



有利集團有限公司[#]

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 406)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The Board of Directors (the “Directors”) 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 2007 together with comparative figures for the year ended 31 March 2006 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	2	2,109,311	1,452,208
Cost of sales		(1,931,644)	(1,326,918)
Gross profit		177,667	125,290
Other income and gains		17,478	8,824
Administrative expenses		(138,901)	(112,154)
Other operating expenses		(2,829)	(3,916)
Change in fair value of investment properties		41,000	9,000
Operating profit	3	94,415	27,044
Finance costs		(40,344)	(21,435)
Share of profit/(loss) of jointly controlled entities		12,595	(510)
Profit before income tax		66,666	5,099
Income tax expense	4	(17,057)	(3,079)
Profit for the year		49,609	2,020
Attributable to:			
Equity holders of the Company		49,790	1,967
Minority interests		(181)	53
		49,609	2,020
Dividends	5	4,409	—
Earnings per share	6	11.29 cents	0.45 cents

[#] for identification only

BALANCE SHEETS
AS AT 31 MARCH 2007

	Note	2007		2006	
		Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment		294,800	–	303,543	–
Investment properties		340,000	–	299,000	–
Leasehold land		352,038	–	353,321	–
Subsidiaries		–	361,075	–	361,075
Associates		39	–	39	–
Jointly controlled entities		12,595	–	–	–
Deferred income tax assets		34	–	30	–
Other non-current assets		35,364	–	29,779	–
		<u>1,034,870</u>	<u>361,075</u>	<u>985,712</u>	<u>361,075</u>
Current assets					
Cash and bank balances		213,011	11,182	257,696	12,901
Trade debtors, net	7	252,901	–	171,235	–
Prepayments, deposits and other receivables		109,428	264	63,516	331
Inventories		16,282	–	11,599	–
Prepaid income tax		871	335	1,783	–
Due from customers on construction contracts		406,991	–	299,423	–
Financial assets at fair value through profit or loss		5,167	–	4,973	–
Due from associates		13,855	1,229	9,730	1,179
Due from subsidiaries		–	368,741	–	373,287
Due from jointly controlled entities		14,408	–	–	–
Due from related parties		30	30	30	30
		<u>1,032,944</u>	<u>381,781</u>	<u>819,985</u>	<u>387,728</u>
Total assets		<u>2,067,814</u>	<u>742,856</u>	<u>1,805,697</u>	<u>748,803</u>
EQUITY					
Share capital		88,190	88,190	88,190	88,190
Other reserves		419,199	415,789	416,515	415,789
Retained profits					
Proposed final dividend		4,409	–	–	–
Others		354,199	143,019	308,818	142,893
		<u>865,997</u>	<u>646,998</u>	<u>813,523</u>	<u>646,872</u>
Equity holders		<u>865,997</u>	<u>646,998</u>	<u>813,523</u>	<u>646,872</u>
Minority interests		<u>628</u>	<u>–</u>	<u>809</u>	<u>–</u>
Total equity		<u>866,625</u>	<u>646,998</u>	<u>814,332</u>	<u>646,872</u>

