

The Board of Directors (the "Directors") of Yau Lee Holdings Limited (the "Company") is pleased to announce the **unaudited** results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2004:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

| | | Unaudited Six months ended 30th September, 2004 | 2003 |
|--|-------------|--|-------------------------------|
| | <i>Note</i> | HK\$'000 | <i>HK\$'000 (Note 10)</i> |
| Turnover | 2 | 571,058 | 506,825 |
| Cost of sales | | (509,908) | (461,789) |
| Gross profit | | 61,150 | 45,036 |
| Other revenues | | 1,087 | 1,038 |
| General and administrative expenses | | (51,195) | (40,102) |
| Other operating expenses, net | | (1,339) | (2,559) |
| Operating profit | | 9,703 | 3,413 |
| Finance costs | | (5,677) | (3,653) |
| Profit (Loss) before share of results of associated companies and taxation | | 4,026 | (240) |
| Share of profit (loss) of associated companies | | 173 | (33) |
| Profit (Loss) before taxation | 3 | 4,199 | (273) |
| Taxation | 4 | | |
| Company and subsidiaries | | (2,215) | (1,895) |
| Profit (Loss) after taxation | | 1,984 | (2,168) |
| Minority interests | | 502 | 655 |
| Profit (Loss) attributable to shareholders | | 2,486 | (1,513) |
| Dividend | 5 | 1,543 | — |
| Earnings (Loss) per share | 6 | 0.56 cents | (0.34 cents) |

CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2004

| | Unaudited | Audited |
|--|------------------------|--------------------|
| | 30th September, | 31st March, |
| | 2004 | 2004 |
| <i>Note</i> | HK\$'000 | HK\$'000 |
| Non-current assets | | |
| Fixed assets | 838,951 | 831,142 |
| Development costs | 1,518 | 1,798 |
| Long-term trade debtors | 42,232 | 42,691 |
| Loans to employees | 2,559 | 2,385 |
| Associated companies | 18,348 | 26,315 |
| Deferred tax assets | 111 | 111 |
| Other investments | 5,484 | 5,484 |
| | 909,203 | 909,926 |
| Current assets | | |
| Time deposits, cash and bank balances | 35,279 | 18,846 |
| Restricted deposits | 164,752 | 164,514 |
| Trade debtors, net | 197,444 | 159,688 |
| Inventories | 14,686 | 12,098 |
| Prepayments, deposits and other receivables | 39,047 | 20,174 |
| Prepaid tax | 38 | 231 |
| Due from customers on construction contracts | 266,868 | 316,219 |
| Short-term investments | 360 | 366 |
| Due from related parties | 30 | 30 |
| | 718,504 | 692,166 |
| Current liabilities | | |
| Bank overdrafts, secured | 89,933 | 53,723 |
| Short-term bank loans, secured | 216,289 | 229,370 |
| Current portion of long-term liabilities, secured | 623 | 308,412 |
| Payable to suppliers and subcontractors | 89,919 | 101,656 |
| Accruals, retentions payable and other liabilities | 71,799 | 68,023 |
| Taxation payable | 1,981 | 709 |
| Due to customers on construction contracts | 23,835 | 11,985 |
| Due to related parties | 1,104 | 1,104 |
| | 495,483 | 774,982 |
| Net current assets (liabilities) | 223,021 | (82,816) |

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30TH SEPTEMBER, 2004

| | Unaudited | Audited |
|---------------------------------------|------------------------|-------------|
| | 30th September, | 31st March, |
| | 2004 | 2004 |
| <i>Note</i> | HK\$'000 | HK\$'000 |
| Total assets less current liabilities | 1,132,224 | 827,110 |
| Non-current liabilities | | |
| Long-term liabilities | 308,115 | 387 |
| Deferred tax liabilities | 5,675 | 5,864 |
| | 313,790 | 6,251 |
| Minority interests | 4,574 | 5,076 |
| | 813,860 | 815,783 |
| Financed by: | | |
| Share capital | 9 88,190 | 88,190 |
| Other reserves | 633,380 | 633,380 |
| Retained profits | | |
| Proposed interim/final dividend | 1,543 | 4,409 |
| Others | 90,747 | 89,804 |
| Shareholders' equity | 813,860 | 815,783 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

