstone of our business. We have a Code of Conduct in place to ensure our business practice is driven by integrity without compromising any interests of our stakeholders. The Code provides guidance in aspects such as anti-bribery, anti-fraud, fair competition, protection of information privacy and respecting intellectual property rights. To ensure all our employees fully understand our approach to business ethics and integrity, all relevant Group policies, such as the Code of Conduct can be found in our internal portal. All our subsidiaries can develop their policies to supplement information that is relevant to their businesses.

As part of our commitment to business integrity, we signed the Integrity Charter in September 2021 that is jointly launched by the Development Bureau (DEVB), the Independent Commission Against Corruption ("ICAC") and the Construction Industry Council (CIC) and developed a new Integrity Management Policy in 2022. The Policy outlines the Group's expectation for all directors and



staff members with regard to ethical business practices as well as avoidance of bribery, conflict of interest and misuse of information. We also conducted integrity training for our senior management staff and deployed an Integrity Management System.

To address the needs and challenges of different businesses, our subsidiaries develop industry-specific policies related to business ethics and integrity, to supplement those at the group level. For example, our E&M business has its own Anti-Corruption Policy in place to describe the expected behaviour, preventive measures and disciplinary consequence regarding the acceptance of advantage, conflict of interest, etc. To ensure all employees understand such provisions, all new joiners are required to acknowledge receipt of the policy by signing a declaration form. In addition, we provide anti-corruption training for our directors and new joiners conducted by ICAC on "Anti-corruption and Integrity in the Construction Industry" and about the Anti-Corruption and the Prevent of Bribery Ordinance respectively. In FY2022/23, a total of nine seminars were conducted with 339 participants attending.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In case of suspected irregularities, misconduct or malpractices, our Whistleblowing Policy provides our employees and third parties contact details and guidance to report in confidence.

During the reporting period, there were no reported breaches of anti-corruption practices or other laws and regulations related to ESG aspects.

Quality and Innovative Solutions for our Customers

Yau Lee's quality and innovative solutions are engineered by our stringent internal controls and external quality certification as well as driven by our business strategy of using the most updated green and resource-efficient technology to meet the ever-changing needs of our customers.

Our subsidiaries, which contributed 97.72% of revenue, are certified by ISO 9001 Quality Management System. To stay relevant in the industry, Global Virtual Design and Construction Limited, one of our subsidiaries, obtained ISO 19650-1:2018 international BIM management system standard certification in September 2022, demonstrating our capability of managing information over the whole life cycle of our projects.

Our construction business has long been employing cutting-edge technologies in its operations, including but not limited to, Building Information Modelling ("BIM"), Modular Integrated Construction ("MiC") and BEANiE, while our E&M business also made considerable efforts in developing innovative and smart solutions to meet the customers' needs, along with digital and technological capacity building and to power our delivery for greater economic, environmental and social good.

The evolution of BEANiE

Advancing our operation with innovative technology is front and centre at Yau Lee. Since 2018, we have progressively upgraded our in-house innovation BEANiE, Hong Kong's first BIM-enabled blockchain multifunctional digital platform to enhance productivity, buildability, quality and safety. The fifth and sixth generations of BEANiE have been launched in 2021 and 2022 respectively.

BEANiE 5.0 has the ability to embed the Smart Site Safety System (SSSS) with safety and tracking functions as well as the H-Safety Vest with Bluetooth Token, providing a safe and secure environment for our workers at all times. Seeing the importance of keeping our customers informed, the newly upgraded BEANiE 6.0 enables our customers to access the platform at any time to obtain real-time updated information on the projects. BEANiE 6.0 also applies the City Information Modelling (CIM) to collect independent project information and metadata from selected sites through 5G, sensor and Internet of Things (IoT) technologies, which are transmitted to cloud servers and displayed on the designated command centre.

This cutting-edge technology is well-recognised in the industry. In 2022, we are pleased to have won multiple awards for our BIM Projects, notably the "Silver Award – BIM Consultants" by the Hong Kong Institute of Building Information Modelling as well as the "Celebration of BIM Achievement 2022 - BIM Organisations" by the Development Bureau and the Construction Industry Council.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Replacement of Chillers at the Tai Lung Veterinary Laboratory in Sheung Shui

Our E&M business was commissioned to replace the chillers for the Tai Lung Veterinary Laboratory located in Sheung Shui with innovative technology BIM and Multi-trade Integrated Mechanical, Electrical and Plumbing (MiMEP) to overcome the construction challenge of having limited space and time.

We made use of 3D laser scanners and global satellite systems to scan the outdoor environment of the laboratory and the location of the chiller. We then converted the dimensional data into a BIM model with Augmented Reality (AR) technology to simulate the entire transportation, lifting, dismantling and installation process as well as possible obstacles such as insufficient space for maintenance or the possibility of collision.



The use of AR



The assemble process of MiMEP

We also used MiMEP to manufacture prefabricated modules offsite. During the course of it, O-Link Limited, our subsidiary, applied robotic cutting and welding technology, modules assemble works and pre-insulated pipe (PIP) for better quality, while minimising on-site installation works to reduce waste and safety risks.

We successfully completed the project in 38 days, which is about half the time of the traditional method (90 days). The modularisation ratio is over 80%. The project proves that the application of MiMEP with BIM and other technologies is not only favourable to new deployment but also beneficial to Repair, Maintenance, Alteration and Addition (RMAA) projects. We are pleased to gain the Bestowal of Awards-Honorable Mention issued by AUTODESK.

Quality Building Award 2022 for the Disciplined Services Quarters in Pak Shing Kok

Our Group is dedicated to carrying out the research and development in MiC, obtaining patents and exploring the feasibility of widely adopted in different types of buildings. Together with BEANIe, we strive to improve project productivity, safety and quality, and ultimately speed up the housing supply in Hong Kong.

With the outstanding performance of our project team, the Disciplined Services Quarters of the Fire Services Department in Pak Shing Kok won the Grand Award of Hong Kong Residential (Multiple Buildings).

Themed with “Smart | Sustainable | Superior”, the “Quality Building Award”, is jointly organised by nine professional organisations in Hong Kong, aiming to promote a collective commitment by the building industry as well as to maintain the highest standards of professionalism and competitiveness.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Partnering to Leverage Strength for our Customers

At Yau Lee, we understand purposeful partnerships can bring out the best in our customers, helping us gain a competitive edge while reducing our business and ESG risks. Every year we collaborate with nearly 10,000 suppliers, including but not limited to our contractors, suppliers and professional and technical consultants to ensure our products and services are of high quality and achieve our environmental and social standards. In FY2022/23, 97.44% of our suppliers are in the jurisdiction we operate.

Engaging our Industry & Business Partners

To ensure our ESG principles and performance are aligned with the Group's, we have a robust system to guide us maintain good supply chain management practices in every aspect of our operations, from design and development, purchasing and subcontracting, batching plant formula and control, materials and product management as well as control and calibration of equipment. For example, we have a Subcontractors Management Plan in place to help us with subcontractor engagement, inspection and evaluation regarding purchasing and subcontracting, while we have a guideline on material management to ensure all the materials we use comply with safety laws and regulations.

We have a Supplier Code of Conduct in place to help us with the screening process. To reduce our environmental impacts along our supply chain, we also have a Green Procurement Policy to provide guidance for our employees when purchasing goods and services. During the serving stage, we have a Construction Site Monitoring Protocol to ensure our suppliers and subcontractors fulfil the working requirement.

Our E&M business developed its own green policies and measures, requiring its contractors and suppliers to meet the requirements of ISO 14001 and ISO 50001. In terms of BEAM projects it takes parts in, all the materials and equipment procured from its suppliers must meet the highest environmental standards to minimise the environmental impacts.



Effective Communication with Customers

We value feedback from our customers to their satisfaction, while identifying opportunities to improve our service. Our Customer Communication Protocol helps us ensure that we work with our customers properly and effectively from tendering to contracting, regular updates to emergencies, etc. We also have a response system in place for customers to feedback on the quality of our products and services.

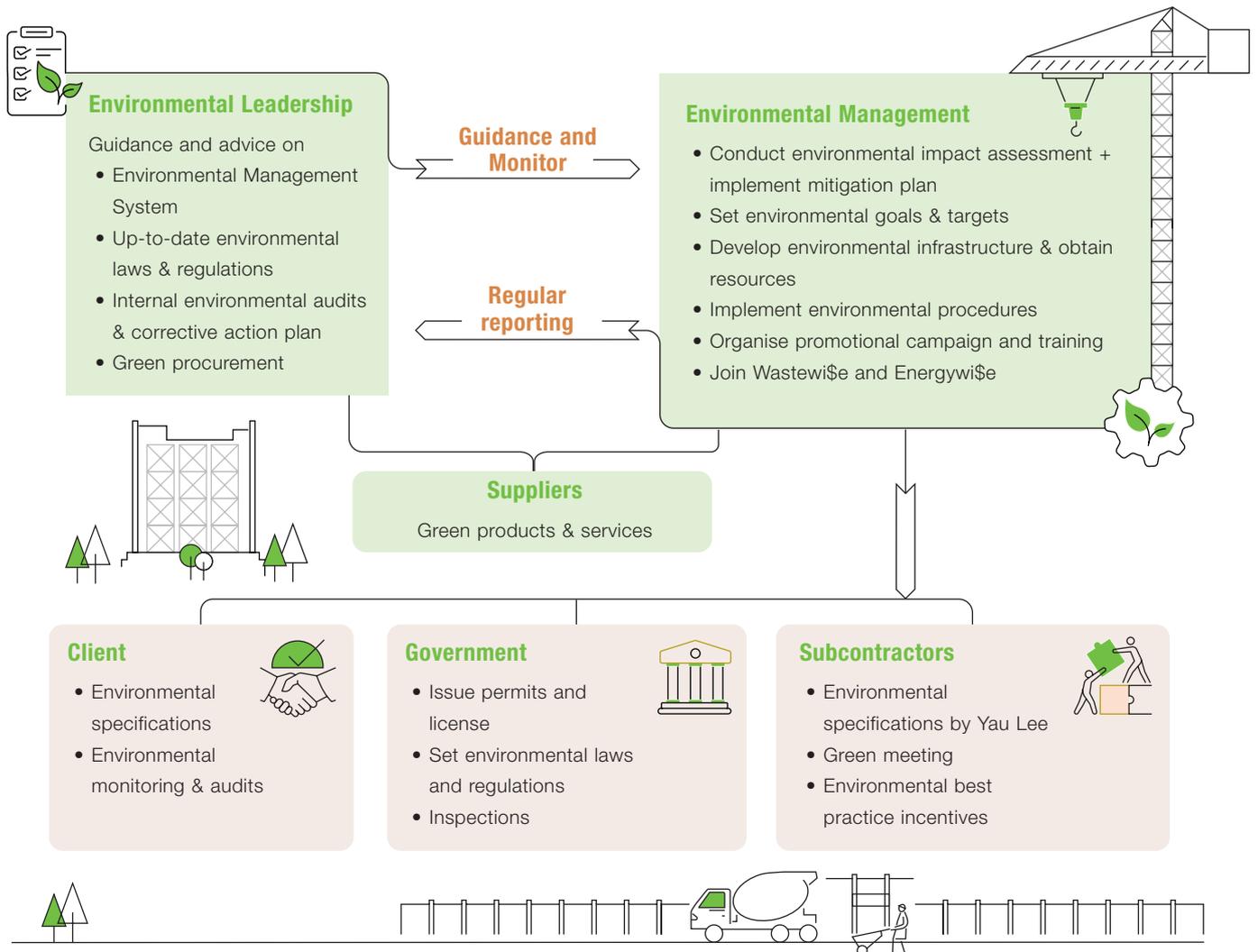
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environment

The Group is committed to protecting the environment as best as we can by minimising our carbon emissions, waste as well as energy, water and material consumption. To achieve this, we maintain ISO 14001 Environmental Management Systems throughout our operations with 97.8% of the Group’s revenue achieving this internationally recognised standard during the financial year. With the guidance of ISO 14001, our operations are administered with robust processes and procedures in addition to our Environmental Policy, operational protocols and measures.

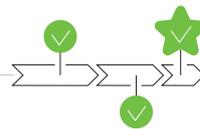
In May 2022, we updated our Environmental Policy with the major updates on our commitment to performing environmental audits and high-level management reviews regularly as well as setting targets and objectives as well as reviewing their effectiveness regularly to improve our environmental performance.

In FY2022/23 we continued to implement our Green Construction Sites Workflow to minimise our environmental impacts as illustrated in the infographic.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To demonstrate our commitment to embedding ESG throughout our operations in FY2022/23, we participated in green finance such as placing green deposits and continuing the sustainability-linked loans. Our projects of Transitional Housing at Po Lam Road North and Transitional Social Housing in Chai Wan have been certified under the CIC Sustainable Finance Certification Scheme with green loans being granted by the banks. According to the green financing agreements, a preferential discount on the interest rate will be offered when our ESG objectives and performance targets are achieved, such as developing green buildings, using renewable energy, attaining higher energy efficiency, preventing and controlling pollution, etc.



PROMINENT AWARDS FOR OUR ENVIRONMENTAL PERFORMANCE

Sustained Performance (12 years+) under Hong Kong Green Awards 2022 by the Green Council



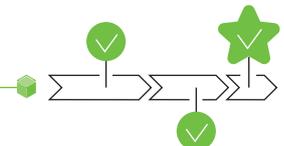
Silver Award of Green Management Award – Corporate (Large Corporation) under Hong Kong Green Awards 2022



FHKI & BOCHK – EcoChallenger & 5 Years+ EcoPioneer Corporate Environment Leadership Awards 2021



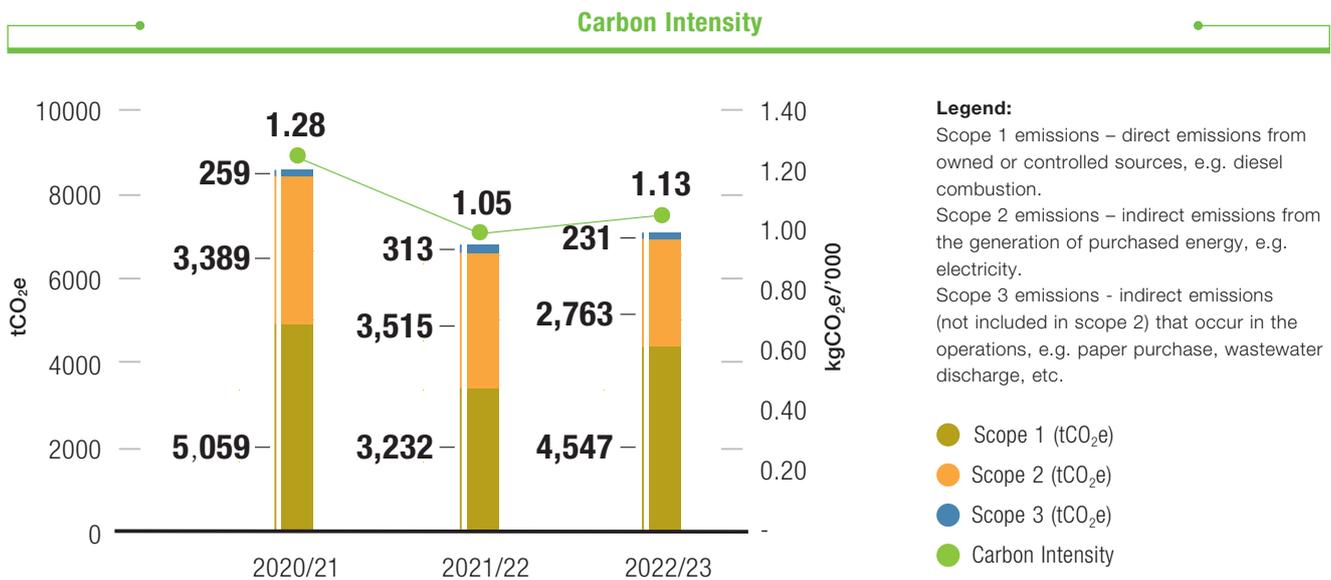
Environment Campaign Committee – Hong Kong Green Organisation



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Carbon Emission

The Group understands the urgency of stopping carbon emissions to mitigate climate change. With this in mind, we have been doing our best to reduce both our Scope 1 and 2 Greenhouse Gas (GHG) emissions from stationary combustion and purchased electricity in particular our construction sites which emit the most carbon dioxide. As we joined the HKQAA's Net-zero Certification Program, we are committed to reducing 6% and 35% of carbon emissions by 2025 and 2035 respectively with the base year of FY2017/18, the financial year we started the setup of carbon inventory. In FY2022/23, our carbon intensity increased by 7.62% because of the new construction works commenced, such as the housing development in Anderson Road Quarry, Tung Chung and Long Bin, which contributed to an increase in scope 1 emission with alternative sources of energy unavailable.