BALANCE SHEETS (Continued)
AS AT 31 MARCH 2007

	Note	2007		2006	
		Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
LIABILITIES					
Non-current liabilities					
Long-term borrowings		477,441	–	427,285	–
Deferred income tax liabilities		66,653	–	53,102	–
		<u>544,094</u>	<u>–</u>	<u>480,387</u>	<u>–</u>
Current liabilities					
Bank overdrafts – secured		70,405	–	1,549	–
Short-term bank loans – secured		292,622	–	283,954	–
Current portion of long-term borrowings		52,075	–	21,655	–
Payables to suppliers and subcontractors	8	124,481	–	102,802	–
Accruals, retention payables and other liabilities		105,146	331	88,542	163
Income tax payable		2,396	–	790	15
Due to customers on construction contracts		9,970	–	2,479	–
Due to subsidiaries		–	95,527	–	101,753
Due to jointly controlled entities		–	–	9,207	–
		<u>657,095</u>	<u>95,858</u>	<u>510,978</u>	<u>101,931</u>
Total liabilities		<u>1,201,189</u>	<u>95,858</u>	<u>991,365</u>	<u>101,931</u>
Total equity and liabilities		<u>2,067,814</u>	<u>742,856</u>	<u>1,805,697</u>	<u>748,803</u>
Net current assets		<u>375,849</u>	<u>285,923</u>	<u>309,007</u>	<u>285,797</u>
Total assets less current liabilities		<u>1,410,719</u>	<u>646,998</u>	<u>1,294,719</u>	<u>646,872</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	Attributable to equity holders of the Group							Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Redemption reserve HK\$'000	Currency translation reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	
As at 1 April 2006	88,190	415,430	359	726	308,818	813,523	809	814,332
Profit/(loss) for the year	–	–	–	–	49,790	49,790	(181)	49,609
Currency translation differences	–	–	–	2,684	–	2,684	–	2,684
As at 31 March 2007	88,190	415,430	359	3,410	358,608	865,997	628	866,625
As at 1 April 2005	88,190	415,430	359	–	310,158	814,137	756	814,893
Profit for the year	–	–	–	–	1,967	1,967	53	2,020
Currency translation differences	–	–	–	726	–	726	–	726
Dividends	–	–	–	–	(3,307)	(3,307)	–	(3,307)
As at 31 March 2006	88,190	415,430	359	726	308,818	813,523	809	814,332

Notes:

1. Basis of preparation and accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) *Basis of preparation*

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group’s accounting policies.

(b) *Changes in accounting policies*

(i) Amendment and interpretation to published standards effective in 2007 and adopted by the Group

The Group adopted the new amendment and interpretation of HKFRS and Hong Kong Accounting Standards (“HKAS”) below which are relevant to its operations.

HKAS 39 and HKFRS 4 (Amendment)
 HK(IFRIC)-Int 4

Financial Guarantee Contracts
 Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendment and interpretation and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies.

- (ii) Standards, interpretations and amendments to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the Group's operations and financial statements and are mandatory for the Group's accounting periods beginning on or after 1 April 2007 or later periods as follows:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangement

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the accounts will be resulted.

2. Revenue and segment information

Revenue represents turnover from contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property leasing, hotel operation and others.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover		
Contracting of building construction, plumbing, maintenance and fitting-out projects	1,970,496	1,372,317
Building materials trading	32,925	29,588
Property leasing	12,647	10,934
Hotel operation	84,609	30,467
Others	8,634	8,902
	<u>2,109,311</u>	<u>1,452,208</u>

	Construction HK\$'000	Building materials trading HK\$'000	Property leasing HK\$'000	Hotel operation HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Year ended 31 March 2007							
External sales	1,970,496	32,925	12,647	84,609	8,634	–	2,109,311
Inter-segment sales	4,039	136,015	–	–	9,587	(149,641)	–
Total sales	<u>1,974,535</u>	<u>168,940</u>	<u>12,647</u>	<u>84,609</u>	<u>18,221</u>	<u>(149,641)</u>	<u>2,109,311</u>
Segment results	<u>8,777</u>	<u>1,701</u>	<u>38,526</u>	<u>43,249</u>	<u>(2,173)</u>	<u>(8,079)</u>	<u>82,001</u>
Unallocated income							<u>12,414</u>
Operating profit							<u>94,415</u>
Finance costs	(17,351)	(67)	(22,926)	–	–	–	(40,344)
Share of profit of jointly controlled entities	–	12,595	–	–	–	–	<u>12,595</u>
Profit before income tax							<u>66,666</u>
Income tax expense							<u>(17,057)</u>
Profit for the year							<u>49,609</u>
Segment assets	979,861	120,534	664,793	204,775	57,529	–	2,027,492
Interests in associates	–	–	–	–	13,894	–	13,894
Interests in jointly controlled entities	–	12,595	–	–	–	–	12,595
Unallocated assets							<u>13,833</u>
Total assets							<u>2,067,814</u>
Segment liabilities	(674,814)	(18,947)	(430,130)	(5,532)	(3,772)	–	(1,133,195)
Unallocated liabilities							<u>(67,994)</u>
Total liabilities							<u>(1,201,189)</u>
Capital expenditure	7,809	7,377	3,476	570	318	–	19,550
Depreciation	10,846	6,060	11,839	260	877	–	29,882
Amortisation of leasehold land	173	–	361	–	749	–	1,283
Other non-cash expenses/(income)	27	1,223	(41,000)	–	(208)	–	(39,958)

