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有利集團有限公司*

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0406)

ANNUAL RESULTS

FOR THE YEAR ENDED 31 MARCH 2015

HIGHLIGHTS

The Group reported an increase in revenue from HK\$6,552,586,000 to HK\$9,476,494,000.

The Group reported gross profit of HK\$456,059,000 (2014: HK\$442,280,000) in this year.

Profit for the year increased from HK\$39,234,000 to HK\$76,071,000.

Basic and diluted earnings per share was approximately HK17.36 cents (2014: HK8.82 cents).

The net asset value attributable to equity holders of the Company as at 31 March 2015 was HK\$1,596,156,000 (2014: HK\$1,531,610,000), equivalent to HK\$3.64 (2014: HK\$3.50) per share based on the 438,053,600 (2014: 438,053,600) ordinary shares in issue.

* For identification purpose only

The Board of Directors (the “Board”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2015 together with comparative figures for the year ended 31 March 2014 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2015

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Revenue	3	9,476,494	6,552,586
Cost of sales	5	(9,020,435)	(6,110,306)
Gross profit		456,059	442,280
Other income and gains	4	94,434	41,514
Distribution costs	5	(26,737)	(29,238)
Administrative expenses	5	(389,693)	(360,849)
Other operating expenses	5	(10,260)	(8,174)
Operating profit		123,803	85,533
Finance costs	6	(28,598)	(38,818)
Share of profit of associates		706	362
Share of loss of joint ventures		(59)	(52)
Profit before income tax		95,852	47,025
Income tax expense	7	(19,781)	(7,791)
Profit for the year		<u>76,071</u>	<u>39,234</u>
Attributable to:			
Equity holders of the Company		76,064	38,615
Non-controlling interests		<u>7</u>	<u>619</u>
		<u>76,071</u>	<u>39,234</u>
Dividend	8	<u>14,807</u>	<u>10,426</u>
Earnings per share (basic and diluted)	9	<u>17.36 cents</u>	<u>8.82 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year	76,071	39,234
Other comprehensive income:		
Items that may be reclassified to profit or loss subsequently:		
Currency translation differences	<u>(1,092)</u>	<u>4,000</u>
Total comprehensive income for the year	<u>74,979</u>	<u>43,234</u>
Attributable to:		
Equity holders of the Company	74,972	42,596
Non-controlling interests	<u>7</u>	<u>638</u>
Total comprehensive income for the year	<u>74,979</u>	<u>43,234</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,177,404	1,138,264
Investment properties		97,177	329,115
Leasehold land and land use rights		58,020	59,480
Intangible assets		14,622	15,678
Goodwill		15,905	15,905
Associates		1,596	1,384
Deferred income tax assets		3,400	4,481
Available-for-sale financial assets		11,800	11,800
Other non-current assets		62,442	49,364
		1,442,366	1,625,471
Current assets			
Cash and bank balances		1,236,477	1,001,142
Trade debtors, net	10	1,341,801	1,190,512
Prepayments, deposits and other receivables		601,342	773,215
Inventories		125,787	115,622
Prepaid income tax		877	1,200
Due from customers on construction contracts		1,020,610	994,186
Financial assets at fair value through profit or loss		42,090	32,544
Property under development for sale		569,459	445,744
Due from associates, net		494	1,657
Due from joint ventures/joint operations		33,928	4,026
Due from other partners of joint operations		56,797	56,797
		5,029,662	4,616,645
Total assets		6,472,028	6,242,116
EQUITY			
Share capital		87,611	87,611
Other reserves		451,405	452,497
Retained profits			
Proposed final dividend		10,426	6,045
Others		1,046,714	985,457
Attributable to equity holders of the Company		1,596,156	1,531,610
Non-controlling interests		1,667	1,660
Total equity		1,597,823	1,533,270

CONSOLIDATED BALANCE SHEET (Continued)*As at 31 March 2015*

	<i>Note</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Long-term borrowings		851,127	1,280,525
Deferred income tax liabilities		3,560	3,846
		854,687	1,284,371
Current liabilities			
Short-term bank loans		1,105,000	1,098,821
Current portion of long-term borrowings		494,833	71,066
Derivative financial liabilities		11,700	15,127
Payables to suppliers and subcontractors	<i>11</i>	652,333	591,416
Accruals, retention payables, deposits received and other liabilities	<i>12</i>	893,738	567,139
Income tax payable		27,553	12,242
Obligation in respect of joint ventures		1,402	1,343
Due to customers on construction contracts		743,434	985,298
Due to joint operations		59,696	60,090
Due to other partners of joint operations		29,829	21,933
		4,019,518	3,424,475
Total liabilities		4,874,205	4,708,846
Total equity and liabilities		6,472,028	6,242,116
Net current assets		1,010,144	1,192,170
Total assets less current liabilities		2,452,510	2,817,641