As we pledge to contribute our efforts to tackle climate change (See the **Tackling Climate-related Risks Section**), we have already committed to implementing a suite of decarbonisation actions with a view to not only reducing our scope 1 and 2 emissions but also scope 3 emissions from our purchased material.

Scope 1

- Eliminate diesel power generators by:
 - Adopting B5 or higher bio-content diesel
 - Applying grid power supply on our construction sites
 - Using mass battery energy storage
- Comply with the Non-road Mobile Machinery Emission Regulation

Scope 2

- Adopt renewable energy, e.g. solar panel or solar tube for longer-term site offices
- Use Green roof technology on our site offices
- Use timers for our devices and equipment for temporary works
- Install sensors to turn off lighting when no motion is detected

Scope 3 (from our purchased resources)

- Use low-carbon concrete
- Recycle packaging materials, inert and non-inert waste
- Recycle and reuse treated wastewater
- Collect and recycle rainwater for toilet use
- Adopt electric vehicles equipped with charging facility for site use
- Procure green products with fewer ecological footprints

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Energy Storage System

The Energy Storage System is a newly invented battery energy storage system by our E&M business with a Utility model patent granted by the State Intellectual Property Office, Mainland China. Compared with using diesel power generators, it can reduce carbon emissions by 48%.

We use this to replace our conventional way of providing a primary source of power for our construction sites to reduce our carbon emissions and energy use. We made a trial use of it in our Tung Chung construction site in January 2023 with an estimation of reducing 56.6% of carbon dioxide.



Resource Efficiency

Energy

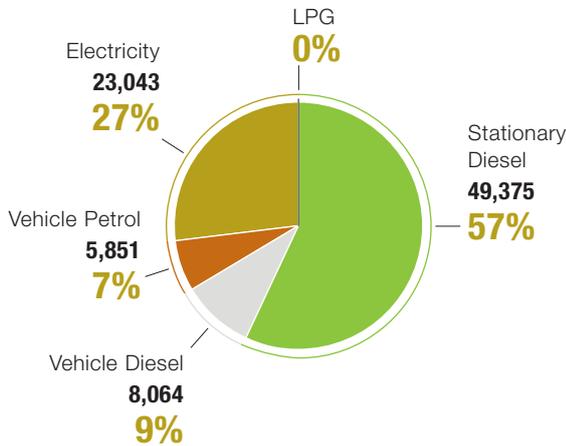
Electricity remains the most significant source of energy for our operations, while we are eliminating the use of diesel. In FY2022/23, we strive to enhance our energy efficiency as much as possible starting from updating our Energy Policy. In this latest update, we are committed to adopting ISO 50001 and as of 31 March 2023, 66.53% (in terms of revenue) of our subsidiaries achieved this international standard. On our construction sites, our construction team continued to implement the Energy Improvement Plan and Site Energy Saving Code and Policy, while our backend offices once again pledged to the Energy Saving Charter 2022 (“Charter Scheme”) offered by Electrical and Mechanical Services Department (EMSD) and achieved the Good Level of the Energywise Certificate under the Hong Kong Green Organisation Certification scheme.

Under the Charter Scheme, the Group set a target to reduce energy consumption by 1% compared with the previous year. In FY2022/23, we consumed approximately 49,375GJ of diesel for stationary power supply and 23,043GJ of electricity from non-renewable sources, accounting for 57% and 27% respectively for our total energy consumption.

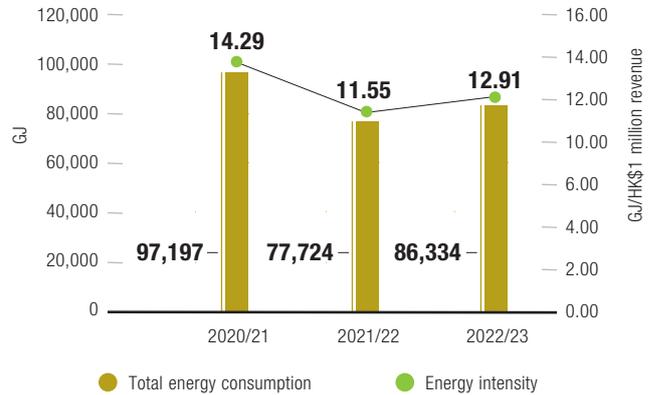


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

• Energy Consumption (in GJ) •



• Energy Consumption and Energy Intensity •



Our total energy consumption and energy intensity increased by 11.08% and 11.78% respectively, as we had a number of construction projects at the most energy-intensive building stage. To the end, we adopted measures recommended in our Design and Procurement Requirements for Energy Improvement Programme, such as designing a modular led lighting system and purchasing renewable or energy-efficient equipment/machinery, while nurturing energy-saving behaviour guided by the Site Energy Management Guideline.



Installing Different Solar Power Generation Systems Purposefully

Our E&M business installed three solar power generation systems in the San Tin Stormwater Pumping Station and flood storage tank, including floating, flexible and stepable solar panel systems according to the design of the facilities.

The floating solar power system was installed on the flood water tank that has a big water surface. It consists of 70 solar photovoltaic panels with an area of about 300 square metres of electricity generating up to 44,000 kWh per year.

The flexible solar power generation system consists of 108 solar photovoltaic panels, which are installed on the cover of the spiral pumping tank of the Pumping Station, while the stepable solar power system consists of 92 solar photovoltaic panels installed on the pedestrian of the maintenance platform of the Pumping Station. Together they can generate up to 13,000 kWh of power every year.

The total annual power generation is expected to reach 57,000 kWh, which is equivalent to the annual electricity consumption of about 17 three-person families. It can reduce about 39.9 metric tonnes of carbon dioxide emissions every year.

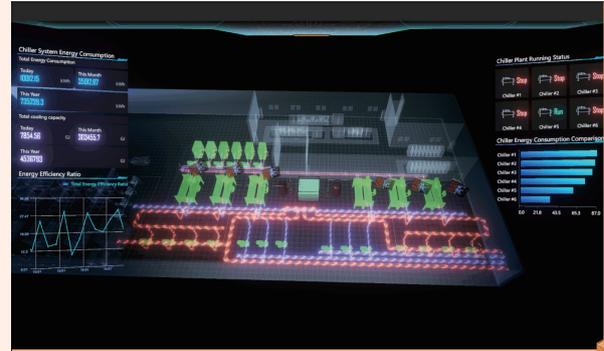


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Global AI Challenge for Building E&M Facilities

The Global AI Challenge for Building E&M Facilities is an international event, aiming to foster the application of artificial intelligence (“AI”) in building construction, which attracts researchers, students, start-ups and enterprises worldwide.

Building energy consumption in Hong Kong accounts for 80% of the city’s total energy consumption. Our E&M business won the Bronze Award in the Open Group for its Artificial Intelligence Energy Optimisation Solution for HVAC Systems.



Material Efficiency

Our construction and building materials supply businesses are committed to achieving the highest material efficiency as much as possible to reduce cost and waste by taking the lead to adopt Modular Integrated Construction (MiC) method for our construction projects.

We understand that materials sourced and produced responsibly can help us reduce our scope 3 carbon emission. In FY2022/23, our construction business adopted low carbon construction materials, such as concrete with ground granulated blast-furnace slag (“GGBS”) to replace 35% of cement to reduce the embodied carbon emissions. The business also conducted a carbon assessment on its materials used by Construction Industry Council to understand our environmental performance of our public housing development project at Anderson Road. Our material supply business also produces cement with GGBS to produce concrete and precast elements for different projects.

Outstanding MiC Project Award for our Hung Shui Kiu Project

As the main contractor of this project, we worked together with the Hong Kong Housing Society for the first Subsidised Sale Flats Project at the Dedicated Rehousing Estate of Hung Shui Kiu / Ha Tsuen New Development Area Phase 1A.

The project was awarded Outstanding MiC Project Award at the MiC Achievement Ceremony 2022 organised by the Construction Industry Council for its environmental efficiency.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste

The Group adopts the reduce, reuse and recycle approach for our business activities, creating more with less by reducing waste at source. Our waste is handled according to applicable laws and regulations of every jurisdiction we operate; hazardous waste such as spent lube oil is handled by licensed collectors.

Each year, we developed new initiatives to reduce our construction waste creatively to minimise our waste. For example, we replace manual bending operation with automatic Bending Machine – So Li Ah No.1 to bend and cut metals in different shapes more precisely and stably, while avoiding wastage due to human errors. Compared with the traditional method, Using Bending Machine – So Li Ah No.1 helps us save up to 10-20% of metal materials.



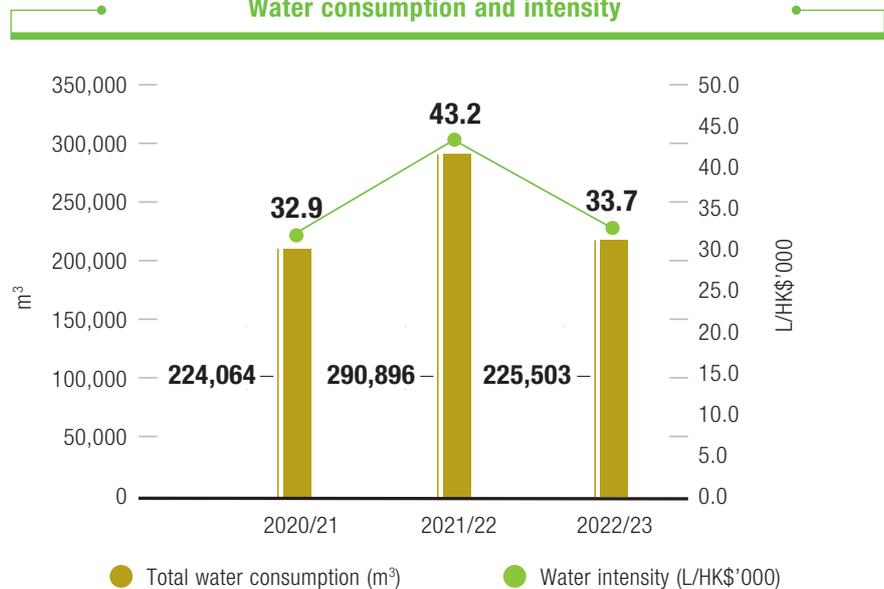
Under the Wastewi\$e Scheme, we set targets for a number of items we use regularly on both our work sites and back offices as follows:

| Targets | Unit | FY2022/23 | FY2021/22 |
|---|-------|-----------|-----------|
| Rebar steel to limit within 5% of the total number of B.Q | % | 1.86% | 3.95% |
| To recycle no less than 4000 kg and 2000 kg in office and construction sites respectively | kg | 13,388 | 18,777 |
| Seven Obsolete Computer recycled | piece | 16 | 30 |
| 20 cartridges recycled | piece | 60 | 28 |
| The recovery rate of old batteries is 95% of the number of new batteries purchased | % | 100% | 118% |

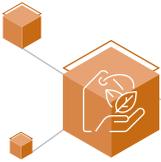
Water consumption and intensity

Water

At Yau Lee, we are committed to increasing water efficiency with our major business units setting a target of reducing 1% of annual water consumption from the previous year. During the year, the Group's water intensity was 33.7L per HK\$'000, which was 21.99% lower than FY2021/22.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Healthy and Safe Working Environment

Safety is always the top priority. The Group’s robust management system in health and safety guides us to mitigate our safety hazards. We are accredited by ISO 45001 Occupational Health and Safety Management System, which covers our corporate management and all-site supervision and management for both building and maintenance works. We also run the Health and Safety Steering Committee, Overall Site Safety and Health Working Committee and Site Safety Committee regularly to monitor safety internally.

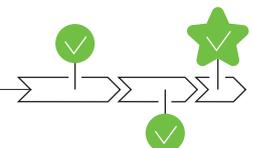
Prevention is always better than cure. In FY2022/23, our E&M business conducted a dynamic risk assessment, taking considerations of various uncertain factors, including environment, weather conditions, temperature, machinery and equipment usage as well as workers’ experience and physical and mental health, to improve our vigilance of site workers and safety condition of the construction site. Based on the results of the dynamic risk assessment, the site management can stipulate on-site safety plans and procedures according to the actual site condition, helping us minimise unpredictable hazards throughout the construction.

Over the years, we also implemented numerous safety measures that cover different safety aspects to prevent accidents. We particularly focus on using robotic and AI technologies to enhance our safety measures. For example:



Detecting Air Leakage by Thermal Scanning to Avoid Working at Height

To ensure air ducts of the air conditioning systems meet the required air leakage rate according to specification, our team members used to putting up ladders or metal scaffolding to inspect the air duct section by section from height. To ensure safety and avoid accidents, our E&M business made use of the thermal scanning function of mobile phones to detect temperature variance with the wavelength of the blue light indicating air leakage. With this, the danger caused by overhead work can be avoided.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



From using robotics to AI in safety

Over the past few years, we have been making our utmost efforts to make use cutting edge technologies to ensure our sites' safety, from mobile welding robots, MobiScanning and MobiSafety to AI Surveillance care systems to prevent our workers to do dangerous work, monitor unsafe behaviours and identifying safety hazards.

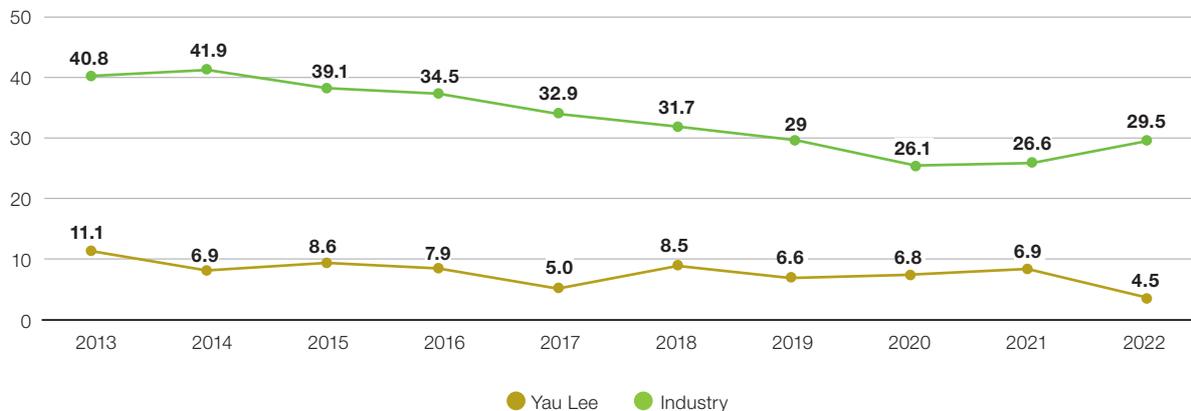
In addition to these initiatives, we see the importance of having a robust monitoring system. In FY2022/23, we embedded a Smart Site Safety System ("SSSS") into our in-house innovation – BEANiE 5.0 – to track our safety performance. Artificial intelligence (AI) system with CCTV and video recording system to monitor and protect workers who wear reflective vests with Bluetooth Token. In case of an emergency, the safety managers will be notified immediately and can remotely monitor the situation and take immediate action. AI robots are also placed in restricted areas or confined spaces to perform image analysis by scanning and identifying workers with authorisation to enter, to achieve a safer site environment.



SSSS connects to our central surveillance system at our site office, including a dashboard to facilitate real-time monitoring and provide summary statistics with cloud storage capacity.

Our efforts proved to be effective as our accident rate per 1,000 workers has been far lower than the industry average. During the reporting period, our rate is 4.5/1,000 while the construction industry average is 29.5/1,000. The total number of lost days due to work injury has greatly reduced from 3,394 days in FY2021/22 to 1,597 days in FY2022/23 – reaching a reduction rate of 53%.

Accident Rate per 1,000 Workers



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Increase the Health and Safety Consciousness of our Workers

To promote a safety culture, we organised a series of training and activities for all workers working on our construction sites. For example, our building materials supply business conducted a fire drill, while our construction business organised a Gondola Work Safety Webinar and Work at Height Safety Training. In addition to safety, the well-being of workers is also of great importance to ensure workplace safety. Our efforts in promoting healthy eating, physical activity and mental well-being are recognised and we are pleased to be awarded Healthy Workplace Best Practices Award by the Occupational Safety & Health Council.



