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有利集團有限公司*

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0406)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2010**

HIGHLIGHTS

The Group reported turnover of HK\$3,462,014,000 (2009: HK\$3,413,878,000) in current year.

The Group reported gross profit of HK\$231,639,000 (2009: HK\$229,507,000) in current year.

Net profit for the year increased from HK\$10,623,000 to HK\$56,335,000.

The net asset value of the Group as at 31 March 2010 was HK\$1,303,450,000 (2009: HK\$1,248,147,000) equivalent to HK\$2.98 (2009: HK\$2.85) per share based on the 438,053,600 (2009: 438,053,600) ordinary shares in issue.

** For identification purpose only*

The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (“the Group”) for the year ended 31 March 2010 together with comparative figures for the year ended 31 March 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	<i>Notes</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
Revenue	3	3,462,014	3,413,878
Cost of sales	5	(3,230,375)	(3,184,371)
Gross profit		231,639	229,507
Other income and gains	4	55,479	22,140
Administrative expenses	5	(209,084)	(197,968)
Other operating expenses	5	(3,905)	(9,785)
Operating profit		74,129	43,894
Finance costs	6	(4,035)	(9,481)
Share of (loss)/profit of associates		(362)	111
Share of loss of jointly controlled entities		(912)	(18,186)
Profit before income tax		68,820	16,338
Income tax expense	7	(12,485)	(5,715)
Profit for the year		56,335	10,623
Attributable to:			
Equity holders of the Company		56,337	10,652
Minority interests		(2)	(29)
		56,335	10,623
Dividends	8	5,607	4,249
Earnings per share (basic and diluted)	9	12.86 cents	2.42 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year	56,335	10,623
Other comprehensive income:		
Currency translation differences for subsidiaries	3,217	(455)
Total comprehensive income for the year	<u>59,552</u>	<u>10,168</u>
Attributable to:		
Equity holders of the Company	59,554	10,197
Minority interests	(2)	(29)
	<u>59,552</u>	<u>10,168</u>

BALANCE SHEETS

As at 31 March 2010

		2010		2009	
		Group	Company	Group	Company
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment		128,666	—	110,380	—
Investment properties		299,370	—	24,727	—
Leasehold land and land use right		455,713	—	34,732	—
Intangible assets		19,902	—	20,228	—
Goodwill		15,905	—	15,905	—
Subsidiaries		—	491,615	—	491,615
Associates		1,542	—	1,929	—
Jointly controlled entities		1,132	—	7,987	—
Deferred income tax assets		9,011	—	689	—
Other non-current assets		41,423	—	20,494	—
		972,664	491,615	237,071	491,615
Current assets					
Cash and bank balances		566,630	17,713	888,492	42,636
Trade debtors, net	10	422,952	—	577,658	—
Prepayments, deposits and other receivables		192,830	290	137,731	349
Inventories		33,797	—	21,350	—
Prepaid income tax		634	—	530	—
Due from customers on construction contracts		374,077	—	327,353	—
Financial assets at fair value through profit or loss		—	—	15,147	9,854
Derivative financial assets		499	—	—	—
Due from associates		8,653	1,043	8,774	1,028
Due from subsidiaries		—	1,069,205	—	1,061,159
Due from jointly controlled entities		59,740	138	14,988	—
		1,659,812	1,088,389	1,992,023	1,115,026
Total assets		2,632,476	1,580,004	2,229,094	1,606,641
EQUITY					
Share capital		87,611	87,611	87,611	87,611
Other reserves		420,041	414,135	416,824	414,135
Retained profits					
Proposed final dividends		5,607	5,607	4,249	4,249
Others		789,597	999,484	738,867	1,000,547
Attributable to equity holders		1,302,856	1,506,837	1,247,551	1,506,542
Minority interests		594	—	596	—
Total equity		1,303,450	1,506,837	1,248,147	1,506,542