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Attributable to equity holders of the Company						Non-	
	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Retained profits	Sub-total	controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2014	87,611	413,776	359	38,362	991,502	1,531,610	1,660	1,533,270
Comprehensive income:								
Profit for the year	-	-	-	-	76,064	76,064	7	76,071
Other comprehensive income:								
Currency translation differences	-	-	-	(1,092)	-	(1,092)	-	(1,092)
2014 final dividend	-	-	-	-	(6,045)	(6,045)	-	(6,045)
2015 interim dividend	-	-	-	-	(4,381)	(4,381)	-	(4,381)
As at 31 March 2015	87,611	413,776	359	37,270	1,057,140	1,596,156	1,667	1,597,823
As at 1 April 2013	87,611	413,776	359	34,381	963,313	1,499,440	1,022	1,500,462
Comprehensive income:								
Profit for the year	-	-	-	-	38,615	38,615	619	39,234
Other comprehensive income:								
Currency translation differences	-	-	-	3,981	-	3,981	19	4,000
2013 final dividend	-	-	-	-	(6,045)	(6,045)	-	(6,045)
2014 interim dividend	-	-	-	-	(4,381)	(4,381)	-	(4,381)
As at 31 March 2014	87,611	413,776	359	38,362	991,502	1,531,610	1,660	1,533,270

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 (“SEHK”).

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 24 June 2015.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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 judgement in the process of applying the Group’s accounting policies.

(i) Amendments and interpretations adopted by the Group

The following amendments and interpretations have been published that are effective for the accounting period of the Group beginning 1 April 2014:

HKAS 32 (amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) Interpretation 21	Levies
Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	Investment Entities

The application of the above amendments and interpretations in the current year had no material impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

(ii) New and amended standards have been issued but are not effective for the financial year beginning 1 April 2014 and have not been early adopted

The following new and revised standards and amendments to standards have been published and are mandatory for the accounting periods of the Group beginning on or after 1 April 2015 that the Group has not early adopted:

HKAS 1 (amendment)	Disclosure Initiative
Amendment to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to HKAS 19 (2011)	Employee Benefits: Defined Benefit Plans – Employee Contributions
Amendments to HKAS 28 (2011), HKFRS 10 and HKFRS 12	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture
Amendment to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 9	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
Annual improvements to 2010-2012 Cycle	
Annual improvements to 2011-2013 Cycle	
Annual improvements to 2012-2014 Cycle	

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

New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 REVENUE AND SEGMENT INFORMATION

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

	2015 HK\$'000	2014 HK\$'000
Revenue		
Construction	7,444,396	4,893,720
Electrical and mechanical installation	1,821,834	1,457,294
Building materials supply	74,998	72,056
Property investment and development	2,113	2,076
Hotel operations	115,056	115,671
Others	18,097	11,769
	<u>9,476,494</u>	<u>6,552,586</u>