OTHER PROMINENT AWARDS

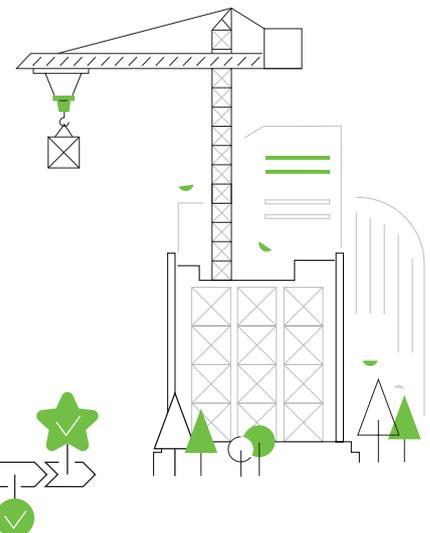
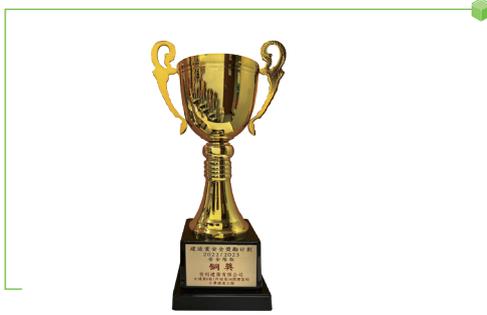
HKCA Proactive Safety Contractor Award for the year 2021 by the Hong Kong Construction Association



Gold Award - Construction Industry Safety Award Scheme 2022/2023 for our design and construction of Chai Wan Government Complex and Vehicle Depot awarded by the Labour Department and 15 major stakeholders in the industry



Bronze Award - Construction Industry Safety Award Scheme 2022/2023 for the construction of a 36-classroom Primary School in Tai Po awarded by the Labour Department and 15 major stakeholders in the industry



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our Talent

People are our greatest asset. The Group is committed to ensuring our people practices go beyond compliance in every jurisdiction we operate. Our remuneration packages are competitive, including examination and study leave, marriage leave, comprehensive medical disability insurance coverage and retirement scheme as guided by the Staff Handbook.

We have zero tolerance for discrimination of any kind, including gender, race, religion, disability, marital or family status, sexual orientation, or any other personal characteristic. We hire, transfer and promote our staff based on fair and equitable grounds. We use various channels to engage our staff, such as newsletters, circulars, and internal portals to share the Company's information. We ensure the voices of our staff are heard through meetings, surveys and opinion boxes.

During the reporting period, there are about 3,600 full-time members in our workforce located in Hong Kong, Mainland, Singapore and Macau. There were no cases of non-compliance with any standards, rules and regulations related to labour practice. In FY2022/23, the turnover rate of our construction business is 28% (FY2021/22 : 33%), while the total turnover rate of other businesses is 18% (FY2021/22 : 22%).

Training and Development

In FY2022/23, there are a total of 1,406 male and 401 female members attended our training. A total of 195 management staff and 1,612 non-management staff received training. 100% of our site workers were being trained. Below are some of the training activities for our staff of different experiences and expertise:

PROFESSIONAL TRAINING

| | |
|--|--|
| <p>Practical Engineering Training</p> | <p>A total of eight sharing sessions were held by our E&M business, such as</p> <ul style="list-style-type: none"> • Automatic parking system • Water pumps sizing and design • Fan sizing and design • Types of pipes and their applications • Contract review and cost control • Energy saving regulations • Contract management and cost control • Integrated Digital Common Platform |
| <p>Production Quality Management Workshop</p> | <p>Two production quality management workshops were held to introduce the quality control of different products such as, MiC component, dry wall, metallic accessories and doors and windows.</p> |



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

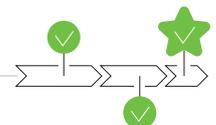


SOFT SKILLS TRAINING

| | |
|--|--|
| <p>Eloquence Training Class for Safety Executives of Building Renovation and Maintenance Department</p> | <p>A four-session training for our senior safety officers to learn how to communicate our initiatives, such as electricity safety and gondola safety.</p>  |
| <p>Effective Workplace Effective Communication Workshop</p> | <p>A total of eleven staff from Huizhou and Shenzhen joined the workshop to learn communication skills to engage with our colleagues</p>  |
| <p>Site Management Staff Development Programme</p> | <p>Five workshops on different topics were held, including financial management, negotiation skill, risk management, agile leadership and project management.</p> |



As our continued effort to upskill our workers in the face of manpower shortage, we recruited 40 trainees to take part in the Intermediate Tradesman Collaborative Training Scheme by Construction Industry Council in FY2022/23. Through this scheme, trainees can select programmes they are interested in, including civil engineering, building construction as well as E&M engineering. In addition to internal training, the Group invested about HKD 2,450,000 to subsidise 150 staff members to participate in external training programmes. As a recognition of upskilling our staff, we were awarded Top Apprentice Award 2021 by the Vocational Training Council.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Upskilling Current and Future Staff via STEM

Retaining current staff and attracting future staff with appropriate science, technology, engineering and mathematics (“STEM”) skills is front and centre of our E&M business.

Internally we set up an Innovation Wall for our staff to showcase their inventions. In addition to explaining the innovation in person, everyone who walks past the Wall can scan the QR placed next to any inventions they like to watch the video for more information.



To attract the new generations to join forces in the engineering industry, we invited seven secondary six students from different schools to join our “STEM Internship Programme” in June 2022. They were assigned to different engineering departments to experience the daily work of engineers.

On 11 May 2022, our E&M business and the Technological and Higher Education Institute of Hong Kong signed a memorandum of strengthening the cooperation between academia and industry to develop and cultivate future engineering and technology talents.



Internship opportunities will be provided for students not only to take part in various talent development projects but also to deepen their understanding of the operation and the latest development of the industry.

Employee and Social Wellbeing

As we strive to help our workers get over the pressure of the pandemic and work, we see both the physical and mental health of our employees are of great importance. We provide support to our staff through activities of different kinds. Our effort is recognised by obtaining the Worker Wellbeing Award from Architectural Services Department at the Green Contractor Award 2021.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ACTIVITIES HIGHLIGHTS:

We invited Yan Oi Tong Mobile Traditional Chinese Medical Centre to provide site workers with an opportunity to consult their health conditions and diet.



We held “Sweet Heart” activities regularly by inviting a café to cook special low-sugar desserts for our workers.



To prevent heatstroke during the summer, we distribute sun-blocking items and fruits to our workers.



We organised friendly football match and “Laughing Yoga” to promote workplace harmony and strengthen team cooperation.



The Group participated in the “Construction Industry Testing Day” organised by Construction Industry Council in 2022 to conduct rapid antigen testing for all workers and employees on the construction site.



Giving back to society

Giving back to society through volunteering and corporate donations is an intrinsic part of how we give expression to our caring corporate culture. We are proud to be a socially responsible company by gaining Caring Company 20+ years. In FY2022/23, the Group donated a total of HK\$931,000 to non-profit organisations such as Society for Community Organization, Tung Wah Group of Hospitals and Caritas Institute of Higher Education etc. to support workers' welfare, healthcare, underprivileged and industry development. We also encouraged our staff to take part in voluntary work, some examples are stated below:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Support the Association for the Rights of Industrial Accident Victims

The Group continued to support the Mothers' Group under the Association for the Rights of Industrial Accident Victims to extend our care to the youngsters of single parent families by sponsor the banquet held on 19 August 2022. More than 80 families attended the event and a total of three awards were presented to recognise youngsters from the single parent families, including: Achievement Progress Award, Conduct Award and Enthusiastic Social Service Award.



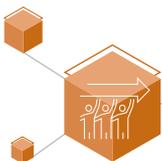
Charity Walk 2022

Our E&M business participated in the New Territories Walk for Millions 2022/23 held on 20 November 2022 in Tseung Kwan O - the first physical fundraising walk since the outbreak of the pandemic. The whole journey is about 6 kilometres, taking our team about 1.5 hours to finish.



Construction Industry Lo Pan Rice Campaign

In July 2022, we participated in the Lo Pan Meal Distribution to provide hot meals to the disadvantaged groups. As a diamond sponsor, we gave financial support to sponsor the goodie bags for people in needs.



Moving Forward

In FY2022/23, the Group was affected by the pandemic and is looking forward to resuming normal in FY2023/24. We must keep up with our good performance in quality and safety, while uplifting our workforce through STEM for greater creativity and innovation. Making use of innovative technology and leveraging strength with business partners will still be a major trend to move the industry. In this respect, the Group is committed to further developing our MiC expertise as well as investing in information technology, robotics and BIM with a view to seizing this opportunity to progress with our partners to drive the industry progress for our sustainable future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Content Index

| Aspect | ESG Guide | Remarks and References |
|--|-------------|--|
| • Mandatory Disclosure Requirements | | |
| Governance Structure | | Our ESG Governance |
| Reporting principles | | About this Report, Stakeholder Engagement and Materiality |
| Reporting boundary | | About this Report |
| • General Disclosures | | |
| Emissions and Waste | Aspect A1 | Carbon emission Resource Efficiency: Energy, Material Efficiency, Waste, Water |
| Resources | Aspect A2 | Resource Efficiency: Energy, Material Efficiency, Waste, Water |
| Environment and Natural Resources | Aspect A3 | Resource Efficiency: Energy, Material Efficiency, Waste, Water |
| Climate Change | Aspect A4 | Our ESG Governance: Tackling Climate-related Risks |
| Employment | Aspect B1 | Our Talent |
| Health and Safety | Aspect B2 | Healthy and Safe Working Environment |
| Development and Training | Aspect B3 | Our Talent, Training and Development |
| Labor Standards | Aspect B4 | Our Talent This aspect applies to management of our supply chain only as there is no risk of child or forced labor occurring within our organisation |
| Supply Chain Management | Aspect B5 | Quality and Innovative Solutions for our Customers |
| Product Responsibility | Aspect B6 | Healthy and Safe Working Environment Engaging our Industry & Business Partners We focus on policies and compliance related to health and safety |
| Anti-corruption | Aspect B7 | Ethics and Integrity |
| Community Investment | Aspect B8 | Employee and Social Wellbeing: Giving back to Society |
| • KPIs | | |
| Emissions and Waste | A1.1 & A1.2 | Carbon emission emissions of NOx and particulate matter from gaseous fuel and vehicles are not determined to be highly material issues for our organisation |
| | A1.3 & A1.4 | Waste |
| | A1.5 | Carbon emission; Energy |
| | A1.6 | Waste |
| Resources | A2.1 | Energy |
| | A2.2 | Water |
| | A2.3 | Energy |
| | A2.4 | Water Sourcing water that is fit for purpose is not determined to be highly material issue for our organisation |
| | A2.5 | Use of packaging material is not determined to be highly material issue for our organisation |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Content Index

| Aspect | ESG Guide | Remarks and References |
|--|-------------|---|
| • KPIs | | |
| Environment and Natural Resources | A3.1 | Environment |
| Climate Change | A4.1 | Tackling Climate-related risks |
| Employment | B1.1 | Our Talent |
| | B1.2 | Employee and Social Wellbeing |
| Health and Safety | B2.1 | Healthy and Safe Working Environment |
| | B2.2 | |
| | B2.3 | |
| Development and Training | B3.1 | Training and Development |
| | B3.2 | Average training hours: Male: 4.52 hours; Female: 2.06 hours Management: 8.45 hours; Non-management: 4.45 hours |
| Labor Standards | B4.1 & B4.2 | This aspect applies to management of our supply chain only as there is no risk of child or forced labor occurring within our organization |
| Supply Chain Management | B5.1 | Quality and Innovative Solutions for our Customers |
| | B5.2 | |
| | B5.3 | |
| | B5.4 | |
| Product Responsibility | B6.1 | This KPI is not relevant to our businesses. |
| | B6.2 | |
| | B6.3 | Ethics and Integrity |
| | B6.4 | Quality and Innovative Solutions for our Customers |
| | B6.5 | It is determined not highly material to Yau Lee Group |
| Anticorruption | B7.1 | Ethics and Integrity |
| | B7.2 | Ethics and Integrity; Corporate Governance |
| | B7.3 | Ethics and Integrity |
| Community Investment | B8.1 | Giving back to Society |
| | B8.2 | |



INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the shareholders of Yau Lee Holdings Limited

(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Yau Lee Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 67 to 144, comprise:

- the consolidated balance sheet as at 31 March 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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



Independent Auditor's Report

Basis for Opinion (continued)

Independence

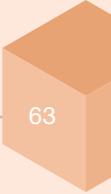
We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to the revenue recognition of construction contracts.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--|---|
| <p>Revenue recognition of construction contracts</p> <p>Refer to Note 2.23(a), Note 4(a), Note 4(b) and Note 5 to the consolidated financial statements.</p> <p>For the year ended 31 March 2023, the Group recognised revenue from construction contracts relating to the following operating segments: construction, electrical and mechanical installation which totalled HK\$6,553,332,000.</p> <p>The recognition of revenue and cost of sales for the Group's construction contracts is based on the progress of contract activities, by reference to contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Management's estimate of revenue, budgeted costs, the progress of related contract work and loss provisions requires significant judgment.</p> <p>This judgment includes the expected recovery of costs arising from variations to contracts requested by customers, compensation events and claims made against contractors for delays.</p> <p>Due to the significant judgment and estimates involved, specific audit focus was placed on this area.</p> | <p>Our work in relation to management's estimates in revenue, budgeted costs and the progress of related contract work focused on the following procedures for material construction contracts within the Group:</p> <ul style="list-style-type: none"> • We obtained an understanding of management's internal control and process of revenue recognition of construction contracts and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • We tested the key controls over estimating costs to complete and budgeted margin of construction contracts; • We discussed with the Group's quantity surveyors and project managers the status of the projects, to identify any variations, claims and provision on loss-making contracts, and to obtain explanations for fluctuations in margins and the expected recovery of variations; |



Independent Auditor's Report

Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|------------------|--|
| | <ul style="list-style-type: none"><li data-bbox="815 459 1445 670">• We obtained corroborative evidence, in relation to the above point, by reviewing the project budgets, external architect's certificates and comparing the budgeted component costs to supporting documents including, but not limited to, price quotations of suppliers and subcontractors;<li data-bbox="815 717 1445 892">• We inspected the signed contracts and correspondence with the customers and sub-contractors to obtain audit evidence on contract sum and terms, variations from customers, claims from customers and sub-contractors;<li data-bbox="815 940 1445 1043">• We tested on a sample basis the actual cost incurred on contract work during the reporting period;<li data-bbox="815 1090 1445 1194">• We recalculated the estimate of the progress of contract work based on the latest budgeted costs and total actual costs incurred; and<li data-bbox="815 1241 1445 1345">• We tested the calculations of contract revenue based on the estimate of the progress of contract work. <p data-bbox="815 1392 1445 1560">We found management's estimates in determining the revenue, budgeted costs and the progress of related contract work for the reporting period as well as the revenue recognised are supported by the audit evidence available.</p> |



Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.



Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ka Yee.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 June 2023



CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2023

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------|------------------|------------------|
| Revenue | 5 | 6,685,961 | 6,732,944 |
| Cost of sales | 7 | (6,133,648) | (6,073,716) |
| Gross profit | | 552,313 | 659,228 |
| Other income and losses, net | 6 | 9,625 | 25,332 |
| Selling and distribution costs | 7 | (13,155) | (41,639) |
| Administrative expenses | 7 | (444,034) | (500,628) |
| Other operating expenses | 7 | (4,028) | (3,191) |
| Operating profit | | 100,721 | 139,102 |
| Finance costs | 9 | (24,961) | (9,476) |
| Share of loss of an associate | 18 | (86) | (614) |
| Share of loss of joint ventures | 19 | (8,149) | (8,478) |
| Impairment loss of investment in a joint venture | 19 | — | (35,000) |
| Profit before income tax | | 67,525 | 85,534 |
| Income tax expense | 10 | (19,553) | (19,531) |
| Profit for the year | | 47,972 | 66,003 |
| Attributable to: | | | |
| Equity holders of the Company | | 49,636 | 68,186 |
| Non-controlling interests | | (1,664) | (2,183) |
| | | 47,972 | 66,003 |
| Dividend | 11 | 21,902 | 21,902 |
| Earnings per share (basic and diluted) | 12 | HK11.33 cents | HK15.57 cents |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit for the year | 47,972 | 66,003 |
| Other comprehensive income | | |
| <i>Item that may be reclassified to profit or loss:</i> | | |
| Currency translation differences | (63,144) | 35,791 |
| Total comprehensive (loss)/ income for the year | (15,172) | 101,794 |
| Attributable to: | | |
| Equity holders of the Company | (13,508) | 103,977 |
| Non-controlling interests | (1,664) | (2,183) |
| Total comprehensive (loss)/ income for the year | (15,172) | 101,794 |



CONSOLIDATED BALANCE SHEET

As at 31 March 2023

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 1,095,279 | 1,171,205 |
| Investment properties | 15 | 170,100 | 177,240 |
| Other intangible assets | 16 | 6,174 | 7,230 |
| Goodwill | 16 | 17,898 | 17,898 |
| Associate | 18 | 35 | 361 |
| Joint ventures | 19 | 77,381 | 93,789 |
| Deferred income tax assets | 26 | 4,177 | 7,214 |
| Mortgage loans receivables | 21(c) | 11,786 | 25,931 |
| | | 1,382,830 | 1,500,868 |
| Current assets | | | |
| Cash and bank balances | 20 | 742,581 | 1,045,149 |
| Trade debtors, net | 21(a) | 702,764 | 672,666 |
| Contract assets | 23 | 1,342,793 | 814,519 |
| Prepayments, deposits and other receivables | 21(b) | 224,950 | 293,383 |
| Mortgage loans receivables | 21(c) | 1,249 | 1,561 |
| Inventories | 22 | 154,482 | 80,093 |
| Completed properties held for sale | 24 | 222,760 | 222,760 |
| Due from joint operations | 19 | 7,938 | 46,473 |
| Due from other partners of joint operations | 19 | 19,838 | – |
| Prepaid income tax | | 48,474 | 59,986 |
| | | 3,467,829 | 3,236,590 |
| Total assets | | 4,850,659 | 4,737,458 |
| Equity | | | |
| Share capital | 29 | 87,611 | 87,611 |
| Other reserves | 30 | 431,124 | 494,024 |
| Retained profits | 30 | 987,574 | 959,840 |
| Attributable to equity holders of the Company | | 1,506,309 | 1,541,475 |
| Non-controlling interests | | (2,306) | (118) |
| Total equity | | 1,504,003 | 1,541,357 |

Consolidated Balance Sheet

As at 31 March 2023

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|------------------|------------------|
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 25 | 449,200 | 336,600 |
| Deferred income tax liabilities | 26 | 9,690 | 7,455 |
| Other non-current liabilities | 28(b) | 8,602 | 23,725 |
| | | 467,492 | 367,780 |
| Current liabilities | | | |
| Short-term bank loans | 25 | 880,394 | 459,480 |
| Current portion of long-term borrowings | 25 | 37,400 | 522,400 |
| Payables to suppliers and subcontractors | 27 | 383,035 | 247,082 |
| Accruals, retention payables, deposits received and other liabilities | 28(a) | 878,783 | 822,985 |
| Income tax payable | | 11,004 | 10,059 |
| Contract liabilities | 23 | 676,891 | 721,496 |
| Due to joint operations | 19 | 2,799 | 2,799 |
| Due to other partners of joint operations | 19 | 8,858 | 42,020 |
| | | 2,879,164 | 2,828,321 |
| Total liabilities | | 3,346,656 | 3,196,101 |
| Total equity and liabilities | | 4,850,659 | 4,737,458 |

The consolidated financial statements on pages 67 to 144 were approved by the Board of Directors on 27 June 2023 and were signed on its behalf.

