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有利集團有限公司[#]
Yau Lee Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 00406)

**MAJOR TRANSACTION
ACQUISITION
RESUMPTION OF TRADING**

The Board is pleased to announce that on 25 March 2008, the Company as purchaser and Mitsubishi Electric Hong Kong Group Limited as vendor has entered into a sale and purchase agreement (the “**Agreement**”) for the sale and purchase of 50,000,000 shares of HK\$1.00 each held by and registered in the name of the Vendor in the issued share capital of Ryoden Engineering Company Limited (菱電工程有限公司) (“**REC**”), representing 100% of its issued share capital, at a total cash consideration of HK\$46,000,000 (the “**Consideration**”) subject to and conditional upon the terms and conditions contained in the Agreement.

Completion of the Acquisition is conditional upon the following conditions being satisfied (or waived) on or before the Long Stop Date:

- (a) the Vendor having obtained all necessary approval and consents for entering into the Agreement and carrying out the transaction contemplated thereunder, including without limitation, approval of its board of directors;
- (b) the Company having obtained all necessary approval and consents for entering into the Agreement and performing its obligations thereunder, including without limitation, approval of the shareholders of the Company (if required) under the Listing Rules and other government and regulatory approvals;
- (c) all the sums due from any companies of the REC Group to the Vendor and/or its related companies have been repaid in full; and

[#] for identification only

- (d) all the Parent Company Guarantees having been discharged and replaced with similar guarantees or such other security from the Company (or other parties) in a manner acceptable to the Beneficiaries and the Company, or failing that, the Counter-Indemnity having been provided by the Company in favour of the Vendor.

The Acquisition constitutes a major transaction for the Company under Chapter 14.06(3) of the Listing Rules and is subject to the approval of the shareholders of the Company.

By acquiring REC (and thus the control in the Group Companies (as defined in the Section below headed “Information on the Vendor and the REC Group”), the Board is of the view that the Company will be able to diversify its business and hence generate more revenue for the Company in the long run.

To the best of the Director’s knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owner(s) are not connected persons of the Company and are third parties not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates according to the Listing Rules.

Since no shareholders of the Company is interested in the Acquisition, none of them is required to abstain from voting if a general meeting of the Company is convened to approve the Acquisition. Pursuant to Rule 14.44 of the Listing Rules, a written approval from the Company’s majority shareholder(s) is accepted in lieu of a majority vote at a general meeting of the Company to approve the Acquisition.

On 20 March 2008, the Company has obtained from Mr. Wong Ip Kuen (黃業強), being the controlling shareholder of the Company who holds 234,033,599 shares representing 53.07% of the issued share capital of the Company, a written approval of the Acquisition and transactions incidental to the Acquisition. Accordingly, there is no need to convene a shareholders’ meeting to approve the Acquisition and the transactions contemplated thereunder.

A circular containing (among other things) further details of the Acquisition and the accountants’ report will be dispatched to the shareholders of the Company as soon as practicable.

Trading in the shares of the Company has been suspended at the request of the Company commencing from 9:30 a.m. on 26 March 2008 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 28 March 2008.

ACQUISITION

Date: 25 March 2008

- Parties:** (1) the Company (as purchaser); and
- (2) Mitsubishi Electric Hong Kong Group Limited (as vendor)

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owner(s) are not connected persons of the Company and are third parties not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates according to the Listing Rules.

Assets to be acquired

50,000,000 fully-paid shares of HK\$1.00 each, representing 100% shares in the issued share capital of REC. Particulars of such shares, REC Group are set forth respectively in the paragraphs below headed "Information on the assets to be acquired under the Acquisition" and "Information on the Vendor and the REC Group".

Consideration

The Consideration for the Acquisition is HK\$46,000,000 which is payable to the Vendor in one lump sum in cash upon completion of the Acquisition. The Consideration is fixed without adjustment.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor having regard to:

- (a) The goodwill of the REC Group and its well established and active participation in and has various licences to undertake both governmental and private construction-related projects in Hong Kong, Macau and PRC;
- (b) The turnover and profitability of the REC Group for the last 10 years; the price earnings ratio is approximately 3.65 based on the audited consolidated net profits after taxation and extraordinary items of REC for the financial year ended 31 December 2006;
- (c) REC's revenue generating capacity in the coming years in view of the escalating demands for construction-related facilities in Macau and PRC;
- (d) REC's solvent status and its net assets value as shown in its audited consolidated financial statements for the financial year ended 31 December 2006 and the unaudited consolidated financial statements for the financial year ended 31 December 2007; and
- (e) The intrinsic value of the various contractor licences, the ISO9001:2000 Certificate, the grade-one and grade-three qualification certificates issued by the China Construction Authority being held by REC Group. As of the date of this announcement, REC Group has obtained altogether 33 different licences and/or qualification certificates.