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 REVENUE AND 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 2015							
Total sales	7,620,840	2,324,662	418,647	2,113	115,056	65,651	10,546,969
Inter-segment sales	(176,444)	(502,828)	(343,649)	–	–	(47,554)	(1,070,475)
External sales	<u>7,444,396</u>	<u>1,821,834</u>	<u>74,998</u>	<u>2,113</u>	<u>115,056</u>	<u>18,097</u>	<u>9,476,494</u>
Segment results	49,860	10,675	(10,128)	53,785	24,288	(8,572)	119,908
Share of profit of associates	–	706	–	–	–	–	706
Share of loss of joint ventures	–	–	(59)	–	–	–	(59)
	<u>49,860</u>	<u>11,381</u>	<u>(10,187)</u>	<u>53,785</u>	<u>24,288</u>	<u>(8,572)</u>	<u>120,555</u>
Unallocated income							3,895
Finance costs							<u>(28,598)</u>
Profit before income tax							95,852
Income tax expense							<u>(19,781)</u>
Profit for the year							<u><u>76,071</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 REVENUE AND 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 2014							
Total sales	4,977,813	1,749,961	533,733	2,076	115,671	46,940	7,426,194
Inter-segment sales	(84,093)	(292,667)	(461,677)	–	–	(35,171)	(873,608)
External sales	<u>4,893,720</u>	<u>1,457,294</u>	<u>72,056</u>	<u>2,076</u>	<u>115,671</u>	<u>11,769</u>	<u>6,552,586</u>
Segment results	34,245	31,973	4,476	2,981	28,120	(10,724)	91,071
Share of profit of associates	–	362	–	–	–	–	362
Share of loss of joint ventures	–	–	(52)	–	–	–	(52)
	<u>34,245</u>	<u>32,335</u>	<u>4,424</u>	<u>2,981</u>	<u>28,120</u>	<u>(10,724)</u>	<u>91,381</u>
Unallocated expenses							(5,538)
Finance costs							<u>(38,818)</u>
Profit before income tax							47,025
Income tax expense							<u>(7,791)</u>
Profit for the year							<u><u>39,234</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 OTHER INCOME AND GAINS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other income		
Dividend income from investments	–	74
Bank interest income	7,057	4,757
Interest income from subcontractors	14,226	14,260
Management service income from a joint venture and a joint operation	493	499
Sundry income	11,604	14,049
	<u>33,380</u>	<u>33,639</u>
Other gains		
Gain on disposal of property, plant and equipment, net	2,717	–
Fair value gain on investment properties, net	37,264	4,310
Gain on disposal of an investment property	21,025	–
Gain on financial assets at fair value through profit or loss	48	940
Gain on derivative financial liabilities, net	–	2,541
Exchange gain, net	–	84
	<u>61,054</u>	<u>7,875</u>
	<u>94,434</u>	<u>41,514</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 EXPENSES BY NATURE

	2015 HK\$'000	2014 HK\$'000
Cost of construction	7,659,239	4,798,613
Cost of inventories sold	299,712	405,673
Staff costs (excluding directors' emoluments)	1,117,053	939,614
Directors' emoluments	20,070	18,375
Depreciation		
Owned property, plant and equipment	88,294	86,693
Leased property, plant and equipment	12,601	6,197
	<u>100,895</u>	<u>92,890</u>
Operating lease rentals of		
Land and buildings	14,689	14,723
Other equipment	80,223	103,760
	<u>94,912</u>	<u>118,483</u>
Amortisation of leasehold land and land use rights	1,460	1,447
Amortisation of intangible assets	1,056	1,056
Write off of impaired receivables	1,326	–
Provision for impaired receivables, net of write back of impaired receivables	4,020	224
Provision for inventories	20,914	63
Auditor's remuneration	5,245	5,224
Loss on disposal of property, plant and equipment, net	–	3,020
Exchange loss, net	5,795	–
Direct operating expenses arising from investment properties		
– Generate rental income	293	414
– Not generate rental income	31	32
Distribution costs	26,737	29,238
Others	88,367	94,201
Total cost of sales, distribution costs, administrative and other operating expenses	<u>9,447,125</u>	<u>6,508,567</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on overdrafts and short-term bank loans	30,559	26,899
Interest on long-term bank loans repayable within five years	19,520	14,921
Interest on long-term bank loans repayable after five years	10,728	11,097
Interest element of finance lease payments	1,065	479
	<hr/>	<hr/>
Total borrowing costs incurred	61,872	53,396
Less: Classified as cost of construction	(17,563)	(8,652)
Capitalised in investment properties	(510)	(1,871)
Capitalised in property under development for sale	(21,503)	(4,055)
	<hr/>	<hr/>
	22,296	38,818
	<hr/>	<hr/>
Loss on financial assets at fair value through profit or loss	424	–
Loss on derivative financial liabilities	5,878	–
	<hr/>	<hr/>
	28,598	38,818
	<hr/>	<hr/>

7 INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Hong Kong profits tax provision for the year	1,128	883
Overseas tax provision for the year	18,628	12,059
Over-provision in prior years	(770)	(997)
Deferred income tax relating to the origination and reversal of temporary differences	795	(4,154)
	<hr/>	<hr/>
	19,781	7,791
	<hr/>	<hr/>

Hong Kong profits tax was calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 DIVIDEND

	2015 HK\$'000	2014 HK\$'000
Interim dividend paid during the year		
Interim – HK1.00 cent (2014: HK1.00 cent) per ordinary share	4,381	4,381
Proposed final dividend		
Final – HK2.38 cents (2014: HK1.38 cents) per ordinary share	<u>10,426</u>	<u>6,045</u>
	<u>14,807</u>	<u>10,426</u>

In the Board meeting held on 24 June 2015, the Board recommended the payment of a final dividend at HK2.38 cents (2014: HK1.38 cents) per share, totalling HK\$10,426,000 (2014: HK\$6,045,000) for the year ended 31 March 2015.