BALANCE SHEETS (Continued)*As at 31 March 2010*

		2010		2009	
		Group	Company	Group	Company
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LIABILITIES					
Non-current liabilities					
Long-term borrowings		315,206	—	17,721	—
Deferred income tax liabilities		11,527	—	7,522	—
Retention payables		19,788	—	9,349	—
		<u>346,521</u>	<u>—</u>	<u>34,592</u>	<u>—</u>
Current liabilities					
Short-term bank loans		195,000	—	50,000	—
Current portion of long-term borrowings		6,743	—	5,176	—
Derivative financial liabilities		284	—	839	174
Payables to suppliers and subcontractors	11	258,940	—	299,914	—
Accruals, retention payables and other liabilities		172,937	1,126	198,430	907
Income tax payable		19,052	—	12,053	—
Obligation in respect of jointly controlled entities		9,066	—	—	—
Due to customers on construction contracts		310,483	—	376,912	—
Due to subsidiaries		—	72,041	—	99,018
Due to jointly controlled entities		10,000	—	3,031	—
		<u>982,505</u>	<u>73,167</u>	<u>946,355</u>	<u>100,099</u>
Total liabilities		<u>1,329,026</u>	<u>73,167</u>	<u>980,947</u>	<u>100,099</u>
Total equity and liabilities		<u>2,632,476</u>	<u>1,580,004</u>	<u>2,229,094</u>	<u>1,606,641</u>
Net current assets		<u>677,307</u>	<u>1,015,222</u>	<u>1,045,668</u>	<u>1,014,927</u>
Total assets less current liabilities		<u>1,649,971</u>	<u>1,506,837</u>	<u>1,282,739</u>	<u>1,506,542</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

Attributable to equity holders of the Company

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2009	87,611	413,776	359	2,689	743,116	1,247,551	596	1,248,147
Comprehensive income:								
Profit/(loss) for the year	–	–	–	–	56,337	56,337	(2)	56,335
Other comprehensive income:								
Currency translation differences	–	–	–	3,217	–	3,217	–	3,217
2009 final dividend	–	–	–	–	(4,249)	(4,249)	–	(4,249)
As at 31 March 2010	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>5,906</u>	<u>795,204</u>	<u>1,302,856</u>	<u>594</u>	<u>1,303,450</u>
As at 1 April 2008	88,190	415,430	359	3,144	776,559	1,283,682	625	1,284,307
Comprehensive income:								
Profit/(loss) for the year	–	–	–	–	10,652	10,652	(29)	10,623
Other comprehensive income:								
Currency translation differences	–	–	–	(455)	–	(455)	–	(455)
2008 final dividend	–	–	–	–	(44,095)	(44,095)	–	(44,095)
Shares repurchased	(579)	(1,654)	–	–	–	(2,233)	–	(2,233)
As at 31 March 2009	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>2,689</u>	<u>743,116</u>	<u>1,247,551</u>	<u>596</u>	<u>1,248,147</u>

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Yau Lee Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in the contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, building materials trading and property investment and development. The Group is also engaged in other activities which mainly include computer software development and architectural and engineering services.

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

These financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 14 July 2010.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated 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 the process of applying the Group’s accounting policies.

(i) *Revised standard, amendment to standard and new standard that are effective in the year*

The Group has adopted the following revised standard, amendment to standard and new standard which are relevant to the Group’s operations, and mandatory for the financial year ended 31 March 2010:

HKAS 1 (Revised), “Presentation of Financial Statements”. The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements. Comparative information has been presented so that it is also in conformity with the revised standard.

HKFRS 7 Amendment, “Financial Instruments – Disclosures”. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

HKFRS 8, “Operating Segments”. This standard 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. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (*Continued*)

- (ii) *Revised standard and amendments to standards effective in the year but not relevant or have no impact on financial statements*

The following revised standard and amendments to published standards are mandatory for the financial year ended 31 March 2010 but they are not relevant to the Group's operations or have no impact on financial statements:

HKAS 23 (Revised)	Borrowing Costs
HKAS 1 Amendment	Presentation of Financial Statements
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 19 Amendment	Employee Benefits
HKAS 23 Amendment	Borrowing Costs
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 28 Amendment	Investments in Associates
HKAS 31 Amendment	Interests in Joint Ventures
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payment

- (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 2010, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 1 Amendment	Presentation of Financial Statements	1 January 2010
HKAS 17 Amendment	Leases	1 January 2010
HKAS 18 Amendment	Revenue	1 January 2010
HKAS 38 Amendment	Intangible Assets	1 July 2009
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement – Eligible hedged items	1 July 2009
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions	1 January 2010
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009 and 1 January 2010
HKFRS 8 Amendment	Operating Segments	1 January 2010
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2010 but are not relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HKAS 32 Amendment	Classification of Right Issues	1 February 2010
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters	1 January 2010
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1 July 2009

3 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials trading and property investment and development.