The Directors considered that the Consideration for the Acquisition is fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Consideration for the Acquisition will be financed by the Company's own financial resources without any external loan financing.

As shown in the audited accounts of REC for the financial year ended 31 December 2006, the net assets value of REC is approximately of HK\$2,489,000; the audited net profits before and after taxation and extraordinary items of REC for the financial year ended 31 December 2006 are HK\$14,688,000 and HK\$12,602,000 respectively.

As shown in the unaudited accounts of REC for the financial year ended 31 December 2007, the net assets value of REC is approximately of HK\$20,418,000; the unaudited net profits before and after taxation and extraordinary items of REC for the financial year ended 31 December 2007 are HK\$17,656,000 and HK\$14,794,000 respectively.

Conditions precedent

- (a) the Vendor having obtained all necessary approvals and consents for entering into the Agreement and carrying out the transactions contemplated thereunder, including without limitation, approval of its board of directors;
- (b) the Company having obtained all necessary approvals and consents for entering into the Agreement and performing its obligations thereunder, including without limitation, approval of the shareholders of the Company if required under the Listing Rules and other government and regulatory approvals;
- (c) all the sums due from any companies of the REC Group to the Vendor and/or its related companies have been repaid in full;
- (d) all of the Parent Company Guarantees having been discharged and replaced with similar guarantees or such other security from the Company (or other parties) in a manner acceptable to the Beneficiaries and the Company, or failing that, the Counter Indemnity having been provided by the Company in favour of the Vendor.

If any of the above conditions precedent has not been satisfied or waived on or before the Long Stop Date, the Agreement shall automatically terminate. Upon termination, all rights and obligations of the Company and the Vendor under the Agreement shall cease (save for Clauses governing "Costs", "Announcement", "Confidentiality", "Choice of Governing Law", "Jurisdiction" and "Service of Legal Process" and all other provisions in the Agreement which, by their nature, should survive the termination of the Agreement) but all rights and liabilities of the Company and the Vendor which have accrued before termination shall continue to exist).

Others

The REC Group may continue to use the company name of "Ryoden Engineering Company Limited" and "菱電工程有限公司" for a period of three years after completion of the Acquisition but such right to use the said company name shall cease if (a) more than 50% shares in REC are transferred to a third party within three years after completion, or (b) there is any material change in the core business of REC Group.

The Company undertakes with the Vendor that in the event that any of the Parent Company Guarantees is not discharged as at completion of the Acquisition, the Company shall, at the request of the Vendor in writing, execute the Counter Indemnity to indemnify and hold harmless the Vendor against any liability, loss, damages or claims whatsoever suffered by the Vendor arising from or in connection with any such Parent Company Guarantees which have not been discharged as at the date of the Counter Indemnity. The provision of the Counter-Indemnity will be unnecessary if all the Parent Company Guarantees shall have been discharged on or before the Long Stop Date.

The Directors of the Company are of the view that the terms and conditions of the Acquisition are fair and reasonable and in the interests of the shareholders of the Company as a whole.

INFORMATION ON THE ASSETS TO BE ACQUIRED UNDER THE ACQUISITION

All the 50,000,000 shares held by and registered in the name of the Vendor representing 100% shares in the issued share capital of REC. All the shares are of nominal value of HK\$1.00 each and have been fully paid. Shares and/or equity interest held by the Vendor in the Group Companies are shown in the paragraph below headed “Information on the Vendor and the REC Group”.

INFORMATION ON THE VENDOR AND THE REC GROUP

The Vendor is a private limited company incorporated in Hong Kong on 27 January 1966 and its principal activities are mainly investment holding and providing services of general affairs, human resources, training and development, accounting, finance, legal advice, management information systems, auditing or others to advance the interests of its subsidiaries. The shareholders of the Vendor are Mitsubishi Electric Corporation and Mitsubishi Corporation, both are companies incorporated in Japan under the laws of Japan. The Vendor and its ultimate beneficial owners are parties independent of the Company and not connected persons of the Company.

The following companies are subsidiaries and/or associated company of REC:

(a) Wholly-owned subsidiaries directly held by REC

1. RCC, a private limited company incorporated in Hong Kong
2. SEL, a private limited company incorporated in Hong Kong
3. RCL, a private limited company incorporated in Hong Kong
4. TSL, a private limited company incorporated in Hong Kong
5. Macau branch of REC
6. Macau branch of RCC

(b) Wholly-owned subsidiary indirectly held by REC

RCS, a wholly foreign owned enterprise established in Shanghai, in which REC holds 100% equity interest through RCC.