9 EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of earnings per share is based on:

	2015 HK\$'000	2014 HK\$'000
Net profit attributable to the equity holders of the Company	<u>76,064</u>	<u>38,615</u>
	2015	2014
Weighted average number of shares in issue during the year	<u>438,053,600</u>	<u>438,053,600</u>

Diluted earnings per share for the years ended 31 March 2015 and 2014 are not presented as there are no potential dilutive shares in issue during the years.

10 TRADE DEBTORS, NET

	2015 HK\$'000	2014 HK\$'000
Trade debtors	800,066	800,323
Retention receivables	547,898	392,332
Provision for impairment	<u>(6,163)</u>	<u>(2,143)</u>
	<u>1,341,801</u>	<u>1,190,512</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 TRADE DEBTORS, NET (Continued)

The aging analysis of the trade debtors, net is as follows:

	2015 HK\$'000	2014 HK\$'000
Current	1,237,411	1,116,185
1-30 days	36,254	15,203
31-90 days	10,566	16,742
91-180 days	4,152	7,299
Over 180 days	53,418	35,083
	104,390	74,327
	1,341,801	1,190,512

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2015, trade debtors of HK\$104,390,000 (2014: HK\$74,327,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

11 PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	2015 HK\$'000	2014 HK\$'000
Current	614,268	529,633
1-30 days	19,330	47,966
31-90 days	5,461	11,915
91-180 days	1,801	412
Over 180 days	11,473	1,490
	652,333	591,416

12 ACCRUALS, RETENTION PAYABLES, DEPOSITS RECEIVED AND OTHER LIABILITIES

	2015 HK\$'000	2014 HK\$'000
Retention payables	453,044	279,625
Deposits received from sales of properties	201,903	—
Other deposits and receipts in advance	51,061	52,810
Due to non-controlling interests (Note)	16,304	520
Others	171,426	234,184
	893,738	567,139

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 COMMITMENTS AND CONTINGENT LIABILITIES

The Group had 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 2015, the Group has various liquidated damages claims on certain contracts for which the respective extension of time claims have been forwarded and filed to the clients. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.
- (b) In 2010, the Group instigated legal proceedings against a subcontractor claiming a sum of HK\$10,000,000 in respect of the subcontractor's failure to perform contractual duties and for recovery of overpayment made to the subcontractor. The subcontractor raised a counterclaim against the Group in the sum of approximately HK\$4,898,000 as recently amended. The case is in the process of pre-trial management review pending a trial date to be fixed. The Directors are of the view that no provision is presently required with respect to the case.
- (c) The Group has provided performance bonds amounting to approximately HK\$971,529,000 (2014: HK\$884,253,000) in favour of the Group's customers.
- (d) As at 31 March 2015, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of a land use right, plant and equipment and setup of a factory in Mainland China of approximately HK\$35,356,000 (2014: HK\$16,170,000).
- (e) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

	2015 HK\$'000	2014 HK\$'000
Land and buildings		
Within one year	9,652	11,328
One year to five years	4,276	19,912
More than five years	—	33,126
	<u>13,928</u>	<u>64,366</u>

14 POST BALANCE SHEET EVENT

On 29 April 2015, two wholly-owned subsidiaries of the Company entered into a relocation compensation agreement with the landlord of two parcels of land located at Longhua New District, Shenzhen, pursuant to which the two subsidiaries will receive an aggregate compensation of RMB350,000,000 or its monetary worth (as the case may be), RMB100,000,000 of which in the form of cash and RMB250,000,000 in kind by way of new residential properties to be constructed at or near the same location for the early termination of the two lease agreements.

The parcels of land are currently occupied on lease by the subsidiaries as factory, offices and warehouse. The relocation is expected to be completed by 3 November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

Yau Lee completed a fruitful year 2015 in which we made good progress in innovation development and enhanced group value from the sales of Kwun Tong property which potential value was unleashed and realised. We continued to perform well by attaining again record revenue and delivering high quality works and accelerating schedules.

The Group reported sales up 45% by comparison with last year, standing at HK\$9,476 million. Thanks to the robust market conditions in the region and the good market positioning of the Group, favorable trend has continued in construction and electrical and mechanical installation segments, the two major pillars. Both segments achieved again record revenue and grew 53% and 33% respectively over last year. Building materials supply segment slipped by 22% to HK\$419 million as compared to prior year because of site progress delay in one of the projects. Hotel revenue is comparable to last year despite the Occupy Central protests and slowdown in tourism commencing a few months ago.