Wong Ip Kuen

Director

Wong Tin Cheung

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

| | Attributable to equity holders of the Company | | | | | | | | | Total |
|--|---|---------------|----------------------------|------------------------------|------------------------------|---------------|------------------|-----------|---------------------------|-----------|
| | Share capital | Share premium | Capital redemption reserve | Currency translation reserve | Property revaluation reserve | Other reserve | Retained profits | Sub-total | Non-controlling interests | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| 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 year | - | - | - | - | - | - | 68,186 | 68,186 | (2,183) | 66,003 |
| Other comprehensive income: | | | | | | | | | | |
| Currency translation differences | - | - | - | 35,791 | - | - | - | 35,791 | - | 35,791 |
| 2021 final dividend | - | - | - | - | - | - | (29,788) | (29,788) | - | (29,788) |
| 2022 interim dividend | - | - | - | - | - | - | (10,951) | (10,951) | - | (10,951) |
| As at 31 March 2022 | 87,611 | 413,776 | 359 | 23,819 | 55,366 | 704 | 959,840 | 1,541,475 | (118) | 1,541,357 |
| As at 1 April 2022 | 87,611 | 413,776 | 359 | 23,819 | 55,366 | 704 | 959,840 | 1,541,475 | (118) | 1,541,357 |
| Profit/(loss) for the year | - | - | - | - | - | - | 49,636 | 49,636 | (1,664) | 47,972 |
| Other comprehensive income: | | | | | | | | | | |
| Currency translation differences | - | - | - | (63,144) | - | - | - | (63,144) | - | (63,144) |
| Acquisition of additional equity interest in a subsidiary from non-controlling interests (Note 17) | - | - | - | - | - | 244 | - | 244 | (524) | (280) |
| 2022 final dividend (Note 11) | - | - | - | - | - | - | (10,951) | (10,951) | - | (10,951) |
| 2023 interim dividend (Note 11) | - | - | - | - | - | - | (10,951) | (10,951) | - | (10,951) |
| As at 31 March 2023 | 87,611 | 413,776 | 359 | (39,325) | 55,366 | 948 | 987,574 | 1,506,309 | (2,306) | 1,504,003 |

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2023

| | 2023 | 2022 |
|---|------------------|-----------|
| Note | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | |
| Net cash (used in)/from operations | 31(a) (232,386) | 837,817 |
| Hong Kong profits tax refunded | 3,950 | 24 |
| Hong Kong profits tax paid | (8,535) | (22,430) |
| Non-Hong Kong tax paid, net | (329) | (1,971) |
| | (237,300) | 813,440 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (48,265) | (62,951) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | – | 11,800 |
| Acquisition of a subsidiary, net of cash acquired | 33 – | (1,236) |
| Proceeds from disposal of property, plant and equipment | 2,180 | 281 |
| Reduction of capital of an associate | 18 240 | – |
| Interest received | 5,239 | 3,280 |
| Net decrease in mortgage loan receivables | 14,397 | 28,550 |
| | (26,209) | (20,276) |
| Cash flows from financing activities | | |
| Repayment of bank loans | 31(b) (588,500) | (799,440) |
| Drawdown of bank loans | 637,014 | 407,022 |
| Decrease/(increase) in restricted deposits | 56,969 | (33,466) |
| Capital element of lease payments | (18,000) | (25,940) |
| Interest element of lease payments | (545) | (915) |
| Dividend paid | (21,902) | (40,739) |
| Interest paid | (38,809) | (24,237) |
| Acquisition of additional equity interest in a subsidiary from non-controlling interests | (280) | – |
| | 25,947 | (517,715) |
| Net cash from/(used in) financing activities | | |
| Net (decrease)/increase in cash and cash equivalents | (237,562) | 275,449 |
| Cash and cash equivalents at beginning of year | 934,312 | 650,748 |
| Exchange (loss)/gain on cash and cash equivalents | (8,037) | 8,115 |
| | 688,713 | 934,312 |
| Cash and cash equivalents at end of year | | |
| Analysis of cash and cash equivalents | | |
| Cash and bank balances | 20(b) 502,914 | 928,138 |
| Time deposits | 185,799 | 6,174 |
| | 688,713 | 934,312 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

These consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 June 2023.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivatives financial instruments) at fair value through profit or loss and investment properties which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Amendments to standards, annual improvements and guideline adopted by the Group

The Group has applied the following amendments to standards, annual improvements and guideline for the first time for their annual reporting period commencing on 1 April 2022:

| | |
|----------------------------------|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Annual Improvements | Annual Improvements to HKFRSs 2018-2020 Cycle |
| Accounting Guideline 5 (Revised) | Merger Accounting for Common Control Combinations |

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

(b) New standard, amendments to standards and interpretation not yet adopted by the Group

Certain new standard, amendments to standards and interpretation have been published that are not mandatory for 31 March 2023 reporting period and have not been early adopted by the Group.

| | | Effective for annual periods beginning on or after |
|---|---|---|
| HKFRS 17 | Insurance Contracts and the Related Amendments | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transactions | 1 January 2023 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to HKAS 1 | Non-current Liabilities with Covenant | 1 January 2024 |
| Amendments to HKFRS 16 | Lease Liability in a Sales and Leaseback | 1 January 2024 |
| 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 2024 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be announced |

The Group has already commenced an assessment of the impact of the above new standard, amendments to standards and interpretation and does not expect that they would have any significant impact to its results of operation and financial position.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting

(a) *Subsidiaries*

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

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) *Joint arrangements*

Under HKFRS 11, "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

(i) *Joint operations*

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

(ii) *Joint ventures*

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated balance sheet.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

(d) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(e) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

For purchase of additional interest in subsidiary from non-controlling shareholders, the difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.3 Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

Foreign exchange gains and losses are presented in the consolidated income statement within "Other income and losses, net".



Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

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

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

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

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

| | |
|--|------------------------|
| Hotel property | |
| – Leasehold land | Remaining lease period |
| – Building | 50 years |
| Leasehold land | Remaining lease period |
| Buildings | 20-50 years |
| Leasehold improvements | 4 years |
| Plant and machinery | 4-10 years |
| Furniture, fixtures and office equipment | 3-5 years |
| Motor vehicles | 4-5 years |



Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income and losses, net" in the consolidated income statement.

Construction in progress represents property, plant and equipment on which construction work has not been completed and which, upon completion, management intend to hold for the use of the Group. They are carried at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any accumulated impairment losses. On completion, the amounts are transferred to respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

The right-of-use assets of leases are presented as the relevant underlying assets of the property, plant and equipment. Details of the accounting policies of leases are disclosed in Note 2.25.

2.6 Investment properties

Investment properties are properties held for long-term rental income or capital appreciation or both. These include completed properties, those under construction and properties that are being redeveloped for continuing use as investment properties.

Investment properties are carried at fair value based on valuations performed by independent qualified valuers on a market value basis related to individual properties, and separate values are not attributed to land and buildings. Changes in fair values are recognised in consolidated income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected to arise from its disposal. Any gain or loss on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property, is included in consolidated income statement in the period in which the asset is derecognised.

2.7 Other intangible assets

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.8 Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2.9 Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets as subsequently measured at fair value (either through other comprehensive income ("OCI") or through profit or loss) and at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments as financial assets at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in “Other income and losses, net” together with foreign exchange gains and losses. Impairment losses are presented in “Administrative expenses” in the consolidated income statement.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other income when the Group’s right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.



Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at the end of cash reporting period.

Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognised immediately in the consolidated income statement within “Other income and losses, net”.

The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the item is more than 12 months, and as a current asset or liability when the remaining maturity of the item is less than 12 months.

2.13 Inventories

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

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

2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days to 150 days and therefore are all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10 for further information about the Group’s accounting for trade and other receivables and a description of the Group’s impairment policies.



Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.15 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

2.16 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flows statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.17 Payables to suppliers and subcontractors

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Payables to suppliers and subcontractors are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

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

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

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



Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets, which are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use of sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

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

Deferred income tax

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

Deferred income tax (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.21 Employee benefits

(a) Employee leave entitlements

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

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

(b) Retirement benefit obligations

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

(c) Bonus entitlements

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



Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.22 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.23 Revenue recognition

The Group recognises different types of revenue as follows:

(a) Construction and electrical and mechanical installation – Contract revenue

Revenue from individual contracts is recognised according to progress of the project. The Group recognises revenue based on progress towards complete satisfaction of performance obligation, which is measured based on the entity's effort or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended and cost incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

The payment terms differed for different customers due to the variety of projects. The Group does not intend to give a financing to customers and the Group make efforts to collect the receivables and timely monitor the credit risk.

The Group accounts for a modification if the customers to a contract approve a change in the scope and/or the price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customers to the contract. If the customers have approved a change in scope, but have not yet determined the corresponding change in price, the Group estimates the change to the contract price as a variable consideration.

The estimated amount of the variable consideration is included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable considerations is subsequently resolved.

The Group records contract liability for non-refundable advance payment from customer before rendering of services since there is still performance obligation to complete. The contract liabilities are recognised as revenue over the period during which the relevant services are rendered to customers.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(b) Building materials supply – Sales of goods

Revenue is recognised at a point in time when the control of the goods is transferred to the customers, being when the goods are sold to the customers, there is no unfulfilled obligation that could affect the customers' acceptance of the goods, the customer has obtained the physical possession or the legal title of the goods and the Group has present right to payment. The Group controls the products in these transactions and, therefore, the Group is the principal and revenue is recognised on a gross basis. The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.

(c) Property investment – Operating lease rental income

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

(d) Hotel operations – Room rental and other ancillary services revenue

Hotel revenue from room rental and other ancillary services is recognised over time in the reporting period in which the hotel accommodation services are transferred to the customer.

(e) Property sales – Sales of goods

Revenue from pre-sale of properties under development is recognised when or as the control of the asset is transferred to the customer. It is recognised at a point in time when the customer obtains control and legal title of the completed property. The timing of revenue recognition for sale of completed properties would be recognised when the underlying property is legally transferred to the customer under the control transfer model. The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property would be adjusted when significant financing component exists in that contract. Certain costs incurred for obtaining a pre-sale property contract would be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract.

2.24 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).



Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal 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 for each period.

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 less any lease incentives received;
- any initial direct costs; and
- restoration costs.



Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.25 Leases (continued)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature.

2.26 Property under development for sale and completed properties held for sale

(a) *Property under development for sale*

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

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

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

Deposits and instalments received on properties sold prior to transfer of the legal titles of the properties are included under contract liabilities.

(b) *Completed properties held for sale*

Completed properties held for sale are initially measured at the carrying amount of the properties at the date of reclassification from property under development for sale. Properties remaining unsold at the end of the year are stated at the lower of cost or net realisable value.

Net realisable value represents the management's estimated selling price based on prevailing market conditions less costs to be incurred in selling the properties.



Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (continued)

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are deducted in reporting the related expenses, when appropriate.

3 Financial risk management

3.1 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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

(a) Market risk

(i) Foreign currency risk

The Group mainly operates in Hong Kong, Macau, Singapore and Mainland China. Entities within the Group are exposed to foreign exchange risk arising from future commercial transactions and monetary assets and liabilities denominated in a currency that is not the entities' functional currency.

As at 31 March 2023, if Renminbi ("RMB") had strengthened/weakened by 5% against HK\$ with all other variables held constant, the Group's pre-tax profit for the year would have been HK\$2,629,000 (2022: HK\$3,708,000) higher/lower.

(ii) Cash flow interest rate risk

The Group's exposure to cash flow interest rate risk mainly arises from its borrowings, mortgage loans receivables and interest bearing cash deposits issued at variable rates.

The Group closely monitors and manages its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangement when appropriate.

As at 31 March 2023, had interest rates been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK\$11,160,000 (2022: HK\$10,622,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings net of higher/lower interest income on cash deposits and mortgage loans receivables.



Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

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

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

(i) Impairment of financial assets

Trade debtors and contract assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure expected credit losses, the Group categorises its trade debtors and contract assets based on the nature of customer accounts and shared credit risk characteristics.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Impairment of financial assets (continued)

The expected loss rates are based on the historical loss rates as adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

| | Weighted average lifetime expected credit loss rate | Trade debtors and contract assets | | |
|-------------------------|--|---|--|---|
| | | Gross carrying amount <i>HK\$'000</i> | Lifetime expected credit loss <i>HK\$'000</i> | Net carrying amount <i>HK\$'000</i> |
| At 31 March 2023 | | | | |
| Not yet due | 0% | 1,952,363 | – | 1,952,363 |
| 1-30 days past due | 0% | 16,761 | – | 16,761 |
| 31-90 days past due | 3% | 19,424 | (491) | 18,933 |
| 91-180 days past due | 3% | 20,234 | (624) | 19,610 |
| Over 180 days past due | 55% | 83,687 | (45,797) | 37,890 |
| Total | | 2,092,469 | (46,912) | 2,045,557 |
| At 31 March 2022 | | | | |
| Not yet due | 0% | 1,372,441 | – | 1,372,441 |
| 1-30 days past due | 0% | 45,100 | – | 45,100 |
| 31-90 days past due | 1% | 18,720 | (218) | 18,502 |
| 91-180 days past due | 1% | 15,146 | (146) | 15,000 |
| Over 180 days past due | 56% | 82,837 | (46,695) | 36,142 |
| Total | | 1,534,244 | (47,059) | 1,487,185 |

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Impairment of financial assets (continued)

Mortgage loan receivables, deposits and other receivables, amounts due from joint operations and other partners of joint operations

As at 31 March 2023, except for other receivables of HK\$10,955,000 (2022: HK\$10,955,000) which was impaired, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognised was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognised during the year.

(c) Liquidity risk

In order to maintain flexibility in funding, the Group has credit facilities available from various banks. The Group has bank borrowings as at 31 March 2023 and 2022 to finance its operations.

