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**, you should at once hand this circular to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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有利集團有限公司*

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00406)

MAJOR TRANSACTIONS — ACQUISITION OF PROPERTIES

27 May 2009

* *For identification purpose only*

CONTENTS

Page

In this circular, unless the context states otherwise, the following expressions shall have the following meanings:

"1st Acquisition"	the acquisition of the 1st Property by the 1st Purchaser from the 1st Vendor pursuant to the 1st Preliminary Sale & Purchase Agreement;
"1st Preliminary Sale & Purchase Agreement"	the Preliminary Sale & Purchase Agreement dated 30 March 2009 entered into between the 1st Purchaser as purchaser and the 1st Vendor as vendor in relation to the 1st Acquisition;
"1st Property"	(1) ALL THAT piece or parcel of ground registered in the Land Registry as KWUN TONG INLAND LOT NO. 360 TOGETHER with the messuages erections and building thereon now known as NO. 43 TSUN YIP STREET, Kowloon; and (2) ALL THAT piece or parcel of ground registered in the Land Registry as KWUN TONG INLAND LOT NO. 359 TOGETHER with the messuages erections and building thereon now known as NO. 45 TSUN YIP STREET, Kowloon;
"1st Purchaser"	Trinity Crown Limited or nominee, a limited company incorporated in Hong Kong;
"1st Vendor"	Empire River Limited, a limited company incorporated in Hong Kong;
"2nd Acquisition"	the acquisition of the 2nd Property by the 2nd Purchaser from the 2nd Vendor pursuant to the 2nd Preliminary Sale & Purchase Agreement or when subsequently entered into, the Formal Agreement;
"2nd Preliminary Sale & Purchase Agreement"	the Provisional Agreement For Sale And Purchase dated 30 April 2009 entered into between the 2nd Purchaser as purchaser and the 2nd Vendor as vendor in relation to the 2nd Acquisition;
"2nd Property"	All those pieces or parcels of grounds registered in the Land Registry as: (1) Inland Lot Nos. 902 and 8042 (Nos. 77, 79 & 81 Jervois Street & Nos. 14A, 16 & 18 Burd Street, Hong Kong); (2) Inland Lot Nos. 4244 and 4245 (No. 20 Burd Street & No. 83 Jervois Street, Hong Kong); (3) The Remaining Portion of Inland Lot No. 900 (No. 85 Jervois Street, Hong Kong); and (4) Section A of Inland Lot No. 900 (No. 22 Burd Street, Hong Kong).

"2nd Purchaser"	Million Wealth Enterprises Limited or nominee, a limited company incorporated in Hong Kong;
"2nd Vendor"	Shine Wise Limited, a limited company incorporated in Hong Kong;
"Associate(s)"	has the meaning ascribed to it under the Listing Rules;
"All Fine"	All Fine Investment Company Limited, one of the two largest major shareholders of the Company;
"Billion Goal"	Billion Goal Holdings Limited, one of the two largest major shareholders of the Company;
"Board"	the board of Directors;
"Company"	Yau Lee Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange;
"Connected person(s)"	have the meaning ascribed to it under the Listing Rules;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China;
"Latest Practicable Date"	27 May 2009, 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"	Rules Governing the Listing of Securities on the Stock Exchange;
"Savills"	Savills Valuation and Professional Services Limited;
"Share(s)"	ordinary share(s) of HK$0.2 each in the issued share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiaries"	has the meaning ascribed to it under the Listing Rules;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"%"	per cent.

有利集團有限公司*

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00406)

Executive Directors:
Wong Ip Kuen *(Chairman)*
Wong Tin Cheung
Wong Wai Man
Sun Chun Wai
So Yau Chi

Independent Non-Executive Directors:
Dr. Yeung Tsun Man, Eric
Wu King Cheong
Chan Bernard Charnwut

Registered Office:
Clarendon House
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Bermuda

Principal Place of Business:
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Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

27 May 2009

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS — ACQUISITION OF PROPERTIES

INTRODUCTION

On 30 March 2009, the 1st Purchaser entered into the 1st Preliminary Sale & Purchase Agreement in relation to the 1st Acquisition. Reference is made to the Company's announcement dated 2 April 2009.

Pursuant to the 1st Preliminary Sale & Purchase Agreement, the 1st Vendor shall sell and the 1st Purchaser shall acquire the 1st Property at a consideration of HK$100,000,000.

** For identification purpose only*

On 30 April 2009, the 2nd Purchaser entered into the 2nd Preliminary Sale & Purchase Agreement in relation to the 2nd Acquisition. Reference is made to the Company's announcement dated 5 May 2009.

Pursuant to the 2nd Preliminary Sale & Purchase Agreement, the 2nd Vendor shall sell and the 2nd Purchaser shall acquire the 2nd Property at a consideration of HK$350,000,000.

As the applicable percentage ratio in respect of each of the 1st Acquisition and the 2nd Acquisition exceed 25% but less then 100%, each of the 1st Acquisition and the 2nd Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules.

The purpose of this circular is to provide you with further details of the 1st Acquisition and the 2nd Acquisition as required under the Listing Rules.

1ST ACQUISITION

Date of the 1st Preliminary Sale & Purchase Agreement

30 March 2009

Parties:

(1) the 1st Purchaser

(2) the 1st Vendor

Property to be acquired:

Pursuant to the 1st Preliminary Sale & Purchase Agreement, the 1st Vendor agreed to sell and the 1st Purchaser agreed to purchase the 1st Property.

Condition of the 1st Property

According to Clause 4 of the 1st Preliminary Sale & Purchase Agreement, the 1st Property is to be sold to the 1st Purchaser subject to and with the benefit of the existing tenancy of the 1st Property, particulars of which are as follows:

Tenanted Premises: All those G/F, 1/F, 2/F, 3/F, 4/F & Roof of No. 43 Tsun Yip Street and All those G/F, 1/F, 2/F & Roof of No. 45 Tsun Yip Street

Term of Tenancy: 2 years commencing from 24 January 2008 and expiring on 23 January 2010 (both days inclusive)

Rent: HK$184,000 per month (exclusive of rates, government rent and other outgoings)

Rental Deposit: HK$552,000

Rates and Government Rent Deposit: HK$32,640

Consideration and payment terms:

The consideration of HK$100,000,000 for the 1st Acquisition has been determined after arm's-length negotiations between the 1st Purchaser and the 1st Vendor with reference to the prevailing market value of comparable properties in the vicinity and before the 1st Preliminary Sale & Purchase Agreement was signed, the Company had obtained an indicative valuation of the 1st Property from a principal banker of the Company advising that the prevailing market value of the 1st Property is in the region of HK$100,000,000.

Pursuant to the terms of the 1st Preliminary Sale & Purchase Agreement, the consideration for the 1st Acquisition shall be payable by the 1st Purchaser to the 1st Vendor in the following manner:

(a) an initial deposit of HK$5,000,000 was paid to the 1st Vendor by the 1st Purchaser upon signing of the 1st Preliminary Sale & Purchase Agreement;

(b) a sum of HK$5,000,000, as further deposit, was paid to the 1st Vendor by the 1st Purchaser on 20 April 2009;

(c) a sum of HK$90,000,000, as balance of purchase price shall be paid upon completion on or before 19 June 2009.

The Preliminary Sale & Purchase Agreement contains, inter alia, the following provisions:

(a) If the 1st Purchaser fails to complete the purchase in the manner contained therein, the deposit shall be forfeited to the 1st Vendor and the 1st Vendor shall then be entitled at its absolute discretion to sell the 1st Property to anyone it thinks fit and the 1st Vendor shall not sue the 1st Purchaser for any liabilities and/or damages caused by the Purchaser's default of the 1st Preliminary Sale & Purchase Agreement.

(b) If the 1st Vendor after receiving the deposit fails to complete the sale in the manner contained therein, the 1st Vendor shall immediately compensate the 1st Purchaser with a sum equivalent to the amount of the deposit as liquidated damages together with the refund of the deposit and the 1st Purchaser shall not take any further action to claim for damages or to enforce specific performance.

The Group currently intends to fully finance the consideration for the 1st Acquisition by internal resources of the Group but may consider partially finance the 1st Acquisition by bank loan.

Formal Agreement

According to Clause 3 of the 1st Preliminary Sale & Purchase Agreement, a formal agreement shall be signed on or before 20 April 2009. However, as the 1st Vendor and the 1st Purchaser were unable to agree on the content of the formal agreement, the 1st Vendor and the 1st Purchaser did not sign the formal agreement on or before 20 April 2009 and such non-signing of the formal agreement shall not constitute a breach of the 1st Preliminary Sale & Purchase Agreement. The provisions of the 1st Preliminary Sale & Purchase Agreement shall continue in force and the 1st Vendor shall sell and the 1st Purchaser shall purchase the 1st Property in accordance with such provisions notwithstanding the fact that the formal agreement has not been signed.

INFORMATION ON THE 1ST PROPERTY AND 1ST VENDOR

1st Property

The 1st Property comprises two blocks of industrial buildings with 3 storeys (plus roofs) and 5 storeys (plus roofs) respectively. Some of the floors are currently being occupied and used by the existing tenant as stated above. The site area of the buildings is approximately 9,169 square feet. The plot ratio of the site on which the 1st Property is built is 12 and thus upon redevelopment of the site, the permissible gross floor area will be approximately 110,028 square feet.

The 1st Property was/is subject to and with the benefit of the following tenancies for the 3 preceding financial years :

Tenancy Agreement dated 5 November 2004

Term of tenancy:	3 years expiring on 23 January 2008
Rent payable:	HK$160,000 per month (exclusive of rates, government rent and other outgoings)

Tenancy Agreement dated 25 March 2008

Term of tenancy:	2 years expiring on 23 January 2010
Rent payable:	HK$184,000 per month (exclusive of rates, government rent and other outgoings)

1st Vendor

The 1st Vendor is a private limited company incorporated in Hong Kong on 20 September 2007. According to the Annual Return of the Vendor made up to 20 September 2008, the Vendor's authorized share capital is HK$10,000 divided into 10,000 shares of HK$1.00 each, of which 1 share was issued. According to the information given by the relevant firm of estate agents to the 1st Purchaser, the principal activity of the 1st Vendor is property investment.

To the best of the Director's knowledge, information and belief and having made all reasonable enquires, the 1st Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

REASONS FOR AND BENEFITS OF THE 1ST ACQUISITION

In light of the plot ratio and the permissible gloss floor area as aforesaid, the Company considers that the 1st Property has a favourable potential redevelopment value. Although the Company does not have any firm redevelopment plan, the Company does not exclude the possibility to redevelop the 1st Property after the expiration of the existing tenancy.

Upon completion of the 1st Acquisition, the 1st Property will generate rental profit to the Group until the expiration of the existing tenancy.

The Directors, including the independent non-executive Directors, consider that the terms and conditions of the 1st Preliminary Sale & Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2ND ACQUISITION

Date of the 2nd Preliminary Sale & Purchase Agreement

30 April 2009

Parties:

(1) the 2nd Purchaser

(2) the 2nd Vendor

Property to be acquired:

Pursuant to the 2nd Preliminary Sale & Purchase Agreement, the 2nd Vendor agreed to sell and the 2nd Purchaser agreed to purchase the 2nd Property.

Condition of the 2nd Property

According to Clause 4 of the 2nd Preliminary Sale & Purchase Agreement, the 2nd Vendor shall deliver vacant possession of the 2nd Property to the 2nd Purchaser.

Consideration and payment terms:

The consideration of HK$350,000,000 for the 2nd Acquisition has been determined after arm's-length negotiations between the 2nd Purchaser and the 2nd Vendor with reference to the prevailing market value of comparable properties in the vicinity and before the 2nd Preliminary Sale & Purchase Agreement was signed, the Company had obtained an indicative valuation of the 2nd Property from a principal banker of the Company advising that the prevailing market value of the 2nd Property is in the region of HK$350,000,000.

Pursuant to the terms of the 2nd Preliminary Sale & Purchase Agreement, the consideration for the 2nd Acquisition shall be payable by the 2nd Purchaser to the 2nd Vendor in the following manner:

(a) an initial deposit of HK$10,000,000 was paid to the 2nd Vendor by the 2nd Purchaser upon signing of the 2nd Preliminary Sale & Purchase Agreement;

(b) a sum of HK$25,000,000, as further deposit, was paid to the 2nd Vendor by the 2nd Purchaser on 18 May 2009;

(c) a sum of HK$315,000,000, as balance of purchase price shall be paid upon completion on or before 17 July 2009.

The initial deposit and the further deposit were paid to the 2nd Vendor's solicitors as stakeholders who may release the same to the 2nd Vendor provided that the balance of the purchase price is sufficient to discharge the existing legal charge/mortgage (if any).

The 2nd Preliminary Sale & Purchase Agreement contains, inter alia, the following provision:

Clause 18: The 2nd Preliminary Sale & Purchase Agreement is a "must-buy and must-sell" agreement (i.e. the 2nd Preliminary Sale & Purchase Agreement does not contain any provision entitling the 2nd Vendor or the 2nd Purchaser to cancel the 2nd Preliminary Sale & Purchase Agreement on condition.)

The Group currently intends to finance the consideration for the 2nd Acquisition partially by internal resources of the Group and partially by bank loan.

Formal Agreement

On 20 May 2009, the 2nd Vendor and the 2nd Purchaser have signed the formal agreement.

The formal agreement contains, inter alia, the following major terms and conditions:

Clause 7

The 2nd Property is and will be sold on an "**as is**" basis. The 2nd Purchaser purchases with full knowledge of the physical state and condition of the 2nd Property and takes it as it stands, together with all hoarding works (if any) erected or to be erected at the 2nd Property as at 17 July 2009 and no warranty or representation whatsoever has been given or is made by the 2nd Vendor or his agents regarding the physical state and condition thereof. In particular and without limiting the generality of the foregoing, no warranty or representation is given or made by the 2nd Vendor or his agents on any of the following matters, namely:—

(i) the physical state and condition, quality or fitness of the fittings and finishes or the installations and appliances (if any) incorporated in the 2nd Property;

(ii) the physical state and condition or the legality of the 2nd Property or of any structures or erections therein or thereto; and

(iii) the composition of the 2nd Property or the nature or manner of its construction.

Clause 10

Immediately after the signing of this agreement, the 2nd Property shall as between the 2nd Vendor and the 2nd Purchaser be at the 2nd Purchaser's risk. For the avoidance of doubt, the obligations of the 2nd Purchaser to pay the purchase money and complete the purchase shall continue notwithstanding that prior to completion, owing to fire, earthquake or any other calamity, force majeure, or act of God, destruction of or damage to the 2nd Property or any part thereof shall occur. The 2nd Vendor does not warrant that any or any adequate policy of insurance exists relating to the 2nd Property or, if any such policy exists, that it will be renewed on expiration. The 2nd Vendor will not transfer the insurance policy (if any) on the 2nd Property or the benefit thereof to the 2nd Purchaser.

Clause 14(a)

All stamp duties and registration fees payable on this agreement and any prior agreement for sale as defined in Section 29A of the Stamp Duty Ordinance (Cap.117) ("**prior agreement**") between the parties hereto in respect of the 2nd Property and/or the subsequent assignment shall be wholly paid by the 2nd Purchaser and the 2nd Purchaser shall keep the 2nd Vendor fully indemnified in respect thereof. In the event of the consideration stated in the assignment, this agreement or any prior agreement for sale between the parties hereto relating to this transaction not being accepted by the Collector of Stamp Revenue as representing the true value of the 2nd Property the excess or additional stamp duty charged in accordance with his valuation of the 2nd Property and the additional Land Registry registration fees (if any) shall be borne by the 2nd Purchaser solely and the provisions of this Clause shall survive completion of the sale and purchase of the 2nd Property.

Clause 15

The 2nd Vendor shall at his own expense prove his title to the 2nd Property in accordance with Section 13 of the Conveyancing and Property Ordinance (Cap.219) and shall at like expense make and furnish to the 2nd Purchaser such certified, attested or other copies of any deeds or documents of title, wills and matters of public record as may be necessary to prove such title provided that in respect of any document not in the 2nd Vendor's possession and which does not relate exclusively to the 2nd Property, the 2nd Vendor shall only be required to furnish to the 2nd Purchaser a photocopy of such document in respect thereof registered in the Land Registry provided the 2nd Vendor's solicitors undertake to provide a certified true copy within a reasonable time after completion (and in any event not later than 30 days after completion). The costs of verifying the title by inspection and examination, including search fees, shall be borne by the 2nd Purchaser who shall also, if the 2nd Purchaser requires certified, attested or other copies of any documents in the 2nd Vendor's possession relating to other premises retained by the 2nd Vendor as well as to the 2nd Property pay the costs of such certified, attested or other copies.

Clause 16

Time shall in every respect be of the essence of this agreement.

