



有利集團有限公司
Yau Lee Holdings Limited
(Incorporated in Bermuda with limited liability)



05-06

Interim Report **2005-2006**



The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce that the **unaudited** results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2005:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

		2005	As restated
	<i>Note</i>	HK\$'000	2004 HK\$'000
Turnover	3	665,673	571,058
Cost of sales		(613,632)	(509,908)
Gross profit		52,041	61,150
Other revenues		2,849	1,087
General and administrative expenses		(47,917)	(51,157)
Other operating expenses, net		(2,498)	(1,339)
Fair value gain on investment properties		4,000	36,000
Operating profit	4	8,475	45,741
Finance costs		(6,092)	(5,677)
Share of loss of a jointly controlled entity		(182)	–
Share of profit of associated companies		–	173
Profit before taxation		2,201	40,237
Taxation – Company and subsidiaries	5	(1,172)	(8,515)
Profit for the period		1,029	31,722
Attributable to:			
Equity holders of the Company		1,071	32,224
Minority interests		(42)	(502)
		1,029	31,722
Interim dividend	6	–	1,543
Earnings per share	7	0.24 cents	7.31 cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2005

		30th September, 2005	As restated 31st March, 2005
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	313,461	291,889
Investment properties	8	294,000	290,000
Leasehold land	8	341,654	342,189
A jointly controlled entity		328	—
Associated companies		12,204	15,860
Deferred tax assets		46	46
Other non-current assets		36,368	37,009
		998,061	976,993
Current assets			
Cash and bank balances		230,002	195,313
Trade debtors, net	9	192,754	181,228
Inventories		13,018	10,908
Prepayments, deposits and other receivables		63,652	44,148
Prepaid tax		390	402
Due from customers on construction contracts		266,855	224,928
Financial assets at fair value through profit or loss		11,249	10,335
Due from related parties		1,056	30
		778,976	667,292
TOTAL ASSETS		1,777,037	1,644,285
EQUITY			
Share capital	10	88,190	88,190
Other reserves		415,789	415,789
Retained earnings			
Proposed interim/final dividend		—	3,307
Others		307,922	310,221
		811,901	817,507
Minority interests		3,961	4,003
Total equity		815,862	821,510

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30TH SEPTEMBER, 2005

	30th September, 2005	As restated 31st March, 2005
<i>Note</i>	HK\$'000	<i>HK\$'000</i>
LIABILITIES		
Current liabilities		
Bank overdrafts-secured	29,218	29,715
Short-term bank loans-secured	307,004	195,856
Current portion of long-term liabilities-secured	18,132	11,179
Payable to suppliers and subcontractors	102,166	100,161
Accruals, retentions payable and other liabilities	83,065	76,166
Taxation payable	1,921	1,259
Due to customers on construction contracts	32,493	15,776
Due to related parties	1,039	529
	575,038	430,641
Non-current liabilities		
Long-term liabilities	333,980	340,291
Deferred tax liabilities	52,157	51,843
	386,137	392,134
Total liabilities	961,175	822,775
Total equity and liabilities	1,777,037	1,644,285
Net current assets	203,938	236,651
Total assets less current liabilities	1,201,999	1,213,644

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005**

Attributable to equity holders of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st April, 2005, as previously reported	88,190	415,430	359	313,528	4,003	821,510
Opening adjustment for HKAS 39	—	—	—	(3,370)	—	(3,370)
As at 1st April, 2005, as restated	88,190	415,430	359	310,158	4,003	818,140
Profit for the period	—	—	—	1,071	(42)	1,029
Dividend	—	—	—	(3,307)	—	(3,307)
As at 30th September, 2005	88,190	415,430	359	307,922	3,961	815,862
As at 1st April, 2004	88,190	415,430	359	272,396	5,076	781,451
Profit for the period, as restated	—	—	—	32,224	(502)	31,722
Dividend	—	—	—	(4,409)	—	(4,409)
As at 30th September, 2004	88,190	415,430	359	300,211	4,574	808,764

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

	2005 HK\$'000	2004 HK\$'000
Net cash flows used in operating activities	(48,478)	(2,151)
Net cash flows (used in)/from investing activities	(18,723)	2,436
Net cash flows from/(used in) financing activities	101,814	(20,062)
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	34,613	(19,777)
Cash and cash equivalents, beginning of period	5,533	(34,877)
	<hr/>	<hr/>
Cash and cash equivalents, end of period	40,146	(54,654)
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Cash and bank balances	69,364	35,279
Bank overdrafts-secured	(29,218)	(89,933)
	<hr/>	<hr/>
	40,146	(54,654)
	<hr/>	<hr/>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

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

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These unaudited condensed consolidated financial information should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March, 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs ("new HKFRS") which are effective for accounting periods commencing on or after 1st January, 2005.