	2010 HK\$'000	2009 HK\$'000
Revenue		
Contracting of building construction, plumbing, renovation, maintenance and fitting-out projects	2,183,737	1,953,312
Electrical and mechanical installation	1,232,158	1,328,580
Building materials trading	32,958	122,875
Property investment and development	2,816	782
Others	10,345	8,329
	<u>3,462,014</u>	<u>3,413,878</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 REVENUE AND SEGMENT INFORMATION (Continued)

The chief operating decision makers have been identified as the Executive Directors. In accordance with the Group's internal financial reporting provided to the Executive Directors, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are as follows:

- Construction – Contracting of building construction, plumbing, renovation, 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
- Property investment and development

Other operations of the Group mainly comprise computer software development and architectural and engineering services which are not of a sufficient size to be reported separately.

	Construction HK\$'000	Electrical and mechanical installation HK\$'000	Building materials trading HK\$'000	Property investment and development HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 March 2010						
Total sales	2,197,644	1,422,691	211,489	2,816	29,190	3,863,830
Inter-segment sales	(13,907)	(190,533)	(178,531)	–	(18,845)	(401,816)
External sales	<u>2,183,737</u>	<u>1,232,158</u>	<u>32,958</u>	<u>2,816</u>	<u>10,345</u>	<u>3,462,014</u>
Segment results	15,214	21,922	1,554	41,269	(10,487)	69,472
Unallocated income						<u>4,657</u>
Operating profit						74,129
Finance costs	(2,480)	(198)	(380)	(977)	–	(4,035)
Share of loss of associates	–	(362)	–	–	–	(362)
Share of (loss)/profit of jointly controlled entities	(924)	–	12	–	–	<u>(912)</u>
Profit before income tax						68,820
Income tax expense						<u>(12,485)</u>
Profit for the year						<u>56,335</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 REVENUE AND SEGMENT INFORMATION (Continued)

	Construction <i>HK\$'000</i>	Electrical and mechanical installation <i>HK\$'000</i>	Building materials trading <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2009						
Total sales	1,986,886	1,366,045	199,395	782	22,444	3,575,552
Inter-segment sales	<u>(33,574)</u>	<u>(37,465)</u>	<u>(76,520)</u>	<u>–</u>	<u>(14,115)</u>	<u>(161,674)</u>
External sales	<u>1,953,312</u>	<u>1,328,580</u>	<u>122,875</u>	<u>782</u>	<u>8,329</u>	<u>3,413,878</u>
Segment results	45,472	29,803	(26,077)	(4,187)	(5,334)	39,677
Unallocated income						<u>4,217</u>
Operating profit						43,894
Finance costs	(8,832)	(13)	(119)	–	(517)	(9,481)
Share of profit of associates	–	111	–	–	–	111
Share of loss of jointly controlled entities	(10,637)	–	(7,549)	–	–	<u>(18,186)</u>
Profit before income tax						16,338
Income tax expense						<u>(5,715)</u>
Profit for the year						<u>10,623</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 OTHER INCOME AND GAINS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Other income		
Dividend income from investments	78	334
Bank interest income	3,018	6,162
Interest income from subcontractors	4,392	3,790
Interest income from a jointly controlled entity	522	–
Management service income from a jointly controlled entity	762	–
Sundry income	5,125	8,487
	<u>13,897</u>	<u>18,773</u>
Other gains		
Gain on disposal of property, plant and equipment, net	459	319
Fair value gain on investment properties	39,543	–
Gain on financial assets at fair value through profit or loss	242	152
Gain on derivative financial assets/liabilities	1,338	2,882
Others	–	14
	<u>41,582</u>	<u>3,367</u>
	<u><u>55,479</u></u>	<u><u>22,140</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 EXPENSES BY NATURE