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

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at 31 March 2023, the Group held cash and bank deposits of HK\$742,581,000 (2022: HK\$1,045,149,000) and trade debtors, net of HK\$702,764,000 (2022: HK\$672,666,000) that are expected to generate cash inflows in the next twelve months for managing liquidity risk.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|-----------------------------|----------------------------------|----------------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 31 March 2023 | | | |
| Short-term bank loans and interest thereon | 918,198 | – | – |
| Long-term borrowings and interest thereon | 57,646 | 345,443 | 129,944 |
| Lease liabilities | 14,911 | 3,740 | 936 |
| Payables to suppliers and subcontractors | 383,035 | – | – |
| Accruals, retention payables and other liabilities, excluding lease liabilities | 840,358 | 8,921 | 19,152 |
| Due to joint operations | 2,799 | – | – |
| Due to other partners of joint operations | 8,858 | – | – |
| At 31 March 2022 | | | |
| Short-term bank loans and interest thereon | 466,809 | – | – |
| Long-term borrowings and interest thereon | 530,151 | 42,138 | 302,990 |
| Lease liabilities | 18,056 | 13,110 | 2,488 |
| Payables to suppliers and subcontractors | 247,082 | – | – |
| Accruals, retention payables and other liabilities, excluding lease liabilities | 738,993 | 63,034 | 11,719 |
| Due to joint operations | 2,799 | – | – |
| Due to other partners of joint operations | 42,020 | – | – |

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the debt to capital. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) plus lease liabilities (included in accruals, retention payables, deposit received and other liabilities and other non-current liabilities) less cash and bank balances. Total capital is calculated as equity plus net debt.

The Group's strategy is to maintain a debt to capital ratio at a minimal level. The debt to capital ratio at 31 March 2023 and 2022 were as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Total borrowings (<i>Note 25</i>) | 1,366,994 | 1,318,480 |
| Lease liabilities (<i>Note 14(b)</i>) | 18,954 | 32,964 |
| Less: Cash and bank balances (<i>Note 20</i>) | (742,581) | (1,045,149) |
| Net debt | 643,367 | 306,295 |
| Total equity | 1,504,003 | 1,541,357 |
| Total capital | 2,147,370 | 1,847,652 |
| Net debt to capital ratio | 0.30 | 0.17 |

The net debt position resulted primarily from normal operating and investing activities of the Group which include the acquisition of property, plant and equipment in prior years and during the year.



Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.3 Fair value estimation

(a) Fair value hierarchy

The table below analyses financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

For the disclosures of the investment properties that are measured at fair value, please refer to Note 15.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1, Level 2 and Level 3 fair value hierarchy classifications.

There were no significant changes in valuation techniques during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 items for the years ended 31 March 2023 and 2022:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Unlisted equity securities | | |
| Beginning of year | – | 11,800 |
| Disposal of financial assets at fair value through other comprehensive income | – | (11,800) |
| End of year | – | – |

4 Critical accounting estimates and judgments

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

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

(a) Progress of construction works

The Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of construction works (including electrical and mechanical installation). The progress is determined by the entity's efforts or inputs to the satisfaction of performance obligations (for example, resources consumed, labour hours expended and cost incurred) relative to the total expected inputs to the satisfaction of that performance obligation. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress and budgeted revenue. Because of the nature of the activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments (continued)

(b) Estimation of loss provisions in respect of construction works

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

5 Revenue and segment information

(a) Disaggregation of revenue

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.

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue | | |
| Construction | 4,413,759 | 3,926,319 |
| Electrical and mechanical installation | 2,139,573 | 1,823,163 |
| Building materials supply | 87,715 | 230,801 |
| Property investment and development | 2,487 | 712,276 |
| Hotel operations | 1,934 | 2,588 |
| Others | 40,493 | 37,797 |
| | 6,685,961 | 6,732,944 |

(b) Segment information

For the year ended 31 March 2023, 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\$87,715,000 (2022: HK\$230,801,000), property sales of nil (2022: HK\$710,155,000) and others of HK\$33,280,000 (2022: HK\$33,149,000), 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\$4,421,000 (2022: HK\$4,709,000).



Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

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

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

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

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

| | Construction HK\$'000 | Electrical & Mechanical Installation HK\$'000 | Building Materials Supply HK\$'000 | Property Investment and Development HK\$'000 | Hotel Operations HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|--|--------------------------|--|---|--|---------------------------------|--------------------|-------------------|
| Year ended 31 March 2023 | | | | | | | |
| Total sales | 4,441,663 | 2,616,238 | 372,792 | 2,593 | 1,934 | 149,680 | 7,584,900 |
| Inter-segment sales | (27,904) | (476,665) | (285,077) | (106) | - | (109,187) | (898,939) |
| External sales | 4,413,759 | 2,139,573 | 87,715 | 2,487 | 1,934 | 40,493 | 6,685,961 |
| Segment results | 117,378 | 65,911 | (53,212) | (10,157) | (16,892) | (9,442) | 93,586 |
| Share of loss of an associate | - | (86) | - | - | - | - | (86) |
| Share of loss of joint ventures | - | - | (8,149) | - | - | - | (8,149) |
| | 117,378 | 65,825 | (61,361) | (10,157) | (16,892) | (9,442) | 85,351 |
| Unallocated income | | | | | | | 7,135 |
| Finance costs | | | | | | | (24,961) |
| Profit before income tax | | | | | | | 67,525 |
| Income tax expense | | | | | | | (19,553) |
| Profit for the year | | | | | | | 47,972 |
| At 31 March 2023 | | | | | | | |
| Segment assets | 1,895,771 | 1,003,677 | 803,556 | 408,052 | 476,844 | 160,322 | 4,748,222 |
| Interest in an associate | - | 10 | - | - | - | 25 | 35 |
| Interests in joint ventures | - | - | 77,381 | - | - | - | 77,381 |
| Unallocated assets | | | | | | | 25,021 |
| Total assets | | | | | | | 4,850,659 |
| Segment liabilities | (964,791) | (819,859) | (64,097) | (105,550) | (1,096) | (10,117) | (1,965,510) |
| Bank loans | | | | | | | (1,366,994) |
| Unallocated liabilities | | | | | | | (14,152) |
| Total liabilities | | | | | | | (3,346,656) |
| Year ended 31 March 2023 | | | | | | | |
| Capital expenditure | 19,772 | 5,450 | 19,201 | 3 | 204 | 5,918 | 50,548 |
| Depreciation | 14,401 | 17,146 | 38,906 | 2,736 | 10,699 | 7,691 | 91,579 |
| Amortisation of other intangible assets | - | 1,056 | - | - | - | - | 1,056 |
| Fair value loss on investment properties | - | - | - | 7,140 | - | - | 7,140 |

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

| | Construction HK\$'000 | Electrical & Mechanical Installation HK\$'000 | Building Materials Supply HK\$'000 | Property Investment and Development HK\$'000 | Hotel Operations HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|---|--------------------------|--|---|--|---------------------------------|--------------------|-------------------|
| Year ended 31 March 2022 | | | | | | | |
| Total sales | 3,992,657 | 2,271,068 | 593,634 | 712,276 | 2,588 | 144,376 | 7,716,599 |
| Inter-segment sales | (66,338) | (447,905) | (362,833) | - | - | (106,579) | (983,655) |
| External sales | 3,926,319 | 1,823,163 | 230,801 | 712,276 | 2,588 | 37,797 | 6,732,944 |
| Segment results | 73,195 | 46,837 | (13,729) | 64,773 | (23,537) | (11,453) | 136,086 |
| Share of loss of an associate | - | (614) | - | - | - | - | (614) |
| Share of loss of joint ventures | - | - | (8,478) | - | - | - | (8,478) |
| Impairment loss of investment in a joint venture | - | - | (35,000) | - | - | - | (35,000) |
| | 73,195 | 46,223 | (57,207) | 64,773 | (23,537) | (11,453) | 91,994 |
| Unallocated income | | | | | | | 3,016 |
| Finance costs | | | | | | | (9,476) |
| Profit before income tax | | | | | | | 85,534 |
| Income tax expense | | | | | | | (19,531) |
| Profit for the year | | | | | | | 66,003 |
| At 31 March 2022 | | | | | | | |
| Segment assets | 1,732,726 | 962,681 | 812,260 | 442,553 | 488,419 | 173,677 | 4,612,316 |
| Interest in an associate | - | 336 | - | - | - | 25 | 361 |
| Interests in joint ventures | - | - | 93,789 | - | - | - | 93,789 |
| Unallocated assets | | | | | | | 30,992 |
| Total assets | | | | | | | 4,737,458 |
| Segment liabilities | (871,039) | (822,547) | (44,846) | (112,982) | (1,414) | (13,220) | (1,866,048) |
| Bank loans | | | | | | | (1,318,480) |
| Unallocated liabilities | | | | | | | (11,573) |
| Total liabilities | | | | | | | (3,196,101) |
| Year ended 31 March 2022 | | | | | | | |
| Capital expenditure | 8,077 | 8,445 | 18,045 | 36,004 | - | 3,765 | 74,336 |
| Depreciation | 12,945 | 16,688 | 44,067 | 3,847 | 18,830 | 9,464 | 105,841 |
| Amortisation of other intangible assets | - | 1,056 | - | - | - | - | 1,056 |
| Fair value loss on investment properties | - | - | - | 5,800 | - | - | 5,800 |
| Impairment loss of investment in a joint venture | - | - | 35,000 | - | - | - | 35,000 |

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

The analysis of revenue by geographical area is as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| Hong Kong | 6,428,548 | 6,499,768 |
| Non-Hong Kong | 257,413 | 233,176 |
| | 6,685,961 | 6,732,944 |

Revenue of approximately HK\$3,382,983,000 (2022: HK\$2,645,722,000) are derived from three (2022: two) major customers each contributing 10% or more of the total revenue.

Non-current assets, other than financial instruments and deferred income tax assets, by geographical area are as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| Hong Kong | 819,600 | 839,066 |
| Non-Hong Kong | 547,267 | 628,657 |
| | 1,366,867 | 1,467,723 |



Notes to the Consolidated Financial Statements

6 Other income and losses, net

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Other income | | |
| Bank interest income | 5,239 | 3,280 |
| Interest income from subcontractors | 2,370 | 8,294 |
| Management service income from a joint operation | – | 16 |
| Sundry income | 10,591 | 19,042 |
| | 18,200 | 30,632 |
| Other losses, net | | |
| Loss on disposal of property, plant and equipment, net | (351) | (126) |
| Fair value loss on investment properties (<i>Note 15</i>) | (7,140) | (5,800) |
| Exchange (loss)/gain, net | (1,084) | 626 |
| | (8,575) | (5,300) |
| | 9,625 | 25,332 |

Notes to the Consolidated Financial Statements

7 Expenses by nature

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Cost of construction | 4,880,804 | 4,224,916 |
| Cost of inventories sold | 233,241 | 332,371 |
| Cost of properties sold (<i>Note 24</i>) | – | 602,780 |
| Staff costs (excluding directors' emoluments)* (<i>Note 13</i>) | 1,169,133 | 1,079,304 |
| Directors' emoluments (<i>Note 37</i>) | 27,481 | 25,412 |
| Depreciation (<i>Note 14</i>) | | |
| Owned property, plant and equipment | 68,707 | 78,152 |
| Leased property, plant and equipment | 22,872 | 27,689 |
| | 91,579 | 105,841 |
| Expenses relating to short-term leases of | | |
| Land and buildings | 2,794 | 2,542 |
| Other equipment | 50,082 | 44,120 |
| | 52,876 | 46,662 |
| Amortisation of other intangible assets (<i>Note 16</i>) | 1,056 | 1,056 |
| Movement in loss allowance for trade debtors | 8,200 | 955 |
| Write-off of other receivables | – | 1,022 |
| Provision/(write-back of provision) for inventories | 69 | (202) |
| Auditors' remuneration | | |
| – Audit services | 5,294 | 4,924 |
| – Non-audit services | 977 | 374 |
| Direct operating expenses arising from investment properties | | |
| – Generate rental income | 582 | 715 |
| – Not generate rental income | 59 | 60 |
| Selling and distribution costs | 13,155 | 41,639 |
| Others | 110,359 | 151,345 |
| Total cost of sales, selling and distribution costs, administrative and other operating expenses | 6,594,865 | 6,619,174 |

* During the year ended 31 March 2023, subsidies of approximately HK\$30,716,000 (2022: Nil) from the Employment Support Scheme under Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region were recognised in "cost of sales" and "administrative expenses" and offset against the "staff costs".



Notes to the Consolidated Financial Statements

8 Directors' and senior management's emoluments

(a) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2022: four) Directors whose emoluments are reflected in the analysis shown in Note 37. The emoluments paid and payable to the remaining one (2022: one) highest-paid individual in 2023 were as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Salaries | 1,940 | 1,346 |
| Bonuses | 2,250 | 2,801 |
| Retirement benefits | 89 | 60 |
| | 4,279 | 4,207 |

The emoluments fell within the following bands:

| | Number of individuals | |
|-----------------------------|-----------------------|------|
| | 2023 | 2022 |
| HK\$4,000,001-HK\$4,500,000 | 1 | 1 |

(b) During the years ended 31 March 2023 and 2022, no emoluments have been paid by the Group to the Directors or the five highest-paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors waived or has agreed to waive any emoluments.

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

The remuneration fell within the following bands for the years ended 31 March 2023 and 2022:

| | Number of individuals | |
|-----------------------------|-----------------------|------|
| | 2023 | 2022 |
| HK\$1,500,001-HK\$2,000,000 | 1 | 1 |
| HK\$2,000,001-HK\$2,500,000 | 1 | 3 |
| HK\$2,500,001-HK\$3,000,000 | 4 | 2 |
| | 6 | 6 |

Notes to the Consolidated Financial Statements

9 Finance costs

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest on short-term bank loans | 24,355 | 9,962 |
| Interest on long-term bank loans | 14,454 | 14,275 |
| Interest element of lease payments (<i>Note 14(b)(ii)</i>) | 545 | 915 |
| Total borrowing costs incurred | 39,354 | 25,152 |
| Less: Classified as cost of construction | (14,393) | (10,423) |
| Capitalised in property under development for sale | – | (5,253) |
| | 24,961 | 9,476 |

For the year ended 31 March 2022, the interest rate applied in determining the amount of borrowing costs capitalised in property under development for sale was from 1.4% to 1.5% per annum.

10 Income tax expense

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Hong Kong profits tax provision for the year | 13,637 | 18,545 |
| Non-Hong Kong tax provision for the year | 159 | 388 |
| Under/(over)-provision in prior years | 275 | (274) |
| Deferred income tax relating to the origination and reversal of temporary differences (<i>Note 26</i>) | 5,482 | 872 |
| | 19,553 | 19,531 |

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2022: 8.25% and 16.5%) on the estimated assessable profits for the year. 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 year at the rates of taxation prevailing in the countries/regions in which the Group operates.

Subsidiaries operated in the People's Republic of China ("PRC") are subject to corporate income tax ("CIT") rate of 25% (2022: 25%). Some subsidiaries operated in the PRC qualified as a National High and New Technology Enterprise ("HNTE") with a validity of three years. According to the CIT Law, the enterprise qualifying the HNTE status is entitled to the 15% reduced CIT rate subject to a record-filing to the in-charge tax bureau. As such, the applicable CIT rate for those subsidiaries is 15% (2022: 15%) during the year. Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2022: 12%).

Notes to the Consolidated Financial Statements

10 Income tax expense (continued)

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before income tax | 67,525 | 85,534 |
| Share of loss of an associate and joint ventures | 8,235 | 9,092 |
| | 75,760 | 94,626 |
| Calculated at a taxation rate of 16.5% (2022: 16.5%) | 12,500 | 15,613 |
| Effect of different tax rates in other countries | (1,352) | (1,575) |
| Income not subject to taxation | (5,583) | (1,447) |
| Expenses not deductible for taxation purposes | 3,766 | 7,444 |
| Temporary differences not recognised | 2,920 | 119 |
| Tax losses not recognised | 12,200 | 15,299 |
| Utilisation of previously unrecognised tax losses | (4,923) | (15,348) |
| Under/(over)-provision in prior years | 275 | (274) |
| Others | (250) | (300) |
| Income tax expense | 19,553 | 19,531 |

11 Dividend

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interim dividend paid during the year | | |
| Interim – HK2.50 cents (2022: HK2.50 cents) per ordinary share | 10,951 | 10,951 |
| Proposed final dividend | | |
| Final – HK2.50 cents (2022: HK2.50 cents) per ordinary share | 10,951 | 10,951 |
| | 21,902 | 21,902 |

In the Board meeting held on 27 June 2023, the Directors recommended the payment of a final dividend of HK2.50 cents (2022: HK2.50 cents) per share, totalling of HK\$10,951,000 (2022: HK\$10,951,000) for the year ended 31 March 2023.

Notes to the Consolidated Financial Statements

12 Earnings per share (basic and diluted)

The calculation of earnings per share is based on:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Net profit attributable to the equity holders of the Company | 49,636 | 68,186 |
| | 2023 | 2022 |
| Weighted average number of shares in issue during the year | 438,053,600 | 438,053,600 |
| Basic earnings per share | HK11.33 cents | HK15.57 cents |

Diluted earnings per share for the years ended 31 March 2023 and 2022 are equal to basic earnings per share as there are no potential dilutive shares in issue during the years.