	Construction HK\$'000	Building materials trading HK\$'000	Property leasing HK\$'000	Hotel operation HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Year ended 31 March 2006							
External sales	1,372,317	29,588	10,934	30,467	8,902	–	1,452,208
Inter-segment sales	–	48,073	–	–	4,312	(52,385)	–
Total sales	<u>1,372,317</u>	<u>77,661</u>	<u>10,934</u>	<u>30,467</u>	<u>13,214</u>	<u>(52,385)</u>	<u>1,452,208</u>
Segment results	<u>12,721</u>	<u>(6,711)</u>	<u>16,203</u>	<u>5,910</u>	<u>(8,647)</u>	<u>(139)</u>	19,337
Unallocated income							<u>7,707</u>
Operating profit							27,044
Finance costs	(13,855)	(61)	(7,519)	–	–		(21,435)
Share of loss of jointly controlled entities	–	(510)	–	–	–		<u>(510)</u>
Profit before income tax							5,099
Income tax expense							<u>(3,079)</u>
Profit for the year							<u>2,020</u>
Segment assets	775,338	99,428	621,715	225,546	56,919		1,778,946
Interests in associates	–	–	–	–	9,769		9,769
Unallocated assets							<u>16,982</u>
Total assets							<u>1,805,697</u>
Segment liabilities	(450,606)	(16,197)	(450,884)	(7,133)	(2,305)		(927,125)
Unallocated liabilities							<u>(64,240)</u>
Total liabilities							<u>(991,365)</u>
Capital expenditure	9,735	9,059	–	8,690	9,289		36,773
Depreciation	11,467	6,404	–	4,966	1,262		24,099
Amortisation of leasehold land	145	–	356	–	748		1,249
Other non-cash income	(12)	–	(8,992)	(350)	(302)		(9,656)

3. Operating profit

Operating profit is stated after charging the following:

	2007 HK\$'000	2006 <i>HK\$'000</i>
Depreciation		
Owned property, plant and equipment	22,154	23,300
Leased property, plant and equipment	7,728	799
	29,882	24,099
Operating lease rentals of		
Land and buildings	3,010	3,372
Other equipment	28,494	24,929
	31,504	28,301
Cost of inventories sold	136,248	61,281
Staff costs (excluding directors' emoluments)	227,968	207,717
Amortisation of leasehold land	1,283	1,249
Write-off of doubtful debts	2,711	63
Auditor's remuneration – audit services	1,470	1,323
Outgoings in respect of investment properties	2,921	3,373
Loss on disposal of property, plant and equipment, net	75	–
Exchange losses, net	968	–
	968	–

4. Income tax expense

	2007 HK\$'000	2006 <i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	3,444	1,801
Under provisions in prior years	66	3
Deferred income tax relating to the origination and reversal of temporary differences	13,547	1,275
	17,057	3,079

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the year.

5. Dividends

The Directors recommend the payment of a final dividend at HK1.0 cent per share (2006: Nil), totalling HK\$4,409,000 for the year ended 31 March 2007.

6. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$49,790,000 (2006: HK\$1,967,000) and on the 440,949,600 (2006: 440,949,600) shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2007 and 2006 are not presented as there are no potential dilutive shares during the years.

7. Trade debtors, net

The aging analysis of the trade debtors of the Group (net of provision) is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Not yet due	189,497	138,003
Overdue by:		
1 – 30 days	39,898	16,998
31 – 90 days	7,448	3,788
91 – 180 days	783	3,045
over 180 days	15,275	9,401
	<u>252,901</u>	<u>171,235</u>

The Group's trade debtors are mainly denominated in Hong Kong dollar. The trade debtors are due 21 days to one year after invoicing depending on the nature of services or products.

8. Payables to suppliers and subcontractors

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

	Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Not yet due	114,127	102,133
Overdue by:		
1 – 30 days	8,711	313
31 – 90 days	907	24
91 – 180 days	190	3
Over 180 days	546	329
	<u>124,481</u>	<u>102,802</u>

The amounts payable to suppliers and subcontractors are mainly denominated in Hong Kong dollar.

9. 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. At 31 March 2007, the Group had various liquidated damages claims on certain contracts for which the Group has filed extension of time claims with the customers. 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 2006, the Group received a statement of claims for an aggregate amount of approximately HK\$4.2 million for alleged breach of contract and uncertified workdone in connection with a design work contract. Financial expenses arising from the claims have been assessed by the Directors with reference to legal advice. Based on this advice, the Directors do not consider that any significant adverse financial impact will crystallise in respect of the claims and accordingly, no provision was made as at 31 March 2007.

- (c) In 2004, the Group initiated a mediation process with one of its customers in an attempt to reach a satisfactory commercial settlement on outstanding claims made by the Group relating to one of its completed construction contracts. In 2006, the Group has elevated the case to arbitration. Based on an external consultant's evaluation after the first hearing of arbitration in June 2007, the likely recoverable amount has been included in "Due from customers on construction contracts".

RESULTS OF THE YEAR

The consolidated turnover of Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2007 has increased by 45% to HK\$2,109,311,000 (2006: HK\$1,452,208,000) while the gross profit increased by 42% to HK\$177,667,000 (2006: HK\$125,290,000). The gross profit margin however has decreased slightly from 8.6% in 2006 to 8.4% in this year. Together with the fair value gain on investment properties of HK\$41,000,000 (2006: HK\$9,000,000), the operating profit of the Group has increased by HK\$67,371,000 or 249% to HK\$94,415,000 (2006: HK\$27,044,000). Full year results for the hotel operation in 2007 compare with only 5-month operation in 2006 is also a main contributor to the improved results of the Group. However, high finance costs have continued to impact the Group's results. The total finance costs has increased by 88% to HK\$40,344,000 (2006: HK\$21,435,000). Improvements in the performance of the Group's jointly controlled entities were recorded and provision on amounts due from an associate of HK\$4,033,000 has been written back. The performances of individual business segment are detailed in note 2 to the financial statements. As a result the Group has achieved a profit before income tax and profit attributable to shareholders of HK\$66,666,000 (2006: HK\$5,099,000) and HK\$49,790,000 (2006: HK\$1,967,000) respectively. The net asset value of the Group as at 31 March 2007 was HK\$866,625,000 (2006: HK\$814,332,000) equivalent to HK\$1.97 (2006: HK\$1.85) per share based on the 440,949,600 (2006: 440,949,600) ordinary shares in issue.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK1.0 cent per share (2006: Nil) for the year ended 31 March 2007. Subject to shareholders' approval at the forthcoming Annual General Meeting, the final dividend will be paid on 25 September 2007 to shareholders whose name appear on the Company's register of members on 24 August 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20 August 2007 to Friday, 24 August 2007, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificate must be lodged with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on Friday, 17 August 2007.

