



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
31ST MARCH 2006**

The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (“the Group”) for the year ended 31st March 2006 together with comparative figures for the year ended 31st March 2005 as follows:–

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2006

	<i>Note</i>	2006 HK\$000	2005 HK\$000
Turnover	2	1,452,208	1,355,583
Cost of sales		(1,326,918)	(1,234,086)
Gross profit		125,290	121,497
Other income		7,713	2,639
Administrative expenses		(112,154)	(105,674)
Other operating income		775	795
Other operating expenses		(3,580)	(5,047)
Change in fair value of investment properties		9,000	54,857
Operating profit	3	27,044	69,067
Finance costs		(21,435)	(8,701)
Share of loss of associated companies		–	(2,384)
Share of loss of a jointly controlled entity		(510)	–
Profit before income tax		5,099	57,982
Income tax expense	4	(3,079)	(12,281)
Profit for the year		2,020	45,701
Attributable to:			
Equity holders of the Company		1,967	47,085
Minority interests		53	(1,384)
		2,020	45,701
Dividends	5	–	4,851
Earnings per share	6	0.45 cents	10.68 cents

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2006

	<i>Note</i>	2006 HK\$000	2005 HK\$000
ASSETS			
Non-current assets			
Property, plant and equipment		303,543	291,889
Investment properties		299,000	290,000
Leasehold land		353,321	342,189
Associated companies		39	39
Deferred income tax assets		30	46
Other non-current assets		29,779	37,009
		985,712	961,172
Current assets			
Cash and bank balances		257,696	195,313
Trade debtors, net	7	171,235	181,228
Inventories		11,599	10,908
Prepayments, deposits and other receivables		63,516	44,148
Prepaid income tax		1,783	402
Due from customers on construction contracts		299,423	224,928
Short-term investments		–	10,335
Financial assets at fair value through profit or loss		4,973	–
Due from associated companies		9,730	15,821
Due from related parties		30	30
		819,985	683,113
Total assets		1,805,697	1,644,285
EQUITY			
Share capital		88,190	88,190
Other reserves		416,515	415,789
Retained profits		–	3,307
Proposed final dividend		308,818	310,221
Others		–	–
Equity holders		813,523	817,507
Minority interests		809	756
Total equity		814,332	818,263
LIABILITIES			
Non-current liabilities			
Long-term borrowings		427,285	340,291
Deferred income tax liabilities		53,102	51,843
		480,387	392,134
Current liabilities			
Bank overdrafts – secured		1,549	29,715
Short-term bank loans – secured		283,954	195,856
Current portion of long-term borrowings		21,655	11,179
Payables to suppliers and subcontractors	8	102,802	100,161
Accruals, retentions payable and other liabilities		88,542	79,413
Income tax payable		790	1,259
Due to customers on construction contracts		2,479	15,776
Due to jointly controlled entity		9,207	–
Due to related parties		–	529
		510,978	433,888
Total liabilities		991,365	826,022
Total equity and liabilities		1,805,697	1,644,285
Net current assets		309,007	249,225
Total assets less current liabilities		1,294,719	1,210,397

Notes:

1. Basis of preparation and accounting policies

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has early adopted certain of these HKFRSs and interpretation in the financial statements for the financial year ended 31st March 2005 as follows:

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 40	Investment Property
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

In current year, the Group adopted all remaining new/revised standards and interpretations of HKFRSs, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 27	Evaluating the Substance of Transactions in the Legal Form of a Lease
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 11, 12, 14, 18, 19, 21, 23, 24, 27, 28, 31, 33, 36, 37, 38, HK(SIC)-Ints 15, 27 and HKFRSs 2, 3 did not result in substantial changes to the Group’s accounting policies. In summary,

HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates, jointly controlled entity and other disclosures.

HKAS 32 and HKAS 39

The adoption of HKAS 32 and HKAS 39 has resulted in change in accounting policies for recognition, measurement, derecognition and disclosures of financial instruments.

Investment securities

By 31st March 2005, investments in equity securities are classified as short-term investments. From 1st April 2005, the investments in securities were re-designated as financial assets at fair value through profit or loss.