Benefited from the distinctive growth in revenue, consolidated gross profits were HK\$456 million, up 3% from last year. Yet, the gross profit percentage was somewhat reduced. The margin percentage reflected investments on higher automation, process improvements and innovative construction technologies but did not reflect the impact of costs efficiencies and productivity achieved that are yet to be fully delivered in this year. We shall see the improvement in margin in coming periods when the benefits gained from these strategic developments are fully materialised.

Operating expenses amounted to HK\$427 million, representing an increase of 7% over last year. The increase was mainly in staff costs. Construction professionals are still in high demand in light of the booming market condition. Costs to recruit and retain talents keep climbing.

Profit attributable to shareholders was HK\$76 million, almost doubled the result of last year. The increase was gained from improved profits in our core businesses and the profit from the disposal of property.

The basic earnings per share for the year were HK\$17.36 cents, compared with HK\$8.82 cents last year. Net asset value of the Group as at 31 March 2015 was HK\$1,596 million (2014: HK\$1,532 million), equivalent to HK\$3.64 (2014: HK\$3.50) per share based on 438,053,600 (2014: 438,053,600) ordinary shares in issue.

DIVIDEND

In the Board meeting held on 24 June 2015, the Board recommended the payment of a final dividend of HK2.38 cents per share (2014: final dividend of HK1.38 cents). Together with the first interim dividend of HK1.00 cent per share, total distribution was HK3.38 cents this year. This compares with a HK2.38 cents dividend in 2014, an increase of 42%. Subject to the equity holders' approval at the forthcoming Annual General Meeting ("AGM") of the Company, the dividend will be paid on 6 October 2015 to equity holders whose names appear on the Company's register of members on 10 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 August 2015 (Friday) to 26 August 2015 (Wednesday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting (“AGM”).

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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 20 August 2015 (Thursday).

The register of members of the Company will be closed again from 7 September 2015 (Monday) to 10 September 2015 (Thursday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK2.38 cents per share for the year ended 31 March 2015, following the approval at the AGM of the Company.

In order to qualify for the 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 4 September 2015 (Friday).

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

The segment delivered again record revenue this year. Revenue generated reached HK\$7,444 million, 52% over last year. The segment held work done at a high level with the execution of on-hand scalable projects, most of which were at peak construction. During the year, we completed three projects, two on time as usual while the third ahead schedule by 7% of original contract period. Against a backdrop of rising costs and severe shortages of skilled labor and subcontractors, the performance is encouraging and praiseworthy. The distinctive result would not be possible without the extraordinary individual efforts from team members and the help from innovative construction technologies.

The Group has been pursuing advancements in construction technologies all along. We set ourselves apart from competition by way of innovation, know-how and expertise across entire project life cycle. We put innovation at the heart of the Group’s strategy and invest relentlessly and support wholeheartedly. Among these technological developments, 5D Building information modelling (BIM) and Virtual Design and Construction (VDC) are the key ones. We had incorporated a new company called Global Virtual Design and Construction Limited (GVDC) in 2013 to develop and provide BIM and VDC services and solutions to building projects commencing from planning, feasibility study, schematic design, detail design, documentation, tendering and construction, throughout the

entire building stages to facility operation, building maintenance as well as subsequent renovation. With today's construction trend targeting towards LEAN and GREEN with the heavily utilisation of IT technology during construction, we are certain that BIM and VDC are irreversible developments because they are effective tools for attaining the goal. After more than a year of hard works, we saw return. We have successfully expanded the business in all the Group's markets and reach a wide customer base. We got contracts in local and overseas from public sectors, international project consultancy firm, renowned developer and prestigious hospital. Besides, the team was awarded "Construction Innovator by BIM" in the Building Information Modelling (BIM) Excellence Awards 2014 initiated by Construction Industry Council. Such recognition is a strong proof of our capabilities in this respect.

To bolster the creativity of the team, the Group formed a "Centre of Excellence", an internal innovation funding scheme, aiming to provide colleagues with relevant resources to develop their innovative ideas that are applicable to the business. The first successful case is the use of drone for real-time reconnaissance and surveillance in construction sites. The technology is now being used in two of our key projects and contributes in raising the productivity in site inspection and management. Through the program, we hope to cultivate the spirit of innovation and encourage and support our people to make their dreams a reality.

Contracts in hand as at 31 March 2015 was HK\$21,717 million, up slightly by 4% year on year. Contracts secured in the year were HK\$2,667 million, stable versus 2014. With more manpower released from completed projects, the Group would be more aggressive in tendering to replenish the order book. We expect contracts secured in next year would be increased.