(c) Non wholly-owned subsidiary indirectly held by REC

GDJV, an equity joint venture company established in Guangdong, in which REC holds 60% equity interest through RCC. The shareholders of the remaining 40% and their ultimate beneficial owners are third parties independent of the Company and not connected persons of the Company.

(d) Associated company of REC

Eye Lighting, a private limited company incorporated in Hong Kong and trading mainly in lighting equipment and accessories, in which REC holds 38% shares. The shareholders of the remaining 62% and their ultimate beneficial owners are third parties independent of the Company and not connected persons of the Company.

REC Group does not own any real property whether in Hong Kong, Macau or PRC.

REC Group have been providing various services as described in the following sub-paragraphs and REC Group have been participating in numerous government and private projects in Hong Kong and PRC since 1980's, and in Macau since early 2000's.

REC was incorporated in Hong Kong on 17 May 1988. The principal activity of REC is the provision of electrical, mechanical, ventilation and air condition, fire, plumbing and environmental engineering services. REC is a registered and/or licenced specialist contractor and/or approved supplier to various departments in the government of Hong Kong Special Administrative Region. REC is the holder of ISO9001-2000 Certificate. REC has a branch office in Macau responsible mainly for the submission of tender documents for large projects in Macau.

RCL was incorporated in Hong Kong on 22 November 1994. The principal activity of RCL is the provision of electrical, mechanical and fire engineering services. RCL is a registered and/or licenced specialist contractor.

RCC was incorporated in Hong Kong on 17 May 1988. The principal activity of RCC is investment holding. It has a branch office in Macau responsible mainly for the submission of tender documents for small projects in Macau.

TSL was incorporated in Hong Kong on 2 December 1980. The principal activity of TSL is selling of equipment and chemicals and the provision of water treatment services.

SEL was incorporated in Hong Kong on 12 August 1983. The principal activity of SEL is the provision of electrical and mechanical engineering services. SEL is a registered electrical contractor.

GDJV is a sino-foreign equity joint venture. It was incorporated in Guangdong, PRC on 18 January, 1994. It has a business licence valid for the period between 9 April 1994 and 8 April 2009. The principal activity of GDJV is the provision of design, installation and maintenance services for industrial and civil engineering and mechanical projects and business ancillary thereto. GDJV has obtained grade three qualification for mechanical & electrical equipment installation, grade three qualification for intelligent building engineering and grade three qualification for design, construction and maintenance of security technique defense system. Relevant qualification certificates are issued by the China Construction Authority. GDJV is awarded with a BG/T19001-2000 idt ISO9001-2000 Certificate issued by Guangdong Zhongjian Certification Co. Ltd..

RCS is a wholly-foreign owned enterprise. It was incorporated in Shanghai, PRC on 14 November 2003 and has a business licence valid for the period between 14 November 2003 and 13 November 2053. The principal activity of RCS is the provision of general contracting services for mechanical and electrical projects, professional contracting services for mechanical and electrical equipment installation, professional contracting services for fire equipment installation, professional contracting services for environmental projects, professional contracting services for intellectual premises, professional contracting services for building decoration and giving consultation services and technical support services. RCS has obtained grade one qualification for general contracting of mechanical and electrical project and grade one qualification for professional contracting of mechanical and electrical equipment installation. Relevant qualification certificates are issued by the China Construction Authority.

Eye Lighting was incorporated in Hong Kong on 5 May 1992. The principal activity of Eye Lighting is the trading in lamps, light fittings and related products.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The reasons for the Acquisition are that the Company intends to diversify its business and to expand its market share in Hong Kong, Macau and PRC in light of the booming construction industry in these places.

The benefits of the Acquisition are that the well established network and participation of REC Group in Hong Kong, Macau and PRC markets and the experienced technical and administrative personnel in REC Group will help the Company diversify its business in the coming years in a more efficient and quicker manner. The Company does not have to go through the processes (such as recruitment, training and marketing) which are both time and costs consuming and that will otherwise be required in the case of establishing a new company with similar business nature as the REC Group. Further, REC Group has been awarded numerous government and private projects in Hong Kong, Macau and PRC which are on-going with expected completion date in 2008, 2009 and 2010. The existing experienced technical and administrative personnel in REC Group can monitor and handle such on-going projects.