Clause 17

Should the 2nd Purchaser fail (other than due to the default of the 2nd Vendor) to complete the purchase of the 2nd Property in accordance with any of the terms and conditions herein contained (including without limitation any failure to pay the purchase price or any part thereof, on the dates and within the time periods herein stipulated) the 2nd Vendor may (without being obliged to tender an assignment to the 2nd Purchaser) forthwith determine this agreement by giving notice of termination in writing to the 2nd Purchaser or his solicitors to such effect and the 2nd Vendor shall thereupon be entitled to re-enter upon the 2nd Property and repossess the same if possession shall have been given to the 2nd Purchaser free from any right or interest of the 2nd Purchaser therein and the 2nd Vendor shall be entitled to forfeit all the said deposit or further deposits or instalments of the purchase price paid to the 2nd Vendor absolutely without prejudice to any other rights and remedies of the 2nd Vendor.

Clause 19

Without prejudice to the provisions hereinbefore contained if the 2nd Purchaser fails to complete the purchase of the 2nd Property on 17 July 2009 and the 2nd Vendor elects to accept late completion in lieu of his rights hereinbefore contained then the 2nd Purchaser shall pay interest calculated from day to day on the balance of the purchase price due at the rate of 2% per annum above the prime rate of The Hongkong and Shanghai Banking Corporation Limited prevailing from time to time until the actual date of completion provided always that nothing contained in this provision shall prevent the 2nd Vendor from electing to exercise his rights hereinbefore contained at any time in lieu of this provision.

Clause 20

In the event of the 2nd Vendor (other than due to the default of the 2nd Purchaser) failing to complete the sale of the 2nd Property in accordance with the terms hereof, all moneys paid by the 2nd Purchaser to the 2nd Vendor pursuant to the provisions of this agreement shall be returned to the 2nd Purchaser forthwith who shall also be entitled to recover from the 2nd Vendor damages (if any) which the 2nd Purchaser may sustain by reason of such failure on the part of the 2nd Vendor and it shall not be necessary for the 2nd Purchaser to tender an assignment to the 2nd Vendor for execution.

Clause 21

Nothing in this agreement shall be so construed as to prevent either the 2nd Vendor or the 2nd Purchaser from bringing an action and obtaining a decree for specific performance of this agreement either in lieu of the aforesaid damages or in addition to such damages as the party bringing such action may have sustained by reason of the breach by the other party to this agreement and it shall not be necessary for the 2nd Purchaser to tender an assignment to the 2nd Vendor for execution before bringing such action for specific performance.

Clause 24(a)

The 2nd Vendor gives no warranty and has no knowledge whatsoever as to whether or not the 2nd Property is included in or affected by any lay-out plans (draft or approved) or any other plans prepared under the Town Planning Ordinance (Cap.131). The 2nd Purchaser shall be personally responsible for making his own independent inquiry and investigation in respect of the matters aforesaid and of any provisions or redevelopment restrictions affecting the 2nd Property or the occupation, value, user or enjoyment thereof under any Ordinance. The 2nd Purchaser is deemed to have agreed to purchase the 2nd Property subject to such provisions and/or restrictions, if any, and the 2nd Purchaser shall be bound to complete the purchase notwithstanding that the 2nd Property is or may become included in or affected by any such lay-out plans (draft or approved) or other plans prepared under the Town Planning Ordinance (Cap.131).

Clause 24(b)

The 2nd Vendor gives no warranty whatsoever and has no knowledge as to whether or not any unauthorised or illegal structure or alteration exists on or within or appertains to the 2nd Property or as to whether or not the 2nd Property or any part thereof or any appurtenances thereto, including the hoarding works (if any) erected at the 2nd Property, is erected or demolished in compliance with the Buildings Ordinance (Cap.123) and/or any other relevant regulations or legislations and the 2nd Purchaser, having inspected and being satisfied with the 2nd Property, shall take the same on an "as is" basis, together with all hoarding works (if any) erected at the 2nd Property as at 17 July 2009. The 2nd Purchaser hereby waives his right and agrees not to raise any objection or requisition on title in relation to any unauthorised or illegal structures or alterations within or appertaining to the 2nd Property or any matters mentioned in this clause 24(b) as aforesaid.

Clause 25

On completion, the 2nd Vendor shall deliver to the 2nd Purchaser vacant possession of the 2nd Property together with all hoarding works (if any) erected at the 2nd Property as at 17 July 2009.

Clause 33

The 2nd Vendor covenants with the 2nd Purchaser that after the signing of this agreement by the 2nd Vendor, the 2nd Vendor will not assign, mortgage or charge the 2nd Property or any part or interest thereof or therein.

Clause 34(a)

If in any case either the 2nd Vendor or the 2nd Purchaser fails to complete the sale and purchase in the manner herein contained, the defaulting party shall compensate at once the estate agent a sum of 1.5% of the purchase price as liquidated damages.

Clause 34(b)

For the avoidance of doubt, it is agreed that in the event that both parties agree to cancel the sale and purchase of the 2nd Property both the 2nd Vendor and the 2nd Purchaser shall still pay their respective agency commissions to the agent as mentioned in the 2nd Preliminary Agreement for Sale and Purchase.

INFORMATION ON THE 2ND PROPERTY AND 2ND VENDOR

2nd Property

The 2nd Property is currently a bare site without any building. The site area of the Property is approximately 6,592 square feet. The permissible plot ratio of the 2nd Property is in the region between 10 and 15 depending on the nature of the building to be built on the 2nd Property and thus upon development of the 2nd Property, the permissible gross floor area of the building to be built on the 2nd Property will approximately be in the region between 65,920 square feet and 98,880 square feet as calculated based on the plot ratio.

2nd Vendor

The 2nd Vendor is a private limited company incorporated in Hong Kong on 12 September 2006. According to the Annual Return of the 2nd Vendor made up to 12 September 2008, the 2nd Vendor's authorized share capital is HK$10,000 divided into 10,000 shares of HK$1.00 each, of which 1 share was issued. According to the information given by the relevant firm of estate agents to the 2nd Purchaser, the principal activity of the 2nd Vendor is property investment.

To the best of the Director's knowledge, information and belief and having made all reasonable enquires, the 2nd Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

REASONS FOR AND BENEFITS OF THE 2ND ACQUISITION

In light of the permissible plot ratio and gloss floor area as aforesaid, the Company considers that the 2nd Property has a favourable potential development value. The Company intends to construct a hotel building in the current site.

The Directors, including the independent non-executive Directors, consider that the terms and conditions of the 2nd Preliminary Sale & Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On 14 May 2009, the Company entered into a non-binding letter of intent (the "Letter of Intent") with Intercontinental Hotels Group (Shanghai) Ltd. ("IHG"), an independent third party, who, to the best of the directors' knowledge, information and belief and having made all reasonable enquiry, is not a connected person of the Company (as defined under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited) in relation to a proposed transaction (the "Proposed Transaction") whereby the Company intends to engage IHG in providing hotel management services in relation to a Holiday Inn Express branded hotel that the Company proposes to build at the 2nd Property.

Subject to the terms of a management contract to be entered into, if the Proposed Transaction materializes, it is expected that the Proposed Transaction may constitute a notifiable transaction in accordance with the Listing Rules, which may be subject to the relevant disclosure requirements. The Company will make further announcement when necessary in order to comply with the requirements of the Listing Rules.

The Proposed Transaction may or may not proceed. Shareholders of the Company and investors are advised to exercise caution when dealing with the Shares.

INFORMATION OF THE GROUP

The Company and its subsidiaries are principally engaged in the contracting of building construction, plumbing, maintenance and fitting-out projects, electrical and mechanical installation, building materials trading and property investment.

VALUATION OF THE 1ST PROPERTY AND 2ND PROPERTY

Savills, an independent property valuer, has valued (a) the 1st Property as of 30 March 2009 at approximately HK$100,000,000 and (b) the 2nd Property as of 30 April 2009 at approximately HK$350,000,000. The texts of its letter, summary of valuation and the valuation certificate in respect of each of the 1st Property and the 2nd Property are set out in Appendix III to this circular.

FINANCIAL EFFECTS OF THE COMPANY

As set out in the Appendix IIA to this circular, both the total assets and total liabilities of the Group immediately after completion of the 1st Acquisition and the 2nd Acquisition will be increased by approximately HK$175,585,000.

Following completion of the 1st Acquisition, the 1st Purchaser will start to receive the monthly rental of the 1st Property at HK$184,000 per month. The amount of rental of the existing tenancy receivable by the 1st Purchaser up to expiration of the lease will be approximately HK$1,314,000.

So far as the 2nd Acquisition is concerned, as the 2nd Property is currently a bare site without any building, the Company considers that the 2nd Property will not generate any earnings in the short run.

IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios exceed 25% but less than 100%, each of the 1st Acquisition and the 2nd Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to Shareholders' approval.

Under the Listing Rules, each of the 1st Acquisition and the 2nd Acquisition is required to be subject to approval of Shareholders of the Company. Since no Shareholders are required to abstain from voting if a general meeting were to be convened for the approval of the 1st Acquisition and the 2nd Acquisition, a written approval in respect of each of the 1st Acquisition and the 2nd Acquisition has been obtained from All Fine and Billion Goal, the two largest major Shareholders of the Company respectively holding 52.66% and 1.23% of the issued share capital of the Company, in lieu of holding a general meeting for approval of the 1st Acquisition and the 2nd Acquisition pursuant to Rule 14.44.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
Wong Ip Kuen
Chairman

1. FINANCIAL SUMMARY

The following is a summary of the consolidated results of the Group for each of the years ended 31 March 2006, 2007 and 2008 and for each of the six months ended 30 September 2007 and 2008, and the consolidated balance sheets as at 31 March 2006, 2007 and 2008 and 30 September 2008.

The consolidated results of the Group for each of the years ended 31 March 2007 and 2008 and the consolidated balance sheets as at 31 March 2007 and 2008 were extracted from annual report of the Company for the year ended 31 March 2008. The consolidated balance sheet as at 31 March 2006 was extracted from the annual report of the Company for the year ended 31 March 2006. The consolidated results of the Group for the six months ended 30 September 2007 and 2008 and the consolidated balance sheet as at 30 September 2008 were extracted from the interim report of the Company for the six months 30 September 2008.

On 29 February 2008, the Group has completed a transaction to dispose of its wholly-owned properties at 33 Sharp Street East. The results derived from the properties for the year ended 31 March 2006 were previously disclosed as property leasing, with rental income from retail stores, and hotel operation. The results of the property leasing and hotel operation for the other respective periods/years summarised below have been presented as discontinued operations in accordance with HKFRS 5 — "Non-current assets held for sale and discontinued operations" as set out in the published annual report of the Company for the year ended 31 March 2008 and the interim report of the Company for the six months ended 30 September 2008. For the purpose of this summary, the consolidated results for the year ended 31 March 2006 have been restated to conform with the presentation of other periods/years summarised below.

Consolidated Income Statements

	For the six months ended 30 September		For the year ended 31 March		
	2008	2007	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)			(restated)
Continuing operations					
Revenue	1,510,536	761,418	1,526,015	2,012,055	1,410,807
Cost of sales	(1,404,130)	(821,579)	(1,766,217)	(1,916,194)	(1,321,613)
Gross profit/(loss)	106,406	(60,161)	(240,202)	95,861	89,194
Other income and gains	8,495	9,720	37,117	17,267	9,223
Selling, general and administrative expenses	(80,376)	(55,559)	(129,475)	(98,042)	(83,823)
Other operating expenses	(1,598)	(1,427)	(7,992)	(2,657)	(3,720)
Operating profit/(loss)	32,927	(107,427)	(340,552)	12,429	10,874
Finance costs	(14,330)	(16,831)	(32,588)	(17,418)	(13,917)
Share of (loss)/profit of jointly controlled entities/operation	(6,749)	709	1,430	12,595	(510)
Share of loss of an associate	(35)	—	—	—	—
Profit/(loss) before income tax	11,813	(123,549)	(371,710)	7,606	(3,553)
Income tax expense	(2,888)	(1,753)	(1,342)	(4,649)	(2,610)
Profit/(loss) for the period/year from continuing operations	8,925	(125,302)	(373,052)	2,957	(6,163)
Discontinued operations					
Profit for the period/year from discontinued operations	1,255	49,639	795,409	46,652	8,183
Profit/(loss) for the period/year	10,180	(75,663)	422,357	49,609	2,020
Attributable to:					
Equity holders of the Company	10,207	(75,663)	422,360	49,790	1,967
Minority interests	(27)	—	(3)	(181)	53
	10,180	(75,663)	422,357	49,609	2,020
Earnings/(loss) per share	2.31 cents	(17.16 cents)	95.79 cents	11.29 cents	0.45 cents

Consolidated Balance Sheets

	As at 30 September 2008 HK$'000 (unaudited)	As at 31 March 2008 HK$'000	2007 HK$'000	2006 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	109,859	97,007	294,800	303,543
Investment properties	7,931	—	340,000	299,000
Leasehold land	35,212	35,655	352,038	353,321
Intangible assets	20,755	—	—	—
Goodwill	15,905	—	—	—
Associates	1,973	39	39	39
Jointly controlled entities/operation	19,424	26,170	12,595	—
Deferred income tax assets	720	41	34	30
Other non-current assets	38,216	34,122	35,364	29,779
	249,995	193,034	1,034,870	985,712
Current assets				
Cash and bank balances	779,670	957,631	213,011	257,696
Trade debtors, net	553,360	184,048	252,901	171,235
Prepayments, deposits and other receivables	111,909	103,787	109,428	63,516
Inventories	36,592	23,107	16,282	11,599
Prepaid income tax	681	273	871	1,783
Due from customers on construction contracts	378,560	302,915	406,991	299,423
Financial assets at fair value through profit or loss	14,978	15,244	5,167	4,973
Derivative financial assets	—	6,489	—	—
Due from associates	8,548	8,523	13,855	9,730
Due from jointly controlled entities/operation	6,450	6,095	14,408	—
Due from related parties	30	30	30	30
	1,890,778	1,608,142	1,032,944	819,985
Total assets	2,140,773	1,801,176	2,067,814	1,805,697
EQUITY				
Share capital	87,617	88,190	88,190	88,190
Other reserves	417,716	418,933	419,199	416,515
Retained profits				
Proposed final dividend	—	44,095	4,409	—
Others	742,671	732,464	354,199	308,818
Attributable to equity holders	1,248,004	1,283,682	865,997	813,523
Minority interests	598	625	628	809
Total equity	1,248,602	1,284,307	866,625	814,332

Consolidated Balance Sheet *(Continued)*

	As at 30 September 2008	As at 31 March 2008	2007	2006
	HK$'000 (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES				
Non-current liabilities				
Long-term borrowings	7,399	2,590	477,441	427,285
Deferred income tax liabilities	9,106	5,683	66,653	53,102
	16,505	8,273	544,094	480,387
Current liabilities				
Bank overdrafts-secured	—	—	70,405	1,549
Short-term bank loans-secured	98,000	158,800	292,622	283,954
Current portion of long-term borrowings	4,160	4,881	52,075	21,655
Derivative financial liabilities	6,755	12,160	—	—
Payable to suppliers and subcontractors	261,704	125,995	124,481	102,802
Accruals, retention payables and other liabilities	169,091	144,873	105,146	88,542
Income tax payable	14,500	7,264	2,396	790
Due to customers on construction contracts	321,456	54,623	9,970	2,479
Due to jointly controlled entities	—	—	—	9,207
	875,666	508,596	657,095	510,978
Total liabilities	892,171	516,869	1,201,189	991,365
Total equity and liabilities	2,140,773	1,801,176	2,067,814	1,805,697
Net current assets	1,015,112	1,099,546	375,849	309,007
Total assets less current liabilities	1,265,107	1,292,580	1,410,719	1,294,719

2. UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

(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 2008 together with the unaudited comparative figures for the corresponding period in 2007.