Electrical and mechanical installation

REC delivered record revenue for the second year. The segment sales exceeded last year by 33%, posting a record figure of HK\$2,325 million. Like the construction team, REC made a high level of work done, thanks to the strong order book carried forward. All the key divisions contributed to the solid performance and we see good momentum in them, particularly the engineering maintenance division. In past two years, the engineering maintenance division teamed up with the building renovation and maintenance team and developed an integrated work process which maximises the performance and efficiency. The strong engineering expertise coupled with the proven strength in project management greatly enhanced our competitiveness and won for us a number of major renovation and maintenance contracts in both public and private sectors. This contributed a lot to current year revenue as well as the order book.

The green business segment made good progress in this year too. We believe in data and convince our customers by data. After hundreds of demonstrations and trial-run given to potential customers, the proven data and results brought to us solid return. A number of green products procurement contracts and energy optimisation system contracts were secured in this year from government departments and big institutions like Hospital Authority and MTR. Intelligent Fan Coil Unit – iFCU™ is one of the best selling products. It penetrates successfully into both renovation and new building projects. Its remarkable performance and easy application feature are well recognised and welcome by customers. During the year, it won many awards and below show some of the majors.

- 2014 Hong Kong Green Innovations Awards: Certificate of Merit
- 2014 Hong Kong Awards for Industries: Equipment and Machinery Design Certificate of Merit
- Green Building Award 2014 – Merit Award in Building Products & Technologies Category

The green business developed well in China too. REC Environmental Technology (Guangzhou) Company Limited has been awarded the Outstanding Energy Saving Technologies (Products) Supplier 2014 by Guangdong Energy Conservation Association.

Hong Kong Government has in the 2015 Policy Address set out a new target of achieving a 5% saving in electricity consumption for government buildings under comparable operating conditions. They also plan to work with private organisations to foster a low-carbon and livable built environment to reduce Hong Kong's overall electricity demand. We believe the market for green initiatives will be expanding rapidly and we shall work hard to grasp the opportunities.

New contract intakes in the year were HK\$1,544 million. The slightly lower level is a consequence of a more selective policy in tendering and a reflection of still tough and fiercely competitive market conditions. Works in hand increased by 21% to HK\$6,439 million as at year end which formed a solid basis for good revenue in coming periods.

Building materials supply

The segment reported a revenue including inter-segment of HK\$419 million, representing a decrease of 22% year on year. There was a delay in site progress in one of the projects. The resulting downtime for production and delivery led to the drop in revenue. Notwithstanding the unexpected delay in works, the segment gross profit margin increased, thanks to our long-term strategy of automation and innovation development which help to mitigate impact on profits posed by the rising labor costs. The good performance bears witness to the right choice we have made for continuous improvements and development of innovative construction technologies. We are on the right track with the strategy.

During the year, the Group has entered into an agreement in the second half of 2014 to obtain a new piece of land adjacent to the Huizhou factory for further expansion. With expanded capacity, the manufacturing team is able to take on more businesses. This year, it has taken up more non-Group projects which give higher margins and that would be reflected in next year result. Contracts secured in the year increased by 238% to HK\$622 million, as compared to last year.

With reference to the announcement made in April, the Group has reached an early termination of lease agreement with the landlord of the Shenzhen factory. The newly acquired land would accommodate the production lines relocated from Shenzhen factory. We think the centralisation of production facilities would bring benefit to the overall profitability as duplicated overheads would be avoided and resources could be better utilised. It's yet to fix the removal time but a plan is devised for smooth transition and least business disruption.

As for Starfon™, we expanded the sales in both local and overseas. Aware of the high demands and specific needs of customers, Starfon™ develops and offers a wide range of products, including marble, printed image, wood, monotone, fiber optics and metal, with a variety of sizes, colors and textures available. The adaptability of the material makes it a good decorative application. It has been applied in public housing, hotel and casino interior fitting outs. The product has a good potential in this aspect.

The related company was accredited with ISO9001 and ISO14001 in July 2014 which are good substantiations of its quality and environmental management capability.

Property investment and development and hotel operations

The Group's hotel presented a satisfying result in what was a contrasting market condition. Annual revenue was comparable to last year, albeit the interruption from Occupy Central protests and slowdown in tourism in the past few months. It continued to contribute in both profitability and cash flow. The average occupancy rate and daily room rate maintained and operation costs were well controlled and within budget. Certainly, our energy saving initiatives contributes to the cost management. The Hotel's utilities bills keep decreasing as a result of on-going improvements in the implemented green solutions.