This interim financial information has been prepared in accordance with those new HKFRS and interpretations issued and effective as at the time of preparing this information. The new HKFRS and interpretations that will be applicable at 31st March, 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in accounting policies

The Group early adopted the following new HKFRSs in the financial statements for the year ended 31st March, 2005:

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 40	Investment Property
HKAS-Interpretation 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)**2. Changes in accounting policies (Continued)**

In current period, the Group adopted all remaining new/revised standards of HKFRS below, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Interpretation 15	Operating Leases – Incentives
HKAS-Interpretation 27	Evaluating the Substance of Transactions in the Legal Form of a Lease
HKFRS 1	First time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK-Interpretation 2	The Appropriate Policies for Hotel Properties
HK-Interpretation 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

All new standards adopted by the Group require retrospective application other than those specifically allowed under the transitional provisions in the relevant standards. The following is a summary of significant changes to the principal accounting policies adopted in the preparation of the 2005 annual financial statements as a result of the adoption of the new HKFRSs in current period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)**2. Changes in accounting policies (Continued)***(i) HKAS 1*

The adoption of the HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities and associated companies and other disclosures.

(ii) HKAS 32 and HKAS 39

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

Investment securities

By 31st March, 2005, investments in debt or equity securities are classified as other investments and short-term investments as appropriate. Other investments were carried at cost less any provision for impairment in value which was recognised as expenses in the profit and loss account. Short-term investments are carried at fair value and any unrealised holding gain and loss is recognised in the profit and loss account. From 1st April, 2005, the investments in securities were re-designated as financial assets at fair value through profit and loss and available for sale financial assets. Financial assets through profit and loss account and available for sale financial assets are carried at fair value with changes in fair value recognised in the profit and loss account and equity respectively.

Financial assets and liabilities other than investment securities

From 1st April, 2005 onwards, financial assets under HKAS 39 are classified as financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables or held-to-maturity and financial assets. Financial liabilities are generally classified as financial liabilities at fair value through profit or loss or financial liabilities other than financial liabilities at fair value through profit or loss ("other financial liabilities"). Other financial liabilities are carried at amortised cost using the effective interest method.

(iii) HKFRS 2

The adoption of the HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st March, 2005, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1st April, 2005, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)**2. Changes in accounting policies (Continued)**

The following is a summary of effect of adopting the new HKFRSs on the unaudited condensed consolidated financial information:

	HKAS 17	HKAS 40	HKAS- Inter- pretation 21	HKAS 39	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the six months ended 30th September, 2005					
Decrease in other non-current assets	–	–	–	2,636	2,636
Decrease in retained earnings as at 1st April, 2005	–	–	–	3,370	3,370
Increase in profit for the period	–	–	–	734	734
Increase in earnings per share (HK cents)	–	–	–	0.17	0.17
For the six months ended 30th September, 2004					
Increase/(decrease) in profit for the period	38	36,000	(6,300)	–	29,738
Increase/(decrease) in earnings per share (HK cents)	–	8.16	(1.43)	–	6.73

The effect of the adoption of the HKAS 17, HKAS 40 and HKAS-Interpretation 21 on the consolidated balance sheet as at 31st March, 2005 have been restated in the 2005 annual financial information.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)**3. Turnover and Segment Information**

	Six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
Turnover		
Contracting of building construction, plumbing, maintenance and fitting-out projects	631,146	544,755
Property investment	6,180	3,082
Others	28,347	23,221
	665,673	571,058

Primary reporting format – business segments

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

- Construction – Contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong
- Property investment – Property leasing in Hong Kong

Other operations of the Group mainly comprise the manufacture and supply of building materials, which is not of a sufficient size to be reported separately.

