THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Yau Lee Holdings Limited** (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

有利集團有限公司#

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00406)

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF PROPERTY

It is important to note that the purpose of distributing this circular is to provide the Shareholders with information on the proposed Disposal (as defined in this circular) by the Company, so that the Shareholders may make an informed decision on voting in respect of the resolution to approve, amongst other things, the Disposal to be tabled at the SGM (as defined in this circular). This circular does not constitute, or form part of, an offer or invitation, or solicitation or inducement of an offer, to subscribe for or purchase any of the Shares (as defined in this circular) or other securities of the Company, nor is this circular circulated to invite offers for any Shares or other securities of the Company.

A letter from the Board is set out on pages 4 to 12 of this circular.

A notice convening the SGM to be held at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong on Tuesday, 12 February 2008 at 10:00 a.m. is set out on pages 99 to 100 of this circular. Whether or not you intend to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instruction printed thereon and return it to the Company's principal place of business at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong as soon as possible and in any event, not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

\# *for identification only*

18 January 2008

CONTENTS

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

"Agreement"	the tender submitted by the Purchaser to the Vendor to purchase the Property on 21 November 2007 and accepted by the Vendor on the same date
"Approvals"	all the necessary approvals and licences from all relevant Government authorities including but not limited to the approval to building plans from the Building Authority and the hotel licence to cover the whole of 29th Floor of the Property for converting the 29th Floor of the Property from its present restaurant use to a floor for hotel use comprising 14 hotel rooms
"Business Day"	means a day excluding Saturday(s) and general holiday (as defined and referred to in the General Holidays Ordinance (Cap.149))
"Bye-laws"	the bye-laws of the Company
"Cancellation Documents"	documentary evidence to prove to the reasonable satisfaction of the Purchaser's solicitors that the Provisional Agreement for Sale and Purchase and the Agreement for Sale and Purchase respectively registered in the Land Registry by Memorial Nos. UB6257981 and UB6287133 were cancelled and of no further effect whatsoever
"Company"	Yau Lee Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Agreement
"Completion Date"	29 February 2008
"Directors"	directors of the Company
"Disposal"	disposal of the entire interest in the Property to the Purchaser by the Vendor pursuant to the Agreement
"Expenses"	being the costs of the Renovation Works, the legal and professional fees, property agent commission, valuation fee, printing charges and miscellaneous expenses in relation to the Disposal
"Group"	the Company and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hotel Manager"	InterContinental Hotels Group (Greater China) Limited
"Hotel Management Agreement"	the management agreement dated 10 October 2003 made between the Vendor as owner and the Hotel Manager and subsequently varied by an agreement dated 27 April 2004 and by all further contracts, licences, agreements and arrangements made with or obtained from third parties by the Hotel Manager in its own capacity and/or for and on behalf of the Vendor
"Latest Practicable Date"	15 January 2008, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information for inclusion in this Circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Property"	the property situated at No. 33 Sharp Street East and No. 11 Yiu Wa Street, Causeway Bay, Hong Kong, named the Express by Holiday Inn Causeway Bay Hong Kong, a hotel with 269 guest rooms before the Renovation Works. The gross floor area of the Property is 155,650 square feet
"Purchaser"	Smart Easy Enterprises Limited, a company incorporated in the British Virgin Islands with registered address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
"Remaining Group"	the Group immediately after the Completion
"Renovation Works"	the relevant renovation/alteration works for converting the 29th Floor of the Property from its present restaurant use to a floor for hotel use comprising 14 hotel rooms
"Right of First Refusal"	the right of first refusal as stipulated under the Hotel Management Agreement which provides that the Vendor has to notify the Hotel Manager upon the Vendor receiving from a third party a bona fide offer acceptable to the Vendor to purchase the Property and that the Hotel Manager shall be given a fair and reasonable opportunity to bid

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to approve amongst other things, the Disposal
"Shares"	shares of HK$0.20 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Century Score Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"Vendor's Solicitors"	Baker & McKenzie of 14th Floor, Hutchison House, Central, Hong Kong

有利集團有限公司#

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00406)

Directors:–
Wong Ip Kuen *(Chairman)*
Wong Tin Cheung *(Vice Chairman)*
Sun Chun Wai
So Yau Chi
Dr. Yeung Tsun Man, Eric*
Wu King Cheong*
Chan, Bernard Charnwut*

Registered Office:–
Claredon House, Church Street
Hamilton HM 11
Bermuda

Principal place of business:–
10th Floor, Tower I
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

* *Independent non-executive director*

18 January 2008

To the Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF PROPERTY

1. INTRODUCTION

On 27 November 2007, the Company announced that the Vendor, an indirect wholly-owned subsidiary of the Company, had accepted a tender on 21 November 2007 submitted by the Purchaser to purchase the Property at a total cash consideration of HK$1,580,000,000.

The Disposal constitutes a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and requires the approval of the Shareholders at the SGM to be convened for such purpose.

The purpose of this circular is to provide you with further details of the Disposal and other information as required by the Listing Rules and to give you the notice of the SGM at which an ordinary resolution will be proposed to seek your approval of the Disposal.

for identification only

2. THE AGREEMENT

Date: 21 November 2007

Parties:

- Century Score Limited, being the Vendor and an indirect wholly-owned subsidiary of the Company
- Smart Easy Enterprises Limited, being the Purchaser

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial shareholders are independent of the Company, its subsidiaries and their respective connected persons.

3. THE PROPERTY

The asset to be disposed of by the Vendor is its entire interest in the Property. The Purchaser agrees to purchase the Property subject to and with the benefit of the existing Hotel Management Agreement and its tenancies and such tenancies shall be assigned to the Purchaser upon Completion.

4. CONSIDERATION

The consideration for the Disposal is HK$1,580,000,000 and payable in cash by the Purchaser as follows:

(i) HK$80,000,000 has been paid by the Purchaser as initial deposit ("**Initial Deposit**") and part of the payment of the consideration on 21 November 2007;

(ii) HK$78,000,000 has been paid by the Purchaser as further deposit ("**Further Deposit**") and part of the payment of the consideration on 5 December 2007; and

(iii) the remaining balance of HK$1,422,000,000 (the "**Balance Consideration**") shall be payable upon Completion.

In the event that the Vendor fails to complete the Renovation Works and obtain the Approvals on or before the Completion Date, part of the Balance of Consideration in the sum of HK$30,000,000 ("**Stakeholder Money**") shall be paid by the Purchaser to the Vendor's Solicitors as stakeholder. In the event that the Vendor fails to complete the Renovation Works and obtain the Approvals within one (1) year from the Completion Date, the Vendor's Solicitors shall return the Stakeholder Money together with any interests accrued thereon to the Purchaser and in such event, neither party shall have any further cause of action or claims against each other. If the Vendor shall have completed the Renovation Works and obtained the Approvals at any time within the said one (1) year period, the Vendor's Solicitors shall be obliged to release the Stakeholder Money together with any interests accrued thereon to the Vendor. As at the Latest Practicable Date, the Renovation Works had not been completed and the Approval had not been obtained.

The consideration for the Disposal was determined after arm's length negotiations between the Vendor and the Purchaser having taken into account the recent market conditions of the property market in Hong Kong, market research done by the Directors and of a valuation of the Property at HK$1,000,000,000 as of 16 March 2007 for financing purpose made by an independent qualified property valuer. A valuation report on the Property as at 31 October 2007 is included in this circular in Appendix IV.

5. CONDITIONS

Completion of the Disposal is conditional upon fulfilment of the following conditions:

(i) upon the Hotel Manager not exercising or otherwise giving up the Right of First Refusal to purchase the Property at least thirty (30) days before the Completion Date;

(ii) the Vendor producing to the Purchaser the Cancellation Documents on or before 15 February 2008; and

(iii) the shareholders of the Company approving the Agreement and the Disposal at the SGM in accordance with the Listing Rules.

As at the Latest Practicable Date, (i) and (ii) of the above conditions have been fulfilled.

6. COMPLETION

Completion shall take place on the Completion Date.

If any of the above conditions is not fulfilled at the relevant time, the Agreement shall be annulled and cancelled and the Vendor shall return the Initial Deposit and the Further Deposit to the Purchaser within three (3) Business Days together with any interest accrued but without any cost or compensation and neither parties shall have any claim against each other and the parties hereto shall at their own respective legal cost enter into and cause to be registered at the Land Registry a cancellation agreement to cancel the sale and purchase of the Property.

If the Purchaser fails to observe or comply with the terms of the Agreement, the Vendor may determine this Agreement by giving notice in writing to the Purchaser or its solicitors to such effect and the Vendor shall thereupon be entitled to re-enter upon the Property and repossess the same if possession shall have been given to the Purchaser free from any right or interest of the Purchaser and the Vendor shall be entitled to forfeit the Initial Deposit and Further Deposit (if already paid by the Purchaser) absolutely.

7. INFORMATION ON THE GROUP

The Company was listed on the Stock Exchange in 1991. Based on a solid foundation of conventional construction experience, its subsidiary, Yau Lee Construction Company Limited, founded in 1958, had progressively developed as one of the leading and most experienced construction companies in Hong Kong. Subsequently, the Group has expanded its business into different areas in line with the market needs. Apart from the major building construction business in Hong Kong, the Group had also started expanding its business to Mainland China in the 90's. The Company's major businesses include, amongst others building construction, maintenance, renovation, plumbing and drainage works, building materials trading, precast products manufacturing and trading, property development, hotel and property investment, IT solution and services.

8. INFORMATION ON THE PURCHASER

The Purchaser is Smart Easy Enterprises Limited, a company incorporated in the British Virgin Islands. The Purchaser is primarily engaged in property investment. It is an independent third party of the Company.

9. REASONS FOR AND BENEFITS OF THE ENTERING INTO THE AGREEMENT

The Company initially intended to hold the Property as a long-term investment which is partly for hotel operation and partly for property leasing purposes. Having considered the revitalising property market condition and the consideration of the Property offered by the Purchaser, the Directors consider that the Disposal is a good opportunity for the Company to realise its investment. The proceeds from the Disposal will enable the Company to reduce its borrowings and future interest expenses and improve the financial position and the working capital condition of the Company.

The Directors (including independent non-executive Directors) consider that the Agreement is entered into after arm's length negotiations and the terms therein are in accordance with the normal practice in the property market and the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

10. USE OF PROCEEDS

The consideration for the Disposal is HK$1,580,000,000, after taking into account the Expenses of approximately HK$17,000,000, the net sale proceeds will be approximately HK$1,563,000,000. The Company intends to use the net sale proceeds from the Disposal for the repayment of the mortgage loan of approximately HK$436,800,000 as at 30 November 2007 and the remaining balance will be used as the general working capital of the Company and for future investment and expansion of the Company's business.

11. FINANCIAL EFFECTS OF THE DISPOSAL

(a) Financial effects of the Disposal

The consideration for the Disposal is HK$1,580,000,000. After deducting the book value of the Property of approximately HK$859,908,000 as at 31 March 2007 and the Expenses of approximately HK$17,000,000, the Company expected to realise a gain from the Disposal of approximately HK$703,092,000.

The unaudited consolidated net asset value of the Group as at 30 September 2007 was approximately HK$787 million, as per the interim report for the six months period ended 30 September 2007 of the Group. The Disposal will reduce the Group's non-current asset by approximately HK$901 million with reference to the book value of the Property as at 30 September 2007 while reduce the Group's liability by approximately HK$502 million. The cash flow position of the Group will also be improved as a result of the Disposal. The cash position of the Group after Completion will be increased by HK$1,122 million compared to that as at 30 September 2007. Assuming the Disposal had been completed as at 30 September 2007, the unaudited pro forma consolidated net asset value of the Group would be approximately HK$1,510 million.

The Disposal will improve the current ratio (current assets over current liabilities) of the Group as the proceeds will be used to repay some of its outstanding borrowing and increase cash balances of the Group. The current ratio of the Group as at 30 September 2007 was 1.2 and the current ratio would improve to approximately 2.4 assuming the Disposal had been completed as at 30 September 2007.

For the financial years ended 31 March 2006 and 2007, with 5-month hotel operation in 2006 and full year hotel operation in 2007, the total revenue attributable to the Property were approximately HK$41,401,000 and HK$97,256,000 respectively; the net profit before income tax attributable to the Property for the financial years ended 31 March 2006 and 2007 were approximately HK$14,594,000 and HK$58,849,000 respectively. The net profit after income tax attributable to the Property for the financial years ended 31 March 2006 and 2007 were approximately HK$14,124,000 and HK$46,441,000 respectively.

The finance cost paid by the Vendor on bank loan, which was secured by the Property, for the two financial years ended 31 March 2006 and 2007 were approximately HK$15,556,000 and HK$22,926,000 respectively. Such bank loan carried interest at 1.05% over the Hong Kong Inter-Bank Offered Rate for Hong Kong Dollars ("HIBOR") per annum.

The Property has generated approximately HK$49,386,000 revenue for the six months period ended 30 September 2007, it accounts for 6% of the Group's revenue. The Directors consider that the Disposal will not have material adverse effect on the earnings of the Group after the Completion. The Group's building construction, renovation and maintenance business has formed a steady income base for the Group. As per the interim report for the six months ended 30 September 2007, the building construction, renovation and maintenance business has contributed a revenue of approximately HK$739,191,000 to the Group.