	2010 HK\$'000	2009 HK\$'000
Cost of construction	2,661,830	2,696,166
Cost of inventories sold	160,171	168,459
Depreciation		
Owned property, plant and equipment	21,817	29,243
Leased property, plant and equipment	2,609	2,678
	<u>24,426</u>	<u>31,921</u>
Operating lease rentals of		
Land and buildings	9,305	10,077
Other equipment	63,879	43,072
	<u>73,184</u>	<u>53,149</u>
Staff costs (excluding directors' emoluments)	429,090	374,327
Directors' emoluments	14,822	14,863
Amortisation of leasehold land and land use right	1,579	921
Less: Capitalised under construction in progress	(658)	—
	<u>921</u>	<u>921</u>
Amortisation of intangible assets	1,056	879
Write-off of impaired receivables	455	980
Auditor's remuneration – audit services	3,278	3,092
Fair value loss on investment properties	—	4,413
Exchange loss, net	1,065	1,745
Direct operating expenses arising from investment properties		
– Generate rental income	364	98
– Not generate rental income	65	37
Others	72,637	41,074
Total cost of sales, administrative and other operating expenses	<u>3,443,364</u>	<u>3,392,124</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on overdrafts and short-term bank loans	1,656	3,501
Interest on long-term bank loans repayable within five years	2,041	–
Interest on long-term bank loans repayable after five years	379	268
Interest element of finance lease payments	358	311
	<hr/>	<hr/>
Total borrowing costs incurred	4,434	4,080
Less: Classified under contract cost	(1,251)	(973)
Capitalised under construction in progress	(1,443)	–
	<hr/>	<hr/>
	1,740	3,107
	<hr/>	<hr/>
Loss on financial assets at fair value through profit or loss	118	249
Loss on derivative financial assets/liabilities	2,177	6,125
	<hr/>	<hr/>
	4,035	9,481
	<hr/>	<hr/>

7 INCOME TAX EXPENSE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong profits tax provision for the year	74	–
Overseas tax provision for the year	17,107	8,746
Over-provision in prior years	(247)	(1,419)
Deferred income tax relating to the origination and reversal of temporary differences	(4,449)	(1,612)
	<hr/>	<hr/>
	12,485	5,715
	<hr/>	<hr/>

Hong Kong profits tax was calculated at 16.5% (2009:16.5%) on the estimated assessable profits for the year.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 DIVIDENDS

In the Board meeting held on 14 July 2010, the Directors recommended the payment of a final dividend at HK1.28 cents per share (2009: HK0.97 cents per share), totalling HK\$5,607,000 (2009: HK\$4,249,000) for the year ended 31 March 2010.

9 EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of earnings per share is based on:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Net profit attributable to the equity holders of the Company	<u>56,337</u>	<u>10,652</u>
	2010	2009
Weighted average number of shares in issue during the year	<u>438,053,600</u>	<u>439,363,052</u>

Diluted earnings per share for the years ended 31 March 2010 and 2009 are not presented as there are no potential dilutive shares in issue during the years.

10 TRADE DEBTORS, NET

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade debtors	248,201	405,300
Retention receivables	186,420	185,139
Provision for impairment	<u>(11,669)</u>	<u>(12,781)</u>
	<u>422,952</u>	<u>577,658</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 TRADE DEBTORS, NET (Continued)

The trade debtors are due 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2010, trade debtors of HK\$27,107,000 (2009: HK\$54,532,000) 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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Overdue by:		
1 – 30 days	5,550	18,827
31 – 90 days	6,182	9,807
91 – 180 days	1,870	3,156
Over 180 days	13,505	22,742
	<u>27,107</u>	<u>54,532</u>

As at 31 March 2010, trade debtors of HK\$11,669,000 (2009: HK\$12,781,000) were impaired and fully provided for. The individually impaired receivables relate to customers which are in unexpected difficult economic situations. All of these trade debtors were overdue by more than 180 days as at 31 March 2010.