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 September 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	4	1,510,536	761,418
Cost of sales		(1,404,130)	(821,579)
Gross profit/(loss)		106,406	(60,161)
Other income and gains	5	8,495	9,720
Selling, general and administrative expenses		(80,376)	(55,559)
Other operating expenses		(1,598)	(1,427)
Operating profit/(loss)	6	32,927	(107,427)
Finance costs	7	(14,330)	(16,831)
Share of (loss)/profit of jointly controlled entities/operation		(6,749)	709
Share of loss of an associate		(35)	—
Profit/(loss) before income tax		11,813	(123,549)
Income tax expense	8	(2,888)	(1,753)
Profit/(loss) for the period from continuing operations		8,925	(125,302)
Discontinued operations			
Profit for the period from discontinued operations		1,255	49,639
Profit/(loss) for the period		10,180	(75,663)
Attributable to:			
Equity holders of the Company		10,207	(75,663)
Minority interests		(27)	—
		10,180	(75,663)
Interim dividend	9	—	—
Earnings/(loss) per share (basic and diluted)	10		
— from continuing operations		2.03 cents	(28.42 cents)
— from discontinued operations		0.28 cent	11.26 cents
		2.31 cents	(17.16 cents)

Unaudited Condensed Consolidated Balance Sheet
As at 30 September 2008

	Note	30 September 2008 HK$'000	31 March 2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	109,859	97,007
Investment properties	*11*	7,931	—
Leasehold land	*11*	35,212	35,655
Intangible assets	*12*	20,755	—
Goodwill	*12*	15,905	—
Associates		1,973	39
Jointly controlled entities/operation		19,424	26,170
Deferred income tax assets		720	41
Other non-current assets		38,216	34,122
		249,995	193,034
Current assets			
Cash and bank balances	*13*	779,670	957,631
Trade debtors, net	*14*	553,360	184,048
Prepayments, deposits and other receivables		111,909	103,787
Inventories		36,592	23,107
Prepaid income tax		681	273
Due from customers on construction contracts		378,560	302,915
Financial assets at fair value through profit or loss		14,978	15,244
Derivative financial assets	*15*	—	6,489
Due from associates		8,548	8,523
Due from jointly controlled entities/ operation		6,450	6,095
Due from related parties		30	30
		1,890,778	1,608,142
Total assets		2,140,773	1,801,176
EQUITY			
Share capital	*16*	87,617	88,190
Other reserves		417,716	418,933
Retained profits		742,671	776,559
Equity holders		1,248,004	1,283,682
Minority interests		598	625
Total equity		1,248,602	1,284,307

Unaudited Condensed Consolidated Balance Sheet *(Continued)*
As at 30 September 2008

	Note	30 September 2008 HK$'000	31 March 2008 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	17	7,399	2,590
Deferred income tax liabilities		9,106	5,683
		16,505	8,273
Current liabilities			
Short-term bank loans-secured	17	98,000	158,800
Current portion of long-term borrowings-secured	17	4,160	4,881
Derivative financial liabilities	15	6,755	12,160
Payable to suppliers and subcontractors	18	261,704	125,995
Accruals, retention payables and other liabilities		169,091	144,873
Income tax payable		14,500	7,264
Due to customers on construction contracts		321,456	54,623
		875,666	508,596
Total liabilities		892,171	516,869
Total equity and liabilities		2,140,773	1,801,176
Net current assets		1,015,112	1,099,546
Total assets less current liabilities		1,265,107	1,292,580

Unaudited Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 September 2008

	Attributable to equity holders of the Company							
	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 2008	88,190	415,430	359	3,144	776,559	1,283,682	625	1,284,307
Profit/(loss) for the period	—	—	—	—	10,207	10,207	(27)	10,180
Currency translation differences	—	—	—	428	—	428	—	428
Dividend	—	—	—	—	(44,095)	(44,095)	—	(44,095)
Shares repurchased	(573)	(1,645)	—	—	—	(2,218)	—	(2,218)
As at 30 September 2008	87,617	413,785	359	3,572	742,671	1,248,004	598	1,248,602
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

Unaudited Condensed Consolidated Cash Flow Statement
For the six months ended 30 September 2008

	Note	2008 HK$'000	2007 HK$'000
Net cash (used in)/from operating activities		(55,870)	1,309
Net cash flows used in investing activities		(17,131)	(7,303)
Net cash flows (used in)/from financing activities		(106,523)	7,302
(Decrease)/increase in cash and cash equivalents		(179,524)	1,308
Cash and cash equivalents, beginning of period		788,831	(27,063)
Cash and cash equivalents, end of period		609,307	(25,755)
Analysis of cash and cash equivalents			
Cash and bank balances	*13(b)*	609,307	46,470
Bank overdrafts-secured		—	(72,225)
		609,307	(25,755)

Notes to the Unaudited Condensed Interim Financial Statements

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 and building materials trading. The Group is also engaged in other activities which mainly include computer software development and provision for website hosting services.

The Group completed a transaction to dispose of its wholly-owned properties at 33 Sharp Street East on 29 February 2008 at a total cash consideration of HK$1,580,000,000 to a third party.

The results of the property leasing and hotel operation for the period from 1 April 2007 to 30 September 2007 have been presented as discontinued operations in accordance with HKFRS 5 — "Non-current assets held for sale and discontinued operations". Prior period comparatives have been adjusted to conform with the current period classification.

On 30 May 2008, the Company completed the purchase of 50,000,000 shares of HK$1.00 each, being the entire share capital of Ryoden Engineering Company Limited ("REC") for a total cash consideration of HK$46,000,000 (excluding transaction expenses). The results derived from REC and its subsidiaries were disclosed as electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services (hereinafter referred to as electrical and mechanical installation) operation.

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").

Condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. Condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 15 December 2008.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the half-year ended 30 September 2008 has been prepared in accordance with HKAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2008, which have been prepared in accordance with HKFRSs.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. ACCOUNTING POLICIES *(Continued)*

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2008 but are not currently relevant for the Group.

- HK(IFRIC) — Int 11, "HKFRS 2 — Group and treasury share transactions"
- HK(IFRIC) — Int 12, "Service concession arrangements"
- HK(IFRIC) — Int 14, "HKAS 19 — the limit on a defined benefit asset, minimum funding requirements and their interaction"

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2008 and have not been early adopted:

- HKFRS 8, "Operating segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, "Segment reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase.
- HKAS 23 (revised), "Borrowing costs", effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.
- HKFRS 2 (amendment) "Share-based payment", effective for annual periods beginning on or after 1 January 2009. The Group will apply HKFRS 2 (amendment) from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.
- HKFRS 3 (revised), "Business combinations" and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group will apply HKFRSs (revised) starting from 1 April 2010.
- HKAS 1 (revised), "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.
- HKAS 32 (amendment), "Financial instruments: presentation", and consequential amendments to HKAS 1, "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group as the Group does not have any puttable instruments.
- HK(IFRIC) — Int 13, "Customer loyalty programmes", effective for annual periods beginning on or after 1 July 2008. Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.
- HKFRS 1 (revised) "Cost of an investment in a subsidiary, jointly controlled entity or associate", and consequential amendments to HKAS 18 "Revenue", HKAS 21 "The Effects of Changes in Foreign Exchange Rates" and HKAS 36 "Impairment of Assets", effective for annual periods beginning on or after 1 January 2009. The Group will apply such HKFRS (revised) and HKASs starting from 1 April 2009.

4. REVENUE AND SEGMENT INFORMATION

	2008 *HK$'000*	2007 *HK$'000*
Turnover		
Contracting of building construction, plumbing, maintenance and fitting-out projects	822,002	739,191
Electrical and mechanical installation	628,409	—
Building materials trading	56,447	18,457
Others	3,678	3,770
	1,510,536	761,418

Primary reporting format — business segments

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects, electrical and mechanical installation and building materials trading. The Group is organised into three main business segments:

- Construction — Contracting of building construction, plumbing, maintenance and fitting-out projects
- Electrical and mechanical installation — Provision of electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services
- Building materials trading — Trading of construction and building materials

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

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

	For the six months ended 30 September 2008							
	Continuing operations					Discontinued operations		
	Construction	Electrical and mechanical installation	Building materials trading	Others	Total	Property leasing	Hotel operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total sales	826,001	651,726	91,860	8,683	1,578,270	(68)	18	(50)
Inter-segment sales	(3,999)	(23,317)	(35,413)	(5,005)	(67,734)	—	—	—
External sales	822,002	628,409	56,447	3,678	1,510,536	(68)	18	(50)
Segment results	27,992	20,308	(12,742)	(6,325)	29,233	(281)	996	715
Unallocated income					3,694			540
Operating profit					32,927			1,255
Finance costs	(14,075)	(10)	(59)	(186)	(14,330)	—	—	—
Share of profit/(loss) of jointly controlled entities/operation	95	—	(6,844)	—	(6,749)	—	—	—
Share of loss of an associate	—	(35)	—	—	(35)	—	—	—
Profit before income tax					11,813			1,255
Income tax expense					(2,888)			—
Profit for the period					8,925			1,255
Segment assets	1,186,580	477,632	222,443	58,242	1,944,897	1,170	175	1,345
Interests in associates	—	1,923	—	50	1,973	—	—	—
Interest in jointly controlled entities	17,591	—	1,833	—	19,424	—	—	—
Unallocated assets					173,134			—
Total assets					2,139,428			1,345
Segment liabilities	(418,674)	(413,065)	(31,428)	(11,843)	(875,010)	(5,097)	(1,078)	(6,175)
Unallocated liabilities					(10,986)			—
Total liabilities					(885,996)			(6,175)
Capital expenditure	25,404	1,659	6,101	25	33,189	—	—	—
Depreciation	5,232	596	8,969	411	15,208	—	—	—
Amortisation of leasehold land	86	—	—	357	443	—	—	—

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

	For the six months ended 30 September 2007						
	Continuing operations				Discontinued operations		
	Construction	Building materials trading	Others	Total	Property leasing	Hotel operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total sales	740,858	63,649	8,734	813,241	6,330	43,056	49,386
Inter-segment sales	(1,667)	(45,192)	(4,964)	(51,823)	—	—	—
External sales	739,191	18,457	3,770	761,418	6,330	43,056	49,386
Segment results	(106,222)	(2,175)	(6,186)	(114,583)	46,095	21,201	67,296
Unallocated income				7,156			84
Operating (loss)/profit				(107,427)			67,380
Finance costs	(14,256)	(2,017)	(558)	(16,831)	(11,923)	—	(11,923)
Share of profit of jointly controlled entities/ operation	465	244	—	709	—	—	—
(Loss)/profit before income tax				(123,549)			55,457
Income tax expense				(1,753)			(5,818)
(Loss)/profit for the period				(125,302)			49,639
Segment assets	1,087,702	124,576	56,283	1,268,561	901,724	9,005	910,729
Interests in associates	—	—	13,539	13,539	—	—	—
Interest in jointly controlled entities	15,465	12,838	—	28,303	—	—	—
Unallocated assets				14,290			—
Total assets				1,324,693			910,729
Segment liabilities	(887,204)	(35,061)	(4,063)	(926,328)	(439,863)	(5,698)	(445,561)
Unallocated liabilities				(77,021)			—
Total liabilities				(1,003,349)			(445,561)
Capital expenditure	4,872	213	97	5,182	869	—	869
Depreciation	5,361	3,677	392	9,430	6,190	153	6,343
Amortisation of leasehold land	87	—	374	461	180	—	180
Fair value gain on investment properties	—	—	—	—	(47,000)	—	(47,000)

4. **REVENUE AND SEGMENT INFORMATION** *(Continued)*

Secondary reporting format — geographical segments

Geographical segments:

The Group's customers are principally located in Hong Kong, Macau, mainland China and Singapore.

The following table provides an analysis of the Group's revenue by geographical market:

	Revenue Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
Hong Kong	943,383	756,176
Macau	402,598	—
Mainland China	70,125	5,242
Singapore	94,430	—
	1,510,536	761,418

The following is an analysis of the carrying amount of segment assets at the balance sheet date, and additions to investment properties, property, plant and equipment during the period analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets Six months ended 30 September		Additions to property, plant and equipment, investment properties Six months ended 30 September	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,447,862	2,076,002	3,687	5,715
Macau	163,771	3	2,824	—
Mainland China	220,012	101,828	5,104	336
Singapore	114,597	1,457	21,574	—
	1,946,242	2,179,290	33,189	6,051

5. OTHER INCOME AND GAINS

	Six months ended 30 September 2008 *HK$'000*	2007 *HK$'000*
Other income		
Dividend income from listed investments	149	58
Bank interest income	2,958	6,366
Interest income from subcontractors	1,725	1,569
Sundry income	1,230	1,250
	6,062	9,243
Other gains		
Realised gain on derivative financial assets	1,484	—
Exchange gains	938	477
Gain on disposal of an associate company	11	—
	2,433	477
	8,495	9,720

6. OPERATING PROFIT/(LOSS)

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

	Six months ended 30 September 2008 *HK$'000*	2007 *HK$'000*
Depreciation		
Owned property, plant and equipment	14,397	15,171
Leased property, plant and equipment	811	602
Loss on disposal of property, plant and equipment	121	19
Amortisation of leasehold land	443	641
Amortisation of intangible assets	352	—
Write-off of impaired receivables	718	—

7. FINANCE COSTS

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
Interest on overdrafts and short-term bank loans	1,844	10,763
Interest on long-term bank loans repayable within five years	—	2,696
Interest element of finance lease payments	161	93
Total borrowing costs incurred	2,005	13,552
Less: Classified under contract cost	(97)	(2,781)
	1,908	10,771
Unrealised loss on financial assets at fair value through profit or loss	311	558
Realised loss on financial assets at fair value through profit or loss	71	—
Unrealised loss on derivative financial assets	12,040	5,502
	14,330	16,831

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 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	
	2008	**2007**
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	(729)	1,588
Overseas tax	3,675	165
Deferred income tax relating to the origination and reversal of temporary differences	(58)	—
	2,888	1,753

9. DIVIDEND

The Board of Directors does not recommend an interim dividend for the period (2007: Nil).

10. EARNINGS/(LOSS) PER SHARE (BASIC AND DILUTED)

The calculation of earnings/(loss) per share is based on:

	Six months ended 30 September 2008 *HK$'000*	2007 *HK$'000*
Net profit/(loss) attributable to the equity holders of the Company		
— from continuing operations	8,952	(125,302)
— from discontinued operations	1,255	49,639
	10,207	(75,663)

	Six months ended 30 September 2008	2007
Weighted average number of shares in issue during the period	440,660,453	440,949,600

Diluted earnings/(loss) per share for the six months ended 30 September 2008 and 2007 are not presented as there are no potential dilutive shares during the periods.

11. CAPITAL EXPENDITURE

	Property, plant and equipment *HK$'000*	Investment properties *HK$'000*	Leasehold land *HK$'000*
Net book amount as at 1 April 2008	97,007	—	35,655
Additions	25,258	7,931	—
Acquisition of REC Group	3,064	—	—
Disposals	(262)	—	—
Depreciation/amortisation charge *(Note 6)*	(15,208)	—	(443)
Net book amount as at 30 September 2008	109,859	7,931	35,212
Net book amount as at 1 April 2007	294,800	340,000	352,038
Exchange difference	5,774	—	—
Additions	24,306	—	—
Transfers	27,000	(27,000)	—
Disposals	(220,258)	(360,000)	(315,131)
Change in fair value	—	47,000	—
Depreciation/amortisation charge	(34,615)	—	(1,252)
Net book amount as at 31 March 2008	97,007	—	35,655

11. CAPITAL EXPENDITURE *(Continued)*

As at 30 September 2008, the net book value of property, plant and equipment, investment properties and leasehold land pledged as security for the bank borrowings of the Group amounted to approximately HK$46,760,000.

During the period, the Group purchased an investment property amounting to approximately S$1,429,000 (equivalent to approximately HK$7,931,000) located in Singapore for long-term investment purpose.

12. BUSINESS COMBINATION

On 30 May 2008, the Company completed the purchase of 50,000,000 shares of HK$1.00 each, being the entire share capital of REC for a total cash consideration of HK$46,000,000 (excluding transaction expenses). The acquisition of Ryoden Engineering Company Limited and its subsidiaries constitutes a major transaction on the part of the Company under Chapter 14 of the Rules Governing the Listing of Securities on SEHK (the "Listing Rules").

The acquired business contributed revenue of HK$628 million to the Group for the period from the acquisition to 30 September 2008. If the acquisition had occurred on 1 April 2008, consolidated revenue and consolidated net profit for the six months ended 30 September 2008 would have been HK$1,723 million and HK$19 million respectively.

	HK$'000
Purchase consideration:	
— Cash paid	46,000
— Direct costs relating to the acquisition	4,540
Total purchase consideration	50,540
— Fair value of net assets acquired (see below)	34,635
Goodwill	15,905

12. BUSINESS COMBINATION *(Continued)*

The carrying value of the assets and liabilities of REC Group as at 30 May 2008 were treated as an approximation to their fair values with intangible assets, deferred tax liabilities and goodwill recognised of HK$21,107,000, HK$3,482,000 and HK$15,905,000 respectively. The intangible assets (i.e. customer relationships) were valued by CB Richard Ellis Limited, an independent qualified professional valuer not connected with the Group, on this acquisition.

	Carrying value of net assets as at 30 May 2008	**Fair value at 30 May 2008**
	HK$'000	*HK$'000*
Cash and cash equivalents	65,875	65,875
Trade and other receivables	314,908	314,908
Due from customers on construction contracts	53,540	53,540
Inventories	1,677	1,677
Plant and equipment	3,063	3,063
Associates	2,512	2,512
Intangible assets — customer relationships	—	21,107
Due to customers on construction contracts	(231,415)	(231,415)
Trade and other payables	(193,150)	(193,150)
Deferred tax liabilities	—	(3,482)
Identifiable net assets acquired	17,010	34,635
Goodwill		15,905
Total purchase consideration settled in cash		50,540
Cash and cash equivalents in subsidiaries acquired		65,875
Less: purchase consideration in cash		(50,540)
Cash inflow on acquisition		15,335

During the period, amortization expense on intangible assets of HK$352,000 was charged to income statement, resulting in intangible assets, net at an amount of HK$20,755,000 as at 30 September 2008.