Loans and receivable

Prior to 31st March 2005, loans and receivables were carried at cost less impairment losses. From 1st April 2005 onwards, loans and receivables are carried at amortised cost using the effective interest method. HKAS 39 does not permit to recognise and measure financial assets and liabilities in accordance with the standard on a retrospective basis. Hence, HKAS 39 is applied on a prospective basis.

The effect of the adoption of HKASs 32 and 39 was as follows:

	2006
	HK\$000
Decrease in long-term trade debtors as at 1st April 2005	3,370
Decrease in retained earnings as at 1st April 2005	3,370
Increase in profit for the year ended 31st March 2006	823
Increase in earnings per share (HK cents)	0.19

2. Turnover, revenues and segment information

The Group's turnover and operating profit for the year were derived principally from the contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong, building materials trading, property leasing and operating a hotel in Hong Kong.

	2006		2005	
	Turnover HK\$'000	Operating profit/(loss) HK\$'000	Turnover HK\$'000	Operating profit/(loss) HK\$'000
Contracting of building construction, plumbing, maintenance and fitting-out projects	1,372,317	15,141	1,291,309	23,985
Building materials trading	29,588	(4,958)	52,484	10,405
Property leasing	10,934	16,203*	7,903	54,062*
Hotel Operation	30,467	5,910	—	—
Others	8,902	(5,252)	3,887	(19,385)
	1,452,208	27,044	1,355,583	69,067

Note: * The operating profit included revaluation surplus of investment properties of HK\$9,000,000 and HK\$54,857,000 in 2006 and 2005 respectively.

	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 31st 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	1,372,317	77,661	10,934	30,467	13,214	(52,385)	1,452,208
Segment results	12,721	(6,711)	16,203	5,910	(8,647)	(139)	19,337
Unallocated income							7,707
Operating profit							27,044
Finance costs	(13,855)	(61)	(7,519)	—	—		(21,435)
Share of loss of a jointly controlled entity	(510)	—	—	—	—		(510)
Profit before income tax							5,099
Income tax expense							(3,079)
Profit for the year							2,020
Year ended 31st March 2005							
External sales	1,291,309	52,484	7,903	—	3,887	—	1,355,583
Inter-segment sales	45,742	58,116	—	—	14,137	(117,995)	—
Total sales	1,337,051	110,600	7,903	—	18,024	(117,995)	1,355,583
Segment results	22,198	10,405	54,062	—	(7,394)	(9,657)	69,614
Unallocated expenses							(547)
Operating profit							69,067
Finance costs	(6,416)	(157)	(2,128)	—	—		(8,701)
Share of loss of associated companies	—	—	—	—	(2,384)		(2,384)
Profit before income tax							57,982
Income tax expense							(12,281)
Profit for the year							45,701

3. Operating profit

Operating profit is stated after charging and crediting the following:

	2006 HK\$000	2005 HK\$000
Charging:		
Depreciation		
– Owned property, plant and equipment	23,300	20,695
– Lease property, plant and equipment	799	611
	<u>24,099</u>	<u>21,306</u>
Operating lease rentals of		
– Land and buildings	3,372	4,063
– Other equipment	24,929	13,226
	<u>28,301</u>	<u>17,289</u>
Cost of inventories sold	61,281	86,023
Staff Costs (excluding Directors' emoluments)	207,717	186,619
Amortisation of prepaid leasehold land	1,249	1,068
Amortisation of development costs	–	606
Impairment for development costs	–	1,211
Write-off of doubtful debts	63	463
Loss on liquidation of subsidiaries	–	264
Auditors' remuneration	1,323	1,030
Loss on disposal of an associated company	–	840
Unrealised losses on short-term investments	–	529
Outgoings in respect of investment properties	<u>3,373</u>	<u>5,029</u>
Crediting:		
Rental income from an investment property	10,934	5,815
Gain on disposal of property, plant and equipment	4	34
Write back of provision for impairment of trade debtors	–	319
Unrealised gain on financial assets at fair value through profit or loss	99	–
Realised gain on financial assets at fair value through profit or loss	356	–
Exchange gains, net	<u>652</u>	<u>498</u>

4. Income tax expense

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

	2006 HK\$000	2005 HK\$000
Current income tax		
Hong Kong profits tax	1,801	3,798
Under/(Over) provisions in prior years	3	(107)
Deferred income tax relating to the origination and reversal of temporary differences	<u>1,275</u>	<u>8,590</u>
	<u>3,079</u>	<u>12,281</u>

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) 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.