11 PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current	218,026	283,341
1 – 30 days	24,907	11,004
31 – 90 days	13,870	2,610
91 – 180 days	1,564	746
Over 180 days	573	2,213
	<u>258,940</u>	<u>299,914</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 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. As at 31 March 2010, 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\$4,200,000 for alleged breach of contract and uncertified workdone in connection with a design work contract. The Group has raised a counterclaim of approximately HK\$2,800,000 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 2010.
- (c) In 2007, the Group received a statement of claims for an aggregate amount of approximately HK\$23,900,000 for uncertified workdone, variation works and prolongation costs incurred by a subcontractor in connection with a steelwork sub-contract. The Group has raised a counterclaim of approximately HK\$26,700,000 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 2010.
- (d) The Group has provided performance bonds that amount to approximately HK\$369,382,000 (2009: HK\$467,000,000) in favour of the Group's customers.
- (e) As at 31 March 2010, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of plant and equipment of approximately HK\$52,082,000.
- (f) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Land and buildings		
– Within one year	6,428	6,212
– One year to five years	12,312	10,441
– More than five years	40,895	43,489
	59,635	60,142

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

The Group reported an increase in turnover during the year. Overall, profit for the year increased mainly due to the healthy and steady growth in our business operations as well as the fair value gains on the Group's investment properties.

Gross profit for the year was HK\$231,639,000 which increased slightly from HK\$229,507,000 reported in the prior year as a result of our close monitoring of margins in construction and electrical and mechanical installation businesses. Other income and gains increased by HK\$33,339,000 mainly due to fair value gains on the Group's investment properties of HK\$39,543,000 (post-tax impact being HK\$33,018,000) as partly offset by the drop in interest from bank deposits and sundry income. Administrative expenses were at HK\$209,084,000 which increased in line with turnover and finance costs reduced further due to lower average interest rates for the year ended 31 March 2010. The Group also benefited from the tight control on the operations of the joint venture entities. The Group's tax expense increased to HK\$12,485,000, in line with the increased profit and the effective tax rate was at 18% in the current year. Overall, the increase of profit for the year from HK\$10,623,000 to HK\$56,335,000 shows the stable performance in our core businesses and the upsides in property investments.

The net asset value of the Group as at 31 March 2010 was HK\$1,303,450,000 (2009: HK\$1,248,147,000) equivalent to HK\$2.98 (2009: HK\$2.85) per share based on the 438,053,600 (2009: 438,053,600) ordinary shares in issue.

DIVIDENDS

In the Board meeting held on 14 July 2010, the Directors recommended the payment of a final dividend of HK1.28 cents per share (2009: HK0.97 cents per share) for the year ended 31 March 2010. Subject to the equity holders' approval at the forthcoming Annual General Meeting, the dividend will be paid on 22 September 2010 to equity holders whose names appear on the Company's register of members on 20 August 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 August 2010 to Friday, 20 August 2010, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed dividend, all share transfers accompanied by the relevant share certificate must be lodged with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops No 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 13 August 2010.

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

Revenue for the building construction, renovation and maintenance segment was HK\$2,183,737,000 (2009: HK\$1,953,312,000) and segment profit was HK\$15,214,000 (2009: HK\$45,472,000). The increased revenue was mainly contributed by the increased contract work. Segment profit, however, was reduced due to revised cost estimates on certain construction contracts. The Group will continue to monitor closely its contracts in progress to ensure profitability and completion on time in a quality manner.

During the year, the Group secured 6 contracts with a total contract sum of HK\$2,636,000,000 and completed 5 contracts with total contract value of HK\$355,000,000 giving the total value of contracts in hand as at 31 March 2010 at HK\$6,910,000,000. In addition, the Group also secured a contract through a jointly controlled entity with a renowned contractor with a total contract value of HK\$2,896,000,000 and a contract at an amount of HK\$1,654,000,000 under another jointly controlled entity was also in progress at year end. As at 31 March 2010, the Group's total contract value on hand was at HK\$11,460,000,000 including those held through jointly controlled entities. Subsequent to the year end and up to 30 June 2010, the Group has further secured a contract at an amount of HK\$235,000,000. The strong contract intakes demonstrate the Group's experience and recognition in the construction market.

The Group has always focused on upholding its high quality, safety and environmental standards and has made relentless effort to maintain such high standards. The effort of the Group is well recognized by the industry and the Group has again secured a variety of safety, quality and environmental awards during the year. The major awards are as follows:

1. the Gold Safety Award for Building Sites (Public Sector);
2. the Safety Gold Award;
3. the Silver Award of Considerate Contractors; and
4. the Safety Team Silver Award

Electrical and mechanical installation

Revenue for the electrical and mechanical installation segment was HK\$1,232,158,000 (2009: HK\$1,328,580,000) and segment profit was HK\$21,922,000 (2009: HK\$29,803,000). The reduced revenue and profit contribution was due to reduced work in Macau as a result of termination of contracts with Venetian Macau Limited. This has been partly offset by the additional contribution from engineering maintenance business. As at 31 March 2010, the total contracts in hand of this segment amounted to HK\$3,460,000,000.