13. CASH AND BANK BALANCES

	30 September 2008 *HK$'000*	31 March 2008 *HK$'000*
Cash and bank balances	108,206	48,174
Time deposits	501,101	740,657
Restricted deposits *(Note a)*	170,363	168,800
	779,670	957,631

(a) Restricted deposits are funds which are pledged to secure short-term bank loans and certain performance bonds.

(b) Cash and cash equivalents include the following for the purposes of the condensed consolidated cash flow statement:

	30 September 2008 *HK$'000*	31 March 2008 *HK$'000*
Unrestricted cash and bank balances	609,307	788,831

14. TRADE DEBTORS, NET

The trade debtors are due 30 days to 90 days after invoicing depending on the nature of services or products.

The aging analysis of trade debtors is as follows:

	30 September 2008 *HK$'000*	31 March 2008 *HK$'000*
Not yet due	472,938	168,431
Overdue by:		
1 — 30 days	43,739	754
31 — 90 days	9,363	2,386
91 — 180 days	6,308	897
Over 180 days	21,012	11,580
	553,360	184,048

15. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	30 September 2008		31 March 2008	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Commodity forward contract *(Note a)*	—	—	1,203	—
Hong Kong dollars floating swap *(Note b)*	—	1,873	5,286	—
United States dollars interest rate and Renminbi forward contract *(Note c)*	—	—	—	12,160
United States dollars and Renminbi performance scoring US$ deposit contracts *(Note d)*	—	4,882	—	—
	—	6,755	6,489	12,160

Note:

(a) The Group entered into a commodity forward contract for aluminium at a fixed rate. This forward contract had expired in August 2008.

(b) The Group entered into a floating swap agreement with a bank at a notional amount of HK$100,000,000. Under this agreement, an interest is earned on the principal with the counterparty having a call option to sell United States dollars (US$) and purchase Hong Kong dollars (HK$) from the Group provided that certain conditions are met. This option will expire in September 2009.

(c) The Group entered into a US$ London InterBank Offered Rate range accrual subsidised Renminbi forward contract with a notional amount of US$1,750,000 in April 2007. The contract was closed in May 2008.

(d) The Group entered into three US$/Renminbi performance scoring US$ deposits contracts with total notional amount of US$33,000,000 in March and April 2008 to mitigate its exchange rate exposure to Renminbi appreciation to its China operations. The contracts will be matured in March and April 2009 and the Group will get back the notional amount upon maturity since the derivatives are principal protected.

16. SHARE CAPITAL

	Number of shares		Amount	
	30 September 2008	**31 March 2008**	**30 September 2008**	**31 March 2008**
			HK$'000	*HK$'000*
Ordinary shares of HK$0.2 each				
Authorised:				
At beginning and end of the period/year	1,000,000,000	1,000,000,000	200,000	200,000
Issued and fully paid:				
At beginning of the year	440,949,600	440,949,600	88,190	88,190
Shares repurchased and cancelled	(2,864,000)	—	(573)	—
	438,085,600	440,949,600	87,617	88,190

17. BORROWINGS

The maturity of borrowings are as follows:

	Bank loans		Obligations under finance lease	
	30 September 2008	**31 March 2008**	**30 September 2008**	**31 March 2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	98,206	158,800	3,954	4,881
Between 1 and 2 years	242	—	2,312	2,590
Between 2 and 5 years	784	—	—	—
After 5 years	4,061	—	—	—
	103,293	158,800	6,266	7,471

18. PAYABLE TO SUPPLIERS AND SUBCONTRACTORS

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

	30 September 2008	**31 March 2008**
	HK$'000	*HK$'000*
Not yet due	243,745	123,054
Overdue by:		
1 — 30 days	12,955	454
31 — 90 days	1,367	807
91 — 180 days	1,380	1,007
Over 180 days	2,257	673
	261,704	125,995

19. COMMITMENTS AND CONTINGENT LIABILITIES

(a) In the normal course of its business, the Group is subject to various claims under its construction contracts. At 30 September 2008, 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 September 2008.

(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$37 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 September 2008.

20. EVENT AFTER THE BALANCE SHEET DATE

In September 2008, the Group agreed to purchase a property located in Singapore for long-term investment purpose. As at 30 September 2008, a deposit of S$206,500 (equivalent to approximately HK$1,146,000) has been paid out of the total consideration of S$4,130,000 (equivalent to approximately HK$22,922,000). The transaction has been completed on 20 November 2008 and a bank loan secured by the property amounting to S$2,750,000 (equivalent to approximately HK$15,263,000) has been drawn on the date of completion.

3. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2008

(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 2008 as published in the 2008 annual report of the Company.

Consolidated Income Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	5	1,526,015	2,012,055
Cost of sales	7	(1,766,217)	(1,916,194)
Gross (loss)/profit		(240,202)	95,861
Other income and gains	6	37,117	17,267
Administrative expenses	7	(129,475)	(98,042)
Other operating expenses	7	(7,992)	(2,657)
Operating (loss)/profit		(340,552)	12,429
Finance costs	9	(32,588)	(17,418)
Share of profit of jointly controlled entities/operation	21	1,430	12,595
(Loss)/profit before income tax		(371,710)	7,606
Income tax expense	10	(1,342)	(4,649)
(Loss)/profit for the year from continuing operations		(373,052)	2,957
Discontinued operations			
Profit for the year from discontinued operations	15	795,409	46,652
Profit for the year		422,357	49,609
Attributable to:			
Equity holders of the Company	11	422,360	49,790
Minority interests		(3)	(181)
		422,357	49,609
Dividends	12	44,095	4,409
(Loss)/earnings per share (basic and diluted)	13		
— from continuing operations		(84.60) cents	0.71 cents
— from discontinued operations		180.39 cents	10.58 cents
		95.79 cents	11.29 cents

Balance Sheets

As at 31 March 2008

		2008		2007	
		Group	Company	Group	Company
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*16*	97,007	—	294,800	—
Investment properties	*17*	—	—	340,000	—
Leasehold land	*18*	35,655	—	352,038	—
Subsidiaries	*19*	—	361,075	—	361,075
Associates	*20*	39	—	39	—
Jointly controlled entities/operation	*21*	26,170	—	12,595	—
Deferred income tax assets	*31*	41	—	34	—
Other non-current assets	*22*	34,122	—	35,364	—
		193,034	361,075	1,034,870	361,075
Current assets					
Cash and bank balances	*24*	957,631	410	213,011	11,182
Trade debtors, net	*25*	184,048	—	252,901	—
Prepayments, deposits and other receivables	*25*	103,787	313	109,428	264
Inventories	*26*	23,107	—	16,282	—
Prepaid income tax		273	—	871	335
Due from customers on construction contracts	*27*	302,915	—	406,991	—
Financial assets at fair value through profit or loss	*28*	15,244	9,774	5,167	—
Derivative financial assets	*29*	6,489	—	—	—
Due from associates	*20*	8,523	1,023	13,855	1,229
Due from subsidiaries	*19*	—	377,698	—	368,741
Due from jointly controlled entities/operation	*21*	6,095	—	14,408	—
Due from related parties	*39*	30	30	30	30
		1,608,142	389,248	1,032,944	381,781
Total assets		1,801,176	750,323	2,067,814	742,856
EQUITY					
Share capital	*33*	88,190	88,190	88,190	88,190
Other reserves	*34*	418,933	415,789	419,199	415,789
Retained profits					
Proposed final dividends	*34*	44,095	44,095	4,409	4,409
Others	*34*	732,464	92,531	354,199	138,610
Attributable to equity holders		1,283,682	640,605	865,997	646,998
Minority interests		625	—	628	—
Total equity		1,284,307	640,605	866,625	646,998

Balance Sheets *(Continued)*
As at 31 March 2008

		2008		2007	
		Group	**Company**	**Group**	**Company**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Non-current liabilities					
Long-term borrowings	*30*	2,590	—	477,441	—
Deferred income tax liabilities	*31*	5,683	—	66,653	—
		8,273	—	544,094	—
Current liabilities					
Bank overdrafts — secured	*30*	—	—	70,405	—
Short-term bank loans — secured	*30*	158,800	—	292,622	—
Current portion of long-term borrowings	*30*	4,881	—	52,075	—
Derivative financial liabilities	*29*	12,160	—	—	—
Payables to suppliers and subcontractors	*32*	125,995	—	124,481	—
Accruals, retention payables and other liabilities		144,873	706	105,146	331
Income tax payable		7,264	—	2,396	—
Due to customers on construction contracts	*27*	54,623	—	9,970	—
Due to subsidiaries	*19*	—	109,012	—	95,527
		508,596	109,718	657,095	95,858
Total liabilities		516,869	109,718	1,201,189	95,858
Total equity and liabilities		1,801,176	750,323	2,067,814	742,856
Net current assets		1,099,546	279,530	375,849	285,923
Total assets less current liabilities		1,292,580	640,605	1,410,719	646,998

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the Company							
	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 2007	88,190	415,430	359	3,410	358,608	865,997	628	866,625
Profit/(loss) for the year	—	—	—	—	422,360	422,360	(3)	422,357
Currency translation differences	—	—	—	(266)	—	(266)	—	(266)
2007 final dividends	—	—	—	—	(4,409)	(4,409)	—	(4,409)
As at 31 March 2008	88,190	415,430	359	3,144	776,559	1,283,682	625	1,284,307
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

Consolidated Cash Flow Statement
For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Net cash used in operations	35(a)	(15,603)	(152,330)
Hong Kong profits tax paid		(433)	(1,027)
Net cash used in operating activities		(16,036)	(153,357)
Cash flows from investing activities			
Purchase of property, plant and equipment		(15,827)	(16,369)
Purchase of financial assets at fair value through profit or loss		(10,000)	—
Realised loss on derivative financial assets		(1,185)	—
Proceeds from disposal of property, plant and equipment		277	283
Investment in jointly controlled operation		(15,000)	—
Net proceeds from disposal of properties		1,566,606	—
Dividends received		218	112
Interest received		14,737	10,071
Net cash from/(used in) investing activities		1,539,826	(5,903)
Cash flows from financing activities	35(b)		
(Repayment)/drawdown of long-term bank loans		(526,800)	80,000
(Repayment)/drawdown of short-term bank loans		(133,822)	8,668
Decrease/(increase) in restricted deposits		869	(2,156)
Capital element of finance lease payments		(3,724)	(2,605)
Interest paid		(40,716)	(40,322)
Dividends paid		(4,409)	—
Interest element of finance lease payments		(15)	(22)
Net cash (used in)/from financing activities		(708,617)	43,563
Increase/(decrease) in cash and cash equivalents		815,173	(115,697)
Cash and cash equivalents at beginning of year		(27,063)	88,634
Exchange gain on cash and cash equivalents		721	—
Cash and cash equivalents at end of year		788,831	(27,063)
Analysis of cash and cash equivalents	24(b)		
Cash and bank balances		48,174	43,342
Time deposits		740,657	—
Bank overdrafts — secured		—	(70,405)
		788,831	(27,063)

Notes to the Financial Statements

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 fittingout projects and building materials trading. The Group is also engaged in other activities which mainly include computer software development and provision for website hosting services.

On 29 February 2008, the Group has completed a transaction to dispose of its wholly-owned properties at 33 Sharp Street East at a total cash consideration of HK$1,580,000,000 to a third party, Smart Easy Enterprises Limited. A gain of HK$671,598,000 was resulted from the disposal. The results derived from the properties were previously disclosed as property leasing, with rental income from retail stores, and hotel operation.

The results of the property leasing and hotel operation for the period from 1 April 2007 to 29 February 2008 have been presented as discontinued operations in accordance with HKFRS 5 — "Non-current assets held for sale and discontinued operations", details of which are set out in Note 15. Prior year comparatives have been adjusted to conform with the current year classification.

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 22 July 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant 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 and financial liabilities (including derivative instruments) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Standards, interpretations and amendments to standards that are effective in 2008

The Group has adopted the following new standards, interpretations and amendments to standards which are relevant to the Group's operations, and mandatory for the financial year ended 31 March 2008:

HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, 'Presentation of financial statements — Capital disclosures', introduce new disclosures relating to financial instruments and capital management and do not have any impact on the classification and valuation of the Group's financial instruments.

HK(IFRIC) — Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) — Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) — Int 11, "IFRS 2 — Group and treasury share transactions" provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Group's financial statements.

(ii) Standards, interpretations and amendments to standards effective in 2008 but not relevant

The following standards, interpretations and amendments to published standards are mandatory for accounting periods beginning on or after 1 April 2007 but they are not relevant to the group's operations:

HK(IFRIC) — Int 7	Applying the restatement approach under HKAS 29
HK(IFRIC) — Int 9	Re-assessment of embedded derivatives

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(iii) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 April 2009.

HKAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 April 2009 but is currently not applicable to the Group as there are no qualifying assets.

HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the United States standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management, however it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 April 2010.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(a) **Basis of preparation** *(Continued)*

(iii) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration) and each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 April 2010.

HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

(iv) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

HK(IFRIC) — Int 12, "Service concession arrangements" (effective from 1 January 2008). The interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) — Int 12 is not relevant to the Group's operations because none of the Group's companies provide public sector services.

HK(IFRIC) — Int 13, "Customer loyalty programmes" (effective from 1 July 2008). The interpretation clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) — Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(a) **Basis of preparation** *(Continued)*

(iv) ***Interpretations to existing standards that are not yet effective and not relevant for the Group's operations*** *(Continued)*

HK(IFRIC) — Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). The interpretation provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) — Int 14 from 1 April 2008, but it is not expected to have any impact on the Group's financial statements.

(b) **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.

(i) ***Subsidiaries***

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(i)). The results of subsidiaries are accounted for by the Company on the basis of dividend income received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(ii) 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.

(iii) 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 a legal obligation exists or it has 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(i)). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(iv) Jointly controlled entities/operation

A jointly controlled entity/operation is an entity/operation 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/operation 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/operation for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities/operation and goodwill (net of any accumulated impairment loss) on acquisition.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investment property

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 comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. 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.

(d) Property, plant and equipment

(i) Construction in progress

Construction in progress includes 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

(ii) Other property, plant and equipment and depreciation *(Continued)*

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 costs are expensed in the income statement during the financial period in which they are incurred.

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

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(i)).

The gain or loss on disposals of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised within "other income and gains" or "other operating expenses" in the income statement.

(e) 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 borrowings. 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.

(f) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial assets *(Continued)*

(i) 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.

(ii) 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.

Regular purchases and sales of investments are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. All other financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gain 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 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 fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of receivables is described in Note 2(i).

(g) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. However, as the Group does not designate its hedging instruments at inception of the transaction, all changes in the fair value of these derivative instruments are recognised immediately in the income statement.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(h) 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.

(i) Impairment of assets

Assets that have an indefinite useful life or have not yet been 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.

(j) 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 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).

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(k) Trade and other receivables

Trade 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 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 are 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 'other operating expenses'. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other shortterm 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.

(m) 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 twelve months after the balance sheet date.

(n) 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.

(o) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Current and deferred income tax *(Continued)*

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/operation, 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.

(p) 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.

(q) 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.

(r) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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 bonuses 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 bonuses are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) 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 dollars, 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:

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

(b) 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

(c) 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.

(v) 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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(v) **Segment reporting** *(Continued)*

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 income represent the net of other income and 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 borrowings and exclude items such as deferred income tax liabilities. Capital expenditure comprises additions to property, plant and equipment and investment properties.

As a result of the disposal of the properties (Note 1), the results in respect of the hotel operation and property leasing have been separately disclosed as discontinued operations within the segmental reporting. This has resulted in changes to the presentation of certain items and comparative figures have been reclassified accordingly.

(w) **Dividend distribution**

Dividend 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/Directors.

3. **FINANCIAL RISK MANAGEMENT**

(a) **Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), credit risk and liquidity 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) Price risk

The Group's investment securities are exposed to price risk as they are classified either as financial assets at fair value through profit or loss or derivative financial instruments. The Group manages its price risk arising in investment securities, through maintaining diversified investments. The price risk is being monitored regularly and management will consider hedging the risk exposure should the need arise.

Certain Group's financial assets at fair value through profit or loss are publicly traded. Had the price of these investments increased/decreased by 5% with all other variables held constant, post-tax profit would have been HK$629,000 (2007: HK$213,000) higher/lower.

The Group's derivative financial instruments are paper contracts traded with banks. Had the price of these investments increased/decreased by 5% with all other variables held constant, post-tax profit would have been HK$268,000 (2007: HK$Nil) higher/lower.