The Directors therefore are of the view that the Group is of sufficient operations and assets and will not consist wholly or substantially of cash or short-dated securities even after the Completion, given its building construction, renovation and maintenance business and other businesses. Further information of these business activities is discussed in the paragraph headed "Business Review and Prospects of the Group" below as well as in Appendix II to the circular.

The information regarding the effect of the Disposal on the earnings and assets and liabilities of the Group can be referred to the "Unaudited Pro Forma Financial Information on the Remaining Group" as set out in Appendix III to this circular.

(b) Unaudited Pro forma financial information

The Directors consider that using the unaudited interim results for the six months period ended 30 September 2007 in the preparation of unaudited pro forma financial information of the Remaining Group will provide sufficient and representative financial information of the Remaining Group to the Shareholders.

The Directors consider that the business of the Group is not subject to any seasonal fluctuation that may affect the representation or accuracy of the use of the pro forma financial information as the building construction, renovation and maintenance business and other businesses are not subject to any seasonality factor and weather factor.

12. BUSINESS REVIEW AND PROSPECTS OF THE GROUP

(a) Business review of the Group

(i) Building construction, renovation and maintenance

The Group completed two contracts with total contract sum of HK$1,383,000,000 and secured five contracts with total contract sum of approximately HK$2,180,000,000 during the six months period ended 30 September 2007. The total contract sum of the Group's construction contracts in hand is approximately HK$4,141,000,000, excluding a joint venture contract which was secured during the period with contract value of approximately HK$1,654,000,000.

The increase in contracts in hand was the result of the upturn of the construction market in Hong Kong. The loss of the Group's building construction, renovation and maintenance business for the six months ended 30 September 2007 was HK$107 million as a result of provision made for the uncertainty of the recoverability for certain cost incurred for the acceleration of progress and variation works for projects undertook during the period. The loss is a combined result of the above mentioned reason, high interest costs, the appreciation of Renminbi and the increase in price level of materials, subcontractors and labours.

(ii) Other Operations

The Group's other business comprises 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 3% of the Group's total external sales and therefore did not have a significant contribution to the Group's results. However they do form integral parts of the Group's operation for the upholding of the quality of the Group's services and products.

(iii) Impact of Disposal on the Group

The Group is mainly engaged in building construction, renovation and maintenance business, the revenue of the Group for the six months period ended 30 September 2007 is approximately of HK$811 million (unaudited) as set out in the Appendix II of this circular. The revenue from property leasing and hotel operation is approximately of HK$49 million for the period, it accounts for 6% of the Group's revenue. Despite the Completion, the Directors are of the view that the revenue of the Group will not be substantially affected.

(b) Business prospects of the Group

To remain competitive in tendering for public contracts, the Group has been integrating vertically, the expanded scope should result in better control over costs, quality and design hence strengthen tender competitiveness. With the significant increase in cash after the Completion of Disposal, the Group is considering expanding to overseas market such as Singapore and the Middle East to capture the opportunities in these upcoming construction markets.

The Group will actively look for investment opportunities in the regions with an aim to improve return for shareholders. As at the date of this circular, no concrete new investment projects have been identified.

13. SPECIAL GENERAL MEETING

Set out on pages 99 to 100 of this circular is a notice convening the SGM to be held at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong on Tuesday, 12 February 2008 at 10:00 a.m. at which an ordinary resolution will be proposed and, if thought fit, passed to approve the Disposal and transactions contemplated thereunder.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Disposal is subject to approval by the Shareholders at the SGM. As at the Latest Practicable Date, as far as the Directors are aware, none of the Shareholders or their respective associates have any interests in the Disposal which is different from those of other Shareholders, other than through their interest in the Company and no Shareholder is required to abstain from voting in respect of the proposed resolution to approval the Disposal at the SGM.

14. PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Bye-law 79 of the Company's Bye-laws, a resolution put to the vote at the general meeting shall be determined by a show of hands of the members present in person or by proxy and entitled to vote unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

(a) the Chairman of the meeting; or

(b) at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(d) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting, being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

15. RECOMMENDATION

The Board considers that the Disposal is in the interests of the Company and that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders should vote in favour of the ordinary resolution which will be proposed at the SGM to approve the Agreement and the transactions contemplated thereby and in connection therewith.

16. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the Appendices to this circular.

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

The following are the unaudited income statements on the identifiable net income stream ("**Identifiable Net Income Stream**") in relation to the Property for each of the three years ended 31 March 2005, 2006 and 2007, and six months ended 30 September 2006 and 2007, which are compiled and derived from the underlying books and records of the Property.

	Six months ended 30 September		Year ended 31 March		
	2007	**2006**	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Rental income	6,330	5,798	12,647	10,934	5,815
Hotel operating income	41,819	35,758	82,060	28,017	–
Management fee income	1,237	1,240	2,549	2,450	2,088
Hotel operating cost	(8,536)	(7,147)	(15,450)	(5,304)	–
Change in fair value of investment properties	47,000	11,000	41,000	9,000	54,857
Administrative expenses	(20,553)	(20,780)	(41,031)	(22,984)	(8,698)
Bank loan interests	(11,923)	(11,690)	(22,926)	(7,519)	(2,128)
Income tax expenses	(5,818)	(886)	(12,408)	(470)	(10,085)
Identifiable Net Income Stream	49,556	13,293	46,441	14,124	41,849

In accordance with paragraph 14.68(2)(b)(i) of the Listing Rules, the Directors of the Company engaged PricewaterhouseCoopers, the auditor of the Company, to perform certain factual finding procedures on the compilation of the Identifiable Net Income Stream of the Property in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by Hong Kong Institute of Certified Public Accountants. The auditor has agreed the Identifiable Net Income Stream to the underlying books and records of the Property in accordance with the agreed-upon procedures set out in the relevant engagement letter between the Company and the auditor and reported its factual findings based on the agreed-upon procedures to the Directors of the Company. Pursuant to the terms of the relevant engagement letter between the Company and the auditor, the reported factual findings should not be used or relied upon by any other parties for any purposes. In the opinion of the Directors, the Identifiable Net Income Stream has been properly compiled and derived from the underlying books and records of the Property.

The valuations of the Property are listed as follows:

	As at 31 October	**As at 31 March**		
	2007	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Valuations	1,400,000	1,030,000	864,000	845,000

The valuations of the Property as at 31 March 2005 are based on the valuation report issued by Chesterton Petty Limited. The valuations of the Property as at 31 March 2006 and 2007 and 31 October 2007 are based on the valuation reports issued by Savills Valuation and Professional Services Limited. Both of them are independent professional property valuers.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial results and financial position of the Group as at the end of and for each of the three years ended 31 March 2007 as extracted from the annual reports of the Company for the respective years. There were no qualified or modified opinions in the auditor's reports for the three years ended 31 March 2005, 2006 and 2007. A summary of the unaudited condensed consolidated income statements of the Group for the six months ended 30 September 2006 and 2007 as well as the unaudited condensed consolidated balance sheet of the Group as at 30 September 2007 as extracted from the interim report of the Company for the six months ended 30 September 2007 are also set out below.

Consolidated Income Statements

	For the six months ended 30 September		For the year ended 31 March		
	2007	**2006**	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	810,804	909,004	2,109,311	1,452,208	1,355,583
Cost of sales	(830,115)	(849,823)	(1,931,644)	(1,326,918)	(1,234,086)
Gross (loss)/profit	(19,311)	59,181	177,667	125,290	121,497
Other income and gains	9,804	5,128	17,478	8,824	3,434
Administrative expenses	(75,972)	(63,609)	(138,901)	(112,154)	(105,674)
Other operating expenses	(1,568)	(452)	(2,829)	(3,916)	(5,047)
Change in fair value of investment properties	47,000	11,000	41,000	9,000	54,857
Operating (loss)/profit	(40,047)	11,248	94,415	27,044	69,067
Finance costs	(28,754)	(20,331)	(40,344)	(21,435)	(8,701)
Share of loss of associates	–	–	–	–	(2,384)
Share of profit/(loss) of jointly controlled entities	709	–	12,595	(510)	–
(Loss)/profit before income tax	(68,092)	(9,083)	66,666	5,099	57,982
Income tax expense	(7,571)	(350)	(17,057)	(3,079)	(12,281)
(Loss for the period)/ profit for the year	(75,663)	(9,433)	49,609	2,020	45,701
Attributable to:					
Equity holders of the Company	(75,663)	(9,448)	49,790	1,967	47,085
Minority interests	–	15	(181)	53	(1,384)
	(75,663)	(9,433)	49,609	2,020	45,701
(Loss)/earnings per share	(17.16 cents)	(2.14 cents)	11.29 cents	0.45 cents	10.68 cents

Consolidated Balance Sheets

	As at 30 September		As at 31 March	
	2007	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	311,889	294,800	303,543	291,889
Investment properties	360,000	340,000	299,000	290,000
Leasehold land	351,397	352,038	353,321	342,189
Associates	39	39	39	39
Jointly controlled entities	28,303	12,595	–	–
Deferred income tax assets	34	34	30	46
Other non-current assets	51,457	35,364	29,779	37,009
	1,103,119	1,034,870	985,712	961,172
Current assets				
Cash and bank balances	205,811	213,011	257,696	195,313
Trade debtors, net	252,303	252,901	171,235	181,228
Prepayments, deposits and other receivables	99,483	109,428	63,516	44,148
Inventories	24,295	16,282	11,599	10,908
Prepaid income tax	960	871	1,783	402
Due from customers on construction contracts	526,096	406,991	299,423	224,928
Financial assets at fair value through profit or loss	5,298	5,167	4,973	10,335
Due from associates	13,539	13,855	9,730	15,821
Due from jointly controlled entities	4,488	14,408	–	–
Due from related parties	30	30	30	30
	1,132,303	1,032,944	819,985	683,113
Total assets	2,235,422	2,067,814	1,805,697	1,644,285
EQUITY				
Share capital	88,190	88,190	88,190	88,190
Other reserves	419,159	419,199	416,515	415,789
Retained profits				
Proposed final dividend	–	4,409	–	3,307
Others	278,535	354,199	308,818	310,221
Attributable to equity holders	785,884	865,997	813,523	817,507
Minority interests	628	628	809	756
Total equity	786,512	866,625	814,332	818,263

	As at 30 September 2007 HK$'000	As at 31 March 2007 HK$'000	2006 HK$'000	2005 HK$'000
LIABILITIES				
Non-current liabilities				
Long-term borrowings	396,705	477,441	427,285	340,291
Deferred income tax liabilities	73,326	66,653	53,102	51,843
	470,031	544,094	480,387	392,134
Current liabilities				
Bank overdrafts – secured	72,225	70,405	1,549	29,715
Short-term bank loans – secured	355,948	292,622	283,954	195,856
Current portion of long-term borrowings	93,563	52,075	21,655	11,179
Derivative financial instruments	5,502	–	–	–
Payables to suppliers and subcontractors	214,340	124,481	102,802	100,161
Accruals, retention payables and other liabilities	155,628	105,146	88,542	79,413
Income tax payable	3,295	2,396	790	1,259
Due to customers on construction contracts	78,378	9,970	2,479	15,776
Due to jointly controlled entities	–	–	9,207	–
Due to related parties	–	–	–	529
	978,879	657,095	510,978	433,888
Total liabilities	1,448,910	1,201,189	991,365	826,022
Total equity and liabilities	2,235,422	2,067,814	1,805,697	1,644,285
Net current assets	153,424	375,849	309,007	249,225
Total assets less current liabilities	1,256,543	1,410,719	1,294,719	1,210,397

2. UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

(Terms defined herein apply to this appendix only.)

The following financial information is a reproduction of the relevant information extracted from the interim report of the Group for the six months 30 September 2007 together with the unaudited comparative figures for the corresponding period in 2006.