| | Unaudited | |
|--|-------------------------|----------|
| | Six months ended | |
| | 30th September, | |
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Net cash flows used in operating activities | (2,151) | (33,923) |
| Net cash flows from (used in) investing activities | 2,436 | (55,965) |
| Net cash flows (used in) from financing activities | (20,062) | 62,672 |
| | <hr/> | <hr/> |
| Decrease in cash and cash equivalents | (19,777) | (27,216) |
| Cash and cash equivalents, beginning of period | (34,877) | (14,674) |
| | <hr/> | <hr/> |
| Cash and cash equivalents, end of period | (54,654) | (41,890) |
| | <hr/> | <hr/> |
| Analysis of cash and cash equivalents | | |
| Time deposits | 4,645 | 1,129 |
| Cash and bank balances | 30,634 | 14,295 |
| Bank overdrafts, secured | (89,933) | (57,314) |
| | <hr/> | <hr/> |
| | (54,654) | (41,890) |
| | <hr/> | <hr/> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

| | Unaudited Six months ended 30th September, 2004 | | | | | Total HK\$'000 |
|----------------------------|--|------------------------------|--|--|---------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Property revaluation reserve HK\$'000 | Capital redemption reserve HK\$'000 | Retained profits HK\$'000 | |
| As at 1st April, 2004 | 88,190 | 415,430 | 217,591 | 359 | 94,213 | 815,783 |
| Profit for the period | - | - | - | - | 2,486 | 2,486 |
| Dividend paid | - | - | - | - | (4,409) | (4,409) |
| As at 30th September, 2004 | <u>88,190</u> | <u>415,430</u> | <u>217,591</u> | <u>359</u> | <u>92,290</u> | <u>813,860</u> |

| | Unaudited Six months ended 30th September, 2003 | | | | | Total HK\$'000 |
|--|--|------------------------------|--|--|---------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Property revaluation reserve HK\$'000 | Capital redemption reserve HK\$'000 | Retained profits HK\$'000 | |
| As at 1st April, 2003, as previously stated | 88,190 | 415,430 | - | 359 | 94,056 | 598,035 |
| Effect of adopting SSAP 12 (revised) | - | - | - | - | 166 | 166 |
| As at 1st April, 2003, as restated | 88,190 | 415,430 | - | 359 | 94,222 | 598,201 |
| Loss for the period | - | - | - | - | (1,513) | (1,513) |
| As at 30th September, 2003 | <u>88,190</u> | <u>415,430</u> | <u>-</u> | <u>359</u> | <u>92,709</u> | <u>596,688</u> |

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Accounting Policies

The interim accounts have not been audited by the auditors of the Group but have been reviewed by the Group's Audit Committee.

These unaudited consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 – "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the Group's annual accounts for the year ended 31st March, 2004.

2. Turnover and Segment Information

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong and property investment in Hong Kong. Revenues recognised during the period are as follows:

| | Six months ended | |
|--|-------------------------|----------|
| | 30th September, | |
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Contracting of building construction, plumbing, maintenance and fitting-out projects | 544,755 | 473,378 |
| Property investment | 3,082 | – |
| Others | 23,221 | 33,447 |
| | 571,058 | 506,825 |

NOTES TO INTERIM FINANCIAL STATEMENTS (CONTINUED)**2. Turnover and Segment Information (Continued)**

The analyses of the Group's segment information are as follows:

Primary reporting format – business segments

| | 2004 | | | | |
|--------------------|--------------------------|------------------------------------|--------------------|-------------------------|-------------------|
| | Construction HK\$'000 | Property Investment HK\$'000 | Others HK\$'000 | Elimination HK\$'000 | Total HK\$'000 |
| External sales | 544,755 | 3,082 | 23,221 | – | 571,058 |
| Intersegment sales | 400 | – | 30,082 | (30,482) | – |
| Total sales | 545,155 | 3,082 | 53,303 | (30,482) | 571,058 |
| Segment results | 9,774 | (796) | 1,805 | (283) | 10,500 |
| Unallocated costs | | | | | (797) |
| Operating profit | | | | | 9,703 |

| | 2003 | | | | |
|--------------------|---------------------------------------|-------------------------------------|--------------------|-------------------------|--------------------------------|
| | Construction HK\$'000 (Note 10) | Property Development HK\$'000 | Others HK\$'000 | Elimination HK\$'000 | Total HK\$'000 (Note 10) |
| External sales | 473,378 | – | 33,447 | – | 506,825 |
| Intersegment sales | 68,406 | – | 20,450 | (88,856) | – |
| Total sales | 541,784 | – | 53,897 | (88,856) | 506,825 |
| Segment results | 13,613 | (58) | 5,313 | (14,556) | 4,312 |
| Unallocated costs | | | | | (899) |
| Operating profit | | | | | 3,413 |

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.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONTINUED)**3. Profit (Loss) Before Taxation**

Profit (Loss) before taxation is arrived at after charging the following:

| | Six months ended 30th September, | |
|-----------------------------------|---|----------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Depreciation | | |
| Owned assets | 9,147 | 8,102 |
| Assets held under finance leases | 154 | 373 |
| Amortisation of development costs | 300 | — |
| Loss on disposal of fixed assets | 31 | 1,894 |

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 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.

5. Dividend

| | Six months ended 30th September, | |
|---|---|----------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Interim dividend of HK 0.35 cents (2003: Nil) per share. | 1,543 | — |

6. Earnings (Loss) per share

Earnings per share has been calculated base on the unaudited consolidated profit attributable to shareholders for the period of HK\$2,486,000 (2003: unaudited consolidated loss of HK\$1,513,000) and 440,949,600 shares (2003: 440,949,600 shares) in issue during the period. No diluted earnings per share are disclosed as there are no potential dilutive shares during the period.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONTINUED)**7. Trade Debtors**

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

The aging analysis of trade debtors at the period end is as follows:

| | 30th September, 2004 HK\$'000 | 31st March, 2004 HK\$'000 |
|---------------|--|---------------------------------|
| Not yet due | 183,792 | 145,533 |
| Overdue by: | | |
| 1 – 30 days | 4,663 | 5,096 |
| 31 – 90 days | 1,274 | 3,153 |
| 91 – 180 days | 263 | 1,287 |
| Over 180 days | 7,452 | 4,619 |
| | 197,444 | 159,688 |

8. Payable to Suppliers and Subcontractors

The aging analysis of payable to suppliers and subcontractors at the period end is as follows:

| | 30th September, 2004 HK\$'000 | 31st March, 2004 HK\$'000 |
|---------------|--|---------------------------------|
| Not yet due | 73,565 | 94,935 |
| Overdue by: | | |
| 1 – 30 days | 16,150 | 6,051 |
| 31 – 90 days | 46 | – |
| 91 – 180 days | – | – |
| Over 180 days | 158 | 670 |
| | 89,919 | 101,656 |

9. Share Capital

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

10. Comparative Figures

Certain comparative figures have been reclassified in order to conform with the presentation of current period.

INTERIM DIVIDEND

The Board of Directors of the Company ("the Directors") recommend the payment of an interim dividend of HK 0.35 cents (2003: Nil) per share. The interim dividend will be payable on 7th March, 2005 to shareholders whose names appear on the register of members at the close of business on 4th March, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 28th February, 2005 to Friday, 4th March, 2005, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfer accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on Friday, 25th February, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and operation

The consolidated turnover for the six months ended 30th September, 2004 has increased by 12.67% to HK\$571,058,000 when compare with the turnover of HK\$506,825,000 for the same period last year. As a result of stringent cost control and rental income generated from the investment property in Causeway Bay, the gross profit margin for the period has increased from 8.9% in 2003 to 10.7% this period.

