



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

(Stock Code: 406)

**ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED
31ST MARCH 2005**

The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2005 together with comparative figures for the year ended 31st March 2004 as follows:–

For the year ended 31st March 2005

(Amounts expressed in Hong Kong dollars)

		2005	As restated
	<i>Note</i>	<i>HK\$'000</i>	<i>2004</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	1,355,583	1,069,158
Cost of sales		(1,234,086)	(963,313)
Gross profit		121,497	105,845
Other revenues		2,639	1,896
Administrative expenses		(105,674)	(100,867)
Other operating (expenses)/income, net		(4,252)	2,642
Fair value gain on investment properties		54,857	217,591
Operating profit	3	69,067	227,107
Finance costs		(8,701)	(8,808)
Share of (loss)/profit of associated companies		(2,384)	71
Profit before taxation		57,982	218,370
Taxation	4	(12,281)	(38,945)
Profit after taxation		45,701	179,425
Minority interests		1,384	779
Profit attributable to shareholders		47,085	180,204
Dividends	5	4,851	4,409
Earnings per share	6	10.68 cents	40.87 cents

[#] for identification only

Notes:

1. Basis of preparation and accounting policies

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) (collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005, except for the following new HKFRSs:

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

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the profit and loss account on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the profit and loss account. In prior years, the increases in fair value were credited to the property revaluation reserve.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKAS 16 did not result in substantial changes to the Group’s accounting policies.

As a result of early adoption of these accounting policies, the Group’s profit for the year ended 31st March 2005 has been increased by HK\$45,480,000 (2004: HK\$180,213,000). Changes in the accounting policies have been applied retrospectively so that the comparatives presented have been restated to conform to the changed policies.

The Group has already commenced an assessment of the impact of the other new HKFRSs which have not been early adopted by the Group but is not yet in a position to state whether the remaining new HKFRSs would have significant impact on its results of operation and financial position.

2. Turnover

The Group’s turnover and operating profit for the year were derived principally from the contracting of building construction, plumbing, maintenance and fitting-out projects and property leasing in Hong Kong.

	2005		As restated 2004	
	Turnover <i>HK\$’000</i>	Operating profit/(loss) <i>HK\$’000</i>	Turnover <i>HK\$’000</i>	Operating profit <i>HK\$’000</i>
Contracting of building construction, plumbing, maintenance and fitting-out projects	1,291,309	23,985	1,047,856	8,554
Property leasing	7,903	54,062*	241	215,605*
Others	56,371	(8,980)	21,061	2,948
	<u>1,355,583</u>	<u>69,067</u>	<u>1,069,158</u>	<u>227,107</u>

* The operating profit for property leasing included fair value gain on investment properties of HK\$54,857,000 and HK\$217,591,000 in 2005 and 2004 respectively.

3. Operating profit

Operating profit is stated after charging/(crediting) the following:

	2005 HK\$'000	As restated 2004 HK\$'000
Depreciation		
– Owned property, plant and equipment	20,695	21,334
– Leased property, plant and equipment	611	683
	<u>21,306</u>	<u>22,017</u>
Operating lease rentals of		
– Land and buildings	4,063	4,003
– Other equipment	13,226	16,104
	<u>17,289</u>	<u>20,107</u>
Amortisation of prepaid operating lease payment	1,068	864
Amortisation of development costs (included in administrative expenses)	606	599
Impairment for development costs	1,211	–
Cost of inventories sold	86,023	68,909
Write-off of doubtful debts	463	282
Write back of provision for doubtful debts	(319)	–
Staff cost (excluding director's emoluments)	186,619	154,087
Auditors' remuneration	1,030	960
Loss/(gain) on disposal of an associated company	840	(848)
Unrealised loss/(gain) on short-term investments	529	(50)
(Gain)/loss on disposal of property, plant and equipment	(34)	1,225
Gross rental income from an investment property less outgoings	(5,815)	(241)
Realised gain on disposal of short-term investments	–	(1,727)
Exchange gain, net	(498)	(643)

4. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2005 HK\$'000	As restated 2004 HK\$'000
Current taxation		
Hong Kong profits tax	3,798	3,913
Over provisions in prior years	(107)	(711)
Deferred taxation relating to the origination and reversal of temporary differences	8,590	35,725
	<u>12,281</u>	<u>38,927</u>
Share of taxation attributable to associated companies	–	18
	<u>12,281</u>	<u>38,945</u>

5. Dividends

The Directors have declared an interim dividend of HK\$0.0035 (2004: Nil) per share, totaling HK\$1,544,000.