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 September 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	2	810,804	909,004
Cost of sales		(830,115)	(849,823)
Gross (loss)/profit		(19,311)	59,181
Other income and gains		9,804	5,128
Administrative expenses		(75,972)	(63,609)
Other operating expenses		(1,568)	(452)
Fair value gain on investment properties		47,000	11,000
Operating (loss)/profit	3	(40,047)	11,248
Finance costs		(28,754)	(20,331)
Share of profit of jointly controlled entities		709	–
Loss before income tax		(68,092)	(9,083)
Income tax expense	4	(7,571)	(350)
Loss for the period		(75,663)	(9,433)
Attributable to:			
Equity holders of the Company		(75,663)	(9,448)
Minority interests		–	15
		(75,663)	(9,433)
Interim dividend	5	–	–
Loss per share	6	(17.16 cents)	(2.14 cents)

Unaudited Condensed Consolidated Balance Sheet
As at 30 September 2007

	Note	30 September 2007 HK$'000	31 March 2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	311,889	294,800
Investment properties	7	360,000	340,000
Leasehold land	7	351,397	352,038
Associates		39	39
Jointly controlled entities		28,303	12,595
Deferred income tax assets		34	34
Other non-current assets		51,457	35,364
		1,103,119	1,034,870
Current assets			
Cash and bank balances		46,470	43,342
Restricted deposits		159,341	169,669
Trade debtors, net	8	252,303	252,901
Inventories		24,295	16,282
Prepayments, deposits and other receivables		99,483	109,428
Prepaid income tax		960	871
Due from customers on construction contracts		526,096	406,991
Financial assets at fair value through profit or loss		5,298	5,167
Due from associates		13,539	13,855
Due from jointly controlled entities		4,488	14,408
Due from related parties		30	30
		1,132,303	1,032,944
Total assets		2,235,422	2,067,814
EQUITY			
Share capital	9	88,190	88,190
Other reserves		419,159	419,199
Retained profits		278,535	358,608
Equity holders		785,884	865,997
Minority interests		628	628
Total equity		786,512	866,625

	Note	30 September 2007 HK$'000	31 March 2007 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings		396,705	477,441
Deferred income tax liabilities		73,326	66,653
		470,031	544,094
Current liabilities			
Bank overdrafts-secured		72,225	70,405
Short-term bank loans-secured		355,948	292,622
Current portion of long-term borrowings-secured		93,563	52,075
Derivative financial instruments		5,502	–
Payable to suppliers and subcontractors	*10*	214,340	124,481
Accruals, retention payables and other liabilities		155,628	105,146
Income tax payable		3,295	2,396
Due to customers on construction contracts		78,378	9,970
		978,879	657,095
Total liabilities		1,448,910	1,201,189
Total equity and liabilities		2,235,422	2,067,814
Net current assets		153,424	375,849
Total assets less current liabilities		1,256,543	1,410,719

Unaudited Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 September 2007

	Attributable to equity holders of the Group							
	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Retained profits	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2007	88,190	415,430	359	3,410	358,608	865,997	628	866,625
Loss for the period	–	–	–	–	(75,663)	(75,663)	–	(75,663)
Currency translation differences	–	–	–	(40)	–	(40)	–	(40)
Dividend	–	–	–	–	(4,410)	(4,410)	–	(4,410)
As at 30 September 2007	88,190	415,430	359	3,370	278,535	785,884	628	786,512
As at 1 April 2006	88,190	415,430	359	726	308,818	813,523	809	814,332
Loss for the period	–	–	–	–	(9,448)	(9,448)	15	(9,433)
As at 30 September 2006	88,190	415,430	359	726	299,370	804,075	824	804,899

Unaudited Condensed Consolidated Cash Flow Statement
For the six months ended 30 September 2007

	2007	2006
	HK$'000	*HK$'000*
Net cash flows from/(used in) operating activities	1,309	(184,479)
Net cash flows used in investing activities	(7,303)	(2,535)
Net cash flows from financing activities	7,302	5,386
Increase/(decrease) in cash and cash equivalents	1,308	(181,628)
Cash and cash equivalents, beginning of period	(27,063)	88,634
Cash and cash equivalents, end of period	(25,755)	(92,994)
Analysis of cash and cash equivalents		
Cash and bank balances	46,470	30,368
Bank overdrafts – secured	(72,225)	(123,362)
	(25,755)	(92,994)

Notes to the Unaudited Condensed Interim Financial Information

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has not been audited by the auditors of the Group but has been reviewed by the Group's Audit Committee.

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This unaudited condensed consolidated financial information should be read in conjunction with the 2007 annual financial statements.

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2007. The HKICPA has issued certain new standards, interpretations and amendments to existing standards (collectively "New Standards") which are effective for accounting periods commencing on or after 1 January 2007. The Group has assessed the impact of these New Standards and concluded that the adoption of these New Standards in the current period did not have any material impact on this interim financial information.

2. REVENUE AND SEGMENT INFORMATION

	2007	**2006**
	HK$'000	*HK$'000*
Turnover		
Construction	739,191	850,384
Building materials trading	18,457	12,168
Property leasing	6,330	5,798
Hotel operation	43,056	36,998
Others	3,770	3,656
	810,804	909,004

Primary reporting format – business segments

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property leasing and the operation of a hotel in Hong Kong. The Group is organised into four main business segments:

- Construction – Contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong
- Building materials trading – Trading of construction and building materials
- Property leasing – Property leasing in Hong Kong
- Hotel operation – Operating a hotel in Hong Kong

Other operations of the Group mainly comprise of computer software development and provision of website hosting services, which is not of a sufficient size to be reported separately.

The segment information for the six months ended 30 September 2006 has been restated to conform the primary reporting format used in the current interim period. The Directors are of the opinion that the current primary reporting format is more appropriate.

Secondary reporting format – geographical segments

The Group's operation is primarily conducted in Hong Kong and over 90% of the Group's assets are located in Hong Kong. Therefore, no geographical segment information is presented.

Primary reporting format – business segments

	For the six months ended 30 September 2007						
	Construction	Building materials trading	Property leasing	Hotel operation	Others	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	739,191	18,457	6,330	43,056	3,770	–	810,804
Inter-segment sales	1,667	45,192	–	–	4,964	(51,823)	–
Total sales	740,858	63,649	6,330	43,056	8,734	(51,823)	810,804
Segment results	(107,476)	(2,196)	46,095	21,201	(2,395)	(2,516)	(47,287)
Unallocated income							7,240
Operating loss							(40,047)
Finance costs	(14,256)	(2,017)	(11,923)	–	(558)		(28,754)
Share of profit of jointly controlled entities	465	244	–	–	–		709
Loss before income tax							(68,092)
Income tax expense							(7,571)
Loss for the period							(75,663)
Segment assets	1,087,702	124,576	901,724	9,005	56,283		2,179,290
Interests in associates	–	–	–	–	13,539		13,539
Interests in jointly controlled entities	15,465	12,838	–	–	–		28,303
Unallocated assets							14,290
Total assets							2,235,422
Segment liabilities	(887,204)	(35,061)	(439,863)	(5,697)	(4,064)		(1,371,889)
Unallocated liabilities							(77,021)
Total liabilities							(1,448,910)
Capital expenditure	4,872	213	869	–	97		6,051
Depreciation	5,361	3,677	6,190	153	392		15,773
Amortisation of leasehold land	87	–	180	–	374		641
Fair value gain on investment properties	–	–	(47,000)	–	–		(47,000)

	For the six months ended 30 September 2006 (restated)						
	Construction	Building materials trading	Property leasing	Hotel operation	Others	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	850,384	12,168	5,798	36,998	3,656	–	909,004
Inter-segment sales	392	50,544	–	–	1,346	(52,282)	–
Total sales	850,776	62,712	5,798	36,998	5,002	(52,282)	909,004
Segment results	(14,025)	(173)	9,297	16,571	(4,580)	(433)	6,657
Unallocated income							4,591
Operating profit							11,248
Finance costs	(8,622)	(19)	(11,690)	–	–		(20,331)
Loss before income tax							(9,083)
Income tax expense							(350)
Loss for the period							(9,433)
Segment assets	975,850	107,957	638,507	207,262	55,652		1,985,228
Interests in associates	–	–	–	–	9,771		9,771
Unallocated assets							13,314
Total assets							2,008,313
Segment liabilities	(678,002)	(20,679)	(439,916)	(6,835)	(3,708)		(1,149,140)
Unallocated liabilities							(54,274)
Total liabilities							(1,203,414)
Capital expenditure	3,493	3,655	3,072	451	94		10,765
Depreciation	2,581	1,892	5,829	82	455		10,839
Amortisation of leasehold land	87	–	180	–	374		641
Fair value gain on investment properties	–	–	(11,000)	–	–		(11,000)

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is arrived at after charging/(crediting) the following:

	Six months ended 30 September	
	2007	**2006**
	HK$'000	*HK$'000*
Depreciation		
Owned property, plant and equipment	15,171	10,444
Leased property, plant and equipment	602	395
Loss/(gain) on disposal of property, plant and equipment	19	(4)
Amortisation of leasehold land	641	641

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period. Overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

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

	Six months ended 30 September	
	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong profits tax	7,406	149
Overseas tax	165	201
	7,571	350

5. DIVIDEND

	Six months ended 30 September	
	2007	**2006**
	HK$'000	*HK$'000*
Interim dividend of Nil (2006: Nil) per share	–	–

6. LOSS PER SHARE

Loss per share has been calculated based on the Group's unaudited loss attributable to equity holders of the Company of HK$75,663,000 (2006: HK$9,448,000) and 440,949,600 shares (2006: 440,949,600 shares) in issue during the period.

Diluted earnings per share for the periods ended 30 September 2007 and 2006 are not presented as there are no potential dilutive shares outstanding during the periods.

7. CAPITAL EXPENDITURE

	Property, plant and equipment *HK$'000*	Investment properties *HK$'000*	Leasehold land *HK$'000*
Net book amount as at 1 April 2007	294,800	340,000	352,038
Additions	6,051	–	–
Disposals	(189)	–	–
Transfer from investment properties to property, plant and equipment	27,000	(27,000)	–
Fair value gain	–	47,000	–
Depreciation/amortisation charge *(Note 3)*	(15,773)	–	(641)
Net book amount as at 30 September 2007	311,889	360,000	351,397
Net book amount as at 1 April 2006	303,543	299,000	353,321
Exchange difference	1,947	–	–
Additions	19,550	–	–
Disposals	(358)	–	–
Fair value gain	–	41,000	–
Depreciation/amortisation charge	(29,882)	–	(1,283)
Net book amount as at 31 March 2007	294,800	340,000	352,038

As at 30 September 2007 the net book value of property, plant and equipment, investment properties and leasehold land pledged as security for the bank loan of the Group amounted to approximately HK$938,000,000.

8. TRADE DEBTORS, NET

Trade debts are due after 21 days to one year depending on the nature of services or products.

The aging analysis of trade debtors is as follows:

	30 September 2007 *HK$'000*	31 March 2007 *HK$'000*
Not yet due	238,450	189,497
Overdue by:		
1 – 30 days	2,402	39,898
31 – 90 days	2,831	7,448
91 –180 days	114	783
Over 180 days	8,506	15,275
	252,303	252,901

9. SHARE CAPITAL

There were no movements in the share capital of the Company in the reporting period.

10. PAYABLE TO SUPPLIERS AND SUBCONTRACTORS

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

	30 September 2007 *HK$'000*	**31 March 2007** *HK$'000*
Not yet due	208,844	114,127
Overdue by:		
1 – 30 days	4,582	8,711
31 – 90 days	37	907
91 –180 days	200	190
Over 180 days	677	546
	214,340	124,481

3. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2007

(Terms defined herein apply to this appendix only.)

The following financial information is a reproduction of the relevant information extracted from the audited financial statements of the Group for the year ended 31 March 2007 as published in the 2007 annual report of the Company.

Consolidated Income Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	5	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	6	17,478	8,824
Administrative expenses		(138,901)	(112,154)
Other operating expenses		(2,829)	(3,916)
Change in fair value of investment properties	16	41,000	9,000
Operating profit	7	94,415	27,044
Finance costs	9	(40,344)	(21,435)
Share of profit/(loss) of jointly controlled entities	20	12,595	(510)
Profit before income tax		66,666	5,099
Income tax expense	10	(17,057)	(3,079)
Profit for the year		49,609	2,020
Attributable to:			
Equity holders of the Company	11	49,790	1,967
Minority interests		(181)	53
		49,609	2,020
Dividends	12	4,409	–
Earnings per share	13	11.29 cents	0.45 cents

Consolidated Balance Sheet
As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	294,800	303,543
Investment properties	16	340,000	299,000
Leasehold land	17	352,038	353,321
Associates	19	39	39
Jointly controlled entities	20	12,595	–
Deferred income tax assets	29	34	30
Other non-current assets	21	35,364	29,779
		1,034,870	985,712
Current assets			
Cash and bank balances	23	213,011	257,696
Trade debtors, net	24	252,901	171,235
Prepayments, deposits and other receivables	24	109,428	63,516
Inventories	25	16,282	11,599
Prepaid income tax		871	1,783
Due from customers on construction contracts	26	406,991	299,423
Financial assets at fair value through profit or loss	27	5,167	4,973
Due from associates	19	13,855	9,730
Due from jointly controlled entities	20	14,408	–
Due from related parties	37	30	30
		1,032,944	819,985
Total assets		2,067,814	1,805,697
EQUITY			
Share capital	31	88,190	88,190
Other reserves	32	419,199	416,515
Retained profits			
Proposed final dividend	32	4,409	–
Others	32	354,199	308,818
Attributable to equity holders		865,997	813,523
Minority interests		628	809
Total equity		866,625	814,332

	Note	2007 HK$'000	2006 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	*28*	477,441	427,285
Deferred income tax liabilities	*29*	66,653	53,102
		544,094	480,387
Current liabilities			
Bank overdrafts – secured	*28*	70,405	1,549
Short-term bank loans – secured	*28*	292,622	283,954
Current portion of long-term borrowings	*28*	52,075	21,655
Payables to suppliers and subcontractors	*30*	124,481	102,802
Accruals, retention payables and other liabilities		105,146	88,542
Income tax payable		2,396	790
Due to customers on construction contracts	*26*	9,970	2,479
Due to jointly controlled entities	*20*	–	9,207
		657,095	510,978
Total liabilities		1,201,189	991,365
Total equity and liabilities		2,067,814	1,805,697
Net current assets		375,849	309,007
Total assets less current liabilities		1,410,719	1,294,719