3. **FINANCIAL RISK MANAGEMENT** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(i) ***Market risk*** *(Continued)*

(b) Foreign currency risk

The Group mainly operates in Hong Kong and mainland China. However, the transactions of the group companies are predominantly conducted in the functional currency of the respective group entity. Therefore, the Group is not significantly exposed to foreign currency risk arising from Renminbi. The Group has investments in jointly controlled entities in mainland China as well as some subsidiary operations with substantially all accounts payable and cash and bank balances being denominated in Renminbi. Although the Group holds cash and bank balances in other currencies, the exposure to foreign currency risk is not significant.

(c) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk mainly arises from its borrowings, bank overdraft and obligations under finance lease.

The Group's borrowings, bank overdraft and obligations under finance lease issued at variable rates expose the Group to cash flow interest rate risk. During 2008 and 2007, the Group's borrowings, bank overdraft and obligations under finance lease were denominated in Hong Kong dollars.

The Group manages its exposure to interest rate risk by maintaining borrowings, bank overdraft and obligations under finance lease at a low level.

Had interest rates on borrowings been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK$1,353,000 (2007: HK$7,363,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and obligations under finance lease.

(ii) ***Credit risk***

Credit risk is managed on a group basis. Credit risk arises mainly from derivative financial instruments, deposits with banks, as well as credit exposure to customers. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, the management has monitoring procedures to ensure that followup action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment is made for the irrecoverable amounts.

The Group has no significant credit risk regarding derivative financial instruments and deposits with banks as these are held with highly-rated financial institutions, substantially comprising the Group's principal bankers.

3. **FINANCIAL RISK MANAGEMENT** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iii) Liquidity risk

In order to maintain flexibility in funding, the Group has credit facilities available from major banks. The Group has bank borrowings as at 31 March 2008 to finance its operations.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
	HK$'000	*HK$'000*	*HK$'000*
Group			
At 31 March 2008			
Long-term borrowings and interest thereon	5,125	2,690	—
Short-term bank loans and interest thereon	165,668	—	—
Derivative financial liabilities	12,160	—	—
Payables to suppliers and subcontractors	125,995	—	—
Accruals, retention payables and other liabilities	144,873	—	—
At 31 March 2007			
Long-term borrowings and interest thereon	80,020	115,840	407,059
Short-term bank loans and interest thereon	308,852	—	—
Bank overdraft and interest thereon	76,374	—	—
Payables to suppliers and subcontractors	124,481	—	—
Accruals, retention payables and other liabilities	105,146	—	—
Company			
At 31 March 2008			
Accruals and other liabilities	706	—	—
Due to subsidiaries	109,012	—	—
At 31 March 2007			
Accruals and other liabilities	331	—	—
Due to subsidiaries	95,527	—	—

3. **FINANCIAL RISK MANAGEMENT** *(Continued)*

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and noncurrent borrowings as shown in the consolidated balance sheet) less cash and bank balances.

In 2008, the Group's strategy is to maintain a gearing ratio at a lower level. The gearing ratios at 31 March 2008 and 2007 were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Total borrowings *(Note 30)*	(166,271)	(892,543)
Cash and bank balances *(Note 24)*	957,631	213,011
Net cash/(debt) maintained	791,360	(679,532)
Total equity	1,284,307	866,625
Gearing ratio	N/A	78.4%

The change in net cash/(debt) maintained during 2008 resulted primarily from the sales proceeds from disposal of properties.

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of receivables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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.

(a) 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 periods. 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.

(b) 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 provided by the major contractors/suppliers/vendors involved and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred.

(c) 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.

(d) 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 from previous estimates, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) 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.

5. REVENUE AND SEGMENT INFORMATION

	2008	**2007**
	HK$'000	*HK$'000*
Revenue		
Contracting of building construction, plumbing, maintenance and fitting-out projects	1,474,518	1,970,496
Building materials trading	44,761	32,925
Others	6,736	8,634
	1,526,015	2,012,055

Primary reporting format — business segment

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects and building materials trading. The Group is organised into two main business segments:

- Construction — Contracting of building construction, plumbing, maintenance and fitting-out projects
- Building materials trading — Trading of construction and building materials

Other operations of the Group mainly comprise 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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments

	Continuing operations				Discontinued operations		
	Construction	Building materials trading	Others	Total	Property leasing	Hotel operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2008							
Total sales	1,525,053	123,717	14,732	1,663,502	11,332	87,597	98,929
Inter-segment sales	(50,535)	(78,956)	(7,996)	(137,487)	—	—	—
External sales	1,474,518	44,761	6,736	1,526,015	11,332	87,597	98,929
Segment results	(329,806)	(9,567)	(12,659)	(352,032)	43,785	44,486	88,271
Unallocated income				11,480			835
Operating (loss)/profit				(340,552)			89,106
Finance costs	(32,350)	(12)	(226)	(32,588)	(21,715)	—	(21,715)
Profit on disposal of properties	—	—	—	—	671,598	—	671,598
Share of profit/(loss) of jointly controlled entities/operation	2,496	(1,066)	—	1,430	—	—	—
(Loss)/profit before income tax				(371,710)			738,989
Income tax (expense)/credit				(1,342)			56,420
(Loss)/profit for the year				(373,052)			795,409

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

	Continuing operations				Discontinued operations			
	Construction	Building materials trading	Others	Sub-total	Property leasing	Hotel operation	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2008								
Segment assets	1,339,513	143,363	52,012	1,534,888	208,213	6,396	214,609	1,749,497
Interests in associates	—	—	39	39	—	—	—	39
Interests in jointly controlled entities/operation	17,496	8,674	—	26,170	—	—	—	26,170
Unallocated assets				25,470			—	25,470
Total assets				1,586,567			214,609	1,801,176
Segment liabilities	(461,157)	(24,610)	(6,502)	(492,269)	(13,101)	(4,130)	(17,231)	(509,500)
Unallocated liabilities				(7,369)			—	(7,369)
Total liabilities				(499,638)			(17,231)	(516,869)
Capital expenditure	10,894	12,982	398	24,274	—	32	32	24,306
Depreciation	10,380	11,795	812	22,987	11,347	281	11,628	34,615
Amortisation of leasehold land	173	—	748	921	331	—	331	1,252
Other non-cash expenses/(income)	6,571	(1,203)	226	5,594	(47,000)	—	(47,000)	(41,406)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

	Continuing operations				Discontinued operations		
	Construction	Building materials trading	Others	Total	Property leasing	Hotel operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2007							
Total sales	1,974,535	168,940	18,221	2,161,696	12,647	84,609	97,256
Inter-segment sales	(4,039)	(136,015)	(9,587)	(149,641)	—	—	—
External sales	1,970,496	32,925	8,634	2,012,055	12,647	84,609	97,256
Segment results	7,158	1,834	(8,766)	226	38,526	43,249	81,775
Unallocated income				12,203			211
Operating profit				12,429			81,986
Finance costs	(17,351)	(67)	—	(17,418)	(22,926)	—	(22,926)
Share of profit of jointly controlled entities	—	12,595	—	12,595	—	—	—
Profit before income tax				7,606			59,060
Income tax expense				(4,649)			(12,408)
Profit for the year				2,957			46,652

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

	Continuing operations				Discontinued operations			
	Construction	Building materials trading	Others	Sub-total	Property leasing	Hotel operation	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2007								
Segment assets	965,452	123,231	57,568	1,146,251	664,793	204,775	869,568	2,015,819
Interests in associates	—	—	39	39	—	—	—	39
Interests in jointly controlled entities	—	12,595	—	12,595	—	—	—	12,595
Unallocated assets				39,361			—	39,361
Total assets				1,198,246			869,568	2,067,814
Segment liabilities	(674,814)	(18,947)	(3,772)	(697,533)	(430,130)	(5,532)	(435,662)	(1,133,195)
Unallocated liabilities				(67,994)			—	(67,994)
Total liabilities				(765,527)			(435,662)	(1,201,189)
Capital expenditure	7,809	7,377	318	15,504	3,476	570	4,046	19,550
Depreciation	10,846	6,060	877	17,783	11,839	260	12,099	29,882
Amortisation of leasehold land	173	—	749	922	361	—	361	1,283
Other non-cash expenses/(income)	27	1,223	(208)	1,042	(41,000)	—	(41,000)	(39,958)

6. OTHER INCOME AND GAINS

	2008 *HK$'000*	2007 *HK$'000*
Other income		
Dividend income from listed investments	218	112
Bank interest income	10,903	6,983
Interest income from subcontractors	2,998	2,877
Sundry income	4,291	3,068
	18,410	13,040
Other gains		
Write back of provision on an amount due from an associate	—	4,033
Unrealised gain on financial assets at fair value through profit and loss	303	194
Unrealised gain on derivative financial assets	6,489	—
Exchange gains	11,750	—
Others	165	—
	18,707	4,227
	37,117	17,267

7. EXPENSES BY NATURE

	2008 *HK$'000*	2007 *HK$'000*
Cost of construction	1,436,936	1,563,177
Cost of inventories sold	118,833	136,248
Depreciation		
Owned property, plant and equipment	21,351	16,866
Leased property, plant and equipment	1,636	917
	22,987	17,783
Operating lease rentals of		
Land and buildings	3,615	2,945
Other equipment	25,023	28,494
	28,638	31,439
Staff costs (excluding directors' emoluments) *(Note 14)*	214,200	218,491
Amortisation of leasehold land	921	922
Write-off of impaired receivables	1,867	1,396
Auditor's remuneration — audit services*	1,612	1,407
Loss on disposal of property, plant and equipment, net	104	75
Exchange losses, net	—	968
Others	77,586	44,987
Total cost of sales, administrative and other operating expenses	1,903,684	2,016,893

* During the year, the total auditor's remuneration for audit services (including discontinued operations) amounted to HK$1,872,000 (2007: HK$1,627,000).

8. DIRECTORS' AND SENIOR MANAGEMENT's EMOLUMENTS

(a) The remuneration of the Directors for the year ended 31 March 2008 is set out below:

Name	Fees	Salaries	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Mr. Wong Ip Kuen	—	4,992	400	223	5,615
Mr. Wong Tin Cheung	—	1,815	400	82	2,297
Mr. So Yau Chi	—	1,658	200	64	1,922
Mr. Sun Chun Wai	—	789	250	36	1,075
Mr. Chan, Bernard Charnwut	250	—	—	—	250
Mr. Wu King Cheong	250	—	—	—	250
Dr. Yeung Tsun Man, Eric	250	—	—	—	250
	750	9,254	1,250	405	11,659
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
Mr. Chan, Bernard Charnwut	250	—	—	—	250
Mr. Wu King Cheong	250	—	—	—	250
Dr. Yeung Tsun Man, Eric	250	—	—	—	250
	750	8,946	956	401	11,053

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007: three) Directors whose emoluments are reflected in the analysis above. The emoluments paid to the remaining two (2007: two) highest paid individuals during the year were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries	2,666	2,565
Bonuses	100	100
Retirement benefits	69	61
	2,835	2,726

8. DIRECTORS' AND SENIOR MANAGEMENT's EMOLUMENTS *(Continued)*

(b) Five highest-paid individuals *(Continued)*

The emoluments fell within the following bands:

Emolument bands	Number of individuals 2008	2007
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

	2008 *HK$'000*	2007 *HK$'000*
Interest on overdrafts and short-term bank loans	19,001	17,409
Interest on long-term bank loans repayable within five years	4,659	5,671
Interest element of finance lease payments	246	199
Total borrowing costs incurred	23,906	23,279
Less: Classified under contract cost	(4,889)	(5,861)
	19,017	17,418
Unrealised loss on financial assets at fair value through profit or loss	226	—
Unrealised loss on derivative financial assets	12,160	—
Realised loss on derivative financial assets	1,185	—
	32,588	17,418

10. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	38	3,444
(Over)/under provisions in prior years	(25)	66
Deferred income tax relating to the origination and reversal of temporary differences *(Note 31)*	1,329	1,139
	1,342	4,649

Hong Kong profits tax is calculated at 17.5% (2007: 17.5%) on the estimated assessable profits for the year. No taxation on overseas profits has been provided for as there were no estimated assessable profits for the year in the overseas countries in which the Group operates (2007: Nil).

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

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before income tax	(371,710)	7,606
Less: Share of profits of jointly controlled entities/operation	(1,430)	(12,595)
	(373,140)	(4,989)
Calculated at a taxation rate of 17.5% (2007: 17.5%)	(65,300)	(873)
Effect of different tax rates in other countries	111	(841)
Income not subject to taxation	(6,422)	(1,293)
Expenses not deductible for taxation purposes	14,038	5,473
Temporary differences not recognised	3,232	571
Tax losses not recognised	55,877	4,629
Utilisation of previously unrecognised tax losses	(169)	(3,082)
(Over)/under provisions in prior years	(25)	65
Income tax expense	1,342	4,649

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$1,984,000 (2007: profit of HK$126,000).

12. DIVIDENDS

In the Board meeting held on 22 July 2008, the Directors recommend the payment of a final dividend at HK10 cents per share (2007: HK1 cent per share), totalling HK$44,095,000 (2007: HK$4,409,000) for the year ended 31 March 2008.

13. (LOSS)/EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of (loss)/earnings per share is based on:

	2008 *HK$'000*	2007 *HK$'000*
Net (loss)/profit attributable to the equity holders of the Company		
— from continuing operations	(373,049)	3,138
— from discontinued operations	795,409	46,652
	422,360	49,790

	2008	2007
Number of shares in issue during the year	440,949,600	440,949,600

Diluted (loss)/earnings per share for the years ended 31 March 2008 and 2007 are not presented as there are no potential dilutive shares during the years.

14. STAFF COSTS EXCLUDING DIRECTORS' EMOLUMENTS

	2008 *HK$'000*	2007 *HK$'000*
Salaries, wages and bonuses	202,788	207,498
Unutilised annual leave	143	242
Long service payments	875	(327)
Termination benefits	2,039	2,812
Pension costs — defined contribution scheme	8,355	8,266
	214,200	218,491

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. DISCONTINUED OPERATIONS

An analysis of the results and the cash flows of the discontinued operations are as follows:

	Period from 1 April 2007 to 29 February 2008 *HK$'000*	Year ended 31 March 2007 *HK$'000*
(a) Results		
Revenue	98,929	97,256
Cost of sales	(16,794)	(15,450)
Gross profit	82,135	81,806
Other income and gains	876	211
Administrative expenses	(40,878)	(40,859)
Other operating expenses	(27)	(172)
Change in fair value of investment properties	47,000	41,000
Operating profit	89,106	81,986
Finance costs	(21,715)	(22,926)
Profit on disposal of properties	671,598	—
Profit before income tax	738,989	59,060
Income tax credit/(expense)	56,420	(12,408)
Profit for the year from discontinued operations	795,409	46,652
(b) Cash flows		
Net cash from operating activities	36,008	53,999
Net cash from/(used in) investing activities	1,567,328	(3,835)
Net cash used in financing activities	(448,515)	(42,763)
Total net cash from discontinued operations	1,154,821	7,401

16. PROPERTY, PLANT AND EQUIPMENT

	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*
Group						
At 1 April 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 values	184,488	298	94,423	20,840	3,494	303,543
Year ended 31 March 2007						
Opening net book values	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 values	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 values	182,682	103	90,807	16,827	4,381	294,800
Year ended 31 March 2008						
Opening net book values	182,682	103	90,807	16,827	4,381	294,800
Exchange differences	1,985	2	3,623	145	19	5,774
Additions	—	—	11,650	4,550	8,106	24,306
Transfers	27,000	—	—	—	—	27,000
Disposals	(174,819)	—	(38,057)	(7,226)	(156)	(220,258)
Depreciation	(4,776)	(9)	(20,483)	(6,603)	(2,744)	(34,615)
Closing net book values	32,072	96	47,540	7,693	9,606	97,007
At 31 March 2008						
Cost	47,638	5,629	130,823	48,228	31,094	263,412
Accumulated depreciation	(15,566)	(5,533)	(83,283)	(40,535)	(21,488)	(166,405)
Net book values	32,072	96	47,540	7,693	9,606	97,007

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Plant and equipment	1,372	1,115
Motor vehicles	8,533	3,128
	9,905	4,243

(b) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK$10,117,000 (2007: HK$206,384,000) (Notes 30 and 36(e)).

17. INVESTMENT PROPERTIES

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Beginning of year	340,000	299,000
Change in fair value	47,000	41,000
Transfer to property, plant and equipment	(27,000)	—
Disposal	(360,000)	—
End of year	—	340,000

Investment properties were held under long-term leases and situated in Hong Kong and were revalued as at 30 September 2007 by Savills Valuation and Professional Services Limited, an independent firm of qualified property valuers, for the purpose of inclusion in the Group's interim financial statements.

These investment properties were sold on 29 February 2008 and therefore any changes in fair value in the current year has been recognised within "profit for the year from discontinued operations" as disclosed in the income statement and Note 15.