Secondary reporting format – geographical segments

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)**3. Turnover and Segment Information (Continued)****Primary reporting format – business segments**

For the six months ended 30th September, 2005					
	Construction	Property	Others	Elimination	Total
	HK\$'000	Investment HK\$'000	HK\$'000	HK\$'000	HK\$'000
External sales	631,146	6,180	28,347	–	665,673
Intersegment sales	–	–	13,862	(13,862)	–
Total sales	631,146	6,180	42,209	(13,862)	665,673
Segment results	9,383	4,114	(7,925)	(17)	5,555
Unallocated income					2,920
Operating profit					8,475
Finance costs	(6,092)				(6,092)
Share of loss of a jointly controlled entity	(182)				(182)
Profit before taxation					2,201
Taxation					(1,172)
Profit for the period					1,029
Capital expenditure	(12,398)	(20,307)	(149)		(32,854)
Depreciation	(9,050)		(457)		(9,507)
Amortisation of prepaid operating lease payment	(59)	(102)	(374)		(535)
Fair value gain on investment properties		4,000			4,000
As at 30th September, 2005					
	Construction	Property	Others	Elimination	Total
	HK\$'000	Investment HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	737,403	826,158	183,810		1,747,371
Jointly controlled entity	328				328
Associated companies			12,204		12,204
Unallocated assets					17,134
Total assets					1,777,037
Segment liabilities	(526,695)	(354,537)	(25,592)		(906,824)
Unallocated liabilities					(54,351)
Total liabilities					(961,175)

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)**3. Turnover and Segment Information (Continued)****Primary reporting format – business segments (Continued)**

For the six months ended 30th September, 2004, as restated

	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	9,778	35,238	1,805	(283)	46,538
Unallocated costs					(797)
Operating profit					45,741
Finance costs	(3,549)	(2,128)			(5,677)
Share of profit of associated companies			173		173
Profit before taxation					40,237
Taxation					(8,515)
Profit for the period					31,722
Capital expenditure	(7,388)	(10,349)	(375)		(18,112)
Depreciation	(7,973)		(858)		(8,831)
Amortisation of prepaid operating lease payment	(58)		(374)		(432)
Amortisation of development costs			(300)		(300)
Fair value gain on investment properties		36,000			36,000

As at 31st March, 2005, as restated

	Construction HK\$'000	Property Investment HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment assets	639,572	800,566	172,827		1,612,965
Associated companies			15,860		15,860
Unallocated assets					15,460
Total assets					1,644,285
Segment liabilities	(390,738)	(359,883)	(14,362)		(764,983)
Unallocated liabilities					(57,792)
Total liabilities					(822,775)

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)**4. Operating profit**

Operating profit is arrived after charging the following:

	Six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
		(as restated)
Depreciation		
Owned assets	9,120	8,677
Assets held under finance leases	387	154
Amortisation of development costs	–	300
Loss on disposal of property, plant and equipment	–	31
Amortisation of prepaid operating lease payment	535	432

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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.

6. Dividend

	Six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
Interim dividend of Nil (2004: HK0.35 cents per share) per share	–	1,543

7. Earnings per share

Earnings per share has been calculated base on the unaudited consolidated profit attributable to equity holders of the Company of HK\$1,071,000 (2004: HK\$32,224,000, as restated) and 440,949,600 shares (2004: 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 THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)**8. Capital expenditure**

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold Land <i>HK\$'000</i>
Net book amount as at 1st April, 2005	291,889	290,000	342,189
Additions	32,854	–	–
Disposals	(1,775)	–	–
Fair value gain	–	4,000	–
Depreciation/amortisation charge (<i>note 4</i>)	(9,507)	–	(535)
Net book amount as at 30th September, 2005	313,461	294,000	341,654
Net book amount as at 1st April, 2004	102,331	690,000	36,857
Additions	18,112	–	–
Disposals	(1,002)	–	–
Transfer	148,600	(455,000)	306,400
Fair value gain	–	36,000	–
Depreciation/amortisation charge (<i>note 4</i>)	(8,831)	–	(432)
Net book amount as at 30th September, 2004	259,210	271,000	342,825

As at 30th September, 2005, the net book value of property, plant and equipment, investment properties and leasehold land pledged as security for the bank loan of the Group amounted to approximately HK\$820,000,000.