REVIEW OF OPERATION

Building construction, renovation and maintenance

During the year, the Group completed four contracts with a total contract value of HK\$608 million and secured three contracts with total contract sum of HK\$675 million giving the total value of contracts in hand as at 31 March 2007 of HK\$3,344 million (2006: HK\$3,277 million). Subsequent to the year ended and up to 30 June 2007, the Group has further secured four contracts with total value of HK\$2,175 million and a joint venture contract with contract sum HK\$1,654 million and completed two contracts with total contract sum of HK\$1,383 million. The sum of value contracts in hand excluding joint venture contract has therefore increased to HK\$4,136 million as of 30 June 2007 from that of the year ended date. The increase in turnover and contracts in hand was the result of the upturn of the construction market in Hong Kong. The results of the construction segment decreased from HK\$12,721,000 in 2006 to HK\$8,777,000 in 2007, because of upward revision of the costs estimation for some construction projects. However, the effect of increased costs was partially offset by the reversal of amounts due from customers on construction contracts previously written off.

Upholding of high quality, safety and environmental standards have always been the Group's major focus. Relentless effort has been made to maintain the high standard. The effort of the Group is well recognized by the industry and over 45 safety, quality and environmental awards have been awarded to the Group during the year. The major awards are:

1. the "Gold Award for Outstanding Waste Management Performance Grand Award" for **Considerate Contractors Site Award**
2. the "Gold Award for Outstanding Contractor Award (Building)" for **New Works Category**
3. the "Gold Award for Building Sites (Public Sector)" for **Safety Award Scheme for the Construction Industry**
4. the "Silver Award for Building Site (Public Sector)" for **Safety Award Scheme for the Construction Industry**

Property investment

The Group's wholly owned investment property at 33 Sharp Street East Causeway Bay (also known as Express by Holiday Inn Causeway Bay, Hong Kong) made a substantial contribution to the Group's results. The retail units are fully let during the year and the average occupancy rate of the Hotel is better than the market average in Hong Kong. Due to the improvement in the property market, especially retail properties, the Group recorded a gain in fair value of the retail portion of HK\$41,000,000.

Other Operations

The Group's other business mainly includes information technology services provision, precast building components manufacturing and trading, plumbing works, building materials trading and the newly set up curtain wall and steel works contracting division. These businesses account for only about 2% of the Group's total external sales and therefore did not have a significant contribution to the Group's result. However they do form integral parts of the Group's operation for the upholding of the quality of the Group's services and products.

OUTLOOK

The construction industry has begun its upturn during the year and we expect the trend will continue in the foreseeable future. However, competition in the market remains keen and there is ever increasing demand in the technical and financial capability of contractors. The Group's effort in enhancing technical abilities has been rewarded by the winning of several large Design and Build contracts from the government. And the management foresees that this will continue to be the major focus of the construction market in Hong Kong in the coming years. The demand for the public housing estate construction and maintenance work shall remain stable, the Group with its ample experience and good track record should also be able to sustain a reasonable market share.

The hotel and investment properties owned by the Group shall continue to be a major contributor to the Group's results. The hotel's occupancy rate and the room rate are expected to increase as the upward trend of demand for mid tariff hotels maintain its momentum. Certain of the leases for the investment properties are due for renewal in the coming months. Increase in rental income is expected base on the current market conditions.

With the promising future of both the construction market, the property market and the hotel market, the management believes the Group shall continue its growth trend in the coming years. At the same time the management will keep an eye on any suitable opportunities that may arise.