Consolidated Statement of Changes in Equity
For the year ended 31 March 2007

	Attributable to equity holders of the Group							
	Share capital	Other reserves	Capital redemption reserve	Currency translation reserve	Retained profits	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

Consolidated Cash Flow Statement
For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Net cash used in operations	33(a)	(152,330)	(32,584)
Hong Kong profits tax paid		(1,027)	(3,654)
Net cash used in operating activities		(153,357)	(36,238)
Cash flows from investing activities			
Additions of leasehold land		–	(12,381)
Purchase of property, plant and equipment		(16,369)	(26,403)
Proceeds from disposal of financial assets at fair value through profit or loss		–	5,817
Proceeds from disposal of property, plant and equipment		283	1,464
Proceeds from disposal of other non-current assets		–	121
Dividends received		112	110
Interest received		10,071	7,603
Net cash used in investing activities		(5,903)	(23,669)
Cash flows from financing activities	33(b)		
Drawdown of long-term bank loans		80,000	97,000
Increase in short-term bank loans		8,668	88,098
Increase in restricted deposits		(2,156)	(7,448)
Capital element of finance lease payments		(2,605)	(1,862)
Interest paid		(40,322)	(29,446)
Dividends paid		–	(3,307)
Interest element of finance lease payments		(22)	(27)
Net cash from financing activities		43,563	143,008
(Decrease)/increase in cash and cash equivalents		(115,697)	83,101
Cash and cash equivalents at beginning of year		88,634	5,533
Cash and cash equivalents at end of year		(27,063)	88,634
Analysis of cash and cash equivalents	23(b)		
Cash and bank balances		43,342	86,576
Time deposits		–	3,607
Bank overdrafts – secured		(70,405)	(1,549)
		(27,063)	88,634

Notes to the Financial Statements

For the year ended 31 March 2007

1. GENERAL INFORMATION

Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") is principally engaged in the contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property investment and the operation of a hotel in Hong Kong. The Group is also engaged in other activities which mainly include computer software development and provision for website hosting services.

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

These financial statements are presented in thousands of Hong Kong dollars ("HK$000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 19 July 2007.

2. SUMMARY OF SIGNIFICANT 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(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)	Financial Guarantee Contracts
HK(IFRIC)-Int 4	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 financial statements will be resulted.

(c) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses (Note 2(l)). The results of subsidiaries are accounted for by the Company on the basis of dividend income received and receivable.

(d) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses (Note 2(l)). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(f) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for by the equity method of accounting. The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of any accumulated impairment loss) on acquisition.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2(l)). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivables.

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value, representing market value determined by external valuers. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognised in the income statement.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property, others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

(h) Property, plant and equipment

(i) Construction in progress

Construction in progress included construction and development expenditure incurred and other direct costs attributable to the construction and development. On completion, the construction is transferred to appropriate categories of other property, plant and equipment. No depreciation is provided for construction in progress.

(ii) Other property, plant and equipment and depreciation

Buildings comprise mainly factories and offices. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 – 50 years
Leasehold improvements	4 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	4 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(l)).

(iii) Gain or loss on disposal of property, plant and equipment

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(i) Leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in the long-term liabilities. The finance charges are charged to the income statement over the lease periods. Assets held under finance leases are depreciated over their estimated useful lives.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases net of any incentives received from the lessors are charged to the income statement on a straight-line basis over the lease periods.

(j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified under 'Other non-current assets', 'Trade debtors, net' and 'Prepayments, deposits and other receivables' in the balance sheet.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income and gains, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired.

(k) Inventories

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

Cost is determined using the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Impairment of assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Construction contracts in progress

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised over the period of the contract, respectively, as revenue and expenses. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured by reference to contract revenue certified to date as a percentage of total contract value. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers on construction contracts for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and other receivables.

The Group presents as a liability the gross amount due to customers on construction contracts for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(n) Trade debtors and other receivables

Trade debtors and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debtors is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within administrative expenses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown in current liabilities on the balance sheet.

(p) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Payables to suppliers and sub-contractors

Payables to suppliers and sub-contractors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Deferred income tax

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

(s) Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(v) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

(iii) Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Bonus entitlements

The Group recognises a liability and an expense for bonus when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue/income is recognised as follows:

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Contract revenue

To the extent that the outcome of the contract can be estimated reliably, revenue from construction contracts is recognised using the percentage of completion method, measured by reference to the percentage of revenue certified to date to estimated total contract value. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

(ii) Sale of building materials

Sale of building materials is recognised when significant risks and rewards of ownership of the goods have been transferred to customers.

(iii) Operating lease rental income

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

(iv) Hotel operation revenue

Revenue from hotel operation is recognised upon provision of services.

(v) Interest income

Interest income from bank deposits is recognised on a time proportion basis using the effective interest method.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(iii) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(y) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

In accordance with the Group's internal financial reporting and operating activities, the Group has determined that business segments be presented as the primary reporting format and geographical segments be presented as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of investment properties, intangible assets, property, plant and equipment, inventories, receivables and operating cash, and exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation, certain corporate borrowings. Capital expenditure comprises additions to intangible assets, property, plant and equipment and investment properties.

(z) Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(a) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from Renminbi with respect to Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group continuously monitors its foreign currency positions and does not consider that it has a significant exposure to risk arising from Renminbi.

(b) Price risk

The Group is exposed to equity securities price risk because of its investments in financial assets. The Group is not exposed to commodity price risk.

(ii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that provision of services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market position. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets other than bank balances and cash, the Group's income and operating cash flows are substantially independent of changes in markets interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The management closely monitors the interest rate fluctuation and will consider the use of financial instruments such as interest rate swap to manage its interest rate risk, if necessary.

(b) Fair value estimation

There were no material differences between the carrying amounts and estimated fair values of the Company and the Group's significant financial assets and liabilities as at 31 March 2006 and 2007.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Income taxes

The Group is mainly subject to income taxes in Hong Kong and Mainland China. Significant judgement is required in determining the provision for income taxes in Hong Kong and Mainland China. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Investment properties

The fair values of investment properties are determined by independent valuers on an open market value basis. In making the judgements, consideration has been given to assumptions that are mainly based on market condition existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iii) Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for the related depreciation charges for its property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different to previous estimate, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works based on total amount of workdone certified by customers over total estimated contract sum. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(v) Estimation of foreseeable losses in respect of construction works

The Group's management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

5. 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	**2006**
	HK$'000	*HK$'000*
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
	2,109,311	1,452,208

Primary reporting format – business segment

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property leasing and the operation of a hotel in Hong Kong. The Group is organised into four main business segments:

- Construction – Contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong
- Building materials trading – Trading of construction and building materials
- Property leasing – Property leasing in Hong Kong
- Hotel operation – Operating a hotel in Hong Kong

Other operations of the Group mainly comprise of computer software development and provision for website hosting services which is not of a sufficient size to be reported separately.

Secondary reporting format – geographical segment

The Group's operation is primarily conducted in Hong Kong and over 90% of the Group's assets are located in Hong Kong. Therefore, no geographical segment information is presented.

Primary reporting format – business segments

	Construction	Building materials trading	Property leasing	Hotel operation	Others	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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	1,974,535	168,940	12,647	84,609	18,221	(149,641)	2,109,311
Segment results	8,777	1,701	38,526	43,249	(2,173)	(8,079)	82,001
Unallocated income							12,414
Operating profit							94,415
Finance costs	(17,351)	(67)	(22,926)	–	–		(40,344)
Share of profit of jointly controlled entities	–	12,595	–	–	–		12,595
Profit before income tax							66,666
Income tax expense							(17,057)
Profit for the year							49,609
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							13,833
Total assets							2,067,814
Segment liabilities	(674,814)	(18,947)	(430,130)	(5,532)	(3,772)		(1,133,195)
Unallocated liabilities							(67,994)
Total liabilities							(1,201,189)
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	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 jointly controlled entities	–	(510)	–	–	–		(510)
Profit before income tax							5,099
Income tax expense							(3,079)
Profit for the year							2,020
Segment assets	775,338	99,428	621,715	225,546	56,919		1,778,946
Interests in associates	–	–	–	–	9,769		9,769
Unallocated assets							16,982
Total assets							1,805,697
Segment liabilities	(450,606)	(16,197)	(450,884)	(7,133)	(2,305)		(927,125)
Unallocated liabilities							(64,240)
Total liabilities							(991,365)
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)

6. OTHER INCOME AND GAINS

	2007 HK$'000	2006 HK$'000
Other income		
Dividend income from listed investments	112	110
Bank interest income	7,194	5,792
Interest income from subcontractors	2,877	1,811
Sundry income	3,068	4
	13,251	7,717
Other gains		
Write back of provision on an amount due from an associate	4,033	–
Unrealised gain on financial assets through profit and loss	194	99
Realised gain on financial assets through profit and loss	–	356
Exchange gain	–	652
	4,227	1,107
	17,478	8,824

7. OPERATING PROFIT

Operating profit is stated after charging the following:

	2007 HK$'000	2006 HK$'000
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) *(Note 14)*	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	–

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of the Directors for the year ended 31 March 2007 is set out below:

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
Mr. Wong Ip Kuen	–	4,784	290	221	5,295
Mr. Wong Tin Cheung	–	1,754	286	81	2,121
Mr. So Yau Chi	–	1,628	180	63	1,871
Mr. Sun Chun Wai	–	780	200	36	1,016
Dr. Yeung Tsun Man, Eric	250	–	–	–	250
Mr. Wu King Cheong	250	–	–	–	250
Mr. Chan, Bernard Charnwut	250	–	–	–	250
	750	8,946	956	401	11,053
2006					
Mr. Wong Ip Kuen	–	4,641	290	214	5,145
Mr. Wong Tin Cheung	–	1,658	286	77	2,021
Mr. So Yau Chi	–	1,581	180	61	1,822
Mr. Sun Chun Wai	–	702	200	32	934
Dr. Yeung Tsun Man, Eric	250	–	–	–	250
Mr. Wu King Cheong	250	–	–	–	250
Mr. Chan, Bernard Charnwut	250	–	–	–	250
	750	8,582	956	384	10,672

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2006: three) Directors whose emoluments are reflected in the analysis above. The emoluments paid to the remaining two (2006: two) highest paid individuals during the year were as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries	2,565	1,708
Bonus	100	1,155
Retirement benefits	61	79
	2,726	2,942

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2007**	**2006**
HK$1,000,001 – HK$1,500,000	1	1
HK$1,500,001 – HK$2,000,000	1	1

(c) During the year, no emoluments have been paid by the Group to the Directors or the five highest-paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors waived or has agreed to waive any emoluments.

9. FINANCE COSTS

	2007	**2006**
	HK$'000	*HK$'000*
Interest on overdrafts and short-term bank loans	17,409	15,556
Interest on long-term bank loans repayable within five years	28,597	13,890
Interest element of finance lease contract payments	199	27
Total borrowing costs incurred	46,205	29,473
Less:		
Interest capitalised as cost of construction in progress	–	(8,038)
Classified under contract cost	(5,861)	–
	40,344	21,435

No interest was capitalised as cost of construction during the year. The capitalisation rate applied to funds borrowed and used for the construction in progress was 1.675% and 5.175% per annum for the year ended 31 March 2006.

10. INCOME TAX EXPENSE

	2007	**2006**
	HK$'000	*HK$'000*
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 *(Note 29)*	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. No taxation on overseas profits has been provided for as the tax losses brought forward exceeded the estimated assessable profits for the year in the countries in which the Group operates (2006: Nil).

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

	2007	2006
	HK$'000	*HK$'000*
Profit before income tax	66,666	5,099
Less: Share of profits less losses of jointly controlled entities	(12,595)	510
	54,071	5,609
Calculated at a taxation rate of 17.5% (2006: 17.5%)	9,463	982
Effect of different tax rates in other countries	(841)	(303)
Income not subject to taxation	(1,330)	(204)
Expenses not deductible for taxation purposes	4,495	37
Temporary differences not recognised	3,659	(869)
Tax losses not recognised	4,629	4,501
Utilisation of previously unrecognised tax losses	(3,084)	(1,068)
Under provisions in prior years	66	3
Income tax expense	17,057	3,079

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$126,000 (2006: HK$2,559,000).

12. 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.

13. 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.