18. LEASEHOLD LAND

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Beginning of year	352,038	353,321
Amortisation	(1,252)	(1,283)
Disposal	(315,131)	—
End of year	35,655	352,038
In Hong Kong, held on		
Lease of over 50 years	—	315,462
Leases of between 10 to 50 years	33,398	34,263
	33,398	349,725
Outside Hong Kong, held on		
Lease of between 10 to 50 years	2,257	2,313
	35,655	352,038

The Group's interests in leasehold land represented prepaid operating lease payments. Leasehold land with a net book value of HK$29,656,000 (2007: HK$345,886,000) was pledged as securities for the Group's banking facilities (Notes 30 and 36(e)).

19. SUBSIDIARIES

	Company	
	2008	**2007**
	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	377,698	368,741
Due to subsidiaries	109,012	95,527

The advance to a subsidiary is unsecured, bears interest at Hong Kong dollar prime rate less two per cent (2007: Hong Kong dollar prime rate less two per cent) per annum and not repayable within the 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.

19. SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiaries at 31 March 2008:

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%
InnoVision Architects & Engineers Limited	Hong Kong	HK$1	Architectural and engineering services	—	100%	100%
Leena Theme Painting Limited	Hong Kong	HK$1	Theme Painting	—	100%	100%
Leena Theme Painting (Macau) Limited	Macau	MOP100,000	Theme Painting	—	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	Mainland China	US$500,000	Development and sale of construction equipment and computer software	—	100%	100%
Nanjing Nanda VH Software Intelligence Company Limited	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%

19. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
SPS Company Limited	Hong Kong	HK$2	Manufacturing and trading of office partition	—	100%	100%
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	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%

19. SUBSIDIARIES *(Continued)*

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 Construction (Macau) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	—	100%	100%
Yau Lee Construction (Singapore) Pte. Ltd.	Singapore	S$50,000	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 Curtain Wall and Steel Works (Singapore) Pte. Ltd.	Singapore	S$50,000	Curtain wall installation	—	100%	100%
Yau Lee Curtain Wall and Steel Works (Macau) Limited	Macau	MOP100,000	Curtain wall installation	—	100%	100%
Yau Lee Dat (Macau) Estates Company Limited	Macau	MOP500,000	Property holding	—	100%	100%
Yau Lee Development (Singapore) Pte. Ltd.	Singapore	S$50,000	Property holding	—	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%

19. SUBSIDIARIES *(Continued)*

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 Property Management Limited	Hong Kong	HK$2	Provision of property management services	—	100%	100%
Yau Lee Tak (Macau) Estates Company Limited	Macau	MOP500,000	Property holding	—	100%	100%
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	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%
有利祥制造 (深圳) 有限公司	Mainland China	HK$2,000,000	Sale of building materials	—	100%	100%

20. ASSOCIATES

	2008		2007	
	Group	Company	Group	Company
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets				
Beginning and end of year	39	—	39	—
Amounts due from associates	21,009	1,023	22,459	1,229
Provision for impairment	(12,486)	—	(8,604)	—
Amounts due from associates, net	8,523	1,023	13,855	1,229

(a) The following are the details of the principal associate at 31 March 2008:

Name	Particulars of issued share capital	Place of incorporation	Assets	Liabilities	Revenue	(Loss)/profit	Interest held
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
2008							
Yau Lee Development Company Limited ("YLDC") *(Note b)*	100 ordinary shares of $1 each	Hong Kong	17,220	35,308	—	(879)	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 above balances reflect the total assets, total liabilities, revenue and (loss)/profit of the associate. The Group did not share the profit of the associate for the year ended 31 March 2007 as its share of the profit was less than the share of losses previously not recognised, and the loss of the associate for the year ended 31 March 2008 was also not recognised.

21. JOINTLY CONTROLLED ENTITIES/OPERATION

(a) Jointly controlled entities

	Group 2008	Group 2007
	HK$'000	*HK$'000*
Beginning of year	12,595	—
Share of (loss)/profit	(1,065)	12,595
Share of exchange reserves	267	—
Dividends	(3,122)	—
End of year	8,675	12,595
Amounts due from jointly controlled entities	6,095	14,408

(i) The following is a list of the principal jointly controlled entities at 31 March 2008:

Name	Particulars of registered/ issued share capital	Place of incorporation	Assets	Liabilities	Revenue	(Loss)/profit	Interest held
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
2008							
Yau Lee Formglas Limited ("YLFG") *(Note ii)*	HK$1,000,000	Hong Kong	9,390	(10,936)	—	(1,104)	51%
Yau Lee Formglas (Shenzhen) Limited ("YLFS") *(Note iii)*	HK$4,200,000	Mainland China	569	(250)	14,911	(24,636)	51%
Yau Lee Formglas (Macau) Limited ("YLFM") *(Note iv)*	MOP200,000	Macau	26,345	(8,108)	69,357	23,651	51%
Total			36,304	(19,294)	84,268	(2,089)	
The Group's share			18,515	(9,840)	42,977	(1,065)	

21. JOINTLY CONTROLLED ENTITIES/OPERATION *(Continued)*

(a) Jointly controlled entities *(Continued)*

(i) The following is a list of the principal jointly controlled entities at 31 March 2008: *(Continued)*

Name	Particulars of registered/ issued share capital	Place of incorporation	Assets	Liabilities	Revenue	(Loss)/profit	Interest held
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
2007							
Yau Lee Formglas Limited ("YLFG") (Note ii)	HK$1,000,000	Hong Kong	10,932	(17,086)	113	(2,794)	51%
Yau Lee Formglas (Shenzhen) Limited ("YLFS") (Note iii)	HK$4,200,000	Mainland China	16,684	(10,089)	22,255	2,257	51%
Yau Lee Formglas (Macau) Limited ("YLFM") (Note iv)	MOP200,000	Macau	49,881	(25,625)	137,027	25,234	51%
Total			77,497	(52,800)	159,395	24,697	
The Group's share			39,523	(26,928)	81,291	12,595	

(ii) YLFG is a joint venture with a Canadian party, and is engaged in investment holding of YLFS and YLFM, the principal activities of which are set out in Notes (iii) and (iv).

(iii) YLFS is a wholly-owned subsidiary of YLFG, and is principally engaged in manufacturing of glass reinforced gypsum products.

(iv) YLFM is a wholly-owned subsidiary of YLFG, and is principally engaged in the construction projects in Macau.

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

(b) Jointly controlled operation

During the year, the Group has commenced a construction contract with a value of HK$1,654,000,000 under a jointly controlled operation with another renowned main contractor company in Hong Kong.

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Beginning of the year	—	—
Investment in jointly controlled operation	15,000	—
Share of profit	2,495	—
End of the year	17,495	—

21. **JOINTLY CONTROLLED ENTITIES/OPERATION** *(Continued)*

(b) **Jointly controlled operation** *(Continued)*

Name	Place of operation	Assets	Liabilities	Revenue	Profit	Effective interest held
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
Hsin Chong-Yau Lee Joint Venture	Unincorporated joint venture operating in Hong Kong	118,373	(83,383)	190,037	4,990	50%

22. **OTHER NON-CURRENT ASSETS**

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Retention receivables *(Note 27)*	54,729	67,318
Loans to employees *(Note 23)*	1,420	1,259
Others	22	22
	56,171	68,599
Less: Current portion of retention receivables *(Note 25(a))*	(21,594)	(33,037)
Less: Current portion of loans to employees *(Note 23)*	(455)	(198)
	34,122	35,364

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

23. **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$455,000 (2007: HK$198,000) are included in prepayments, deposits and other receivables. Loans to employees approximate their fair values.

24. CASH AND BANK BALANCES

	2008		2007	
	Group	**Company**	**Group**	**Company**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	48,174	410	43,342	413
Time deposits	740,657	—	—	—
Restricted deposits *(Note a)*	168,800	—	169,669	10,769
	957,631	410	213,011	11,182

(a) Restricted deposits are funds which are pledged to secure the bank overdrafts, short-term bank loans and a financial derivative instrument (Notes 30 and 36(a)).

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

	2008		2007	
	Group	**Company**	**Group**	**Company**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unrestricted cash and bank balances	788,831	410	43,342	413
Bank overdrafts *(Note 30)*	—	—	(70,405)	—
	788,831	410	(27,063)	413

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

	2008		2007	
	Group	**Company**	**Group**	**Company**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	633,706	410	61,181	11,182
United States dollars	303,026	—	145,083	—
Renminbi	8,864	—	6,506	—
Other currencies	12,035	—	241	—
	957,631	410	213,011	11,182

(d) Interest rate of time deposits and restricted deposits ranged from 0.6% to 3.5% (2007: 2.8% to 6.0%) per annum.

25. TRADE AND OTHER RECEIVABLES

(a) Trade debtors, net

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Trade debtors	162,494	219,915
Retention receivables *(Note 22)*	21,594	33,037
Provision for impairment	(40)	(51)
	184,048	252,901

Substantially all of the Group's trade debtors are denominated in Hong Kong dollars. The trade debtors are due 30 days to 90 days after invoicing depending on the nature of services or products. As at 31 March 2008, trade debtors of HK$15,617,000 (2007: HK$63,404,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aging analysis of these trade debtors is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Overdue by:		
1 — 30 days	754	39,898
31 — 90 days	2,386	7,448
91 — 180 days	897	783
Over 180 days	11,580	15,275
	15,617	63,404

Movements on the provision for impairment of trade debtors are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Beginning of year	51	—
Provision for impairment	—	51
Receivables written off during the year as uncollectible	(11)	—
End of year	40	51

In addition, during the year ended 31 March 2007, HK$1,396,000 of trade debtors were deemed as irrecoverable and were written off (Note 7).

25. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Prepayments, deposits and other receivables

	2008		2007	
	Group	**Company**	**Group**	**Company**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Advances to subcontractors	60,469	—	93,318	—
Prepayments and deposits	11,310	17	15,006	17
Other receivables	32,008	296	1,104	247
	103,787	313	109,428	264

Substantially all of the Group's prepayments, deposits and other receivables are denominated in Hong Kong dollars. Included in advances to subcontractors are amounts of HK$38,095,000 (2007: HK$35,560,000) which bear interest ranging from 8.75% to 10.75% (2007: 10% to 11%) per annum. All other advances to subcontractors are interest free and have no fixed terms of repayment. None of the prepayments, deposits and other receivables have been impaired and all are current in nature. However, during the year HK$1,867,000 of other receivables were written off (Note 7).

The maximum exposure to credit risk at the date of this report is the fair value for each class of receivables above. The Group does not hold collateral as security.

26. INVENTORIES

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Raw materials, at cost	17,816	11,750
Finished goods, at cost	5,291	4,532
	23,107	16,282

27. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Contract costs incurred plus attributable profits less foreseeable losses to date	9,102,840	13,193,736
Progress billings to date	(8,854,548)	(12,796,715)
	248,292	397,021
Included in current assets/(liabilities) are the following:		
Due from customers on construction contracts	302,915	406,991
Due to customers on construction contracts	(54,623)	(9,970)
	248,292	397,021

Retention receivables from customers in respect of construction contracts in progress of HK$54,729,000 (2007: HK$67,318,000) are classified under other non-current assets and trade debtors, net (Notes 22 and 25).

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities at fair value				
— listed in Hong Kong	294	282	—	—
Money market fund, at fair value				
— unlisted	14,950	4,885	9,774	—
	15,244	5,167	9,774	—

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	Group			
	2008		2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Commodity forward contract *(Note a)*	1,203	—	—	—
Hong Kong dollars floating swap *(Note b)*	5,286	—	—	—
United states dollars interest rate and Renminbi forward contract *(Note c)*	—	12,160	—	—
	6,489	12,160	—	—

Note:

(a) The Group entered into a commodity forward contract for aluminium at a fixed rate. This forward contract expires in August 2008.

(b) The Group entered into a floating swap agreement with a bank at a notional amount of HK$100,000,000. Under this agreement, an interest is earned on the principal with the counterparty having a call option to sell United States dollars (US$) and purchase Hong Kong dollars (HK$) from the Group provided that certain conditions are met. This option expires in September 2009.

(c) The Group entered into a US$ London InterBank Offered Rate range accrual subsidised Renminbi forward contract with a notional amount of US$1,750,000 in April 2007. The contract was closed in May 2008.

30. BORROWINGS

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Non-current		
Obligations under finance lease	2,590	641
Long-term bank loans — secured	—	476,800
	2,590	477,441
Current		
Bank overdrafts — secured	—	70,405
Short-term bank loans — secured	158,800	292,622
Current portion of long-term borrowings	4,881	52,075
	163,681	415,102
Total borrowings	166,271	892,543

30. BORROWINGS *(Continued)*

(a) The maturity of borrowings are as follows:

	Group			
	Bank borrowings and overdrafts		Obligations under finance lease	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	158,800	413,027	4,881	2,075
Between 1 and 2 years	—	90,000	2,590	641
Between 2 and 5 years	—	386,800	—	—
Wholly repayable within 5 years	158,800	889,827	7,471	2,716

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

	2008	2007
	%	%
Bank overdrafts	—	8.5
Short-term bank loans	3.7	5.6
Long-term bank loans	—	5.3
Obligations under finance lease	3.7	6.8

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

(d) The borrowings are all denominated in Hong Kong dollars.

(e) The bank borrowings are secured by certain property, plant and equipment, leasehold land and restricted deposits of the Group (Notes 16, 18 and 24).

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	5,125	2,190
In the second year	2,690	654
	7,815	2,844
Future finance charges on finance lease	(344)	(128)
Present value of obligations under finance lease	7,471	2,716

31. DEFERRED INCOME TAX

	Group 2008 HK$'000	Group 2007 HK$'000
Beginning of year	66,619	53,072
(Credited)/charged to income statement	(60,977)	13,547
End of year	5,642	66,619

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 in respect of recognised tax losses of the Group:

	Group 2008 HK$'000	Group 2007 HK$'000
Beginning of year	5,463	10,901
Charged to income statement	(5,463)	(5,438)
End of year	—	5,463

Deferred income tax liabilities in respect of the following:

	Change in fair value of investment property		Accelerated taxation depreciation		Total	
	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Beginning of year	56,428	49,253	15,654	14,720	72,082	63,973
(Credited)/charged to income statement	(56,428)	7,175	(10,012)	934	(66,440)	8,109
End of year	—	56,428	5,642	15,654	5,642	72,082

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:

	2008 HK$'000	2007 HK$'000
Deferred income tax assets	(41)	(34)
Deferred income tax liabilities	5,683	66,653
	5,642	66,619

31. DEFERRED INCOME TAX *(Continued)*

The deferred income tax assets and liabilities resulted from the acceleration depreciation are expected to crystalise more than 12 months after the balance sheet date. The Group has unrecognised tax losses of approximately HK$382,594,000 (2007: HK$74,376,000) to carry forward against future taxable income. These unrecognised tax losses are analysed according to their expiry dates as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
With no expiry date	344,505	51,164
Expiring not later than one year	3,620	6,023
Expiring later than one year and not later than five years	34,469	17,189
	382,594	74,376

32. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Not yet due	123,054	114,127
Overdue by:		
1 — 30 days	454	8,711
31 — 90 days	807	907
91 — 180 days	1,007	190
Over 180 days	673	546
	125,995	124,481

Substantially all of the Group's payables to suppliers and subcontractors are denominated in Hong Kong dollars.

33. SHARE CAPITAL

	2008	2007
	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 is 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. Up to 31 March 2008, no share options have been granted under the Share Option Scheme.

34. OTHER RESERVES AND RETAINED PROFITS

	Share premium	Capital redemption reserve	Exchange reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group					
At 1 April 2007	415,430	359	3,410	358,608	777,807
Currency translation differences	—	—	(266)	—	(266)
Loss from continuing operations attributable to equity holders of the Company	—	—	—	(373,049)	(373,049)
Profit from discontinued operations attributable to equity holders of the Company	—	—	—	795,409	795,409
2007 final dividends	—	—	—	(4,409)	(4,409)
At 31 March 2008	415,430	359	3,144	776,559	1,195,492
Representing:					
2008 final dividends proposed				44,095	
Others				732,464	
At 31 March 2008				776,559	
At 1 April 2006	415,430	359	726	308,818	725,333
Currency translation differences	—	—	2,684	—	2,684
Profit from continuing operations attributable to equity holders of the Company	—	—	—	3,138	3,138
Profit from discontinued operations attributable to equity holders of the Company	—	—	—	46,652	46,652
At 31 March 2007	415,430	359	3,410	358,608	777,807
Representing:					
2007 final dividends proposed				4,409	
Others				354,199	
At 31 March 2007				358,608	

34. OTHER RESERVES AND RETAINED PROFITS *(Continued)*

	Share premium *HK$'000*	**Capital redemption reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
Company				
At 1 April 2007	415,430	359	143,019	558,808
Loss attributable to equity holders of the Company	—	—	(1,984)	(1,984)
2007 final dividends	—	—	(4,409)	(4,409)
At 31 March 2008	415,430	359	136,626	552,415
Representing:				
2008 final dividends proposed			44,095	
Others			92,531	
At 31 March 2008			136,626	
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 dividends proposed			4,409	
Others			138,610	
At 31 March 2007			143,019	

The entire amounts of retained profits of the Company at 31 March 2008 are distributable.