The Directors recommend the payment of a final dividend at HK\$0.0075 (2004: HK\$0.01) per share, totaling HK\$3,307,000.

6. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$47,085,000 (2004: HK\$180,204,000, as restated) and on the 440,949,600 (2004: 440,949,600) shares in issue during the year.

Diluted earnings per share for the year ended 31st March 2005 and 2004 are not presented as there are no potential dilutive shares during the years.

RESULT OF THE YEAR

The consolidated turnover of the Group for the year ended 31st March 2005 was HK\$1,355,583,000 compared to HK\$1,069,158,000 in 2004. The gross profit has increased moderately to HK\$121,497,000 (2004: HK\$105,845,000). The operating profit has, however, decreased to HK\$69,067,000 (2004: HK\$227,107,000, as restated) due to the significant decrease in revaluation gain of the Group's investment properties from HK\$217,591,000 in 2004 to HK\$54,857,000 in 2005. Excluding the revaluation gain, the operating profit has increased by 49% despite the difficult market condition in the construction sector owing to relentless efforts in cost control.

DIVIDENDS

An interim dividend of HK\$0.0035 (2004: Nil) per share was declared and paid during the year. The Board of Directors recommends the payment of a final dividend of HK\$0.0075 (2004: HK\$0.01) for the year ended 31st March 2005. Together with the interim dividend paid, the total dividend declared for the year is HK\$4,851,000.

REVIEW OF OPERATION

Building Construction, Building Renovation and Maintenance

During the year under review, the Group's wholly owned subsidiary, Yau Lee Construction Company Limited ("Yau Lee Construction") has completed one contract with contract sum of HK\$180 million. Contracts newly secured during the year amounted to HK\$415 million; namely District Term Contract for the Maintenance and Vacant Flat Refurbishment for Chuk Yuen, Choi Wan and Tsui Ping Estates, Redevelopment of Kwai Chung Flatted Factory Site and No.8 Essex Crescent. The total value of contracts in hand as at 31st March 2005 was HK\$3,741 million (2004: HK\$3,506 million). Subsequent to the year end, Yau Lee Construction has further secured three contracts with total value of HK\$1,399 million (including Science Park Phase 2 Area B, Term contract for fitting out works at Kowloon and New Territories West and No. 6 Essex Crescent).

Although the Hong Kong economy has improved since 2004, the construction industry is yet to be benefited. In order to remain competitive, the Group continues to enhance productivity through application of innovative building techniques and information technologies, practice stringent quality control and effective safety and environmental management. The Group firmly believes that the aforementioned will give us a competitive edge and this was reflected in the successful bidding of the Redevelopment of Kwai Chung Flatted Factory Site and Science Park Phase 2 Area B projects.

The Group's effort in quality, safety and environmental protection are well recognised by clients and resulted in over 16 awards received by Yau Lee Construction, its employees and subcontractors during the year. The major awards received are:

1. the "Gold Award in the Category of Green Construction Contractor" for the **2004 Hong Kong Eco-Business Award**
2. the "Gold Award for Building Sites (Public Sector)" for **Safety Award Scheme for the Construction Industry**
3. the "Gold Award for Building Sites (Sub-contractor Category)" for **Safety Award Scheme for the Construction Industry**

Building Components Trading and Manufacturing

Despite the fact that the construction market has not yet recovered, the Group's prefabricated building components business recorded an increased turnover of approximately HK\$94 million during the year. The Group's wholly owned subsidiary, Yau Lee Wah Concrete Precast Products Company Limited ("Yau Lee Wah") has successfully completed contracts with an estimated total value of HK\$91.4 million, including projects from the Government as well as private property developers. Going forward, Mainland China, Macau and Hong Kong will continue to be the major markets of Yau Lee Wah. Yau Lee Wah will continue to explore new markets and new product lines such as decorative products in addition to the existing building products base. Subsequent to the year end, Yau Lee Wah has entered into a joint venture with a Canadian company to develop the market of gypsum based decorative products in the region.