14. STAFF COSTS EXCLUDING DIRECTORS' EMOLUMENTS

	2007	2006
	HK$'000	*HK$'000*
Salaries, wages and bonus	216,776	197,748
Unutilised annual leave	242	–
Long service payments	(327)	–
Termination benefits	2,812	1,771
Pension costs – defined contribution scheme	8,465	8,198
	227,968	207,717

The Group contributes to the Mandatory Provident Fund Scheme (the "MPF Scheme") which is provided to all the employees in Hong Kong. The Group and each of the employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Employees' contributions are subject to a cap of monthly earnings of HK$20,000. For those employees with monthly earnings less than HK$5,000, the employees' contributions are voluntary. In addition to the mandatory contributions, the Group makes monthly voluntary contributions to the MPF scheme at 5% of certain employees' earnings in excess of HK$20,000. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group							
At 1 April 2005							
Cost	199,506	41,691	5,216	145,721	40,407	20,497	453,038
Accumulated depreciation	–	(9,996)	(5,102)	(94,452)	(34,115)	(17,484)	(161,149)
Net book amount	199,506	31,695	114	51,269	6,292	3,013	291,889
Year ended 31 March 2006							
Opening net book amount	199,506	31,695	114	51,269	6,292	3,013	291,889
Exchange differences	–	177	–	251	9	3	440
Additions	17,321	1,896	399	11,015	3,693	2,449	36,773
Transfer	(216,827)	153,323	–	47,674	15,830	–	–
Disposals	–	–	–	(1,201)	(186)	(73)	(1,460)
Depreciation	–	(2,603)	(215)	(14,585)	(4,798)	(1,898)	(24,099)
Closing net book amount	–	184,488	298	94,423	20,840	3,494	303,543
At 31 March 2006							
Cost	–	197,136	5,615	202,655	58,643	21,939	485,988
Accumulated depreciation	–	(12,648)	(5,317)	(108,232)	(37,803)	(18,445)	(182,445)
Net book amount	–	184,488	298	94,423	20,840	3,494	303,543
Year ended 31 March 2007							
Opening net book amount	–	184,488	298	94,423	20,840	3,494	303,543
Exchange differences	–	731	–	1,154	48	14	1,947
Additions	–	1,854	–	12,293	2,748	2,655	19,550
Disposals	–	–	–	(162)	(165)	(31)	(358)
Depreciation	–	(4,391)	(195)	(16,901)	(6,644)	(1,751)	(29,882)
Closing net book amount	–	182,682	103	90,807	16,827	4,381	294,800
At 31 March 2007							
Cost	–	199,975	5,620	194,452	60,600	24,147	484,794
Accumulated depreciation	–	(17,293)	(5,517)	(103,645)	(43,773)	(19,766)	(189,994)
Net book amount	–	182,682	103	90,807	16,827	4,381	294,800

(a) The net book value of property, plant and equipment held under finance lease contracts comprises:

	Group 2007 HK$'000	2006 HK$'000
Plant and equipment	1,115	–
Motor vehicles	3,128	3,049
	4,243	3,049

(b) The net book value of property, plant and equipment pledged as security for the Group's bank loans amounted to HK$206 million (2006: HK$205 million) (Notes 28 and 34(e)).

16. INVESTMENT PROPERTIES

	Group 2007 HK$'000	2006 HK$'000
Beginning of year	299,000	290,000
Change in fair value	41,000	9,000
End of year	340,000	299,000

Investment properties are held under long-term leases and situated in Hong Kong. The investment properties were revalued as at 31 March 2007 by Savills Valuation and Professional Services Limited, an independent firm of qualified property valuers. Valuation reflects rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The investment properties are pledged as security for the bank loans of the Group (Notes 28 and 34(e)).

17. LEASEHOLD LAND

	Group 2007 HK$'000	2006 HK$'000
Opening	353,321	342,189
Additions	–	12,381
Amortisation	(1,283)	(1,249)
	352,038	353,321
In Hong Kong, held on		
Lease of over 50 years	315,462	315,823
Leases of between 10 to 50 years	34,263	35,128
	349,725	350,951
Outside Hong Kong, held on		
Lease of between 10 to 50 years	2,313	2,370
	352,038	353,321

The Group's interests in leasehold land represented prepaid operating lease payments. Leasehold land with a net book value of approximately HK$345,886,000 (2006: HK$317,988,000) was pledged as securities for the Group's bank loans (Notes 28 and 34(e)).

18. SUBSIDIARIES

	Company 2007	Company 2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	276,075	276,075
Advance to a subsidiary	85,000	85,000
	361,075	361,075
Due from subsidiaries	368,741	373,287
Due to subsidiaries	95,527	101,753

The advance to a subsidiary is unsecured, bears interest at Hong Kong dollar prime rate less two per cent (2006: Hong Kong dollar prime rate less two per cent) per annum and not repayable within next twelve months from the balance sheet date. The amounts due from and to subsidiaries are unsecured, interest free, and have no fixed terms of repayment, and their carrying amounts are not materially different from their fair values.

The following is a list of the principal subsidiaries at 31 March 2007:

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Australian Development Holdings Pty. Limited	Australia	A$2	Investment holding	–	100%	100%
Bellaglade Company Limited	Hong Kong	HK$2	Property holding	–	100%	100%
Century Score Limited	Hong Kong	HK$2	Property leasing and investment	–	100%	100%
Lever Construction Materials (Shenzhen) Company Limited	Mainland China	HK$3,000,000	Trading of building materials	–	100%	100%
Ming Hop Company Limited	Hong Kong	HK$1,000,000	Sourcing of construction materials and execution of plumbing work	–	100%	100%
Nanjing Autocon Technology Company Limited *(Note a)*	Mainland China	US$500,000	Development and sale of construction equipment and computer software	–	100%	100%
Nanjing Nanda VH Software Intelligence Company Limited *(Note b)*	Mainland China	RMB1,500,000	Development and sale of computer software	–	70%	70%
Right Motive Limited	Hong Kong	HK$6,000	Property holding	–	100%	100%
Solid Star Company Limited	Hong Kong	HK$2	Property holding	–	100%	100%
SPS Company Limited	Hong Kong	HK$2	Manufacturing and trading of office partition	–	100%	100%

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Trendplot Investments Limited	Hong Kong	HK$2	Provision of management services	–	100%	100%
VHBuild Company Limited	Hong Kong	HK$2	Provision of website hosting services	–	100%	100%
VHSoft Company Limited	Hong Kong	HK$5,000,000	Computer software development	–	100%	100%
VHSoft I.P. Company Limited	Hong Kong	HK$2	Patent holding	–	100%	100%
VHSoft Technologies Company Limited	Hong Kong	HK$2	Computer software development	–	100%	100%
VHSoft Technologies (SZ) Company Limited *(Note a)*	Mainland China	HK$3,000,000	Computer software development	–	100%	100%
Yau Lee Building Construction and Decoration Company Limited	Hong Kong	HK$100,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Building Materials Trading Company Limited	Hong Kong	HK$2	Trading of building materials	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK$100,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Materials & Technology Limited	Hong Kong	HK$2	Sale of building materials and precast products	–	100%	100%
Yau Lee Construction Materials & Technology (B.V.I.) Limited	The British Virgin Islands/ Hong Kong	US$2	Sale of precast products	–	100%	100%
Yau Lee Construction (Macau) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Curtain Wall and Steel Works Limited	Hong Kong	HK$2	Curtain wall installation	–	100%	100%
Yau Lee Equipment Leasing Limited	Hong Kong	HK$2	Leasing equipments	–	100%	100%
Yau Lee Hotel Management Limited	Hong Kong	HK$2	Provision of hotel and property management services	–	100%	100%
Yau Lee Investment Limited	The Cook Islands/ Hong Kong	US$100	Investment holding	100%	–	100%
Yau Lee Property Management Limited	Hong Kong	HK$2	Provision of property management services	–	100%	100%

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Yau Lee Technology Limited	The British Virgin Islands/ Hong Kong	US$1	Investment holding and trading of construction equipment and development of computer control software	–	100%	100%
Yau Lee Wah Concrete Precast Products Company Limited	Hong Kong	HK$10,000,000	Sale of precast products	–	100%	100%
Yau Lee Wah Concrete Precast Products (Shenzhen) Company Limited *(Note a)*	Mainland China	RMB39,076,066	Manufacture of precast products	–	100%	100%
Yau Lee Wah Concrete Precast Products (Macau) Company Limited	Macau	MOP200,000	Sale of precast products	–	100%	100%

(a) These subsidiaries are wholly foreign-owned enterprises established in Mainland China.

(b) The subsidiary is a contractual joint venture established in Mainland China.

19. ASSOCIATES

	2007 Group *HK$'000*	2007 Company *HK$'000*	2006 Group *HK$'000*	2006 Company *HK$'000*
Share of net assets				
Beginning of year	39	–	39	–
End of year	39	–	39	–
Amounts due from associates, net	13,855	1,229	9,730	1,179

(a) The following is a list of the principal associate at 31 March 2007:

Name	Particulars of issued share capital	Place of incorporation	Assets *HK$'000*	Liabilities *HK$'000*	Revenues *HK$'000*	(Loss)/ profit *HK$'000*	Interest held
2006							
Yau Lee Development Company Limited ("YLDC") *(Note b)*	100 ordinary shares of $1 each	Hong Kong	29,949	53,402	7,827	(340)	50%
2007							
Yau Lee Development Company Limited ("YLDC") *(Note b)*	100 ordinary shares of $1 each	Hong Kong	18,454	35,663	1,067	6,245	50%

(b) YLDC is engaged in a 50:50 joint venture with a Chinese party in the development of Fuli Building, a residential and commercial property project in Shunde, Mainland China.

(c) The amounts due from associates are unsecured, interest free and have no fixed repayment terms.

(d) The Group did not share the profit of the associate for the year ended 31 March 2007 as its share of the profit is still less than the share of losses previously not recognised.

20. JOINTLY CONTROLLED ENTITIES

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Beginning of the year	–	–
Investment in jointly controlled entities	–	510
Share of profit/(loss)	12,595	(510)
End of the year	12,595	–
Amounts due from/(to) jointly controlled entities	14,408	(9,207)

(a) The following is a list of the principal jointly controlled entities at 31 March 2007:

Name	Particulars of issued share capital	Place of incorporation	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit/ (loss) HK$'000	Effective Interest held
2006							
Yau Lee Formglas Limited ("YLFG") *(Note b)*	HK$1, 000,000	Hong Kong	12,857	(4,503)	525	73	51%
Yau Lee Formglas (Shenzhen) Limited ("YLFS") *(Note c)*	HK$4,200,000	Mainland China	4,845	(195)	2,275	(66)	51%
Yau Lee Formglas (Macau) Limited ("YLFM") *(Note d)*	MOP200,000	Macau	18,280	(31,284)	6,931	(1,007)	51%
Total			35,982	(35,982)	9,731	(1,000)	
Share of net assets value			18,351	(18,351)		(510)	
2007							
Yau Lee Formglas Limited ("YLFG") *(Note b)*	HK$1,000,000	Hong Kong	10,932	(17,086)	113	(2,794)	51%
Yau Lee Formglas (Shenzhen) Limited ("YLFS") *(Note c)*	HK$4,200,000	Mainland China	16,684	(10,089)	22,255	2,257	51%
Yau Lee Formglas (Macau) Limited ("YLFM") *(Note d)*	MOP200,000	Macau	49,881	(25,625)	137,027	25,234	51%
Total			77,497	(52,800)	159,395	24,697	
Share of net assets value			39,523	(26,928)		12,595	

(b) YLFG is a joint venture with a Canadian party, engaged in investment holding of YLFM and YLFS, which their principal activities are set out in note (c) and (d).

(c) YLFS is a wholly owned subsidiary of YLFG, which is principally engaged in manufacturing of precast products.

(d) YLFM is a wholly owned subsidiary of YLFG, which is principally engaged in the construction projects in Macau.

(e) The amounts due from jointly controlled entities are unsecured, interest free and have no fixed repayment terms.

21. OTHER NON-CURRENT ASSETS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Retention receivables *(Note 26)*	67,318	61,887
Loans to employees *(Note 22)*	1,259	1,671
Others	22	22
	68,599	63,580
Less: Current portion of retention receivables *(Note 24(a))*	(33,037)	(33,389)
Less: Current portion of loans to employees *(Note 22)*	(198)	(412)
	35,364	29,779

Long-term retention receivables were carried at amortised cost using effective interest method required by HKAS 39.

22. LOANS TO EMPLOYEES

The Group provides housing loans to certain employees and the loans are secured by second mortgages of the related properties of the employees. The repayment period ranges from two to twelve years with interest at one per cent below prime rate. Amounts receivable within one year of HK$198,000 (2006: HK$412,000) are included in prepayments, deposits and other receivables. Loans to employees approximate their fair value.

23. CASH AND BANK BALANCES

	2007		2006	
	Group	Company	Group	Company
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	43,342	413	86,576	295
Time deposits	–	–	3,607	2,049
Restricted deposits *(Note a)*	169,669	10,769	167,513	10,557
	213,011	11,182	257,696	12,901

(a) Restricted deposits are funds which are pledged to secure the bank overdrafts and short-term bank loans (Notes 28 and 34(a)).

(b) Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2007		2006	
	Group	Company	Group	Company
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	43,342	413	90,183	2,344
Bank overdrafts *(Note 28)*	(70,405)	–	(1,549)	–
	(27,063)	413	88,634	2,344

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

	2007		2006	
	Group	**Company**	**Group**	**Company**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	61,181	11,182	118,804	12,901
US dollar	145,083	–	121,957	–
Renminbi	6,506	–	16,402	–
Other currencies	241	–	533	–
	213,011	11,182	257,696	12,901

(d) Interest rate of time deposits and restricted deposits ranged from 2.8% to 6.0% (2006: 1.4% to 5.5%).