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2008 HK$'000	2007 HK$'000
Operating (loss)/profit	(251,446)	94,415
Interest income	(14,737)	(10,071)
Dividend income	(218)	(112)
Loss on disposal of property, plant and equipment	104	75
Change in fair value of investment properties	(47,000)	(41,000)
Amortisation of prepaid operating lease payment	1,252	1,283
Depreciation	34,615	29,882
Write back of provision on amount due from an associate	—	(4,033)
Provision for impairment of amount due from an associate	3,882	—
Unrealised gain on financial assets at fair value through profit or loss and on derivative financial assets and liabilities	(6,792)	(194)
Operating (loss)/profit before working capital changes	(280,340)	70,245
Decrease/(increase) in retention receivables	1,146	(5,784)
Decrease in loans to employees	96	198
Decrease/(increase) in trade debtors, net	61,824	(80,928)
Increase in inventories	(6,825)	(4,683)
Decrease/(increase) in prepayments, deposits and other receivables	5,641	(45,912)
Decrease/(increase) in due from customers on construction contracts	104,076	(107,568)
Decrease/(increase) in amounts due from associates	1,450	(92)
Decrease/(increase) in due from jointly controlled entities	11,435	(23,615)
Increase in payables to suppliers and subcontractors	1,514	21,679
Increase in accruals, retention payables and other liabilities	39,727	16,639
Increase in due to customers on construction contracts	44,653	7,491
Net cash used in operations	(15,603)	(152,330)

In the cash flow statement, proceeds from disposal of property, plant and equipment and disposal of properties at 33 Sharp Street East together with related property, plant and equipment (collectively known as "hotel properties") comprise:

	2008 HK$'000	2007 HK$'000
Net book values *(Note 16)*	381	358
Loss on disposal of property, plant and equipment	(104)	(75)
Proceeds from disposal of property, plant and equipment	277	283
Net book values of hotel properties *(Notes 16, 17 and 18)*	895,008	—
Gain on disposal of hotel properties	671,598	—
Net proceeds from disposal of hotel properties	1,566,606	—

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Share capital HK$'000	Share premium HK$'000	Minority interests HK$'000	Obligations under finance lease HK$'000	Long-term bank loans HK$'000	Short-term bank loans HK$'000	Restricted deposits HK$'000	Total HK$'000
At 1 April 2007	88,190	415,430	628	2,716	526,800	292,622	(169,669)	1,156,717
Net cash (outflow)/inflow from financing activities	—	—	—	(3,724)	(526,800)	(133,822)	869	(663,477)
Share of loss by minority shareholders	—	—	(3)	—	—	—	—	(3)
Inception of finance lease obligations *(Note c)*	—	—	—	8,479	—	—	—	8,479
At 31 March 2008	88,190	415,430	625	7,471	—	158,800	(168,800)	501,716
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 lease obligations *(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

(c) Major non-cash transaction

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 HK$8,479,000 (2007: HK$3,181,000).

36. BANKING FACILITIES

As at 31 March 2008, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$498,810,000 (2007: HK$1,021,310,000), of which HK$193,538,000 (2007: HK$912,074,000) had been utilised. These banking facilities are secured by the following:
`

(a) Time deposits of HK$160,800,000 (2007: HK$169,669,000) (Note 24).

(b) Guarantees of HK$477,950,000 (2007: HK$1,053,113,000) given by the Company.

(c) Investment in the guaranteed unit trust fund and securities of HK$14,950,000 (2007: HK$4,885,000).

(d) Trade receivables of certain construction contracts.

(e) Property, plant and equipment of HK$10,117,000 (2007: HK$206,384,000), leasehold land of HK$29,656,000 (2007: HK$345,886,000) and no investment property (2007: HK$340,000,000) (Notes 16, 17 and 18).

37. 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 2008, 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 losses 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 2008.

(c) In 2007, the Group received a statement of claims for an aggregate amount of approximately HK$23.9 million for uncertified workdone, variation works and prolongation costs incurred by a subcontractor in a connection with a steelwork sub-contract. The Group has raised a counterclaim of approximately HK$37.0 million to the subcontractor for expenses and payments made on behalf. 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 2008.

(d) The Group has incurred guarantees in respect of performance bonds that amount to approximately HK$29 million (2007: HK$86 million) in favour of the Group's customers.

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Land and buildings		
— Within one year	3,633	2,410
— One year to five years	8,563	7,812
— More than five years	40,554	42,532
	52,750	52,754

38. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
— Within one year	—	12,153
— One year to five years	—	11,680
	—	23,833

39. RELATED PARTY BALANCES

(a) Key management compensation

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Salaries	9,254	8,946
Discretionary bonuses	1,250	956
Pension costs — defined contribution scheme	405	401
	10,909	10,303

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

40. COMPARATIVE FIGURES

The Group disposed of its properties for hotel operation and property leasing during the year and accordingly, this business segment has been presented as discontinued operations. This has resulted in changes to the presentation of certain items and comparative figures have been reclassified accordingly. In addition, certain comparative figures have been reclassified to conform with the current year's presentation.

41. POST BALANCE SHEET EVENT — BUSINESS COMBINATION

On 30 May 2008, the Company completed the purchase of 50,000,000 shares of HK$1.00 each, being the entire share capital of Ryoden Engineering Company Limited for a total cash consideration of HK$46,000,000 (excluding transaction expenses). The acquisition of Ryoden Engineering Company Limited and its subsidiaries constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. The Company has obtained from Mr. Wong Ip Kuen, being the controlling shareholder of the Company, a written approval of the major transaction. Accordingly, there is no need to convene a shareholders' meeting to approve the major transaction.

	HK$'000
Purchase consideration:	
— Cash paid	46,000
— Transaction expenses relating to the acquisition	3,500
Total purchase consideration	49,500

As extracted from the unaudited management accounts of Ryoden Engineering Company Limited and its subsidiaries as at 30 May 2008, the carrying value of the assets and liabilities of this mechanical and engineering business were treated as an approximation to their values with provisional intangible assets expected to be recognised totalling HK$38,571,000, including goodwill. The Group has not performed the independent purchase price allocation in respect of this acquisition, which is expected to be completed during the coming year.

	Carrying value of net assets as at 30 May 2008 *HK$'000*
Cash and cash equivalents	69,959
Inventories	67,328
Trade and other receivables	193,366
Property, plant and equipment	3,009
Investment in associates	2,512
Contract receipts in advance	(231,415)
Trade and other payables	(93,830)
Net assets acquired	10,929
Purchase consideration settled in cash	49,500
Provisional intangible assets (including goodwill)	38,571
Cash and cash equivalents in subsidiaries acquired	69,959
Cash inflow on acquisition	20,459

4. INDEBTEDNESS OF THE GROUP

(1) Borrowings

As at the close of business on 31 March 2009, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following outstanding borrowings:

	HK$'000
Secured bank loans	
Within 1 year	51,237
Between 1 and 2 years	1,275
Between 2 and 5 years	4,066
After 5 years	12,032
	68,610
Obligations under finance lease	
Within 1 year	3,673
Between 1 and 2 years	276
	3,949
	72,559

(2) Security

As at the close of business on 31 March 2009, being the latest practicable date for the purpose of this indebtedness statement, the Group's bank loans were secured by investment properties of the Group and 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 31 March 2009, 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 2009.

(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$37 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 31 March 2009.

(d) As at 31 March 2009, the Group has incurred guarantees in respect of performance bonds that amount to approximately HK$472 million in favour of the Group's customers.

5. DISCLAIMER

Saved as aforesaid and apart from intra-group liabilities, the Group did not, at the close of business on 31 March 2009, 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. SUBSEQUENT CHANGE OF INDEBTEDNESS

The Directors confirmed that there has been no material change in the indebtedness, commitments and contingent liabilities of the Group since 31 March 2009.

7. WORKING CAPITAL

Taking into account the expected completion of the 1st Acquisition and the 2nd Acquisition on 19 June 2009 and 17 July 2009 respectively and the financial resources available to the Group, including the internally generated funds and the available banking facilities, the directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

8. MANAGEMENT DISCUSSION AND ANALYSIS

(1) For the six months period ended 30 September 2008

Results and operation

The turnover for the six months ended 30 September 2008 has increased by 98% to HK$1,510,536,000 when compared with the turnover of HK$761,418,000 for the same period last year. The increase was mainly attributable to the acquisition of Ryoden Engineering Company Limited ("REC") and its subsidiaries during the period. With such acquisition, the Group can integrate vertically into electrical and mechanical installation operations, take the benefit of a well-established team with strong expertise and expand its market share in Hong Kong, Macau and mainland China.

The Group recorded a gross profit of HK$106,406,000 for the period (30 September 2007: gross loss of HK$60,161,000) as a result of profit improvement in the core construction business and the profit intake of its electrical and mechanical installation business from REC Group from June to September 2008. Our contracts in Singapore and Macau also started to contribute to the Group's performance during the period. In the prior period, the gross loss was driven by additional costs from delays of a construction contract due to unforeseen difficulties, as well as revision of estimates on variation orders. Net attributable profit for the period was HK$10,207,000 which was a substantial improvement over the net loss of the previous period of HK$75,663,000.

Our building materials trading business in China suffered from the impact of Renminbi appreciation, material cost increase, minimum wage increase and the increasing China sales tax burden during the period. The Group has recently implemented cost savings measures to reduce our overhead cost and the slowdown of Renminbi appreciation will certainly reduce the adverse currency impact in future.

As at 30 September 2008, the total contract sum of the Group's construction contracts in hand excluding joint venture contract is approximately HK$8,669 million, including construction contracts and electrical and mechanical installation contracts. The estimated remaining works (excluding joint venture contract) as at 30 September 2008 was HK$5,708 million. A joint venture contract of design and construction of the Prince of Wales Hospital (PWH) — Extension Block at Shatin with contract value of HK$1,654 million is also in progress with the estimated remaining works outstanding amounting to HK$1,285 million. Six contracts with total contract sum of approximately HK$2,190 million were secured during the period including two construction contracts and four decoration and renovation contracts in Hong Kong, Macau and Singapore with respective contract sum of approximately HK$1,825 million and HK$365 million. Three contracts with contract sum of HK$758 million were completed during the period.

Value of construction contracts in hand	*HK$ Million*
As at 31 March 2008	3,878
Secured during the period from 1 April 2008 to 30 September 2008	2,190
Completed during the period from 1 April 2008 to 30 September 2008	(758)
As at 30 September 2008	5,310
Value of electrical and mechanical installation contracts in hand as at 30 September 2008	3,359
Total value of contracts in hand	8,669

Subsequent to 30 September 2008, our contracts value of MOP582 million (equivalent to approximately HK$564 million) on Parcel 5&6 of the Venetian Cotai project was suspended by the employer, of which the outstanding works up to suspension was approximately MOP380 million (equivalent to approximately HK$368 million). In addition, one of our Macau projects in REC Group with original contract value amounting to MOP210 million (equivalent to approximately HK$204 million) was terminated by the employer in November 2008. The remaining outstanding works relating to this project were approximately MOP131 million (equivalent to approximately HK$127 million).

Financial Position

As at 30 September 2008, the Group's total cash in hand was HK$780 million (31 March 2008: HK$958 million) while total indebtedness decreased from HK$166 million at 31 March 2008 to HK$110 million, representing approximately 8.8% of the total shareholders' equity (as at 31 March 2008: 12.9%). The current ratio (total current assets: total current liabilities) has decreased from 3.1 to 2.2 as compared to 31 March 2008 subsequent to the acquisition of REC Group, which is still in a healthy level.

In May 2008, the Group has refinanced its syndicated loan at an amount of HK$260 million. The loan agreement requires Mr. Wong Ip Kuen and his direct family members to remain as the single largest shareholder and hold at least 40% of the issued voting share capital of the Company.

As at 30 September 2008, the Group had total banking facilities amounted to an aggregate sum of approximately HK$1,292,523,000 (as at 31 March 2008: approximately HK$498,810,000) with various banks of which approximately HK$610,564,000 (as at 31 March 2008: approximately HK$193,538,000) had been utilised. The short-term and long-term bank borrowings are secured by the Group's properties, investments in unit trust and certain time deposits.

Human Resources

With the Group's expansion to local and overseas markets, and acquisition of REC Group during the period, as at 30 September 2008, the Group employed approximately 2,700 in total of which approximately 530 employees are from REC Group. There are approximately 1,500 employees in Hong Kong, Macau and Singapore and approximately 1,200 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 2008

Financial Position

At 31 March 2008, the Group's total cash in hand was HK$957,631,000 (2007: HK$213,011,000) while total borrowings have reduced to HK$166,271,000 (2007: HK$892,543,000) this year. The substantial increase in cash in hand and decrease in bank borrowings were resulted from the disposal of the properties at 33 Sharp Street East during the year. The Group has no net debt (total borrowings less total cash in hand) as at 31 March 2008 (2007: HK$679,532,000 and net debt to equity ratio in 2007 was 78.4%) and the current ratio (total current assets: total current liabilities) has improved from 1.6 in 2007 to 3.2 in 2008.

The short-term and long-term borrowings are secured by the Group's properties, investment in unit trust and certain time deposits. Interest on bank loans are charged at floating rates and the Company monitors interest rate risks continuously and considers hedging any excessive risk when necessary. The total bank facilities granted to the Group at 31 March 2008 was approximately HK$498,810,000 (2007: HK$1,021,310,000), of which approximately HK$193,538,000 (2007: HK$912,074,000) had been utilised.

Human Resources

At 31 March 2008, the Group employed approximately 980 employees in Hong Kong, Macau and Singapore and approximately 870 employees in mainland China.

Employees in Hong Kong, Macau and Singapore 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 2007/2008" organised by the Hong Kong Council of Social Service.

9. OUTLOOK

With the acquisition of REC Group on 30 May 2008, our Group has integrated vertically into the mechanical and electrical installation business and expanded our market share through the well-established network in Hong Kong, Macau and mainland China. The Group has moved towards a total solution contractor in the market.

As a result of the financial tsunami starting in the middle of September 2008, certain of our Macau construction and engineering business with casino and resort operators have been impacted and we have received termination notices on our contracts with Venetian Orient Limited in Macau in May 2009 with immediate effect. The Group has quickly reacted by reallocating resources from the affected projects to other projects in Macau, mainland China and Hong Kong upon contract suspension and we are currently preparing our claims and final accounts in respect of each of the terminated contracts to the employer. In Hong Kong, the Group will continue to actively pursue other projects as we expect more government sector investment during this economic downturn including design and build work which we have developed our expertise. The drop in material cost in recent months has also eased pressure on material inflation in our building construction and materials trading business.

With the current recessionary economic environment and recent adjustment in property prices, our strong cash and asset position has undoubtedly provided us with opportunities in property investment and development projects which can enhance shareholder value in the long run.

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 2008, the Directors are not aware of any material adverse change in the financial or trading position or operation of the Group since 31 March 2008, the date to which the latest published audited consolidated accounts of the Group were made up.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the 1st Acquisition and the 2nd Acquisition as if they had taken place on 30 September 2008.

This unaudited pro forma statement of assets and liabilities of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the 1st Acquisition and the 2nd Acquisition been completed as at 30 September 2008 or at any future date.

	Unadjusted statement of assets and liabilities of the Group as at 30 September 2008	**Pro forma adjustments**	**Pro forma adjustments**	**Unaudited pro forma statement of assets and liabilities of the Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
ASSETS				
Non-current assets				
Property, plant and equipment	109,859			109,859
Investment properties	7,931	105,250		113,181
Leasehold land	35,212		365,375	400,587
Intangible assets	20,755			20,755
Goodwill	15,905			15,905
Associates	1,973			1,973
Jointly controlled entities/operation	19,424			19,424
Deferred income tax assets	720			720
Other non-current assets	38,216			38,216
	249,995			720,620
Current assets				
Cash and bank balances	779,670	(104,665)	(190,375)	484,630
Trade debtors, net	553,360			553,360
Prepayments, deposits and other receivables	111,909			111,909
Inventories	36,592			36,592
Prepaid income tax	681			681
Due from customers on construction contracts	378,560			378,560
Financial assets at fair value through profit or loss	14,978			14,978
Due from associates	8,548			8,548
Due from jointly controlled entities/operation	6,450			6,450
Due from related parties	30			30
	1,890,778			1,595,738
Total assets	2,140,773			2,316,358

	Unadjusted statement of assets and liabilities of the Group as at 30 September 2008	**Pro forma adjustments**	**Pro forma adjustments**	**Unaudited pro forma statement of assets and liabilities of the Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
EQUITY				
Share capital	87,617			87,617
Other reserves	417,716			417,716
Retained profits	742,671			742,671
Equity holders	1,248,004			1,248,004
Minority interests	598			598
Total equity	1,248,602			1,248,602
LIABILITIES				
Non-current liabilities				
Long-term borrowings	7,399		175,000	182,399
Deferred income tax liabilities	9,106			9,106
	16,505			191,505
Current liabilities				
Short-term bank loans — secured	98,000			98,000
Current portion of long-term borrowings-secured	4,160			4,160
Derivative financial liabilities	6,755			6,755
Payable to suppliers and subcontractors	261,704			261,704
Accruals, retention payables and other liabilities	169,091	585		169,676
Income tax payable	14,500			14,500
Due to customers on construction contracts	321,456			321,456
	875,666			876,251
Total liabilities	892,171			1,067,756
Total equity and liabilities	2,140,773			2,316,358
Net current assets	1,015,112			719,487
Total assets less current liabilities	1,265,107			1,440,107

Notes to the unaudited pro forma statement of assets and liabilities:

1 The figures are extracted from the unaudited condensed consolidated balance sheet as at 30 September 2008, as set out in the published interim report of the Company for the six months ended 30 September 2008.