5. Dividends

The Directors do not recommend the payment of a final dividend (2005: HK\$0.0075).

6. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to equity holders of Company of approximately HK\$1,967,000 (2005: HK\$47,085,000) and on the 440,949,600 (2005: 440,949,600) shares in issue during the year.

Diluted earnings per share for the year ended 31st March 2006 and 2005 are not presented as there are no potential diluting shares during the years.

7. Trade debtors, net

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

	2006 HK\$000	2005 HK\$000
Not yet due	138,003	156,500
Overdue by:		
1 – 30 days	16,998	13,145
31 – 90 days	3,788	4,254
91 – 180 days	3,045	905
Over 180 days	<u>9,401</u>	<u>6,424</u>
	<u>171,235</u>	<u>181,228</u>

The Group's trade debts 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:

	2006 HK\$000	2005 HK\$000
Not yet due	102,133	98,359
Overdue by:		
1 – 30 days	313	1,623
31 – 90 days	24	–
91 – 180 days	3	–
Over 180 days	<u>329</u>	<u>179</u>
	<u>102,802</u>	<u>100,161</u>

The carrying amounts of the payables to suppliers and subcontractors are mainly denominated in Hong Kong dollar.

RESULTS OF THE YEAR

The turnover of the Group for the year ended 31st March 2006 has increased by 7% to HK\$1,452,208,000 (2005: HK\$1,355,583,000) while the gross profit increased by 3% to HK\$125,290,000 (2005: HK\$121,497,000). The gross profit margin remains stable at approximately 9% for this year and the previous year. The operating profit has, however, decreased by 61% to HK\$27,044,000 (2005: HK\$69,067,000) due to the HK\$46 million decrease in the fair value gain of the Group's investment properties. If the fair value gain on properties are excluded, the Group's operating profit recorded a 27% growth to HK\$18,044,000 compare with HK\$14,210,000 of 2005. This increase was mainly contributed by the profit generated by the hotel owned by the Group which began its operations in November 2005. However the Group's result was affected by the increases in finance costs due to the increase in interest rates during the year. The profit attributable to shareholders as a result was only HK\$1,967,000 (2005: HK\$47,085,000). The net asset value of the Group as at 31st March 2006 was HK\$814,332,000 (2005: HK\$818,263,000) equivalent to HK\$1.85 (2005: HK\$1.86) per share based on the 440,949,600 (2005: 440,949,600) ordinary shares in issue.

DIVIDENDS

The Board of Directors of the Company (the "Directors") does not recommend the payment of a final dividend for the year ended 31st March 2006 (2005: HK\$0.0075).

REVIEW OF OPERATION

Building construction, renovation and maintenance

During the year, the Group completed eight contracts with a total contract value of HK\$2,783 million and six new contracts with total contract sum of HK\$2,319 million were secured during the year. As a result the total value of contracts in hand has decreased to HK\$3,277 million (2005: HK\$3,741 million). Subsequent to the year end, the Group has further secured the Completion Contract for the Construction of Fanling Area 36 Phase 1 with a contract value of HK\$552 million.

The Group has always placed significant effort in the safety, quality and environmental protection. The effort is well recognized by our clients and the Group's subsidiary, Yau Lee Construction Company Limited ("Yau Lee Construction") was awarded 25 awards during the year. A few of the major awards are:

1. the "Gold Award for Outstanding Contractor (Building Category)" for the **2005 Quality Public Housing Construction & Maintenance Award**
2. the "Gold Award for Outstanding Contractor (District Term Contract Category)" for the **2005 Quality Public Housing Construction & Maintenance Award**
3. the "Gold Award in the Category of Green Construction Contractor" for the **2005 Hong Kong Eco-Business Award**
4. the "Gold Award for Building Sites (Public Sector)" for **Safety Award Scheme for the Construction Industry**
5. the "Gold Award for Building Sites (Sub-contractor Category)" for **Safety Award Scheme for the Construction Industry**

Building Components Manufacturing and Trading

The Group recorded a decline in the turnover of building material and components trading during the year due to the slowdown of both public and private housing development in Hong Kong.