13 Staff costs (excluding directors' emoluments)

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Salaries, wages and bonuses | 1,098,814 | 1,014,322 |
| Provision for unutilised annual leave | 3,592 | 3,853 |
| Long service payments and pension costs | 66,672 | 60,049 |
| Termination benefits | 55 | 1,080 |
| | 1,169,133 | 1,079,304 |

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such considerations) to offset existing contributions under the defined contribution schemes.

Notes to the Consolidated Financial Statements

14 Property, plant and equipment

| | Leasehold | | | | Leasehold improvements | Plant and machinery | Furniture, fixtures and office equipment | | Motor vehicles | Construction in progress | Total |
|----------------------------------|----------------|--------------------|-----------------|-------------------|------------------------|---------------------|--|----------|----------------|--------------------------|-------|
| | Hotel property | land and buildings | Land use rights | Leased properties | | | and office equipment | | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | HK\$'000 | HK\$'000 | | | |
| Year ended 31 March 2022 | | | | | | | | | | | |
| Opening net book value | 465,639 | 442,729 | 65,203 | 42,859 | 42,445 | 96,316 | 17,424 | 12,674 | - | 1,185,289 | |
| Additions | - | 39,007 | - | 11,370 | 647 | 9,243 | 9,988 | 4,066 | - | 74,321 | |
| Disposals | - | - | - | - | (62) | (294) | (14) | (37) | - | (407) | |
| Lease modification | - | - | - | (1,712) | - | - | - | - | - | (1,712) | |
| Depreciation (Note 7) | (2,954) | (24,739) | (1,957) | (21,198) | (16,374) | (24,561) | (9,247) | (4,811) | - | (105,841) | |
| Currency translation differences | - | 15,081 | 2,647 | 26 | 3 | 1,559 | 146 | 93 | - | 19,555 | |
| Closing net book value | 462,685 | 472,078 | 65,893 | 31,345 | 26,659 | 82,263 | 18,297 | 11,985 | - | 1,171,205 | |
| At 31 March 2022 | | | | | | | | | | | |
| Cost | 490,993 | 659,453 | 86,678 | 58,914 | 201,366 | 318,994 | 167,275 | 59,980 | - | 2,043,653 | |
| Accumulated depreciation | (28,308) | (187,375) | (20,785) | (27,569) | (174,707) | (236,731) | (148,978) | (47,995) | - | (872,448) | |
| Net book value | 462,685 | 472,078 | 65,893 | 31,345 | 26,659 | 82,263 | 18,297 | 11,985 | - | 1,171,205 | |
| Year ended 31 March 2023 | | | | | | | | | | | |
| Opening net book value | 462,685 | 472,078 | 65,893 | 31,345 | 26,659 | 82,263 | 18,297 | 11,985 | - | 1,171,205 | |
| Additions | - | - | - | 2,283 | 26 | 28,676 | 11,737 | 7,622 | 204 | 50,548 | |
| Disposals | - | - | - | - | - | (1,896) | (31) | (604) | - | (2,531) | |
| Lease modification | - | - | - | 1,785 | - | - | - | - | - | 1,785 | |
| Depreciation (Note 7) | (2,954) | (25,498) | (1,920) | (17,285) | (9,171) | (19,878) | (9,128) | (5,745) | - | (91,579) | |
| Currency translation differences | - | (26,108) | (4,803) | (62) | - | (2,577) | (422) | (177) | - | (34,149) | |
| Closing net book value | 459,731 | 420,472 | 59,170 | 18,066 | 17,514 | 86,588 | 20,453 | 13,081 | 204 | 1,095,279 | |
| At 31 March 2023 | | | | | | | | | | | |
| Cost | 490,993 | 622,012 | 80,266 | 55,116 | 201,132 | 323,907 | 176,573 | 60,465 | 204 | 2,010,668 | |
| Accumulated depreciation | (31,262) | (201,540) | (21,096) | (37,050) | (183,618) | (237,319) | (156,120) | (47,384) | - | (915,389) | |
| Net book value | 459,731 | 420,472 | 59,170 | 18,066 | 17,514 | 86,588 | 20,453 | 13,081 | 204 | 1,095,279 | |

Notes to the Consolidated Financial Statements

14 Property, plant and equipment (continued)

(a) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK\$515,765,000 (2022: HK\$521,073,000) (Notes 25 and 32(d)).

(b) Leases

This note provides information for leases where the Group is a lessee.

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.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Right-of-use assets | | |
| Hotel property | 360,658 | 361,098 |
| Leasehold land | 75,484 | 78,596 |
| Land use rights | 59,170 | 65,893 |
| Leased properties | 18,066 | 31,345 |
| Motor vehicles | – | 1,164 |
| | 513,378 | 538,096 |
| Lease liabilities | | |
| Current (included in accruals, retention payables, deposits received and other liabilities) | 14,512 | 17,559 |
| Non-current (included in other non-current liabilities) | 4,442 | 15,405 |
| | 18,954 | 32,964 |

Additions to the right-of-use assets during the year ended 31 March 2023 were HK\$2,283,000 (2022: HK\$42,844,000).



Notes to the Consolidated Financial Statements

14 Property, plant and equipment (continued)

(b) Leases (continued)

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Depreciation charge of right-of-use assets | | |
| Hotel property | 440 | 440 |
| Leasehold land | 3,112 | 2,292 |
| Land use rights | 1,920 | 1,957 |
| Leased properties | 17,285 | 21,198 |
| Plant and machinery | – | 212 |
| Motor vehicles | 115 | 1,590 |
| | 22,872 | 27,689 |
| Interest expense (included in cost of sales and finance costs) (<i>Note 9</i>) | 545 | 915 |
| Expense relating to short-term leases (<i>Note 7</i>) | 52,876 | 46,662 |

The total cash outflow for leases during the year ended 31 March 2023 was HK\$71,421,000 (2022: HK\$73,517,000).

(c) Compensation for relocation of ex-Longhua Shenzhen factory

Pursuant to the Relocation Compensation Agreement entered into between the Group and the landlord for the relocation of ex-Longhua Shenzhen factory, the Group received cash compensation of RMB100,000,000 in the year ended 31 March 2016. In addition, the Group is entitled to 10,000 square metres of the new residential properties upon completion of the development, for which the building work is ongoing.

Notes to the Consolidated Financial Statements

15 Investment properties

| | 2023 | 2022 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Beginning of year | 177,240 | 183,040 |
| Fair value loss recognised in the consolidated income statement (<i>Note 6</i>) | (7,140) | (5,800) |
| End of year | 170,100 | 177,240 |

Valuation process

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31 March 2023 and 2022 have been determined on the basis of valuations carried out by independent valuers. Investment properties situated in Hong Kong and Macau were valued as at 31 March 2023 by Jones Lang LaSalle Limited, an independent firm of qualified property valuers. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method.

Fair value measurements using significant unobservable inputs

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

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

Notes to the Consolidated Financial Statements

15 Investment properties (continued)

Fair value measurements using significant unobservable inputs (continued)

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

| Location | Description | Fair value | | Valuation Techniques | Unobservable inputs | Relationship of unobservable inputs to fair value |
|-----------|------------------------------------|------------------|------------------|----------------------|--|--|
| | | 2023 HK\$'000 | 2022 HK\$'000 | | | |
| Hong Kong | Residential units/ retail shops | 154,600 | 161,200 | Direct comparison | Comparable sales price – HK\$6,782 to HK\$49,065 per square feet (2022: HK\$7,864 to HK\$53,680 per square feet) | The higher the comparable sales price, the higher the fair value |
| Macau | Commercial unit | 15,500 | 16,040 | Direct comparison | Comparable sales price – HK\$9,172 to HK\$10,189 per square feet (2022: HK\$9,372 to HK\$14,517 per square feet) | The higher the comparable sales price, the higher the fair value |
| | | 170,100 | 177,240 | | | |

Investment properties amounting to HK\$104,400,000 (2022: HK\$109,300,000) are pledged as security for the bank loans of the Group (Notes 25 and 32(d)).

Notes to the Consolidated Financial Statements

16 Goodwill and other intangible assets

| | Goodwill (Note (a)) <i>HK\$'000</i> | Other intangible assets (Note (b)) <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|---------------------------------|
| Year ended 31 March 2022 | | | |
| Opening net book value | 16,662 | 8,286 | 24,948 |
| Acquisition of a subsidiary <i>(Note 33)</i> | 1,236 | – | 1,236 |
| Amortisation <i>(Note 7)</i> | – | (1,056) | (1,056) |
| Closing net book value | 17,898 | 7,230 | 25,128 |
| At 31 March 2022 | | | |
| Cost | 17,898 | 21,837 | 39,735 |
| Accumulated amortisation | – | (14,607) | (14,607) |
| Net book value | 17,898 | 7,230 | 25,128 |
| Year ended 31 March 2023 | | | |
| Opening net book value | 17,898 | 7,230 | 25,128 |
| Amortisation <i>(Note 7)</i> | – | (1,056) | (1,056) |
| Closing net book value | 17,898 | 6,174 | 24,072 |
| At 31 March 2023 | | | |
| Cost | 17,898 | 21,837 | 39,735 |
| Accumulated amortisation | – | (15,663) | (15,663) |
| Net book value | 17,898 | 6,174 | 24,072 |



Notes to the Consolidated Financial Statements

16 Goodwill and other intangible assets (continued)

- (a) Goodwill arising from the acquisition of REC Engineering Company Limited group ("REC"), the acquisitions of O-Link Limited and Hoi Fai Lift Engineering and Services Limited are allocated to REC's CGUs identified according to operating segments.

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

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

- (i) gross margin ranging from 6% to 7% per annum (2022: 6% to 7%);
- (ii) growth rate ranging from 1% to 2% per annum (2022: 1% to 2%); and
- (iii) discount rate of 11% per annum (2022: 9.5%).

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

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

Notes to the Consolidated Financial Statements

17 Subsidiaries

The following is a list of the principal subsidiaries as at 31 March 2023:

| Name | Place of incorporation/ operation | Particulars of registered/issued share capital | Principal activities | Percentage of registered/issued share capital held by | | |
|---|---------------------------------------|--|---|---|--------------|-------|
| | | | | Company | Subsidiaries | Group |
| Bellaglade Company Limited | Hong Kong | HK\$2 | Property holding | – | 100% | 100% |
| Best Fortune Investment Limited | Hong Kong | HK\$5,000,000 | Property investment | – | 100% | 100% |
| City Hope Limited <i>(Note)</i> | The British Virgin Islands/ Hong Kong | US\$10 | Property investment | – | 100% | 100% |
| First Smart Investment Limited | Hong Kong | HK\$2 | Financing services | – | 100% | 100% |
| Global Virtual Design and Construction (Singapore) Pte. Ltd. | Singapore | S\$10,000 | Provision of Building Information Modeling and other Virtual Design & Construction Services | – | 100% | 100% |
| Global Virtual Design and Construction Limited | Hong Kong | HK\$1 | Provision of Building Information Modeling and other Virtual Design & Construction Services | – | 100% | 100% |
| Global Virtual Design and Construction Sdn. Bhd. | Malaysia | RM10,000 | Provision of Building Information Modeling and other Virtual Design & Construction Services | – | 100% | 100% |
| Grace Top Investment Limited | Hong Kong | HK\$1 | Property holding | – | 100% | 100% |
| Guangdong Yuean REC Mechanical and Electrical Engineering Company Limited** | Mainland China | RMB6,704,836 | Engineering services | – | 100% | 100% |
| Hanton (Asia) Limited | Hong Kong | HK\$1 | Property investment | – | 60% | 60% |
| Hoi Fai Lift Engineering and Services Limited | Hong Kong | HK\$300,000 | Provision of lift repair and maintenance services | – | 100% | 100% |
| InnoBuild Construction Company Limited | Hong Kong | HK\$500,000 | Building construction and maintenance | – | 100% | 100% |
| InnoVision Architects & Engineers Limited | Hong Kong | HK\$1 | Architectural and engineering services | – | 100% | 100% |
| Leena Theme Painting Limited | Hong Kong | HK\$1 | Theme painting | – | 100% | 100% |
| Million Wealth Enterprises Limited | Hong Kong | HK\$2 | Property investment | – | 100% | 100% |
| O-Link Limited | Hong Kong | HK\$2,000,000 | Provision of welding services for pipes and fillings | – | 55% | 55% |

** the subsidiary is registered as a Sino-foreign Equity Joint Venture under PRC law

Notes to the Consolidated Financial Statements

17 Subsidiaries (continued)

| Name | Place of incorporation/ operation | Particulars of registered/issued share capital | Principal activities | Percentage of registered/issued share capital held by | | |
|--|--------------------------------------|--|--|---|--------------|-------|
| | | | | Company | Subsidiaries | Group |
| REC (China) Company Limited | Hong Kong | HK\$13,800,000 | Electrical and mechanical engineering services and investment holding | – | 100% | 100% |
| REC Building Services (Macao) Limited | Macau | MOP100,000 | Provision of design, installation and maintenance services of building services | – | 100% | 100% |
| REC Engineering Company Limited | Hong Kong | HK\$50,000,000 | Electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services and investment holding | 100% | – | 100% |
| REC Engineering Contracting Company Limited | Hong Kong | HK\$2,000,000 | Electrical and mechanical engineering services | – | 100% | 100% |
| REC Green Energy Solutions Company Limited | Hong Kong | HK\$1 | Development of environmental protection related software and programming activities | – | 100% | 100% |
| REC Green Technologies Company Limited | Hong Kong | HK\$1 | Engage in energy optimisation solution and environmental protection business | – | 100% | 100% |
| Rich Asia Management Limited | Hong Kong | HK\$1 | Property development | – | 100% | 100% |
| Right Motive Limited | Hong Kong | HK\$6,000 | Property investment | – | 100% | 100% |
| Tin Sing Chemical Engineers Limited | Hong Kong | HK\$1,000,000 | Water treatment services | – | 100% | 100% |
| VHSoft Technologies Company Limited | Hong Kong | HK\$2 | Computer software development | – | 100% | 100% |
| Yau Lee Building Construction and Decoration Company Limited | Hong Kong | HK\$100,000 | Building construction, maintenance and fitting-out | – | 100% | 100% |
| Yau Lee Building Materials Trading Company Limited | Hong Kong | HK\$2 | Trading of building materials | – | 100% | 100% |
| Yau Lee Construction (Macao) Company Limited | Macau | MOP1,000,000 | Building construction, maintenance and fitting-out | – | 100% | 100% |

Notes to the Consolidated Financial Statements

17 Subsidiaries (continued)

| Name | Place of incorporation/operation | Particulars of registered/issued share capital | Principal activities | Percentage of registered/issued share capital held by | | |
|---|---------------------------------------|--|--|---|--------------|-------|
| | | | | Company | Subsidiaries | Group |
| Yau Lee Construction (Singapore) Pte. Ltd. | Singapore | S\$37,000,000 | Building construction, maintenance and fitting-out | – | 100% | 100% |
| Yau Lee Construction Company Limited | Hong Kong | HK\$236,000,000 | Building construction, maintenance and fitting-out | – | 100% | 100% |
| Yau Lee Construction Management Company Limited | Hong Kong | HK\$2 | Project management & consultancy services | – | 100% | 100% |
| Yau Lee Curtain Wall and Steel Works Limited | Hong Kong | HK\$25,000,000 | Curtain wall installation | – | 100% | 100% |
| Yau Lee Development (Singapore) Pte. Ltd. | Singapore | S\$50,000 | Property and investment holding | – | 100% | 100% |
| Yau Lee Hotel Limited | Hong Kong | HK\$2 | Hotel management | – | 100% | 100% |
| Yau Lee Innovative Technology Limited | Hong Kong | HK\$2 | Licensing of patent | – | 100% | 100% |
| Yau Lee Investment Limited | The British Virgin Islands/ Hong Kong | US\$100 | Investment holding | 100% | – | 100% |
| Yau Lee Wah Concrete Precast Products Company Limited | Hong Kong | HK\$10,000,000 | Sale of precast products | – | 100% | 100% |
| Yau Lee Wah Precast Technology (Luoyang) Company Limited | Hong Kong | HK\$10,000 | Investment holding | – | 100% | 100% |
| Yau Lee Wah Precast Technology (Shenzhen) Company Limited | Hong Kong | HK\$10,000 | Investment holding | – | 100% | 100% |
| Yau Lee Wah Precast Technology (Weifang) Company Limited | Hong Kong | HK\$10,000 | Investment holding | – | 100% | 100% |
| Yau Lee Wah Precast Technology (Yichang) Company Limited | Hong Kong | HK\$10,000 | Investment holding | – | 100% | 100% |
| Yau Lee Wah Technology Development Company Limited | Hong Kong | HK\$10,000 | Investment holding | – | 100% | 100% |

Notes to the Consolidated Financial Statements

17 Subsidiaries (continued)

| Name | Place of incorporation/ operation | Particulars of registered/issued share capital | Principal activities | Percentage of registered/issued share capital held by | | |
|---------------------|--------------------------------------|--|---|---|--------------|-------|
| | | | | Company | Subsidiaries | Group |
| 有利華建材(惠州)有限公司* | Mainland China | HK\$255,000,000 | Manufacturing of precast products and building materials | - | 100% | 100% |
| 有利華建築產業化科技(深圳)有限公司* | Mainland China | HK\$1,000,000 | Sale of precast products | - | 100% | 100% |
| 有利華建築產業文化(深圳)有限公司* | Mainland China | HK\$10,000 | Books distribution and provision of training | - | 100% | 100% |
| 有利華建築預制件(深圳)有限公司* | Mainland China | HK\$21,000,000 | Manufacturing of precast products | - | 100% | 100% |
| 全球模擬設計與建造(深圳)有限公司* | Mainland China | HK\$1,000,000 | Provision of Building Information Modeling and other Virtual Design & Construction Services | - | 100% | 100% |
| 利盈電機工程(上海)有限公司* | Mainland China | US\$13,920,000 | Engineering services | - | 100% | 100% |
| 利華泰建材貿易(深圳)有限公司* | Mainland China | HK\$2,100,000 | Trading of building materials | - | 100% | 100% |
| 盈電環保節能科技(廣州)有限公司* | Mainland China | RMB6,500,000 | Trading of environmental technology products | - | 100% | 100% |
| 緯衡浩建科技(深圳)有限公司* | Mainland China | HK\$3,000,000 | Computer software development | - | 100% | 100% |

* the subsidiary is registered as a Wholly Owned Foreign Enterprise under PRC law

Note: Transaction with non-controlling Interests

In February 2023, Yau Lee Investment Limited, a directly wholly-owned subsidiary of the Company acquired from the non-controlling interests additional 10% equity interest of City Hope Limited at a net consideration of HK\$280,000.