However, due to the additional expenses incurred for the management of the investment property, the general and administrative expenses has increased to HK\$51,195,000 (2003: HK\$40,102,000).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at the date of this report the total contract sum of the Group's construction contracts in hand is approximately HK\$3,555,000,000.

| Value of Contracts in hand | <i>HK\$ Million</i> |
|---|---------------------|
| As at 31st March, 2004 | 3,506 |
| Secured during the period from 1st April, 2004 to 30th September, 2004 | 32 |
| Completed during the period from 1st April, 2004 to 30th September, 2004 | — |
| | <hr/> |
| As at 30th September, 2004 | 3,538 |
| Secured subsequent to 30th September, 2004 | 17 |
| | <hr/> |
| As at the date of this report | <hr/> 3,555 |

The Group has successfully committed leases for all the retail floors of the Group's property in Causeway Bay. After the granting of the approval for changing the usage of certain floors of the property to a hotel, the work for converting the property into a hotel is now in progress and the expected completion date for the work is first quarter of 2005.

Financial Position

At 30th September, 2004, the Group's total cash in hand was HK\$200 Million (31st March, 2004: HK\$183 Million) and bank borrowings increased from HK\$591 Million in 31st March, 2004 to HK\$614 Million. The increase in bank borrowings was due to the additional working capital requirement for construction contracts in hand. The Group's net debt (total bank borrowings less total cash in hand) to equity ratio increased to 50.9% (31st March, 2004: 50.1%). If the property development loan is excluded, the Group has a net debt of only HK\$107 Million (31st March, 2004: HK\$100 Million) representing a net debt to equity ratio of 13.1% (31st March, 2004: 12.3%). The current ratio (total current assets: total current liabilities) has improved from 0.9 to 1.45 as compared to 31st March, 2004. The Group has entered into an arrangement with a bank to refinance the property development loan of HK\$308 Million with a 5 year term loan and the loan is reclassified from current liabilities to long term liabilities.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Human Resources

As at 30th September, 2004, the Group employed approximately 870 employees in Hong Kong and approximately 750 employees in Mainland China.

Employees in Hong Kong are either paid on a monthly salary basis or daily wages basis. Salaried employees are entitled to benefits according to seniority 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 locations of their employments.

Outlook

The outlook of the local construction market remains uncertain despite recent signs of recovery of the property market and the Hong Kong economy in general. To cope with the situation the Group with its expertise in advanced precast construction techniques is exploring business opportunities in the expanding construction market in Macau. With the uprising of the retail and the tourism markets, the Group believes that the hotel and commercial property located in the core of Causeway Bay will be able to make a healthy contribution to the Group's result in the near future.

DIRECTORS' INTERESTS

At 30th September, 2004, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the company under Section 352 of the SFO or as notified to the company were as follows:

Ordinary shares of HK\$0.2 each in Yau Lee Holdings Limited

| Director | Number of shares held | |
|------------------|-----------------------|------------|
| | Corporate interests | Percentage |
| Mr. Wong Ip Kuen | 230,679,599 | 52.3% |

DIRECTORS' INTERESTS *(CONTINUED)*

The 230,679,599 shares of the Company referred to above are registered in the name of All Fine Investment Company Limited. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Holdings Company Limited, which owns the entire issued share capital of All Fine Investment Company Limited, both of which are companies incorporated in the Cook Islands. Mr. Wong Ip Kuen is a director of both All Fine Holdings Company Limited and All Fine Investment Company Limited.

During the period ended 30th September, 2004, no right to subscribe for equity of the Company was exercised by any of the Directors or chief executives of the Company or the spouses or children under 18 years of age of such Directors and chief executives.

At no time during the period was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding company 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 corporation.

SUBSTANTIAL SHAREHOLDERS

At 30th September, 2004, the register of substantial shareholders maintained under Section 336 of the SFO shows that the company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the company's issued share capital, other than those of the Directors and chief executives as disclosed above.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the six months ended 30th September, 2004.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Unaudited Interim Financial Statements.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the code of best practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the period covered by this Interim Report.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard set out in the Model Code of Appendix 10 of the Listing Rules. The Directors have complied with such code of conduct throughout the period covered by this Interim Report.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 22nd December, 2004