After the Acquisition, REC will become a wholly owned subsidiary of the Company and the accounts of REC will be consolidated into the books of the Company.

GENERAL

The Company is principally engaged in undertaking construction projects for both government and private sectors in Hong Kong, Macau and PRC. The Company and its ultimate beneficial owners are third parties independent of REC and not connected persons of REC.

The Acquisition constitutes a major transaction for the Company under Chapter 14.06(3) of the Listing Rules and is subject to the approval of the shareholders of the Company.

Since no shareholders of the Company is interested in the Acquisition, none of them is required to abstain from voting if a general meeting of the Company is convened to approve the Acquisition. Pursuant to Rule 14.44 of the Listing Rules and assuming that the accountants' report on REC Group to be included in the Circular contains no qualified opinion, a written approval from the Company's majority shareholder is accepted in lieu of a majority vote at a general meeting of the Company to approve the Acquisition. Accordingly, the Company has obtained a written approval from Mr. Wong Ip Kuen (黃業強) who as at the date of this announcement holds 53.07% of the issued share capital of the Company approving the Acquisition and other related transactions contemplated by the relevant transaction documents. It is not anticipated that qualified opinion will be included in the accountants' report on REC Group which is in the course of preparation, but the Company will (where necessary) include in the circular a notice of convening a general meeting to approve the Acquisition should the accountants' report contain qualified opinion.

A circular containing (among other things) further details of the Acquisition and the accountants' report will be dispatched to the shareholders of the Company as soon as practicable.

Trading in the shares of the Company has been suspended at the request of the Company commencing from 9:30 a.m. on 26 March 2008 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 28 March 2008.

DEFINITIONS

In this announcement, the following words and phrases have the following meanings:

“Acquisition”	the acquisition of the 100% of the issued share capital in REC from Vendor by the Company
“Board”	the board of directors of the Company
“Company”	Yau Lee Holdings Limited
“Counter-Indemnity”	the counter indemnity in the agreed form as set out in Schedule 5 of the Agreement to be given by the Company in favour of the Vendor wherein the Company shall indemnify the Vendor against any liability, loss, damages or claims whatsoever suffered by the Vendor arising from or in connection with any such Parent Company Guarantees which have not been discharged as at the date of the Counter Indemnity
“GDJV”	Guangdong Yuean Ryoden Mechanical & Electrical Engineering Company Limited 廣東粵安菱電機電工程有限公司
“Eye Lighting”	Eye Lighting (Hong Kong) Limited 岩崎電氣(香港)有限公司
“Group Companies”	RCC, SEL, RCL, TSL, RCS, GDJV and Eye Lighting
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 p.m. (Hong Kong time) on 31 March 2008, which shall be automatically extended up to 5:00 p.m. (Hong Kong time) on 31 May 2008 if any of the conditions precedent under the Agreement has not been satisfied or waived on or before 31 March 2008, unless the Company and the Vendor agree to further extend it to such other later date and time in writing
“Outstanding Company Guarantees”	any of the Parent Company Guarantees which have not been discharged as at completion of the Acquisition

“Parent Company Guarantees”	the guarantees given by the Vendor in favour of (a) the Project Owners or the Main Contractors (as the case may be) to secure the performance of the Group Companies under the contracts between such Project Owners or Main Contractors (as the case may be) and the relevant Group Companies in relation to the provision of services by the relevant Group Companies for certain engineering projects, the particulars of which are set out in Part A of Schedule 3 of the Agreement; and (b) the Lenders to secure the performance of the Group Companies under the Facility Letters, the particulars of which are set out in Part B of Schedule 3 of the Agreement
“RCC”	Ryoden (China) Company Limited 菱電(中國)有限公司
“RCL”	Ryoden Engineering Contracting Company Limited 菱電機電工程有限公司
“RCS”	Ryoden Mechanical & Electrical Engineering (Shanghai) Company Limited 菱電機電工程(上海)有限公司
“REC”	Ryoden Engineering Company Limited 菱電工程有限公司
“REC Group”	REC and the Group Companies
“PRC”	the People’s Republic of China
“SEL”	Steerers Engineering Limited 新捷工程有限公司
“Stock Exchange”	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司
“TSL”	Tin Sing Chemical Engineers Limited 天成化工有限公司
“Vendor”	Mitsubishi Electric Hong Kong Group Limited 三菱電機香港集團有限公司

This announcement will be available (in both English and Chinese versions) on the Company’s website from Thursday, 27 March 2008.

By Order of the Board
Yau Lee Holdings Limited
Chui Man Lung, Everett
Company Secretary

Hong Kong, 27 March 2008

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