9. 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 is as follows:

	30th September, 2005 HK\$'000	31st March, 2005 HK\$'000
Not yet due	168,081	156,500
Overdue by:		
1 – 30 days	4,150	13,145
31 – 90 days	9,534	4,254
91 – 180 days	1,116	905
Over 180 days	9,873	6,424
	192,754	181,228

10. Share Capital

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION (CONTINUED)**11. Payable to Suppliers and Subcontractors**

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

	30th September, 2005 HK\$'000	31st March, 2005 HK\$'000
Not yet due	75,623	98,359
Overdue by:		
1 – 30 days	26,286	1,623
31 – 90 days	78	–
91 – 180 days	–	–
Over 180 days	179	179
	102,166	100,161

12. Acquisitions*(i) Set up of a subsidiary*

On 28th February, 2005, Ming Hop Company Limited, a wholly-owned subsidiary of the Group, set up a wholly-foreign owned enterprise, namely Lever Construction Materials (Shenzhen) Company Limited ("Lever"), in the People's Republic of China (the "PRC"), with a registered share capital of HK\$2,100,000. Lever is principally engaged in the trading of construction materials in the PRC. The set up has been approved by the relevant PRC government authorities on 20th April, 2005.

(ii) Set up of a jointly controlled entity

On 12th July, 2005, Yau Lee Construction Materials & Technology (B.V.I.) Limited, a wholly-owned subsidiary of the Company, set up a joint venture in Hong Kong, namely Yau Lee Formglas Limited ("YL Formglas"), with Formglas International Limited. The new joint venture is principally engaged in the selling of high-end architectural products. The registered capital of YL Formglas is HK\$1,000,000. The cost of investment to the Group is HK\$510,000 which representing a 51% equity interest in the jointly controlled entity.

13. Contingent Liabilities

In last year, the Group received a writ of summon claiming for alleged breach of contract and uncertified workdone in connection with contract works from a subcontractor. Up to the date of this report, the subcontractor is claiming for an aggregate amount of approximately HK\$16 million. The Group will defend vigorously against the claim and a counter claim of approximately HK\$5 million has been submitted. Based on legal advice, the Directors are of the opinion that the Group has valid defences against the claims and no additional provision has been made in the accounts.

14. 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") does not recommend the payment of an interim dividend for the six months ended 30th September, 2005 (2004: HK0.35 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Results and operation

The consolidated turnover for the six months ended 30th September, 2005 has increased by 16.57% to HK\$665,673,000 when compare with the turnover of HK\$571,058,000 for the same period last year. The gross profit for the period has decreased from HK\$61,150,000 in 2004 to HK\$52,041,000 this period. The operating profit for the period has, however, decreased to HK\$8,475,000 (2004: HK\$45,741,000, as restated) since the fair value gain on the Group's investment properties for the period decreased significantly from HK\$36,000,000 in 2004 to HK\$4,000,000 in 2005. Excluding the fair value gain on investment properties, the operating profit for the periods ended 30th September, 2004 and 30th September, 2005 are HK\$9,741,000 and HK\$4,475,000 respectively. The profit margin for construction projects being undertaken by the Group was adversely affected by the competitive environment, especially in the fitting out and maintenance section. In addition, most of the new contracts secured during the period have not reached the point that we can estimate the profit reliably so that no profit was realized in this respect during the period.

The Group has developed a property located at 23-45 Sharp Street East and 11-13 Yiu Wa Street in Causeway Bay (the "Project") which consist of commercial units held as investment properties and a hotel operated under the name of "Expressed by Holiday Inn, Causeway Bay, Hong Kong". The investment properties portion was fully let as of 30th September, 2005 and generated a rental income of approximately HK\$5 million during the six months ended 30th September, 2005. The hotel portion has begun operation on 1st November, 2005, the date when the hotel licence is obtained from the Home Affairs Department of the Government of the Hong Kong Special Administrative Region. The Management believes the hotel business and the lease of retail shops can generate a constant stream of income to the Group.

As at the date of this report the total contract sum of the Group's construction contracts in hand is approximately HK\$4,422,000,000.