24. TRADE AND OTHER RECEIVABLES

(a) Trade debtors, net

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Trade debtors	219,915	139,202
Retention receivables *(Note 21)*	33,037	33,389
Provision for impairment	(51)	(1,356)
	252,901	171,235

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.

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
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
	252,901	171,235

(b) **Prepayments, deposits and other receivables**

	2007		2006	
	Group	**Company**	**Group**	**Company**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Advances to subcontractors	93,318	–	56,493	–
Prepayment and deposits paid	15,006	17	6,881	217
Other receivables	1,104	247	142	114
	109,428	264	63,516	331

Included in advances to subcontractors are amounts of HK$35,560,000 (2006: HK$32,220,000) which bear interest ranging from 10% to 11% (2006: 7.25% to 11%). All other advances to subcontractors are interest free.

25. INVENTORIES

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Raw materials, at cost	11,750	5,997
Finished goods, at cost	4,532	5,602
	16,282	11,599

26. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Contract costs incurred plus attributable profits less foreseeable losses to date	13,193,736	10,600,031
Progress billings to date	(12,796,715)	(10,303,087)
	397,021	296,944
Included in current assets/(liabilities) under the following captions:		
Due from customers on construction contracts	406,991	299,423
Due to customers on construction contracts	(9,970)	(2,479)
	397,021	296,944

Retention receivables from customers in respective of construction contracts in progress of HK$67,318,000 (2006: HK$61,887,000) are classified under other non-current assets and trade debtors respectively (Note 21).

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2007 HK$'000	Group 2006 HK$'000
Equity securities at fair value – listed in Hong Kong	282	303
Money market fund, at fair value – unlisted in Hong Kong	4,885	4,670
	5,167	4,973

28. BORROWINGS

	Group 2007 HK$'000	Group 2006 HK$'000
Non-current		
Obligations under finance lease contracts	641	485
Long-term bank loans – secured	476,800	426,800
	477,441	427,285
Current		
Bank overdrafts – secured	70,405	1,549
Short-term bank loans – secured	292,622	283,954
Current portions of non-current borrowings	52,075	21,655
	415,102	307,158
Total borrowings	892,543	734,443

(a) The maturity of borrowings are as follows:

	Group			
	Bank borrowings and overdrafts		Obligations under finance lease contracts	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Within 1 year	413,027	305,503	2,075	1,655
Between 1 and 2 years	90,000	20,000	641	485
Between 2 and 5 years	386,800	406,800	–	–
Wholly repayable within 5 years	889,827	732,303	2,716	2,140

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

	Group 2007 %	Group 2006 %
Bank overdrafts	8.5	7.3
Short-term bank loans	5.6	5.5
Long-term bank loans	5.3	5.1
Obligation under finance lease contracts	6.8	4.2

(c) The carrying amounts of borrowings approximates their fair values.

(d) The carrying amounts of borrowings are denominated in the following currencies:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong dollar	892,543	731,558
Renminbi	–	2,885
	892,543	734,443

(e) The bank borrowings are secured by the Group's investment properties, certain property, plant and equipment, leasehold land and restricted deposits (Notes 15, 16, 17 and 23).

(f) The Group's finance lease obligations are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	2,190	1,739
In the second year	654	495
	2,844	2,234
Future finance charges on finance leases	(128)	(94)
Present value of finance lease obligations	2,716	2,140

29. DEFERRED INCOME TAX

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Beginning of year	53,072	51,797
Charged to income statement *(Note 10)*	13,547	1,275
End of year	66,619	53,072

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits are probable. The Group has unrecognised tax losses of approximately HK$74.4 million (2006: HK$76.4 million) to carry forward against future taxable income. These unrecognised tax losses are analysed according to their expiry dates as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
With no expiry date	51,164	34,995
Expiring not later than one year	6,023	3,937
Expiring later than one year and not later than five years	17,189	37,474
	74,376	76,406

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax assets:

	Group 2007 HK$'000	Group 2006 HK$'000
Beginning of year	10,901	5,902
(Charged)/credited to income statement	(5,438)	4,999
End of year	5,463	10,901

Deferred income tax liabilities:

	Group					
	Change in fair value of investment property		Accelerated taxation depreciation		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Beginning of year	49,253	47,678	14,720	10,021	63,973	57,699
Charged to income statement	7,175	1,575	934	4,699	8,109	6,274
End of year	56,428	49,253	15,654	14,720	72,082	63,973

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

	Group 2007 HK$'000	Group 2006 HK$'000
Deferred income tax assets	(34)	(30)
Deferred income tax liabilities	66,653	53,102
	66,619	53,072

30. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
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
	124,481	102,802

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

31. SHARE CAPITAL

	2007	**2006**
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 shares of HK$0.2 each	200,000	200,000
Issued and fully paid:		
440,949,600 shares of HK$0.2 each	88,190	88,190

Share option scheme

Since 17 October 2000, the Company has operated a share option scheme (the "Share Option Scheme") under which the Board of Directors (the "Directors") of the Company may, at their absolute discretion, offer to any Director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company.

Subject to adjustment as a result of any alteration in the capital structure of the Company, the subscription price per share payable on the exercise of an option as follows:

(a) granted before 1 September 2001 was determined by the Directors as being in no event less than the higher of:

(i) the nominal value of the shares; and

(ii) 80% of the average of the closing price of the shares as stated in the SEHK's daily quotation sheets for the 5 business days immediately preceding the date of offer of an option.

(b) granted on or after 1 September 2001 is determined by the Directors, in compliance with the requirements of Chapter 17 of the Listing Rules, as being at least the higher of:

(i) the closing price of the shares as stated in the SEHK's daily quotations sheet on the date of grant, which must be a business day; and

(ii) the average closing price of the shares as stated in the SEHK's daily quotations sheets for the 5 business days immediately preceding the date of grant.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of the Company, represents 10% of the issued share capital of the Company from time to time. The Share Option Scheme remains in force for a period of 10 years. At 31 March 2007, no share options have been granted under the Share Option Scheme.

32. OTHER RESERVES AND RETAINED PROFITS

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
Group					
At 1 April 2006	415,430	359	726	308,818	725,333
Currency translation differences	–	–	2,684	–	2,684
Profit attributable to equity holders of the Company	–	–	–	49,790	49,790
At 31 March 2007	415,430	359	3,410	358,608	777,807
Representing:					
2007 final dividend proposed				4,409	
Others				354,199	
At 31 March 2007				358,608	
At 1 April 2005	415,430	359	–	310,158	725,947
Currency translation differences	–	–	726	–	726
Dividends paid	–	–	–	(3,307)	(3,307)
Profit attributable to equity holders of the Company	–	–	–	1,967	1,967
At 31 March 2006	415,430	359	726	308,818	725,333
Representing:					
2006 final dividend proposed				–	
Others				308,818	
At 31 March 2006				308,818	

	Share premium HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
Company				
At 1 April 2006	415,430	359	142,893	558,682
Profit attributable to equity holders of the Company	–	–	126	126
At 31 March 2007	415,430	359	143,019	558,808
Representing:				
2007 final dividend proposed			4,409	
Others			138,610	
At 31 March 2007			143,019	
At 1 April 2005	415,430	359	143,641	559,430
Dividends paid	–	–	(3,307)	(3,307)
Profit attributable to equity holders of the Company	–	–	2,559	2,559
At 31 March 2006	415,430	359	142,893	558,682
Representing:				
2006 final dividend proposed			–	
Others			142,893	
At 31 March 2006			142,893	

The entire amounts of retained profits of the Company at 31 March 2007 are distributable.

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash used in operations

	2007 *HK$'000*	2006 *HK$'000*
Operating profit	94,415	27,044
Interest income	(10,071)	(7,603)
Dividend income	(112)	(110)
Loss/(gain) on disposal of property, plant and equipment	75	(4)
Change in fair value of investment properties	(41,000)	(9,000)
Amortisation of prepaid operating lease payment	1,283	1,249
Depreciation	29,882	24,099
Write back on provision of amount due from associates	(4,033)	–
Unrealised gain on financial assets at fair value through profit or loss	(194)	(99)
Realised gain on financial assets at fair value through profit or loss	–	(356)
Operating profit before working capital changes	70,245	35,220
(Increase)/decrease in long-term trade debtors	(5,784)	3,530
Decrease in loans to employees	198	209
(Increase)/decrease in trade debtors, net	(80,928)	10,279
Increase in inventories	(4,683)	(691)
Increase in prepayments, deposits and other receivables	(45,912)	(19,368)
Increase in due from customers on construction contracts	(107,568)	(74,495)
(Increase)/decrease in due from associates	(92)	6,091
Movement in due from/to jointly controlled entity	(23,615)	8,697
Increase in payables to suppliers and subcontractors	21,679	2,641
Increase in accruals, retentions payable and other liabilities	16,639	9,129
Increase/(decrease) in due to customers on construction contracts	7,491	(13,297)
Decrease in due to related parties	–	(529)
Net cash used in operations	(152,330)	(32,584)

In the cash flow statement, proceeds from sale of property, plant and equipment comprises:

	2007 *HK$'000*	2006 *HK$'000*
Net book amount *(Note 15)*	358	1,460
(Loss)/gain on disposal of property, plant and equipment	(75)	4
Proceeds from disposal of property, plant and equipment	283	1,464

(b) Analysis of changes in financing during the year

	Share capital	Share premium	Minority interests	Finance lease obligations	Long-term bank loans	Short-term bank loans	Restricted deposits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	88,190	415,430	809	2,140	446,800	283,954	(167,513)	1,069,810
Net cash (outflow)/inflow from financing activities	–	–	–	(2,605)	80,000	8,668	(2,156)	83,907
Share of loss by minority shareholders	–	–	(181)	–	–	–	–	(181)
Inception of finance leases obligation *(Note c)*	–	–	–	3,181	–	–	–	3,181
At 31 March 2007	88,190	415,430	628	2,716	526,800	292,622	(169,669)	1,156,717
At 1 April 2005	88,190	415,430	756	1,670	349,800	195,856	(160,065)	891,637
Net cash (outflow)/inflow from financing activities	–	–	–	(1,862)	97,000	88,098	(7,448)	175,788
Share of profit by minority shareholders	–	–	53	–	–	–	–	53
Inception of finance leases obligations *(Note c)*	–	–	–	2,332	–	–	–	2,332
At 31 March 2006	88,190	415,430	809	2,140	446,800	283,954	(167,513)	1,069,810

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the lease of approximately HK$3,181,000 (2006: HK$2,332,000).

34. BANKING FACILITIES

As at 31 March 2007, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of approximately HK$1,021 million (2006: HK$951 million), of which HK$913 million (2006: HK$747 million) had been utilised. These banking facilities are secured by the following:

(a) Restricted deposits of approximately HK$170 million (2006: HK$167 million) (Note 23).

(b) Guarantees of approximately HK$1,053 million (2006: HK$1,009 million) given by the Company.

(c) Investment in the guaranteed unit trust fund and securities of approximately HK$5 million (2006: HK$5 million).

(d) Trade receivables of certain construction contracts.

(e) Property, plant and equipment of approximately HK$206 million (2006: HK$205 million), investment property of HK$340 million (2006: HK$299 million) and leasehold land of approximately HK$346 million (2006: HK$318 million) (Notes 15, 16 and 17).

35. 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".

(d) Guarantees in respect of performance bonds that amount to approximately HK$86 million (2006: HK$80 million) in favour of the Group's customers.

(e) The future aggregate minimum lease rental payable under non-cancellable operating lease is as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Land and buildings		
– Within one year	2,410	2,763
– One year to five years	7,812	7,643
– More than five years	42,532	42,758
	52,754	53,164
Other equipment		
– Within one year	–	9
	52,754	53,173

36. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
– Within one year	12,153	11,844
– One year to five years	11,680	6,494
	23,833	18,338

37. RELATED PARTY BALANCES

(i) Key management compensation

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	8,946	8,582
Discretionary bonus	956	956
Pension costs – defined contribution scheme	401	384
	10,303	9,922

(ii) The balances due from related parties are unsecured, interest free and have no fixed repayment terms.

4. INDEBTEDNESS

(1) Borrowings

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank loans, unsecured bank overdrafts and other unsecured long-term loans of approximately HK$797,800,000, HK$73,700,000 and HK$32,860,000 respectively. The bank loans, comprised secured short-term bank loans of approximately HK$311,000,000 and secured long-term bank loans of approximately HK$486,800,000 in book value. All short-term bank borrowings are repayable within one year and HK$70,000,000 of the long-term bank loans are repayable in 30 April 2008 while the remaining HK$416,800,000 are repayable quarterly up to 28 March 2011. Included in these borrowings, secured long-term bank loans of approximately HK$416,800,000 are related to the Property and required to be repaid upon Completion.

(2) Security

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement, the Group's borrowings were secured by:

(a) bank deposits of HK$118,980,000;

(b) investment properties and leasehold land of approximately HK$926,445,000;

(c) an investment fund with fair market value as at 30 November 2007 of approximately HK$9,400,000; and

(d) corporate guarantees provided by the Company.

(3) Contingent liabilities

(a) In the normal course of its business, the Group is subject to various claims under its construction contracts. At 30 November 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 30 November 2007.