The Group's residential development is named "L • Harbour 18". The construction works is on schedule and is expected to complete in the third quarter of 2015. The pre-sale consent from Government was obtained at the end of October 2014 and pre-sale was launched in December 2014. The sales progressed as expected. Out of a total of 84 residential units, 75 units were offered and 83% of them were sold. Sales will be recognised and booked next year when the properties are handed over to the buyers. The commercial portion of the building is yet to be launched. We will keep eyes on the market situation and put it on market as and when appropriate.

The industrial land lot in Kwun Tong was sold during the year at a consideration of HK\$328 million. The disposal unleashed and realised the potential value of the property and brought a net cash inflow of over HK\$250 million. Reported gain on disposal after taking into account revaluation booked in prior years was HK\$43 million. The transaction contributed to both cash flow and profitability of the Group.

The Group explores actively for good property developments to enrich our portfolio. We target projects which could leverage our core competency in building and green technology for added value. We looked at both government land tenders and commercial market offers. Opportunities are abundant in the market but it takes time to pin down a real bargain. We are keen in expanding the property development business but would do it cautiously, bearing in mind always the liquidity management for the Group.

OUTLOOK

The Group's markets are in general positive and are continuing to offer a lot of opportunities. Governments are still busily rolling out housing and infrastructures projects whilst private sector customers are working on many interesting but challenging developments. Notwithstanding that, there were some delays in public works approval which may impact the construction industry and costs of works. We shall take into account such uncertainty in formulating our tender strategy.

Escalating construction costs caused by the shortage of skilled labour and quality subcontractors is yet to be resolved. We must work continuously to improve the productivity and reduce costs. In face of the still-challenging market conditions, the Group would hold strong to the long term strategy: Being an innovative green corporation. In many regions, Yau Lee is highly regarded as an innovation leader and has good reputation in the area of green construction. We differentiate ourselves from others in the industry by the commitment and proven capabilities in these areas. In May, the Environment Bureau revealed an Energy Saving Plan for the Built Environment 2015 – 2025+, which sets a new target of reducing Hong Kong's energy intensity by 40% by 2025. To achieve the new target, they plan to invest in more energy efficient products, technologies and practices. More importantly, the Secretary for the Environment will engage built environment leaders to accelerate green building adoption in the private sector. The market prospect for green business is bright and clear. The Group would strengthen our competence in this respect and penetrate the market through greater efforts.

Moreover, the Group would draw on decades of experience and expertise in prefabrication and expand the market presence. Currently, prefabrication is highly promoted in China particularly in construction of public housing. China is surely a place to look at. There are enormous business opportunities for future development.

Meanwhile, we will work towards a balanced business portfolio which is integral for mitigating business risk and attaining an optimised growth and return. Certainly, property development that in general gives higher return would take a relative important part of it.

The Group is on the right tracks with the strategy which leads us to the sustainable growth and returns. We can look forward to the future with confidence. In conclusion, on behalf of the board, I would like to thank the management team and all our colleagues for their commitment and support. And I have to thank also our shareholders for their continuous support and trust in our Group.

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 2015, the Group's total cash and bank balances was HK\$1,236.5 million (2014: HK\$1,001.1 million) and total borrowings maintained at HK\$2,451.0 million (2014: HK\$2,450.4 million). The increase in total cash and bank balances was largely from the pre-sale proceeds received from the Group's residential property development "L • Harbour 18" and the proceed from the disposal of the industrial land lot in Kwun Tong. On that, the borrowings in current year were to finance the construction of the aforesaid residential property development, which we expect the project will be completed in the third quarter of 2015 and also a few construction projects working in full swing during the year. The current ratio (total current assets: total current liabilities) as at 31 March 2015 was 1.3 (2014: 1.3). The amount of bank loans and other facilities fall due beyond one year was HK\$851.1 million (2014: HK\$1,280.5 million). With prudent financial management policy in place, the Group considers the financial position as sound and healthy with sufficient liquidity.

All the bank borrowings are arranged on a floating rate basis. To alleviate partly the Group's exposure to interest rate fluctuations, we had arranged some interest rate swaps aiming to keep the interest costs at a controlled range. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangements when appropriate. As at 31 March 2015, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$4,546.1 million (2014: HK\$4,244.2 million), of which HK\$3,085.6 million (2014: HK\$2,931.5 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 2015, the Group had approximately 4,100 (2014: 4,700) employees. There are approximately 3,000 (2014: 3,000) employees in Hong Kong, Macau and Singapore and 1,100 (2014: 1,700) 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.