The Group has continuously expanded its product range as a strategy to increase revenue source. During the year, the Group formed a joint venture company, Yau Lee Formglas Limited (the "JV") with a Canadian company to engage in the supply and install of decorative products for both local and overseas markets. The JV successfully secured a fitting out contract in Macau with a contract sum of approximately HK\$168 million.

Property Development

The Group's property development project, 33 Sharp Street East, in Causeway Bay comprises of 6 floors of commercial units and a 269 rooms hotel. All the commercial units were fully let since last year. The hotel is branded "Express by Holiday Inn" and managed by the InterContinental Hotels Group under a management contract. The hotel began operation since November 2005 and average occupancy rate were higher than the market average.

Other Operations

The Group's plumbing division continues to provide reliable design and installation services to construction projects undertook by Yau Lee Construction.

The information technology division has not reached its sales target and remained a cost centre for the Group. Efforts to reduce costs by shifting the work into Mainland China and to increase income by stronger marketing activities have achieved some result. The division will continue its efforts to increase sales and control costs.

OUTLOOK

The Hong Kong Economy has recorded healthy growth since 2004. However, signs of recovery in construction sector are less obvious than those of other sectors of the economy. The competitiveness of the market also resulted in consolidation within the industry. The contracts available in the market demand greater technical and financial strength, especially with a number of major Government design and build contracts to be tender in the near future. The Group, foreseeing such trend, has been strengthening its technical ability to be well prepared to face the market challenge. And at the same time planning to form joint ventures with fellow construction companies to bid for those contracts. The management is of the view that the industry will become more lively and the Group will actively participate in tendering to capture the opportunities from the improved market conditions.

The tremendous building and infrastructure activities in the Macau SAR have created opportunities for construction companies in Hong Kong. The Group has been trying to capture the opportunities there since last year, and successfully obtained a contract there. The management shall continue to look for opportunities in the both the public and private sectors in Macau in the coming year.

The tourism industry has remained its growth momentum during the year and the trend is expected to continue in the years to come. Tourists from Mainland China will continue to increase with the approval of more cities to allow individual travelers to visit Hong Kong. The expansion of trade exhibition facilities in Hong Kong will also bring in more visitors to Hong Kong. Therefore the management is confident that the Group's hotel, with its convenient location for both business and leisure travelers, will continue to do well and will contribute a stable stream of income in the years to come.

FINANCIAL POSITION

At 31st March 2006 the Group's total cash in hand was HK\$257,696,000 (2005: HK\$195,313,000) and bank borrowings increased from HK\$575,371,000 in 2005 to HK\$732,303,000. The Group's net debt (total bank borrowings less total cash in hand) to equity ratio increased to 58.3% (2005: 46.5%). If the HK\$446,800,000 (2005: HK\$349,800,000) long-term loan secured by the Group's hotel and investment property is excluded the Group has a net debt of only HK\$27,807,000 (2005: HK\$30,258,000) representing a healthy net debt to equity ratio of 3.4% (2005: 3.7%). The current ratio (total current assets: total current liabilities) has maintained at 1.6 (2005: 1.6).

The short-term and long-term bank borrowings are secured by the Group's investment property, investment in unit trust and certain time deposits. Interest on bank loans are charged at floating rates and the Group monitors interest rate risks continuously and hedge any excessive risk when necessary. The total bank facilities granted to the Group at 31st March 2006 was approximately HK\$946 million (2005: HK\$758 million), of which approximately HK\$733 million (2005: HK\$593 million) had been utilised.

HUMAN RESOURCES

At 31st March 2006, the Group employed approximately 940 employees in Hong Kong and approximately 750 employees in Mainland China.

Employees in Hong Kong 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 the 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 2005/2006" organised 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 31st March 2006, 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 separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. 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 to 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 OF ACCOUNTS

The Group's final results for the year ended 31st March 2006 have been reviewed by the Audit Committee which comprises three Independence Non-Executive Directors. The figures in respect of this preliminary announcement of the Group's results for the year ended 31st March 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated accounts for the year. 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 preliminary 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, 17th July 2006

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/listco/hk/yaulee>