(c) In 2007, the Group received a statement of claims for an aggregate amount of approximately HK$23.9 million for uncertified workdone in connection with contract works from a subcontractor. The Group will defend vigorously against the claim and a counter claim of approximately HK$25 million has been submitted. Based on legal advice, the Directors are of the opinion that the Group has valid defences against the claim and no provision was made as at 30 November 2007.

(d) In 2006, the Group has initiated an arbitration process with one of its customers for settlement of outstanding claims made by the Group relating to one of its completed construction contracts. The arbitrator declared in the second direction hearing that the Group is not entitled to substantial costs and damages claimed. The Group lodged a notice of appeal to the Courts of Hong Kong for the case. Based on an external consultant's evaluation, the Group stands a reasonable chance of being able to obtain leave to appeal on the claims, so no provision was made as at 30 November 2007.

5. DISCLAIMER

Saved as aforesaid and apart from intra-group liabilities, the Group did not, at the close of business on 30 November 2007, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

6. MATERIAL CHANGES

The Directors confirmed that there has been no material change in the indebtedness, commitments and contingent liabilities of the Group since 30 November 2007.

7. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that following the completion of the Disposal, taking into account the estimated net proceeds from the Disposal and the financial resources available to the Remaining Group, including internal resources and present banking facilities, and in the absence of unforeseen circumstances, the Remaining Group has available sufficient working capital for its present requirements, that is for at least the next twelve months from the date of publication of this circular.

8. MANAGEMENT DISCUSSION AND ANALYSIS

(1) For the six months period ended 30 September 2007

Results and operation

The turnover for the six months ended 30 September 2007 has decreased by 10.8% to HK$810,804,000 when compared with the turnover of HK$909,004,000 for the same period last year. The Group recorded a gross loss of HK$19,311,000 for the period (30 September 2006: gross profit of HK$59,181,000). The operating loss for the period is HK$40,047,000 (30 September 2006: operating profit of HK$11,248,000) as a result of provision made for the uncertainty of the recoverability for certain cost incurred for the acceleration of progress and variation works for projects undertook during the period. The Group suffered a loss for the period HK$75,663,000 (30 September 2006: HK$9,433,000). The loss is a combined result of the above mentioned reason, high interest costs, the appreciation of Renminbi and the increase in price level of materials, subcontractors and labours. Subsequent to 30 September 2007, the Group accepted an offer to purchase 33 Sharp Street East. Since this is a Very Substantial Disposal, the conclusion of the sale is subject to shareholders approval in the forthcoming Special General Meeting. The sales proceed for the disposal of hotel and investment properties is HK$1,580,000,000 and will result in a net gain of approximately HK$670,000,000 to be realised in the full year accounts of the Group.

The investment properties of the Group has been performing well, all units for lease were fully let as of 30 September 2007 and generated a rental income of approximately HK$6,330,000 during the six months ended 30 September 2007. The six months operation of hotel generated a turnover of approximately HK$43,056,000, represents a growth 16.4% compared to the same period last year.

As at the date of this report the total contract sum of the Group's construction contracts in hand excluding joint venture contract is approximately HK$4,141,000,000. Five contracts with total contract sum of approximately HK$2,180,000,000 were secured during the period including two design and build contracts, one construction contract and two renovation and maintenance contracts with respective contract sum of approximately HK$1,468,000,000, HK$551,000,000 and HK$161,000,000. A joint venture contract of design and construction of the Prince of Wales Hospital-Extension Block at Shatin was awarded during the period with contract value HK$1,654,000,000. Two contracts with total contract sum of HK$1,383,000,000 were completed during the period.

Financial Position

At 30 September 2007, the Group's total cash in hand was HK$206 million (31 March 2007: HK$213 million) while total bank borrowings increased from HK$890 million in 31 March 2007 to HK$915 million. The increase in bank borrowings was due to the additional working capital requirement for construction contracts in hand. If the HK$437 million (31 March 2007: HK$427 million) long-term loan secured by the Group's hotel and investment properties is excluded, the Group has a net debt of HK$272 million (31 March 2007: HK$250 million) representing a net debt to equity ratio of 34.6% (31 March 2007: 28.8%). The current ratio (total current assets: total current liabilities) has decreased from 1.6 to 1.2 as compared to 31 March 2007. Due to the decreased equity as a result of the loss suffered during the period, the Group has breached certain of the loan covenants imposed by banks in respect of certain bank loans outstanding as at 30 September 2007. In accordance with the relevant loan agreements, the banks have the right to withdraw the facilities. However, waiver applications will be submitted to the banks for waivers of the above breaches. Based on the long-term relationship and good track record with the banks, the management is confident that waivers can be obtained and there will not be any adverse effect to the Group's liquidity. Subject to the approval of the shareholders of the Company in the forthcoming Special General Meeting, the disposal of hotel and investment properties will be significantly improved the Group's liquidity and the above breaches will be ratified with a comfortable margin.

The short-term and long-term bank borrowings are secured by the Group's investment properties, investments in unit trust and certain time deposits.

The Group continuously monitors its foreign currency positions and cost of raw materials. As at 30 September 2007, the Group has a forward contract with bank to hedge between Renminbi and US Dollars and an aluminium forward contract for hedging the price of aluminium.

Significant investments and material acquisitions and disposals

As at 30 September 2007, there was no significant investments held by the Group except the Property. As at the Latest Practicable Date, the Group did not have any plans for material investments or capital assets for the future financial period. For the period ended 30 September 2007, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Contingent Liabilities

There was no material change to the Group's contingent liabilities between 30 September 2007 and 30 November 2007. The details of the Group's contingent liabilities as at 30 November 2007 can be referred to pages 74 to 75 of the circular.

Human Resources

As at 30 September 2007, the Group employed approximately 1,000 employees in Hong Kong and Macau and approximately 800 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 and position 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.

(2) For the year ended 31 March 2007

Results

For the year ended 31 March 2007, the Group recorded a turnover of HK$2,109,311,000 and a profit attributable to equity holders of HK$49,790,000, as compared with a turnover of HK$1,452,208,000 (2005: HK$1,355,583,000) and a profit attributable to equity holders of HK$1,967,000 (2005: HK$47,085,000) recorded last year.

Financial Position

As at 31 March 2005, 2006 and 2007, the Group's total cash in hand were HK$195,313,000, HK$257,696,000 and HK$213,011,000 respectively. While total bank borrowings were HK$575,371,000, HK$732,303,000 and HK$889,827,000 respectively. For the year ended 31 March 2007, interest on loans was calculated at variable rates ranging from 5.3% to 8.5% per annum.

A long-term loan secured by the Group's hotel and investment properties as at 31 March 2005, 2006 and 2007 were HK$349,800,000, HK$446,800,000, HK$426,800,000 respectively. If the long-term loan is excluded, the net debt of the Group as at 31 March 2005, 2006 and 2007 were HK$30,258,000, HK$27,807,000 and HK$250,016,000 respectively representing the respective net debt to equity ratio of 3.7%, 3.4% and 28.8%. The current ratio (total current assets: total current liabilities) of the Group has maintained at 1.6 for the year ended 31 March 2005, 2006 and 2007.

The total bank facilities granted to the Group at 31 March 2005, 2006 and 2007 were approximately HK$758 million, HK$951 million and HK$1,021 million respectively, of which the respective amount approximately HK$593 million, HK$747 million and HK$913 million had been utilised.

The Group continuously monitors its foreign currency positions and costs of materials. For the year ended 31 March 2007, the Group has not hedged for any foreign currencies and price of raw materials.

Review of Operations

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.

Property investment

The Group's wholly owned investment properties 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 comprises 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.

Major Customers and Suppliers

The percentages of purchases and sales for the year ended 31 March 2007 attributable to the Group's major suppliers and customers are as follows:

Purchases

–	the largest supplier	12%
–	five largest suppliers	27%

Sales

–	the largest customer	41%
–	five largest customers	93%

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

Significant investments and material acquisitions and disposals

As at 31 March 2007, there was no significant investments held by the Group except the Property. The Group did not have any plans for material investments or capital assets for the future financial period. For the year ended 31 March 2007, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Contingent Liabilities

The details of the Group's contingent liabilities as at 31 March 2007 can be referred to page 72 of the circular.

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. The staff costs of the Group (excluding Directors' emolument) amounted to approximately HK$228 million.

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" organised by the Hong Kong Council of Social Service.

9. OUTLOOK

The period under review is a difficult period for the Group. However, signs of recovery emerged in the third quarter of the year. This is evidenced by the increased value of contract in hand of the Group. Measures have been taken to enhance the Group's operation, budgetary and internal control systems to prevent further cost overruns.

To remain competitive in tendering for public contracts, the Group has been integrating vertically, the expanded scope should result in better control over costs, quality and design hence strengthen tender competitiveness. The Group is considering expanding to overseas market such as Singapore and the Middle East to capture the opportunities in these upcoming construction markets.

With the significant cash in hand after the sale proceed from the sale of 33 Sharp Street East is received, the Group will actively look for investment opportunities in the region with an aim to improve return for shareholders.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, after making all reasonable enquiry and the review of the interim report of the Group for the six months period ended 30 September 2007, the Directors are not aware of any material adverse change in the financial or trading position or operation of the Group.

Set out below are the unaudited pro forma statement of net assets and income statement of the Remaining Group which have been prepared based on the unaudited condensed consolidated financial statements of the Group as set out in the published interim report of the Company for the six months ended 30 September 2007 after making pro forma adjustments.

The unaudited pro forma income statement of the Group has been prepared to illustrate the effects of the Disposal as if it had taken place at the commencement of the period being reported on, i.e. 1 April 2007, while the unaudited pro forma statement of net assets of the Group has been prepared to illustrate the effects as if it had taken place at the date reported, i.e. 30 September 2007. They have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the financial position and financial results of the Remaining Group had the Disposal been completed as at 1 April 2007, 30 September 2007 or any future date.

I. UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

	The Group as at 30 September 2007	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Property, plant and equipment	311,889	(225,616)			86,273
Investment properties	360,000	(360,000)			–
Leasehold land	351,397	(315,281)			36,116
Associates	39				39
Jointly controlled entities	28,303				28,303
Deferred income tax assets	34				34
Other non-current assets	51,457				51,457
Total non-current assets	1,103,119				202,222
Current assets					
Cash and bank balances	205,811	1,563,000	(436,800)	(3,583)	1,328,428
Trade debtors, net	252,303				252,303
Inventories	24,295				24,295
Prepayments, deposits and other receivables	99,483			(199)	99,284
Prepaid income tax	960				960
Due from customers on construction contracts	526,096				526,096
Financial assets at fair value through profit or loss	5,298				5,298
Due from associates	13,539				13,539
Due from jointly control entities	4,488				4,488
Due from related parties	30				30
Total current assets	1,132,303				2,254,721

	The Group as at 30 September 2007	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Current liabilities					
Bank overdrafts – secured	72,225				72,225
Short-term bank loan – secured	355,948		(20,000)		335,948
Current portion of long-term borrowings – secured	93,563		(21,000)		72,563
Derivative financial instruments	5,502				5,502
Payables to suppliers and subcontractors	214,340				214,340
Accruals, retention payables and other liabilities	155,628			(3,782)	151,846
Income tax payable	3,295				3,295
Due to customers on construction contracts	78,378				78,378
Total current liabilities	978,879				934,097
Net current assets	153,424				1,320,624
Total assets less current liabilities	1,256,543				1,522,846
Non-current liabilities					
Long-term borrowings	396,705		(395,800)		905
Deferred income tax liabilities	73,326	(61,030)			12,296
Total non-current liabilities	470,031				13,201
Net assets	786,512				1,509,645

Notes to the unaudited pro forma statement of net assets:

1. The amounts are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 September 2007 set out in the published interim report of the Company for the six months ended 30 September 2007.

2. The adjustment reflects the Disposal and the corresponding tax effect after taking into consideration the following:

   (a) Cash consideration for the Disposal of HK$1,580,000,000.

   (b) Estimated expenses to be incurred in connection with the Disposal of approximately HK$17,000,000.

   (c) The carrying value of the Property as at 30 September 2007 of approximately HK$900,897,000 comprising property, plant and equipment of approximately HK$225,616,000, investment properties of approximately HK$360,000,000 and leasehold land of approximately HK$315,281,000.

   (d) The write back of deferred income tax liability in connection with the Disposal amounting to approximately HK$61,030,000.

3. The adjustment represents the repayment of bank loans secured by the Property.

4. The adjustment represents the refund of the utilities deposits previously paid for the Property and the transfer of rental deposits previously received from the tenants of the Property to the Purchaser.

II. UNAUDITED PRO FORMA INCOME STATEMENT

	The Group for the six months ended 30 September 2007	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2a)*	*(Note 2b)*	*(Note 2c)*	
Revenue	810,804		(49,386)		761,418
Cost of sales	(830,115)		8,536		(821,579)
Gross loss	(19,311)				(60,161)
Other income and gains	9,804				9,804
Administrative expenses	(75,972)	6,523	14,030		(55,419)
Other operating expenses	(1,568)				(1,568)
Change in fair value of investment property	47,000	(47,000)			–
Gain on disposal of property	–			703,092	703,092
Operating (loss)/profit	(40,047)				595,748
Finance costs	(28,754)		11,923		(16,831)
Share of profit of joint venture, net	709				709
(Loss)/profit before income tax	(68,092)				579,626
Income tax expenses	(7,571)		61,030		53,459
(Loss)/profit for the period attributable to equity holder of the Company	(75,663)				633,085

Notes to the unaudited pro forma income statement:

1. The amounts are extracted from the unaudited condensed consolidated income statement of the Group for the six months ended 30 September 2007, set out in the published interim report of the Company for the six months ended 30 September 2007.