Immediately prior to the purchase, the carrying amount of the existing 10% non-controlling interests in City Hope Limited was approximately HK\$524,000. The Group recognised a decrease in non-controlling interests of HK\$524,000 and an increase in equity attributable to owners of HK\$244,000.

Notes to the Consolidated Financial Statements

18 Associate

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Beginning of year | 361 | 975 |
| Share of loss | (86) | (614) |
| Capital reduction | (240) | – |
| End of year | 35 | 361 |

(a) The following are the details of the Group's associate at 31 March 2023 and 2022:

| Name | Particulars of issued share capital | Place of incorporation | Interest held | |
|--|---|---------------------------|---------------|------|
| | | | 2023 | 2022 |
| EYE Lighting (Hong Kong) Limited ("Eye Lighting") (<i>Note (b)</i>) | HK\$1,370,000 (2022: HK\$2,000,000) | Hong Kong | 38% | 38% |

There are no contingent liabilities relating to the Group's interest in the associate.

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



Notes to the Consolidated Financial Statements

19 Joint arrangements

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Investments in joint ventures | | |
| Beginning of year | 93,789 | 131,960 |
| Share of loss | (8,149) | (8,478) |
| Impairment loss of investment in a joint venture (<i>Note (b)</i>) | – | (35,000) |
| Currency translation differences | (8,259) | 5,307 |
| End of year | 77,381 | 93,789 |
| Due from joint operations (<i>Note (e)</i>) | 7,938 | 46,473 |
| Due from other partners of joint operations (<i>Note (e)</i>) | 19,838 | – |
| Due to joint operations (<i>Note (e)</i>) | (2,799) | (2,799) |
| Due to other partners of joint operations (<i>Note (e)</i>) | (8,858) | (42,020) |

Notes to the Consolidated Financial Statements

19 Joint arrangements (continued)

(a) The following is a list of the Group's joint ventures at 31 March 2023 and 2022:

| Name | Particulars of registered/issued share capital | Place of incorporation | Effective interest | |
|-----------------------------|--|------------------------|--------------------|------|
| | | | 2023 | 2022 |
| 江蘇益建拓華智能建築科技有限公司 (Note (b)) | RMB100,000,000 | Mainland China | 35% | 35% |
| 湖北廣盛建築產業化科技有限公司 (Note (c)) | RMB100,000,000 | Mainland China | 40% | 40% |
| 河南安華建築科技有限公司 (Note (c)) | RMB100,000,000 | Mainland China | 40% | 40% |
| 濰坊三建建材科技有限公司 (Note (c)) | RMB100,000,000 | Mainland China | 40% | 40% |

These joint ventures are accounted for using the equity method. There are no contingent liabilities relating to the Group's interest in the joint ventures.

- (b) 江蘇益建拓華智能建築科技有限公司 (formerly known as 江蘇省第一建築安裝集團(鎮江)產業化科技有限公司) is a joint venture with a Chinese party, and is engaged in precast development and distribution. During the year ended 31 March 2022, the Chinese partner faced financial issues that created adverse effect to the normal operations of such joint venture. After considering the financial position of such joint venture and the likelihood of recovering the net investment in the joint venture, management made a full impairment of HK\$35,000,000 against its carrying amount of this investment in joint venture.
- (c) 湖北廣盛建築產業化科技有限公司, 河南安華建築科技有限公司 and 濰坊三建建材科技有限公司 are joint ventures with Chinese parties, and are engaged in precast development and distribution.

Notes to the Consolidated Financial Statements

19 Joint arrangements (continued)

(d) The following is a list of the Group's joint operations at 31 March 2023 and 2022:

| Name | Place of establishment | Principal activities | Effective interest | |
|--|------------------------|------------------------------------|--------------------|------|
| | | | 2023 | 2022 |
| Hsin Chong-Yau Lee Joint Venture | Hong Kong | Building construction | 50% | 50% |
| Yau Lee-Hsin Chong Joint Venture (Note) | Hong Kong | Building construction | 100% | 60% |
| REC-CEL Joint Venture | Hong Kong | Electrical and mechanical services | 50% | 50% |
| CEL-REC-AEL Joint Venture | Hong Kong | Electrical and mechanical services | 35% | – |

Note: Yau Lee-Hsin Chong Joint Venture was fully taken up by the Group and the effective interest in this joint operation increased from 60% to 100% during the year ended 31 March 2023.

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

Notes to the Consolidated Financial Statements

20 Cash and bank balances

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Cash and bank balances | 502,914 | 928,138 |
| Time deposits | 185,799 | 6,174 |
| Restricted deposits (<i>Note a</i>) | 53,868 | 110,837 |
| | 742,581 | 1,045,149 |

- (a) Restricted deposits of HK\$53,868,000 (2022: HK\$78,395,000) are funds which are pledged as security for the banking facilities of the Group (Notes 25 and 32(a)). As at 31 March 2022, the remaining HK\$32,442,000, represents proceeds received from sale of properties of certain property projects deposited into designated stakeholders' accounts.
- (b) Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Cash and bank balances | 502,914 | 928,138 |
| Time deposits with original maturity of less than three months | 185,799 | 6,174 |
| | 688,713 | 934,312 |

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Hong Kong dollars | 590,348 | 850,438 |
| Renminbi | 123,308 | 153,519 |
| Macau Patacas | 11,517 | 19,392 |
| Singapore dollars | 8,009 | 12,004 |
| Japanese yen | 6,568 | 7,647 |
| Other currencies | 2,831 | 2,149 |
| | 742,581 | 1,045,149 |

- (d) Interest rates of time deposits and restricted deposits ranged from 0.30% to 4.10% (2022: 0.01% to 2.34%) per annum.

Notes to the Consolidated Financial Statements

21 Trade and other receivables**(a) Trade debtors, net**

| | 2023 | 2022 |
|-----------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Trade debtors | 366,195 | 330,801 |
| Retention receivables | 383,481 | 388,924 |
| Loss allowance | (46,912) | (47,059) |
| | 702,764 | 672,666 |

The aging analysis of trade debtors, net by overdue day(s) is as follows:

| | 2023 | 2022 |
|---------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Current | 609,570 | 557,922 |
| 1-30 days | 16,761 | 45,100 |
| 31-90 days | 18,933 | 18,502 |
| 91-180 days | 19,610 | 15,000 |
| Over 180 days | 37,890 | 36,142 |
| | 93,194 | 114,744 |
| | 702,764 | 672,666 |

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products.

Notes to the Consolidated Financial Statements

21 Trade and other receivables (continued)

(a) Trade debtors, net (continued)

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Beginning of year | 47,059 | 46,051 |
| Movement in loss allowance | 8,200 | 955 |
| Written-off of impaired receivables | (8,042) | – |
| Currency translation differences | (305) | 53 |
| End of year | 46,912 | 47,059 |

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-----------------------|-------------------------|-------------------------|
| Hong Kong dollars | 600,492 | 570,580 |
| Renminbi | 67,439 | 67,217 |
| Macau Patacas | 33,609 | 34,173 |
| United States dollars | 781 | 163 |
| Singapore dollars | 443 | 533 |
| | 702,764 | 672,666 |

(b) Prepayments, deposits and other receivables

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Advances to subcontractors | 103,181 | 192,929 |
| Prepayments and deposits | 56,982 | 39,953 |
| Other receivables | 64,787 | 60,501 |
| | 224,950 | 293,383 |

The Group's prepayments, deposits and other receivables are mainly denominated in Hong Kong dollars and Renminbi. Included in advances to subcontractors are amounts of HK\$88,612,000 (2022: HK\$138,474,000) which carry interest ranging from 4.0% to 9.6% (2022: 4.0% to 9.0%) per annum. All other advances to subcontractors are interest free and have no fixed terms of repayment.

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

Notes to the Consolidated Financial Statements

21 Trade and other receivables (continued)

(c) Mortgage loans receivables

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Mortgage loans receivables | 13,018 | 27,415 |
| Interest receivable | 17 | 77 |
| | 13,035 | 27,492 |
| Included in: | | |
| Non-current | 11,786 | 25,931 |
| Current | 1,249 | 1,561 |
| | 13,035 | 27,492 |

Mortgage loans receivables are advances to purchasers of development properties of the Group and are secured by first mortgage on the related properties, carrying interest at rates with reference to banks' lending rates and are repayable within 10 to 25 years from the dates of inception of the loans. The balances are denominated in Hong Kong dollars. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the mortgage loans and interest receivable minus security mentioned above.

As at 31 March 2023 and 2022, none of loan and interest receivables were past due or impaired.

22 Inventories

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Raw materials | 105,411 | 56,516 |
| Finished goods | 43,387 | 19,131 |
| Others | 5,684 | 4,446 |
| | 154,482 | 80,093 |

Notes to the Consolidated Financial Statements

23 Contract assets and contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Contract assets related to Construction contracts and electrical and mechanical installation contracts | 1,342,793 | 814,519 |
| Contract liabilities related to Construction contracts and electrical and mechanical installation contracts | 671,937 | 719,666 |
| Others | 4,954 | 1,830 |
| | 676,891 | 721,496 |

(i) Revenue recognised in relation to contract liabilities

Revenue of HK\$538,160,000 (2022: HK\$760,141,000) was recognised in the current reporting period relating to carried-forward contract liabilities of construction contracts and electrical and mechanical installation contracts.

Revenue of HK\$107,350,000 (2022: HK\$22,663,000) was recognised in the current reporting period relating to performance obligations satisfied or partially satisfied in previous periods.

(ii) Unsatisfied contracts related to construction contracts and electrical and mechanical installation contracts

As at 31 March 2023, the aggregate amount of the transaction price allocated to construction contracts and electrical and mechanical installation contracts that are partially or fully unsatisfied is HK\$17,181,075,000 (2022: HK\$12,585,140,000). The amounts expected to be recognised within 1 year is HK\$7,570,231,000 (2022: HK\$5,821,447,000) for construction contracts and electrical and mechanical installation contracts. The remaining amounts expected to be recognised over 1 year.

Notes to the Consolidated Financial Statements

24 Completed properties held for sale

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Beginning of year | 222,760 | 49,486 |
| Additions | – | 15 |
| Transfer from property under development for sale | – | 776,039 |
| Properties sold (<i>Note 7</i>) | – | (602,780) |
| End of year | 222,760 | 222,760 |

25 Borrowings

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Non-current | | |
| Long-term bank loans – secured | 449,200 | 336,600 |
| Current | | |
| Short-term bank loans – secured | 880,394 | 459,480 |
| Current portion of long-term bank loans – secured | 37,400 | 522,400 |
| | 917,794 | 981,880 |
| Total borrowings | 1,366,994 | 1,318,480 |

(a) The maturity of borrowings is as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Within 1 year | 917,794 | 981,880 |
| After 1 year but within 2 years | 328,200 | 37,400 |
| After 2 years but within 5 years | 121,000 | 299,200 |
| | 1,366,994 | 1,318,480 |



Notes to the Consolidated Financial Statements

25 Borrowings (continued)

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

| | 2023 | 2022 |
|-----------------------|-------------|------|
| | % | % |
| Short-term bank loans | 4.3 | 1.6 |
| Long-term bank loans | 4.2 | 1.4 |

(c) The carrying amounts of borrowings approximate their fair values and are denominated in Hong Kong dollars.

(d) The bank borrowings are secured by certain property, plant and equipment, investment properties, and restricted deposits of the Group (Notes 14, 15, 20 and 32).

Notes to the Consolidated Financial Statements

26 Deferred income tax

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Beginning of year | (241) | 750 |
| Charged to consolidated income statement (<i>Note 10</i>) | (5,482) | (872) |
| Currency translation differences | 210 | (119) |
| End of year | (5,513) | (241) |

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

| Assets/(liabilities) | Tax losses | | Intangible assets | | Accelerated depreciation allowance | | Property revaluation | | Total | |
|---|------------|----------|-------------------|----------|------------------------------------|----------|----------------------|----------|----------|----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Beginning of year | 14,272 | 18,920 | (1,073) | (1,247) | (11,839) | (15,322) | (1,601) | (1,601) | (241) | 750 |
| (Charged)/credited to consolidated income statement | (4,562) | (4,648) | 174 | 174 | (1,159) | 3,602 | 65 | - | (5,482) | (872) |
| Currency translation differences | - | - | - | - | 210 | (119) | - | - | 210 | (119) |
| End of year | 9,710 | 14,272 | (899) | (1,073) | (12,788) | (11,839) | (1,536) | (1,601) | (5,513) | (241) |

Notes to the Consolidated Financial Statements

26 Deferred income tax (continued)

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------------|--------------------------------|-------------------------|
| Deferred income tax assets | 4,177 | 7,214 |
| Deferred income tax liabilities | (9,690) | (7,455) |

As at 31 March 2023, the Group has unrecognised tax losses of approximately HK\$1,009,965,000 (2022: HK\$947,109,000) to carry forward against future taxable income.