2 The adjustment represents the 1st Acquisition by the Group for a cash consideration of HK$100,000,000 and expenses relating to this acquisition of approximately HK$5,250,000 including stamp duty of approximately HK$3,750,000, commission fee of approximately HK$500,000 and legal and professional fees and other expenses of approximately HK$1,000,000. In connection with the 1st Acquisition, deposits of HK$584,640 will be transferred from the 1st Vendor in relation to the existing tenancy of the investment properties to the Group upon completion of acquisition. The deposits include rental deposits of HK$552,000 and rates and government rent deposits of HK$32,640.

3 The adjustment represents the 2nd Acquisition by the Group for a cash consideration of HK$350,000,000 and expenses relating to this acquisition of approximately HK$15,375,000 including stamp duty of approximately HK$13,125,000, commission fee of approximately HK$1,750,000 and legal and professional fees and other expenses of approximately HK$500,000. The Group aims at financing approximately half of the consideration through bank loan.

4 The 1st Acquisition and the 2nd Acquisition are entered into by the Group separately and the completion of the 1st Acquisition and the 2nd Acquisition is independent of each other.

5 No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2008.

B. REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

ACCOUNTANT'S REPORT 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 108 to 110 under the heading of "Unaudited Pro Forma Financial Information of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix IIA of the circular dated 27 May 2009 (the "Circular") of Yau Lee Holdings Limited (the "Company"), in connection with the proposed acquisitions of properties at Nos. 43 & 45 Tsun Yip Street, Kwun Tong, Kowloon and properties at Nos. 77, 79, 81, 83 & 85 Jervois Street & Nos. 14A, 16, 18, 20 & 22 Burd Street, Hong Kong (the "Transactions") by Trinity Crown Limited and Million Wealth Enterprises Limited, wholly-owned subsidiaries of the Company, or their respective nominees. 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 Transactions 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 108 to 110 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

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 unadjusted statement of assets and liabilities of the Group as at 30 September 2008 with the unaudited condensed consolidated balance sheet as at 30 September 2008 as set out in the published interim report of the Company for the six months ended 30 September 2008, 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 2008 or any future date.

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, 27 May 2009

1. PROFIT AND LOSS STATEMENT OF THE 1ST PROPERTY

In accordance with Rule 14.67(6)(b)(i) ("Rule") of the Listing Rules, a profit and loss statement of the 1st Property for the 3 preceding financial years (or less, where the 1st Property has been held by the 1st Vendor for a shorter period) has to be included in this circular. Since the Company and the 1st Purchaser do not know the 1st Vendor directly and the purchase of the 1st Property was introduced to the 1st Purchaser through the introduction of the estate agent, the Company and the 1st Purchaser had not requested the information in relation to the 1st Property required under the Rule from the 1st Vendor ("Information") directly. Instead, the Company had tried to gain access to the Information including the rental receipts in relation to the 1st Property required under the Rule through the estate agent. The Company also requested the 1st Vendor, through the law firm acting for the 1st Vendor, to provide the Information. However, both means were unsuccessful and the 1st Vendor refused to provide the Information without giving any reason. The Company has used its best endeavours and exhausted all means to gather the Information but the only information the Company had obtained is the existing tenancy agreement of the 1st Property dated 25 March 2008 ("Tenancy Agreement") and land search records of the 1st Property obtained from the Land Registry. The Company has therefore applied to the Stock Exchange for a waiver from strict compliance with the Rule that disclosure of the following profit and loss statement of the 1st Property ("the P&L Statement") is sufficient for the purpose of the Rule. The P&L Statement was prepared by the Directors solely based on the Tenancy Agreement provided by the 1st Vendor. Accordingly, the P&L Statement may not give a true picture of the performance of the 1st Property actually occurred during the financial year commencing on 1 April 2008 and ended 31 March 2009.

	Period	**Rental income for the financial year ended 31 March 2009** *(HK$)*
1st Property	30/4/2008-31/3/2009	2,030,133

Notes:

1. While the Tenancy Agreement commences on 24 January 2008, the 1st Vendor only acquired the 1st Property on 30 April 2008. According to the Rule, the Company is only required to include in this circular the profit and loss information of the 1st Property for the period commencing on the date when the 1st Vendor acquired the 1st Property, i.e. 30 April 2008 and ended on 31 March 2009.

2. The rental income information contained in the P&L Statement is derived from the Tenancy Agreement. The Directors do not have access to any agreement made between the 1st Vendor and the tenant of the 1st Property other than the Tenancy Agreement. The rental income information above therefore only represents the rental income derived from the Tenancy Agreement.

3. According to the Tenancy Agreement, the monthly rental does not include rates, government rent and other outgoings and they are payable by the tenant.

4. Save for the Tenancy Agreement, the Directors do not have access to other information including the actual rental receipts issued by the 1st Vendor in relation to the 1st Property, the loan agreement made between the 1st Vendor and the relevant bank who financed the 1st Vendor's acquisition of the 1st Property and any tax arrangement made by the 1st Vendor in relation to the 1st Property. Due to the limited information available to them, the Directors are unable to ascertain the other expenses (if any) in relation to the 1st Property. Accordingly, no expenses such as finance costs and provision for Hong Kong Profit Tax were included in the P&L Statement.

5. In accordance with the Rule, the Directors of the Company engaged PricewaterhouseCoopers, the auditor of the Company, to perform certain factual finding procedures on the compilation of the P&L Statement of the 1st Property in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has agreed the P&L Statement to certain information set out in the Tenancy Agreement 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 P&L Statement has been properly compiled and derived from certain information set out in the Tenancy Agreement.

2. VALUATION OF THE 1ST PROPERTY

No valuation of the 1st Property for the 3 preceding financial years (or less, where the 1st Property has been held by the 1st Vendor for a shorter period) was disclosed in this circular as the Directors were unable to obtain any valuation reports of the 1st Property from the 1st Vendor.

The following is the text of the letter and valuation certificate received from Savills Valuation and Professional Services Limited, an independent property valuer, prepared for the purpose for incorporation in this circular, in connection with valuation of the 1st Property as at 30 March 2009, to be acquired by the Company.

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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
Hong Kong

27 May 2009

Dear Sirs

RE: 43-45 TSUN YIP STREET, KWUN TONG, KOWLOON, HONG KONG (THE "PROPERTY")

In accordance with your instructions for us to value the Property to be acquired by a 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 30 March 2009 for the purposes of inclusion in a circular to be issued by the Company in relation to the acquisition.

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 of The Stock Exchange of Hong Kong Limited.

We have valued the Property by reference to sales evidence as available on the market taking account of the tenancy information provided to us.

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.

We have not carried out on-site measurement to verify the correctness of the site/floor areas in respect of the Property but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior 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

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 24 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 30 March 2009
43-45 Tsun Yip Street, Kwun Tong, Kowloon, Hong Kong Kwun Tong Inland Lots Nos. 359 and 360.	The Property comprises two contiguous sites namely “43 Tsun Yip Street” and “45 Tsun Yip Street” with a total registered site area of approximately 9,169 sq ft (851.82 sq m). Erected on “43 Tsun Yip Street” is a 5-storey industrial building completed in 1964 with a total gross floor area of approximately 21,385 sq ft (1,986.72 sq m) plus flat roof and roof with a total area of approximately 3,864 sq ft (358.97 sq m). Erected on “45 Tsun Yip Street” is a 3-storey industrial building completed in 1964 with a total gross floor area of approximately 11,738 sq ft (1,090.49 sq m) plus flat roof and roof with a total area of approximately 3,392 sq ft (315.12 sq m). Kwun Tong Inland Lots Nos. 359 and 360 are each held under a Government Lease for a term which expired on 27 June 1997 and had been extended upon expiry to 30 June 2047 without premium but at a revised annual Government rent at 3% of the rateable value for the time being of the lot.	The Property is subject to a tenancy commencing on 24 January 2008 for a term of two years at a monthly rent of HK$184,000 exclusive of rates, Government rent and other outgoings.	HK$100,000,000 (100% interest)

Notes: (1) The current registered owner of the Property is Empire River Limited.

(2) The Property is subject to a legal charge and a rental assignment both dated 30 April 2008 in favour of Fubon Bank (Hong Kong) Limited.

(3) The Property is subject to a Preliminary Sale and Purchase Agreement dated 30 March 2009 in favour of Trinity Crown Limited (a wholly-owned subsidiary of the Company) or Nominee.

(4) The Property lies within an area zoned “Other Specified Uses (Business)” under Kwun Tong South Outline Zoning Plan No. S/K14S/16.

The following is the text of the letter and valuation certificate received from Savills Valuation and Professional Services Limited, an independent property valuer, prepared for the purpose for incorporation in this circular, in connection with valuation of the 2nd Property as at 30 April 2009, to be acquired by the Company.

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

27 May 2009

Dear Sirs

RE: 77-85 JERVOIS STREET AND 14A, 16-22 BURD STREET, SHEUNG WAN, HONG KONG (THE "PROPERTY")

In accordance with your instructions for us to value the Property to be acquired by a wholly-owned subsidiary of Yau Lee Holdings Limited (the "Company") for development, 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 30 April 2009 for the purposes of inclusion in a circular to be issued by the Company in relation to the acquisition.

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 of The Stock Exchange of Hong Kong Limited.

We have valued the Property by reference to sales evidence as available on the market and on the basis that vacant possession of the Property would be immediately available upon completion of a sale.

We have not been provided with any title documents relating to the Property but we have caused sample 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, occupancy, site area and all other relevant matters.

We have not been able to carry out detailed site measurements to verify the correctness of the site area of the Property and we have assumed that the site area shown on the documents handed to us is correct. Dimensions, measurements and site 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 Property. However, we have not been able to carry out investigations on site to determine the suitability of the ground conditions and services etc. for future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

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

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 24 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 30 April 2009
77-85 Jervois Street and 14A, 16-22 Burd Street, Sheung Wan, Hong Kong Inland Lots Nos. 902, 4244, 4245, 8042 and Section A and the Remaining Portion of Inland Lot No. 900.	The Property comprises a rectangular corner site fronting onto Jervois Street, Cleverly Street and Burd Street with a total registered site area of approximately 6,592 sq ft (612.41 sq m). Inland Lots Nos. 900, 902, 4244 and 4245 are each held under a Government Lease for a term of 999 years commencing from 26 June 1843. Inland Lot No. 8042 is held under Conditions of Exchange No. 8975 for a term of 999 years commencing from 26 June 1843. The total annual Government rent payable for the subject lots is HK$100.	The Property is currently a cleared site used as open carpark. We are instructed to value the Property on vacant possession basis.	HK$350,000,000 (100% interest)

Notes: (1) The current registered owner of the Property is Shine Wise Limited.

(2) The Property is subject to a Mortgage and a Rent Assignment both dated 20 March 2007 in favour of The Hongkong and Shanghai Banking Corporation Limited (re: Inland Lots Nos. 4244, 4245, the Remaining Portion of Inland Lot No. 900 and all those 336/338th shares of and in Inland Lots Nos. 902 and 8042).

(3) The Property is subject to a Mortgage and a Rent Assignment both dated 23 July 2007 in favour of The Hongkong and Shanghai Banking Corporation Limited (re: Section A of Inland Lot No. 900).

(4) The Property is subject to an Offensive Trade License from District Lands Officer, Hong Kong West & South dated 1 August 2008 (re: Inland Lots Nos. 902, 4244, 4245 and the Section A and the Remaining Portion of Inland Lot No. 900).

(5) Under Conditions of Exchange No. 8975, the use of Inland Lot No. 8042 is restricted to non-industrial use. For the Government Leases of Inland Lots Nos. 900, 920, 4244 and 4245, the uses are virtually unrestricted apart from the usual non-offensive trade clauses, and a license is granted by District Lands Officer dated 1 August 2008 for the release of such clauses. Pursuant to the conditions listed in the abovementioned Conditions of Exchange and Government Leases, no condition is imposed for the construction of roadways, pathways, drainage, sewage and other facilities or services for public use.

(6) The Property lies within an area zoned “Commercial / Residential” under Sai Ying Pun and Sheung Wan Outline Zoning Plan No. S/H3/22.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with Listing Rules applicable to each of the 1st Acquisition and the 2nd Acquisition 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 inquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

	Number of Issued Ordinary Shares of HK$0.2 each of the Company held	
Name of Director	**Corporate interest**	**Approximate percentage of the total interest in the issued share capital**
Wong Ip Kuen	236,083,599	53.89%

The shares referred to above are registered in the name of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 5,404,000 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 were incorporated in the Cook Islands and the British Virgin Islands respectively. Mr. Wong Ip Kuen is also a director of both All Fine Investment Company Limited and Billion Goal Holdings Limited.

Up to the Latest Practicable Date, none of the Directors and chief executives of the Company (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations.

Up to the Latest Practicable Date, none of the Company, its subsidiaries, its associates or its jointly controlled entities/operation is a party to any arrangement to enable the Directors and chief executives 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 corporations.

(b) Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares of the Company

As at the Latest Practicable Date, so far as was known to any of the Directors or chief executive of the Company, there was no person, other than a Director or chief executive of the Company as disclosed above, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV 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 right to vote in all circumstances at general meetings of any other member of the Group.

3. 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	Property valuer

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 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 and 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 2008 (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.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had entered into or is proposing to enter into a service contract with any member of the Group, except contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, save as disclosed in paragraph 4(3)(b)&(c) of Appendix I of this circular, no member of the Group was engaged in any litigation or arbitration of material importance and the Directors were not aware of any litigation or claim of material importance pending or threatened against any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as was known to any of the Directors, none of the Directors or their respective associates had any interests in a business which competes or may compete, directly or indirectly, with the business of the Group or had any other conflict of interest with the Group.

7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the Latest Practicable Date and are, or may be, material:

(a) An indirectly wholly-owned subsidiary of the Company, Century Score Limited as the vendor, had accepted a tender on 21 November 2007 submitted by Smart Easy Enterprises Limited to purchase the property 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 at a total cash consideration of HK$1,580,000,000.

(b) The Company as the purchaser and Mitsubishi Electric Hong Kong Group Limited as the vendor had entered into a sale and purchase agreement dated 25 March 2008 whereby the Company had agreed to purchase and Mitsubishi Electric Hong Kong Group Limited had agreed to sell 50,000,000 fully paid shares of HK$1.00 each, representing 100% shares in the issued share capital of Ryoden Engineering Company Limited at a total cash consideration of HK$46,000,000.

(c) A wholly-owned subsidiary of the Company, Yau Lee Development (Singapore) Pte Ltd ("YLDS") as the purchaser and Whang Shang Ying and Chan Chia Lin ("W&C") as the vendor had entered into an option agreement dated 11 September 2008 whereby YLDS had purchased from W&C an option whereby YLDS had the right to the acquisition of the property located at 40 Prinsep Street, Singapore, 188666. YLDS exercised the option on 25 September 2008 by paying Singapore Dollars 165,200 (equivalent to approximately HK$917,000) in cash, being 4% of the consideration of the property, to W&C and the acquisition of the property was completed on 20 November 2008.

(d) The 1st Preliminary Sale & Purchase Agreement.

(e) The 2nd Preliminary Sale & Purchase Agreement.

8. INTERESTS IN ASSETS OF THE GROUP

Since 31 March 2008, 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.

9. 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.

10. MISCELLANEOUS

(a) The head office and principal place of business of the Company is at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

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

(c) The company secretary and the qualified accountant of the Company is Mr. Ho Sui Man, an associate member of The Hong Kong Institute of Certified Public Accountants, and The Chartered Institute of Management Accountants as well as a fellow member of the Chartered Association of Certified Accountants.

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

(e) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail over the Chinese text.

11. 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 30 June 2009.

(i) this circular;

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

(iii) the audited financial statements of the Company for each of the financial years ended 31 March 2008 and 2007;

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

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

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