2. The pro forma adjustments represent:

   (a) exclusion of the depreciation, amortisation and changes in fair value of the Property for the six months ended 30 September 2007;

   (b) exclusion of the deferred income tax liabilities as at 1 April 2007 and the revenue recognised and expenses incurred during the six months ended 30 September 2007 in connection with the Property; and

   (c) recognition of the gain on disposal of the Property which is the difference between the estimated net proceeds of HK$1,563,000,000 (after deducting the estimated expenses in relation to the Disposal of approximately HK$17,000,000) and the carrying value of the Property as at 1 April 2007 of HK$859,908,000.

3. Since the carrying values of the identifiable assets and liabilities relating to the Property at Completion may be substantially different from the values used in the unaudited pro forma financial information, the final amount of the gain on disposal of the Property may be different from the amount presented above.

III. REPORT FROM ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT FROM ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF YAU LEE HOLDINGS LIMITED

We report on the unaudited pro forma financial information set out on pages 82 to 86 under the heading of "Unaudited Pro Forma Statement of Net Assets" and "Unauditied Pro Forma Income Statement" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 18 January 2008 (the "Circular"), in connection with the proposed disposal of the hotel property and the investment property by the Company (the "Transaction"). The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 82 to 86 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited statement of net assets of the Group as at 30 September 2007 and the unaudited income statement of the Group for the six months ended 30 September 2007 with the unaudited condensed interim consolidated balance sheet and income statement of the Group as at and for the six months ended 30 September 2007 as set out in the interim report of the Company for the six months ended 30 September 2007, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Group as at 30 September 2007 or any future date, or

– the results of the Group for the six months ended 30 September 2007 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 January 2008

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with its valuation as at 31 October 2007 of the Property.

T: (852) 2801 6100
F: (852) 2530 0756
23/F Two Exchange Square
Central, Hong Kong
EA Licence: C-023750
savills.com

The Directors
Yau Lee Holdings Limited
10th Floor, Tower I
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon

17 January 2008

Dear Sirs,

RE: 33 SHARP STREET EAST AND 11 YIU WA STREET, CAUSEWAY BAY, HONG KONG (THE "PROPERTY")

In accordance with your instructions for us to value the captioned property held by Century Score Limited, an indirect wholly-owned subsidiary of Yau Lee Holdings Limited (the "Company") for investment, we confirm that we have caused land searches at the Land Registry and made all relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 October 2007 for the purposes of inclusion of the same to a circular to be issued by the Company on or about 18 January 2008 in relation to a proposed disposal of the Property.

Our valuation is our opinion of the market value of the Property which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation is prepared in accordance with The HKIS Valuation Standards on Properties published by The Hong Kong Institute of Surveyors (1st Edition 2005) and complies with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have valued the commercial portion of the Property by reference to sales evidence as available on the market and where appropriate on the basis of capitalization of the net income shown on schedule handed to us. We have allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential.

We have valued the hotel portion of the Property as an ongoing hotel by capitalization of the net operating profit. We have relied on information supplied by you in respect of room sales, other revenues, occupancy rate, outgoings, operating costs, gross operating profit and other relevant information.

We have not been provided with any title documents relating to the Property but we have caused searches to be made at the Land Registry. We have not, however, inspected the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies obtained by us.

We have relied to a very considerable extent on information given by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, occupancy status, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the Property and where possible, we have also inspected the interior of the Property. However, no structural survey has been made but in the course of our inspection, we did not note any material defect. We are not, however, able to report that the Property is free of rot, infestation or any other structural defect. No test was carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

Our valuation certificate is enclosed herewith.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Enc

Note: Mr. Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCIArb, RPS(GP), has been a qualified valuer since June 1987 and has about 23 years experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
33 Sharp Street East and 11 Yiu Wa Street, Causeway Bay, Hong Kong (the "Property") Section A and the Remaining Portion of Sub-section 6 of Section B of Inland Lot No. 730; Sub-section 1 and the Remaining Portion of Section C of Sub-section 4 of Section B of Inland Lot No. 730; Sub-section 1 and the Remaining Portion of Section D of Sub-section 4 of Section B of Inland Lot No. 730; Sub-section 1 and the Remaining Portion of Section C of Inland Lot No. 730; the Remaining Portions of Inland Lots Nos. 5457, 5458, 5459 and 5460; and Inland Lots Nos. 5461 and 5462	The Property comprises a 27-storey commercial/hotel building (the "Main Building") fronting Sharp Street East and a 3-storey commercial building (the "Ancillary Building") fronting Yiu Wa Street erected on two opposite sites with a total site areas of approximately 968.74 sq m (10,428 sq ft). The Property was completed in 2003. Portions of the Ground and 1st Floors and the whole of the 2nd, 3rd, 6th and 29th Floors of the Main Building are occupied as shops and restaurants for commercial purposes. The 7th to 13th and 15th to 28th Floors accommodate 269 hotel guest rooms together with ancillary function rooms and back-of-house facilities, operated under the name of "Express by Holiday Inn". The 5th Floor is planned as a mechanical floor. The 4th, 14th and 24th Floors are omitted from floor numbering. The 29th Floor of the Main Building is under conversion from restaurant to 14 hotel guest rooms. The conversion is scheduled to be completed in June 2008. The Ground Floor of the Ancillary Building is occupied as a restaurant for commercial purposes while the upper floors are planned as mechanical floors. The total gross floor area of the Property is approximately 14,460.24 sq m (155,650 sq ft).	The commercial portion of the property is subject to various tenancies mostly for terms of three years with the latest expiring in November 2010 at a total monthly basic rent of approximately HK$1,100,000 exclusive of management fees, rates and Government rent. Some of the tenancies contain provisions for turnover rent each charged at a prefixed percentage of gross taking or a basic rent, whichever is the greater. The total turnover rent received from November 2006 to October 2007 is approximately HK$331,000. Most of the tenancies contain options to renew for further terms of two to three years at the then market rents by tenants. The longest tenancy is the one for the 2nd Floor which contains two options to renew with an expiry date on 31 March 2015 if the two options will both be exercised by the tenant. The hotel portion of the Property is operated by the owner through its appointed hotel manager, InterContinental Hotels Group (Greater China) Ltd. (formerly known as SC Hotels & Resorts (Greater China) Limited).	HK$1,400,000,000 (100% interest) 100% attributable to the Group: HK$1,400,000,000

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2007
	The Property also comprises flat roofs on the 5th Floor of the Main Building with a total area of approximately 150.23 sq m (1,617 sq ft). Inland Lot No. 730 is held under a Government lease for a term of 999 years commencing from 1 September 1881 at an annual Government rent of HK$497.84. Inland Lots Nos. 5457, 5458, 5459, 5460, 5461 and 5462 are held under their respective Government leases each for a term of 999 commencing from 20 June 1881 at a total annual Government rent of HK$60.		

Notes:

(1) The registered owner of the Property is Century Score Limited, in which the Company has a 100 per cent attributable interest.

(2) As per the information provided, the conversion works on the 29th Floor of the Main Building of the Property is scheduled to be completed after four months (i.e. June 2008) from the completion date of the transaction of the Property and the outstanding conversion cost is about HK$4,000,000. In accordance with your instructions, we have assumed that the conversion works were fully completed and the conversion cost was fully settled as at the date of valuation.

(3) The Property is subject to a No-Objection Letter dated 26 April 2002 for the removal of the restrictions on trade or business of "sugar-baker, Oilman, Butcher, Victualler and Tavern-Keeper" contained in the Government leases.

(4) The Property is subject to a Deed of Dedication in favour of the Director of Buildings on behalf of the Government of The Hong Kong Special Administrative Region and a Modification Letter both dated 3 October 2005 in respect of the dedication of the total site area of 23.12 sq m for the purposes of pedestrian passage and vehicular passage.

(5) The Property is subject to a Mortgage, an Assignment of Hotel Incomes and Revenues and a Deed of Variation to secure all sum of money including general banking facilities all in favour of Nanyang Commercial Bank Limited.

(6) The Property lies within an area zoned "Commercial/Residential" under Wan Chai Outline Zoning Plan.

(7) The market values of the Property as at 31 March 2007 and 30 September 2007 were valued by Savills Valuation and Professional Services Limited at HK$1,030,000,000 and HK$1,330,000,000 respectively.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

(i) Interest of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO; and the interests and short positions of the Directors in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, are as follows:

Shares of HK$0.2 each in the Company

	Number of shares held (long position)	
Director	**Corporate interest**	**Approximate % shareholding**
Mr. Wong Ip Kuen	234,033,599	53.07%

The shares referred to above are registered in the names of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 3,354,000 shares. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Investment Company Limited and Billion Goal Holdings Limited. All Fine Investment Company Limited and Billion Goal Holdings Limited are incorporated in the Cook Islands and the British Virgin Islands respectively. Mr. Wong Ip Kuen is a director of both All Fine Investment Company Limited and and Billion Goal Holdings Limited.

As at the Latest Practicable Date, none of the Directors and chief executive (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

As at the Latest Practicable Date, neither was the Company, its subsidiaries, its associates or its jointly controlled entities a party to any arrangement to enable the Directors and chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Saved as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, none of the Directors or chief executive of the Company and their associates had any interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO; and none of the Directors is a director or employee of company which had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, none of the persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

MATERIAL CONTRACTS

The Agreement is the only one contract, not being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are, or may be, material.

Save as disclosed above, none of the members of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular that are or may be material.

OTHER INTERESTS OF DIRECTORS

(i) Interests in service contracts

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which were not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

(ii) Interests in assets of the Group

Since 31 March 2007, the date to which the latest published audited accounts of the Company have been made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to, any member of the Group.

(iii) Interests in contracts or arrangement

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

(iv) Interests in competing business

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or of the Group.

EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified public accountants
Savills Valuation and Professional Services Limited	Professional valuers

Both PricewaterhouseCoopers and Savills Valuation and Professional Services Limited have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their respective letters and reports (as the case may be) and references to their respective names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of PricewaterhouseCoopers or Savills Valuation and Professional Services Limited was beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets which had been since 31 March 2007 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance pending or threatened against any member of the Group.

MISCELLANEOUS

(i) The secretary and qualified accountant of the Company is Mr. Chui Man Lung, Everett. Mr. Chui is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(ii) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Ltd. situated at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(iii) The registered office of the Company is Clarendon House, Church Street, Hamilton HM 11, Bermuda.

(iv) The English text of this circular and the accompanying proxy form shall prevail over its Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong from the date of this circular up to and including 11 February 2008.

(i) the memorandum of association and Bye-laws of the Company;

(ii) the audited financial statements of the Company for each of the two financial years ended 31 March 2006 and 2007;

(iii) the letters from PricewaterhouseCoopers and Savills Valuation and Professional Services Limited referred to in the section headed "Experts and Consents" in this Appendix;

(iv) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular;

(v) the letter and valuation certificate prepared by Savills Valuation and Professional Services Limited in respect of the Property, the text of which is set out in Appendix IV to this circular;

(vi) the material contracts referred to in the section headed "Material Contracts" in this Appendix.

有 利 集 團 有 限 公 司 #

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00406)

NOTICE IS HEREBY GIVEN that a special general meeting of Yau Lee Holdings Limited (the "Company") will be held at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong on Tuesday, 12 February 2008 at 10:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the tender as submitted by Smart Easy Enterprises Limited (the "**Purchaser**") on 21 November 2007 to, and accepted on the same date by Century Score Limited (the "**Agreement**"), an indirect wholly-owned subsidiary of the Company, for the disposal of its entire interest in the property situate at No. 33 Sharp Street East and No. 11 Yiu Wa Street, Causeway Bay, Hong Kong, named the Express by Holiday Inn Causeway Bay Hong Kong to the Purchaser, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) any one director of the Company, or if the affixation of the common seal is necessary, a director and the Secretary of the Company or such person or persons as authorised by the board of directors of the Company, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such other acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Agreement as he/she/they may consider necessary, desirable or expedient."

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

Hong Kong, 18 January 2008

\# *for identification only*

Registered Office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business:
10th Floor, Tower I
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. A form of proxy for use at the Special General Meeting is enclosed.

2. A member entitled to attend and vote at the Special General Meeting convened by the notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. The form of proxy must be signed under the hand of the appointer or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised on that behalf.

4. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's principal place of business at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong at least 48 hours before the time fixed for holding the Special General Meeting or any adjournment thereof. Completion and return of this form of proxy will not preclude you from attending and voting in person at the Meeting or any adjournment thereof if you so wish.

5. If two or more persons are jointly entitled to a share of the Company and are present at the Special General Meeting, only the joint holder whose name stands first in the Register of Member of the Company in respect of the joint holding is entitled to vote at the Special General Meeting.

As at the date hereof, 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.