The Group's electrical and mechanical installation business has been gradually improving with the rebound of property market in Hong Kong after the financial tsunami at the end of 2008. In Macau, the Group has successfully secured the resumed work from some terminated contracts which will benefit the Group in future. With the Group's firm foothold in mainland China, the Group will continue to pursue further work with reputable Hong Kong and overseas developers and corporations which will contribute to the result of the Group.

Building materials trading

This segment reported turnover of HK\$32,958,000 (2009: HK\$122,875,000) and a segment profit of HK\$1,554,000 (2009: loss of HK\$26,077,000). The reduced turnover was due to decreased materials supply contracts with private developers in Hong Kong as a result of the cautious attitude of developers after the financial tsunami. However, the Group has successfully brought this segment back to profitability by cost reduction and implementing alternative operational measures. With improved pricing and market situation as well as our tight cost control, the Group will be able to sustain profitability in this business segment.

Property investment and development

This segment reported turnover of HK\$2,816,000 from leasing of investment properties and a segment profit of HK\$41,269,000 primarily from fair value gains on the appreciation of the property values in the current year. During the year, the Group has made several acquisitions of properties in Hong Kong after the sharp adjustments in property prices during the financial tsunami. Some of those properties are currently under development and the rest of the properties will continue to derive rental income for the Group.

Others

The Group's other businesses include other business units that support the Group's existing construction business, including computer software development, architectural and engineering services businesses, etc. The provision of integrated services helps the Group to build up competitive edge in the market.

BUSINESS PROSPECTS

The Group is currently operating as a total solution contractor in the market with diversified construction-related businesses across different territories. This has increased our competitiveness in tendering and allowed the Group to maintain a balanced contract portfolio.

Recently, the Government of HKSAR has increased its public sector spending with a view to boosting the economy of Hong Kong and reducing unemployment within the construction sector. With the Group's strong expertise and excellent reputation in the local construction and building renovation sector, the Group was awarded The Integrated Contract for Construction of Public Rental Housing Development at Kai Tak Site 1B of approximately HK\$2.9 billion through a jointly controlled entity at the end of 2009, as well as a couple of maintenance and fitting-out term contracts from the Government of HKSAR. This will secure our business contribution and performance in the coming few years. In addition, the Group will continue to explore opportunities in Singapore and Macau given our strong reputation and track record built up from the recent contract work. The Group may also explore private sector opportunities to diversify our contract base and leverage our industry capabilities.

Our mechanical and electrical installation business will continue to actively go after projects in Hong Kong, Macau and mainland China, given the improved market situation, resumption of certain Macau work and our strong presence in mainland China. In future, the Group will focus on developing environmental products to the market by actively co-operating with local universities on new research and developments.

During the year, the Group has acquired a land use right located at Huizhou, mainland China to construct new factories to enhance our production capabilities in order to cope with the new business intakes in pre-cast building materials supply contracts and to develop new types of building materials. The improved pricing and property market situation, coupled with our enhanced capacities, will be beneficial to the Group in the short to medium term. In addition, with the Starfon license rights from the United States, the Group will set up production lines to develop these environmental friendly, low cost and high performance building materials which will be beneficial to the Group and further strengthen our building materials trading businesses.

The Group is receiving stable rental income from its investment properties in Singapore. In Hong Kong, the development of Holiday Inn Express Hong Kong SoHo in Jervois Street, Sheung Wan is in good progress and the Group is working very closely with InterContinental Hotels Group as the hotel manager in the project. The hotel is targeted to be launched in 2012. In addition, the Group is also considering to redevelop the acquired properties in Kwun Tong and To Kwa Wan into offices and residential premises respectively. These potential development projects will surely bring long-term benefits to the Group.