MOVEMENT OF INCOMPLETE CONTRACTS

For the year ended 31 March 2015

Contract value

	31 March 2014 <i>HK\$'million</i>	Contracts Secured <i>HK\$'million</i>	Completed <i>HK\$'million</i>	31 March 2015 <i>HK\$'million</i>
Building construction, renovation and maintenance	20,827	2,667	(1,777)	21,717
Electrical and mechanical installation	5,339	1,544	(444)	6,439
Building materials supply	2,182	622	(1,293)	1,511
Computer software development and architectural and engineering services	27	21	(14)	34
Less: Inter-segment contracts	<u>(3,171)</u>	<u>(533)</u>	<u>650</u>	<u>(3,054)</u>
	<u>25,204</u>	<u>4,321</u>	<u>(2,878)</u>	<u>26,647</u>

CORPORATE GOVERNANCE

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

INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day business operation. The system is designed to manage, rather than eliminate the risk of failure to achieve our business goals and provide a reasonable, as opposed to an absolute assurance in this respect.

The Board appointed an international accounting firm, Baker Tilly Hong Kong, to conduct a review of the internal control system of the Group for the year ended 31 March 2015 including financial, operational and compliance controls, as well as the Group's risk management functions. The results of the internal control review were submitted to the Corporate Governance Committee for its consideration. The Corporate Governance Committee has reviewed the results of the internal control review and is satisfied that the Group's system of internal control is sound and adequate. As part of the process of the annual review, the Board has performed evaluation of the Group'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 Group's internal control system, taking into account the prevailing regulatory requirements, the interests of shareholders, and the Group's business growth and development.

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the requirements of the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. 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 2015.

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 2015 except for the Code provision A.2.1 which requires the roles of chairman and chief executive officer be separated and not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. However, the roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Wong Ip Kuen. The current structure enables the Company to make and facilitate the implementation of decisions promptly and efficiently.

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE LISTING RULES – LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors of the Company reported the following loan facilities which included a condition relating to specific performance of the controlling shareholder of the Company.

On 29 March 2012, a wholly-owned subsidiary of the Company entered into a term loan facility of up to HK\$475,000,000 with a bank in Hong Kong for the exclusive purpose of refinancing an existing indebtedness between the subsidiary and the bank. The loan shall be repaid by twenty consecutive semi-annual instalments with the first repayment date falls on six months after the date of the loan agreement. Pursuant to the facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family members, hold directly or indirectly less than 40% of the equity interest and voting shares of the Company.

On 12 October 2012, a wholly-owned subsidiary of the Company entered into a term loan facility of up to HK\$300,000,000 with a bank in Hong Kong for exclusive purpose of financing the general working capital requirements of the subsidiary. The loan shall be repaid by ten consecutive semi-annual instalments with the first repayment date falls on six months after the date of the loan agreement. Pursuant to the facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family members, hold directly or indirectly less than 40% of the equity interest and voting shares of the Company.

By a Facility Agreement made between a wholly-owned subsidiary of the Company and a bank in Hong Kong dated 22 November 2011 (as supplemented by a First Supplemental Agreement made between the same parties dated 6 December 2013) (such Facility Agreement as supplemented shall hereinafter be called “the Facility Agreement”), term loan facilities of up to HK\$325,500,000 have been granted to the subsidiary for the purpose of financing in part of the premium payment and construction costs of a new building. The loan shall be repaid in 48 months from the date of the Facility Agreement or 6 months from the date of the occupation permit issued by the Hong Kong Building Authority in respect of the new building, whichever shall be the earlier.

According to the Facility Agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, ceases to beneficially own 50% or more of the entire issued voting share capital of the Company.

As at 31 March 2015 and up to the date of this announcement, there is no breach of the covenants.

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 2015.

REVIEW BY AUDIT COMMITTEE

The Group's annual results for the year ended 31 March 2015 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors. The Audit Committee, together with the management, has reviewed the audited consolidated financial statements for the year ended 31 March 2015 of the Group.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in this annual results announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2015. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 24 June 2015

As at the date of this announcement, the Board comprises Mr. Wong Ip Kuen (Chairman), Ir. Wong Tin Cheung, Ms. Wong Wai Man and Mr. Sun Chun Wai as Executive Directors and Mr. Chan, Bernard Charnwut, Mr. Wu King Cheong and Dr. Yeung Tsun Man, Eric as Independent Non-executive Directors.

The full version of this announcement can also be accessed on the following websites:

- (i) *<http://www.yaulee.com>; and*
- (ii) *<http://www.irasia.com>*