FINANCIAL POSITION

At 31 March 2007, the Group's total cash in hand was HK\$213,011,000 (2006: HK\$257,696,000) while total bank borrowings increased by HK\$157,524,000 in 2007 to HK\$889,827,000 (2006: HK\$732,303,000) this year. The substantial increase in bank borrowings was caused by the increased debtors, due from customers and other receivables resulted from the significant increase during the year. If the HK\$426,800,000 (2006: HK\$446,800,000) long-term loan secured by the Group's hotel and investment properties is excluded, the Group has a net debt of HK\$250,016,000 (2006: HK\$27,807,000) representing a net debt to equity ratio of 28.8% (2006: 3.4%). The current ratio (total current assets: total current liabilities) has maintained at 1.6 (2006: 1.6). Due to the increased indebtedness, the Group has breached certain of the loan covenants imposed by a syndicate of banks (the "Banks") in respect of a committed loan facility of up to HK\$100,000,000 (the "Loan"). The outstanding balance of the Loan as at 31 March 2007 was HK\$100,000,000 and has been reduced to HK\$70,000,000 subsequent to the year end date. In accordance with the relevant loan agreements, the Banks have the right to withdraw the facilities. However, a waiver application has been submitted to the Banks for a waiver of the above breach. Base on the long-term relationship and good track record with the Banks, the management is confident that a waiver can be obtained and there will not be any adverse effect to the Group's liquidity.

The short-term and long-term bank borrowings are secured by the Group's investment properties, investment in unit trust and certain time deposits. Interest on bank loans are charged at floating rates and the Company monitors interest rate risks continuously and hedge any excessive risk when necessary. The total bank facilities granted to the Group at 31 March 2007 was approximately HK\$1,021 million (2006: HK\$951 million), of which approximately HK\$913 million (2006: HK\$747 million) had been utilised.

HUMAN RESOURCES

At 31 March 2007, the Group employed approximately 1,000 employees in Hong Kong and Macau and approximately 1,000 employees in Mainland China.

Employees in Hong Kong and Macau are either paid on a monthly salary basis or daily wages basis. Salaried employees are entitled to benefits according to seniority such as discretionary bonus which are based on their performance, double pay, defined contribution provident funds, annual leave, employer sponsored trainings and others.

Employees in Mainland China are remunerated according to the prevailing market conditions in the location of their employment.

Employees are encouraged to participate voluntary community services as part of their development. The Group was awarded “Caring Company 2006/2007” organized by the Hong Kong Council of Social Service.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the financial year ended 31 March 2007, except for the code provision A.2.1 and A.4.2.

Under the code provision A.2.1 which requires the roles of chairman and chief executive officer should be separated 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. The roles of the Chairman and the Chief Executive of the Company are not separated and are performed by the same individual, Mr. Wong Ip Kuen. The current structure will enable the Company to make and facilitate the implementation of decisions promptly and efficiently.

Under the code provision A.4.2 which require every director should be subject to retirement by rotation at least once every three years, but in accordance with the Bye-laws which stipulates that one-third of the directors of the Company, except director holding office as Chairman, should be subject to retirement by rotation at each annual general meeting. This Code Provision also stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with the Bye-laws of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. The Board of the Company considers that the impact of deviation is immaterial and casual vacancy does not happen frequently.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code of Appendix 10 of the Listing Rules. The Directors have complied with such code of conduct throughout the year covered by the Annual Report.

REVIEW BY AUDIT COMMITTEE

The Group's final results for the year ended 31 March 2007 have been reviewed by the Audit Committee which comprises three Independence Non-Executive Directors. The audit committee, together with the management and the Company's auditors, PricewaterhouseCoopers, has reviewed the consolidated financial statements for the year ended 31 March 2007 of the Group.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in this annual results announcement have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2007. 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.

INFORMATION TO BE PUBLISHED ON THE STOCK EXCHANGES WEBSITE

Information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchanges website in due course.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 19 July 2007

As at the date of this announcement, the Executive Directors of the Company are Mr. Wong Ip Kuen, Mr. Wong Tin Cheung, Mr. Sun Chun Wai and Mr. So Yau Chi. The Independent Non-Executive Directors of the Company are Dr. Yeung Tsun Man, Eric, Mr. Wu King Cheong and Mr. Chan, Bernard Charnwut.

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

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