The Group has sound business development plans in place both in the construction-related business segments and our property development arms. With diversified businesses and our continuous focus on driving synergies among different divisions, the Group's business performance and strengths will continue to solidify and this will enhance shareholders' value in the medium and long run. Lastly, the Group will continue to make charitable donations, conduct researches on environmentally friendly construction methods and will adopt the use of electronic means of communications with shareholders to fulfill our corporate social responsibilities.

FINANCIAL POSITION

At 31 March 2010, the Group's total cash in hand was HK\$566,630,000 (2009: HK\$888,492,000) while total borrowings have increased to HK\$516,949,000 (2009: HK\$72,897,000). Our net cash position was reduced as a result of several acquisitions of properties, leasehold land and land use right in 2009 for future development of the Group. The Group has no net debt (total borrowings less total cash in hand) as at 31 March 2010 (2009: nil) and the current ratio (total current assets: total current liabilities) has reduced from 2.1 in 2009 to 1.69 in 2010 as a result of the use of internal cash to fund part of the acquisitions during the year.

The short-term and long-term borrowings are secured by the Group's properties 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 Group has been granted banking facilities of HK\$948,067,000 (2009: HK\$642,120,000) relating to bank loans and overdrafts and HK\$608,802,000 (2009: HK\$665,606,000) relating to guarantees and trade financing as at 31 March 2010, in which an amount of HK\$516,949,000 (2009: HK\$72,897,000) and HK\$290,728,000 (2009: HK\$479,987,000) were utilised respectively. The Group's banking facilities increased mainly because of the Group's expansion and financing of part of the acquisitions during the year.

HUMAN RESOURCES

As at 31 March 2010, the Group employed approximately 2,600 (2009: 2,200). There are approximately 1,900 (2009: 1,600) employees in Hong Kong, Macau and Singapore and 700 (2009: 600) in mainland China. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned.

MOVEMENT OF INCOMPLETE CONTRACTS FOR THE YEAR ENDED 31 MARCH 2010

	31 March 2009	Contracts Secured	Completed	31 March 2010
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Building construction, renovation and maintenance	4,629	2,636	(355)	6,910
Electrical and mechanical installation	3,155	1,491	(1,186)	3,460
	<u>7,784</u>	<u>4,127</u>	<u>(1,541)</u>	<u>10,370</u>

The above contract value as at 31 March 2010 did not include contracts of HK\$4,550 million under jointly controlled entities.

CORPORATE GOVERNANCE

The Directors are committed to safeguard the interest of its shareholders by complying with the corporate governance requirements set out in the Code on Corporate Governance Practice (the “Code”) as set out in the Appendix 14 of the Listing Rules. The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders through prudent management, investment and treasury policies.

INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the Group’s internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day business operation. The system can only provide reasonable but not absolute assurance against misstatements or losses.

During the year, the Board appointed an international accounting firm, Baker Tilly Hong Kong, to conduct a review of the internal control system of the Group for the year ended 31 March 2010, including financial, operational and compliance controls as well as the Group’s risk management process. The results of the internal control review were submitted to the Audit Committee for their consideration. The Audit Committee has reviewed the results of the internal control review and is satisfied that the Group’s system of internal controls is sound and adequate. As part of the process of the annual review, the Board has performed evaluation of the Group’s accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of staff of the function, and their training programmes and budget.

The Board will continue to review and improve the Group’s internal control system, taking into account the prevailing regulatory requirements, the interests of shareholders, and the Group’s business growth and development.

DIRECTORS’ AND EMPLOYEES’ SECURITIES TRANSACTIONS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions of the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2010.

COMPLIANCE WITH LISTING RULES

In the opinion of the Directors, the Company has complied with the requirements of the Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2010 except for the Code provision A.2.1 which requires the roles of chairman and chief executive officer be separated and not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. However, the roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Wong Ip Kuen. The current structure will enable the Company to make and facilitate the implementation of decisions promptly and efficiently.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold the Company’s listed securities for the year ended 31 March 2010.

REVIEW BY AUDIT COMMITTEE

The Group's annual results for the year ended 31 March 2010 have been reviewed by the Audit Committee which comprises three Independence Non-Executive Directors. The Audit Committee, together with the management, has reviewed the consolidated financial statements for the year ended 31 March 2010 of the Group.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in this annual results announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2010. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

INFORMATION TO BE PUBLISHED ON THE WEBSITE OF SEHK

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

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 14 July 2010

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

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

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