Value of Contracts in hand	<i>HK\$ million</i>
As at 31st March, 2005	3,741
Secured during the period from 1st April, 2005 to 30th September, 2005	2,391
Completed during the period from 1st April, 2005 to 30th September, 2005	(1,923)
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As at 30th September, 2005	4,209
Secured subsequent to 30th September, 2005	213
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As at the date of this report	4,422

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Position

At 30th September, 2005, the Group's total cash in hand was HK\$230 million (31st March, 2005: HK\$195 million) and bank borrowings increased from HK\$575 million in 31st March, 2005 to HK\$686 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 at 55.9% (31st March, 2005: 46.2%, as restated). If the HK\$350 million (31st March, 2005: HK\$350 million) long-term loan for property development and investment properties is excluded, the Group has a net debt of only HK\$106 million (31st March, 2005: HK\$30 million) representing a net debt to equity ratio of 13.0% (31st March, 2005: 3.7%). The current ratio (total current assets: total current liabilities) has decreased from 1.6 to 1.4 as compared to 31st March, 2005.

The short-term and long-term bank borrowings are secured by the Group's investment properties, property, plant and equipment, leasehold land, investments in securities and certain time deposits.

Human Resources

As at 30th September, 2005, the Group employed approximately 900 employees in Hong Kong and approximately 670 employees in the PRC.

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 the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

Outlook

Signs of recovery have been noted in various sectors of the Hong Kong economy since last year. The construction sector, although lack behind, has also started to pick up recently. Together with the booming Macau SAR construction sector, the management believes there are opportunities available and a reasonable business growth can be achieved in the coming future. Subsequent to the period end, the Group has obtained an internal fitting out contract in Macau from one of the gaming operators with a contract sum of over HK\$170 million in October 2005.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Outlook (Continued)

The opening of the 269 rooms hotel at the Group's property in Sharp Street East Causeway Bay in November 2005 will provide an extra source of revenue. With the positive outlook of the hotel industry in the foreseeable future, it is expected that the hotel shall generate a meaningful contribution to the Group's results in the years to come.

DIRECTORS' INTERESTS

At 30th September, 2005, 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	232,293,599	52.68%

The shares referred to above are registered in the names of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holdings of 230,679,599 shares and 1,614,000 shares. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Holdings Company Limited and Billion Goal Holdings Limited. All Fine Holdings Company Limited owns the entire issued share capital of All Fine Investment Company Limited, both of which are companies incorporated in the Cook Islands. Billion Goal Holdings Limited is a company incorporated in the British Virgin Islands. Mr. Wong Ip Kuen is a director of All Fine Holdings Company Limited, All Fine Investment Company Limited and Billion Goal Holdings Limited.

During the period ended 30th September, 2005, no right to subscribe for equity of the Company was exercised by any of the Directors or Chief Executive of the Company or the spouses or children under 18 years of age of such Directors and Chief Executive.

At no time during the period was the Company, its subsidiaries, its associated companies, its jointly controlled entity, 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' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

At 30th September, 2005, 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, 2005.

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.

CORPORATE GOVERNANCE

In the opinion of the Board of Directors, the Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited ("Listing Rules") during the period under review, except for the code provision C.2 on internal controls (which is applicable to the accounting periods commencing on or after 1st July, 2005) and the deviations stated below.

1. Code Provision A.2.1 – This Code Provision stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The roles of the Chairman and the Chief Executive of the Company are not separated and are performed by the same individual, Mr. Wong Ip Kuen.

The Board of the Company believes that the current structure will enable the Company to make and to facilitate the implementation of decisions promptly and efficiently.

CORPORATE GOVERNANCE (CONTINUED)

2. Code Provision A.4.2 – This Code Provision stipulates that every director should be subject to retirement by rotation at least once every three years, but in accordance with the Bye-laws which stipulates that one-third of the directors of the Company, except director holding office as Chairman, should be subject to retirement by rotation at each annual general meeting.

This Code Provision also stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with the Bye-laws of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. The Board of the Company considers that the impact of deviation is immaterial and casual vacancy does not happen frequently.

3. Code Provision B.1.4 - This Code Provision stipulates that the remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board. The terms of reference of the remuneration committee are available for inspection upon request at the head office and principal place of business of the Company in Hong Kong and will be posted on the Company's website by the end of current financial year.
4. Code Provision C.3.4 - This Code Provision stipulates that the audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board. The terms of reference of the audit committee are available for inspection upon request at the head office and principal place of business of the Company in Hong Kong and will be posted on the Company's website by the end of current financial year.

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 accounting period covered by this interim report.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 20th December, 2005