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| With no expiry date | 872,936 | 848,765 |
| Expiring not later than one year | 2,981 | 4,221 |
| Expiring later than one year and not later than ten years | 134,048 | 94,123 |
| | 1,009,965 | 947,109 |

Notes to the Consolidated Financial Statements

27 Payable to suppliers and subcontractors

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| Current | 339,948 | 205,186 |
| 1-30 days | 34,425 | 36,370 |
| 31-90 days | 4,067 | 2,307 |
| 91-180 days | 1,325 | 567 |
| Over 180 days | 3,270 | 2,652 |
| | 43,087 | 41,896 |
| | 383,035 | 247,082 |

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-----------------------|-------------------------|-------------------------|
| Hong Kong dollars | 357,073 | 235,199 |
| Renminbi | 22,796 | 8,046 |
| United States dollars | 2,780 | 1,687 |
| Euro | 341 | 650 |
| Singapore dollars | 44 | 508 |
| Macau Patacas | 1 | 11 |
| Pound Sterling | - | 981 |
| | 383,035 | 247,082 |

Notes to the Consolidated Financial Statements

28 Other payables

(a) Accruals, retention payables, deposits received and other liabilities

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Retention payables | 348,117 | 377,355 |
| Other deposits | 20,227 | 24,937 |
| Due to non-controlling interests (<i>Note</i>) | 15,785 | 16,305 |
| Lease liabilities (<i>Note 14(b)(i)</i>) | 14,512 | 17,559 |
| Others | 480,142 | 386,829 |
| | 878,783 | 822,985 |

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

(b) Other non-current liabilities

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Lease liabilities (<i>Note 14(b)(i)</i>) | 4,442 | 15,405 |
| Others | 4,160 | 8,320 |
| | 8,602 | 23,725 |

29 Share capital

| | Number of shares | | Amount | |
|----------------------------------|------------------|---------------|------------------|------------------|
| | 2023 | 2022 | 2023 HK\$'000 | 2022 HK\$'000 |
| Ordinary shares of HK\$0.2 each | | | | |
| Authorised: | | | | |
| At beginning and end of the year | 1,000,000,000 | 1,000,000,000 | 200,000 | 200,000 |
| Issued and fully paid: | | | | |
| At beginning and end of the year | 438,053,600 | 438,053,600 | 87,611 | 87,611 |

Notes to the Consolidated Financial Statements

30 Other reserves and retained profits

| | Other reserves | | | | | | Retained profits |
|--|----------------|----------------------------|------------------------------|------------------------------|---------------|----------------|------------------|
| | Share premium | Capital redemption reserve | Currency translation reserve | Property revaluation reserve | Other reserve | Total | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| As at 1 April 2021 | 413,776 | 359 | (11,972) | 55,366 | 704 | 458,233 | 932,393 |
| Profit for the year | - | - | - | - | - | - | 68,186 |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | 35,791 | - | - | 35,791 | - |
| 2021 final dividend | - | - | - | - | - | - | (29,788) |
| 2022 interim dividend | - | - | - | - | - | - | (10,951) |
| As at 31 March 2022 | 413,776 | 359 | 23,819 | 55,366 | 704 | 494,024 | 959,840 |
| As at 1 April 2022 | 413,776 | 359 | 23,819 | 55,366 | 704 | 494,024 | 959,840 |
| Profit for the year | - | - | - | - | - | - | 49,636 |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | (63,144) | - | - | (63,144) | - |
| Acquisition of additional equity interest in a subsidiary from non-controlling interests | - | - | - | - | 244 | 244 | - |
| 2022 final dividend (Note 11) | - | - | - | - | - | - | (10,951) |
| 2023 interim dividend (Note 11) | - | - | - | - | - | - | (10,951) |
| As at 31 March 2023 | 413,776 | 359 | (39,325) | 55,366 | 948 | 431,124 | 987,574 |

Notes to the Consolidated Financial Statements

31 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to net cash from operations

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Operating profit | 100,721 | 139,102 |
| Interest income | (7,609) | (11,574) |
| Interest expense | 14,393 | 10,423 |
| Loss on disposal of property, plant and equipment, net | 351 | 126 |
| Gain on lease modification | – | (72) |
| Fair value loss on investment properties | 7,140 | 5,800 |
| Amortisation of other intangible assets | 1,056 | 1,056 |
| Depreciation | 91,579 | 105,841 |
| Movement in loss allowance for trade debtors | 8,200 | 955 |
| Write-off of other receivables | – | 1,022 |
| Provision/(write-back of provision) for inventories | 69 | (202) |
| Operating profit before working capital changes | 215,900 | 252,477 |
| Trade debtors, net | (49,654) | 117,098 |
| Inventories | (74,458) | (662) |
| Prepayments, deposits and other receivables | 70,862 | 115,155 |
| Contract assets | (528,919) | (110,776) |
| Property under development for sale | – | (112,409) |
| Completed properties held for sale | – | 602,765 |
| Net change in balances with joint ventures/joint operations/ other partners of joint operations | (14,465) | (3,306) |
| Payables to suppliers and subcontractors | 136,537 | (12,873) |
| Accruals, retention payables, deposits received and other liabilities | 56,420 | 102,019 |
| Contract liabilities | (44,609) | (111,671) |
| Net cash (used in)/from operations | (232,386) | 837,817 |



Notes to the Consolidated Financial Statements

31 Notes to consolidated cash flow statement (continued)

(b) Reconciliation of liabilities arising from financing activities

| | Bank loans | Lease liabilities | Total |
|--|-------------------|--------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance at 1 April 2021 | 1,710,594 | 49,283 | 1,759,877 |
| Repayment of bank loans | (799,440) | – | (799,440) |
| Drawdown of bank loans | 407,022 | – | 407,022 |
| Amortisation charges of prepaid loan arrangement fee | 304 | – | 304 |
| Accrued interest | 24,237 | 915 | 25,152 |
| Interest paid | (24,237) | (915) | (25,152) |
| Capital element of lease payments | – | (25,940) | (25,940) |
| Inception of leases (<i>Note (c)</i>) | – | 11,370 | 11,370 |
| Lease modification | – | (1,784) | (1,784) |
| Currency translation differences | – | 35 | 35 |
| Balance at 31 March 2022 | 1,318,480 | 32,964 | 1,351,444 |
| Balance at 1 April 2022 | 1,318,480 | 32,964 | 1,351,444 |
| Repayment of bank loans | (588,500) | – | (588,500) |
| Drawdown of bank loans | 637,014 | – | 637,014 |
| Accrued interest | 38,809 | 545 | 39,354 |
| Interest paid | (38,809) | (545) | (39,354) |
| Capital element of lease payments | – | (18,000) | (18,000) |
| Inception of leases (<i>Note (c)</i>) | – | 2,283 | 2,283 |
| Lease modification | – | 1,785 | 1,785 |
| Currency translation differences | – | (78) | (78) |
| Balance at 31 March 2023 | 1,366,994 | 18,954 | 1,385,948 |

(c) Major non-cash transactions

During the year, the Group entered into lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK\$2,283,000 (2022: HK\$11,370,000).



Notes to the Consolidated Financial Statements

32 Banking facilities

As at 31 March 2023, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$3,706,249,000 (2022: HK\$4,071,106,000), of which HK\$1,760,575,000 (2022: HK\$1,632,215,000) had been utilised. These banking facilities are secured by the following:

- (a) Restricted deposits of HK\$53,868,000 (2022: HK\$78,395,000) (Note 20);
- (b) Guarantees of HK\$3,706,249,000 (2022: HK\$4,070,829,000) provided by the Company;
- (c) Trade receivables of certain construction contracts; and
- (d) Property, plant and equipment of HK\$515,765,000 (2022: HK\$521,073,000) and investment properties of HK\$104,400,000 (2022: HK\$109,300,000) (Notes 14 and 15).

33 Business combination

Acquisition of Hoi Fai Lift Engineering and Services Limited

On 4 June 2021, the Group acquired 100% of the issued share capital of Hoi Fai Lift Engineering and Services Limited from independent third parties. The acquisition will increase the Group's market share in this industry and complement the Group's existing construction and electrical and mechanical installation segment.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

| | <i>HK\$'000</i> |
|--|-----------------|
| Consideration paid as at acquisition date | |
| Cash | 1,250 |
| | <hr/> |
| Recognised amounts of identifiable assets acquired, liabilities assumed | |
| Cash and bank balances | 14 |
| | <hr/> |
| Total identifiable net assets | 14 |
| Goodwill | 1,236 |
| | <hr/> |
| Net assets acquired | 1,250 |
| | <hr/> |
| Net cash outflow arising from the acquisition | |
| Cash and cash equivalents acquired | 14 |
| Less: Cash consideration | (1,250) |
| | <hr/> |
| | (1,236) |
| | <hr/> |



Notes to the Consolidated Financial Statements

33 Business combination (continued)

The goodwill was attributed to the synergies expected to arise after the Group's acquisition of a new subsidiary. The acquired business contributed revenues of HK\$40,000 and net loss of HK\$6,000 to the Group for the year ended 31 March 2022.

If the acquisition had occurred on 1 April 2021, the consolidated revenue and profit for the year ended 31 March 2022 would have been HK\$6,732,944,000 and HK\$65,700,000, respectively.

Acquisition related costs were not significant and have been charged to administrative expenses in the consolidated income statement for the year ended 31 March 2022.

34 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 31 March 2023, 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\$448,057,000 (2022: HK\$418,394,000) in favour of the Group's customers.
- (c) As at 31 March 2023, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and joint ventures of approximately HK\$717,000 (2022: HK\$1,043,000) and RMB26,036,000 (2022: RMB26,036,000) respectively.
- (d) The future aggregate minimum lease rental payable under non-cancellable short-term leases is as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--------------------|--------------------------------|-------------------------|
| Land and buildings | | |
| Within one year | - | 54 |

Notes to the Consolidated Financial Statements

35 Future minimum rental receivable

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|------------------------|--------------------------------|-------------------------|
| Within one year | 1,691 | 2,583 |
| One year to five years | 1,641 | 2,585 |
| | 3,332 | 5,168 |

36 Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties:

Significant transaction with related parties

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Revenue from sales of goods to joint ventures | 1,248 | 15 |

The pricing of these transactions was determined based on mutual negotiation and agreement between the Group and related parties.

Key management compensation

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Salaries and fees | 23,932 | 22,364 |
| Discretionary bonuses | 2,445 | 2,020 |
| Pension costs – defined contribution scheme | 1,053 | 984 |
| Others | 51 | 44 |
| | 27,481 | 25,412 |

Notes to the Consolidated Financial Statements

37 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

| Name | Fees <i>HK\$'000</i> | Salaries (Note (i)) <i>HK\$'000</i> | Discretionary bonuses <i>HK\$'000</i> | Estimated money value of other benefits (Note (ii)) <i>HK\$'000</i> | Employer's | Total <i>HK\$'000</i> |
|---------------------------|-------------------------|---|---|--|---|--------------------------|
| | | | | | contribution to retirement benefit scheme <i>HK\$'000</i> | |
| For the year ended | | | | | | |
| 31 March 2023 | | | | | | |
| Mr. Wong Ip Kuen | - | 10,030 | 500 | 30 | 462 | 11,022 |
| Ir.Dr. Wong Tin Cheung | - | 5,176 | 875 | 7 | 238 | 6,296 |
| Ms. Wong Rosana | | | | | | |
| Wai Man | - | 4,643 | 490 | 7 | 213 | 5,353 |
| Mr. Sun Chun Wai | - | 3,039 | 580 | 7 | 140 | 3,766 |
| Mr. Chan Bernard | | | | | | |
| Charnwut | 348 | - | - | - | - | 348 |
| Mr. Wu King Cheong | 348 | - | - | - | - | 348 |
| Dr. Yeung Tsun Man | | | | | | |
| Eric | 348 | - | - | - | - | 348 |
| | 1,044 | 22,888 | 2,445 | 51 | 1,053 | 27,481 |
| For the year ended | | | | | | |
| 31 March 2022 | | | | | | |
| Mr. Wong Ip Kuen | - | 9,490 | 450 | 20 | 438 | 10,398 |
| Ir.Dr. Wong Tin Cheung | - | 4,810 | 550 | 8 | 222 | 5,590 |
| Ms. Wong Rosana | | | | | | |
| Wai Man | - | 4,290 | 440 | 8 | 198 | 4,936 |
| Mr. Sun Chun Wai | - | 2,730 | 580 | 8 | 126 | 3,444 |
| Mr. Chan Bernard | | | | | | |
| Charnwut | 348 | - | - | - | - | 348 |
| Mr. Wu King Cheong | 348 | - | - | - | - | 348 |
| Dr. Yeung Tsun Man | | | | | | |
| Eric | 348 | - | - | - | - | 348 |
| | 1,044 | 21,320 | 2,020 | 44 | 984 | 25,412 |

Notes:

- (i) Salary paid to a director is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.
- (ii) Other benefits include insurance premium.

Notes to the Consolidated Financial Statements

37 Benefits and interests of directors (continued)

(b) Directors' retirement benefits and termination benefits

The directors did not receive any retirement or termination benefits for the year ended 31 March 2023 (2022: Nil).

(c) Consideration provided to third parties for making available directors' services

The Company did not pay any consideration to any third party for making available directors' services for the year ended 31 March 2023 (2022: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of the directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year ended 31 March 2023 (2022: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Pursuant to an agreement dated 28 March 2023 (the "Agreement") made between REC Engineering Company Limited ("REC"), a wholly owned subsidiary of the Company, and Asia Insurance Company Limited ("ASI"), REC agreed to pay an annual fee for the provision of insurance services in accordance with the terms of the Agreement. ASI was paid a premium amount of HK\$724,000 for the service from 1 April 2023 to 31 March 2024. Mr. Chan Bernard Charnwut, an Independent Non-Executive Director of the Company, is interested in this transaction to the extent that ASI is controlled by him.

Save as disclosed above, there was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2023 (2022: Nil).

Notes to the Consolidated Financial Statements

38 Balance sheet and reserve movement of the Company

Balance sheet of the Company

As at 31 March 2023

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Assets | | |
| Non-current asset | | |
| Subsidiaries | 571,615 | 571,615 |
| Current assets | | |
| Cash and bank balances | 19,465 | 22,036 |
| Prepayments, deposits and other receivables | 332 | 332 |
| Due from subsidiaries | 1,970,170 | 1,823,699 |
| Prepaid income tax | - | 255 |
| | 1,989,967 | 1,846,322 |
| Total assets | 2,561,582 | 2,417,937 |
| Equity | | |
| Share capital | 87,611 | 87,611 |
| Other reserves | 414,135 | 414,135 |
| Retained profits | 994,065 | 1,007,623 |
| | 1,495,811 | 1,509,369 |
| Liabilities | | |
| Current liabilities | | |
| Accruals and other liabilities | 3,239 | 3,132 |
| Due to subsidiaries | 1,062,532 | 905,436 |
| | 1,065,771 | 908,568 |
| Total liabilities | 1,065,771 | 908,568 |
| Total equity and liabilities | 2,561,582 | 2,417,937 |

Notes to the Consolidated Financial Statements

38 Balance sheet and reserve movement of the Company (continued)

Note: Reserve movement of the Company
For the year ended 31 March 2023

| | Other reserves | | | Retained profits HK\$'000 |
|--|---------------------------|--|-------------------|------------------------------|
| | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Total HK\$'000 | |
| At 1 April 2021 | 413,776 | 359 | 414,135 | 1,045,662 |
| Profit attributable to equity holders of the Company | - | - | - | 2,700 |
| 2021 final dividend | - | - | - | (29,788) |
| 2022 interim dividend | - | - | - | (10,951) |
| At 31 March 2022 | 413,776 | 359 | 414,135 | 1,007,623 |
| At 1 April 2022 | 413,776 | 359 | 414,135 | 1,007,623 |
| Profit attributable to equity holders of the Company | - | - | - | 8,344 |
| 2022 final dividend | - | - | - | (10,951) |
| 2023 interim dividend | - | - | - | (10,951) |
| At 31 March 2023 | 413,776 | 359 | 414,135 | 994,065 |

LIST OF INVESTMENT PROPERTIES

| Property | Location and lease term | Area | Existing use | Group's interest |
|---|--|---|--|------------------|
| 1. Rear Portion of 4th Floor, 33 & 33A Pok Fu Lam Road, Pok Fu Lam, Hong Kong | Inland Lot No. 5821 for a term of 999 years commencing on 30 June 1862 | Approximate saleable area 654 sq.ft. | The property is currently vacant | 100% |
| 2. G/F and Cockloft of No. 30 Western Street, Sai Ying Pun, Hong Kong | Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860 | Approximate shop saleable area 500 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 365 sq.ft. | The property is currently leased out | 60% |
| 3. G/F and Cockloft of No. 32 Western Street, Sai Ying Pun, Hong Kong | Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860 | Approximate shop saleable area 462 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 309 sq.ft. | The property is currently vacant | 60% |
| 4. Shop A on Ground Floor and Shop B on 1st Floor, L Harbour 18, No. 18 Chi Kiang Street, Kowloon | Kowloon Inland Lot No. 9673 for a term of 75 years from 19 January 1970 renewable for 75 years | Approximate shops gross floor area of 7,352 sq.ft. | The partial property is currently leased out | 100% |
| 5. Shop No. 1 on the Ground Floor and Flat Nos. A and B on the 1st Floor, Tak Wai Building, No. 25 Cheong Lok Street, Yau Ma Tei, Kowloon | Kowloon Inland Lot Nos. 8688, 7960 & 8116 for a term of 150 years commencing on 25 December 1888 | Shop unit on the Ground Floor with an approximate gross floor area 504 sq.ft. and two office units on the 1st Floor with an approximate total gross floor area 2,678 sq.ft. | The partial property is currently leased out | 100% |
| 6. Em Macau, Avenida do Infante D. Henrique No 62, Centro Comercial Central A18 | Held under Concessao Por Arrendamento for 10 years commencing on 1 June 2015 | Approximate saleable area 1,411 sq.ft. | The property is currently leased out | 100% |

FIVE YEAR FINANCIAL SUMMARY

Consolidated results

For the year ended 31 March

| | 2019 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Revenue | 5,618,078 | 6,694,157 | 6,794,756 | 6,732,944 | 6,685,961 |
| Profit/(loss) before income tax | 40,362 | (39,229) | 163,458 | 85,534 | 67,525 |
| Income tax expense | (9,954) | (3,249) | (14,167) | (19,531) | (19,553) |
| Less: profit/(loss) attributable to non-controlling interests | 321 | (917) | (1,137) | (2,183) | (1,664) |
| Profit/(loss) attributable to equity holders of the Company | 30,087 | (41,561) | 150,428 | 68,186 | 49,636 |

Consolidated assets and liabilities

As at 31 March

| | 2019 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total assets | 5,042,426 | 5,050,551 | 5,109,828 | 4,737,458 | 4,850,659 |
| Total liabilities and non-controlling interests | (3,663,133) | (3,773,105) | (3,631,591) | (3,195,983) | (3,344,350) |
| Shareholders' equity | 1,379,293 | 1,277,446 | 1,478,237 | 1,541,475 | 1,506,309 |

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