Property Development

The Group development project at Sharp Street East and Yiu Wa Street in Causeway Bay, a 27-storey building named as "33 Sharp Street East", has obtained Government approvals to change the use of certain floors of the building to hotel. Conversion work for the hotel has been completed. The Group is finalising the lease modification requirements with the Government before the hotel licence can be issued. It is expected that the hotel will commence its business in the third quarter of 2005. The Group has also contracted the InterContinental Hotels Group (the "IHG") as the manager of the hotel. The IHG is one of the largest hotel chains in the world which operates reputable brands such as InterContinental, Holiday Inn and Express by Holiday Inn etc. The management believes IHG's experience and marketing network in the field will add value to the hotel. The commercial floors of the building are fully let to a variety of retailers and food and beverage outlets. The leases have started to generate a constant stream of rental income to the Group.

Plumbing Works and Building Material Trading

Ming Hop Company Limited ("Ming Hop"), a subsidiary of the Group, specializes in plumbing works and building materials trading and provides reliable installation and design service to Yau Lee Construction's projects. To take advantage of the CEPA, Ming Hop has formed a trading subsidiary in the Mainland China to engage in the import/export of building materials subsequent to year end.

OUTLOOK

Despite signs of recovery continue to emerge and the Hong Kong economy and confidence are bound to improve as a whole, recovery in the Hong Kong construction market is not so obvious. In fact there are signs of further decline in construction output in the first half of 2005 when compare with last year. With a team of highly professional and committed staff, the management believes that the Group will be able to keep abreast of the highly competitive environment and will be one of the first to capture the opportunities when the industry rebounds.

The diversification of the Group's business into property investments and hotel operation will bring an extra source of income to the Group in the years to come. With the continuing increase of both business and leisure visitors to Hong Kong, the management expects the Group's investments in hotel and retail properties to contribute a stable and reasonable return.

Apart from thriving to excel in its existing business, the Group will continue its pursuit for opportunities in different areas related to the property and construction sector. The management shall adopt a prudent approach while evaluating opportunities to diversify the Group's business to avoid exposing the Group to unnecessary risks.

FINANCIAL REVIEW

For the year ended 31st March 2005, the Group has achieved a growth of turnover by 26.8% from HK\$1,069,158,000 in 2004 to HK\$1,355,583,000 this year in a competitive operating environment of construction market in Hong Kong. However due to intensified competition and cost fluctuation in certain materials, the gross profit ratio has decreased from 9.9% in 2004 to 9.0% in 2005.

At 31st March 2005 the Group's total cash in hand was HK\$195,313,000 (2004: HK\$183,360,000) and bank borrowings decreased from HK\$590,893,000 in 2004 to HK\$575,371,000. During the year, the Group has entered into an arrangement with a bank to refinance the long-term loan for property development and investment properties, which shall be repaid by instalments and the last instalment is due in November 2009. The Group's net debt (total bank borrowings less total cash in hand) to equity ratio decreased slightly to 46.5% (2004: 52.5%, as restated). If the HK\$349,800,000 (2004: HK\$307,800,000) long-term loan for property development is excluded, the Group has a net debt of only HK\$30,258,000 (2004: HK\$99,733,000) representing a healthy net debt to equity ratio of 3.7% (2004: 12.8%, as restated). The current ratio (total current assets: total current liabilities) has also increased to 1.6 (2004: 0.9).

The short-term and long-term bank borrowings are secured by the Group's investment properties, property, plant and equipment, investment in securities and certain time deposits. Interest on bank loans are charged at floating rates and the Company monitors interest rate risks continuously and hedge any excessive risk when necessary. The total bank facilities granted to the Group at 31st March 2005 was approximately HK\$758 million (2004: HK\$748 million), of which approximately HK\$593 million (2004: HK\$601 million) had been utilised.

HUMAN RESOURCES

At 31st March 2005, the Group employed approximately 850 employees in Hong Kong and approximately 700 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 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 Mainland China are remunerated according to the prevailing market conditions in the location of their employment.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22nd August 2005 to Thursday, 25th August 2005, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificate must be lodged with the Company's branch share register in Hong Kong, Computer Share 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, 19th August 2005.

AUDIT COMMITTEE

As at 31st March 2005, the members of the audit committee include three Independent Non-Executive Directors – Dr. Yeung Tsun Man, Eric (committee chairman), Mr. Wu King Cheong and Mr. Chan, Bernard Charnwut. Two meetings have been held during the year. The accounts for the year ended 31st March 2005 has been reviewed by the audit committee.

REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Remuneration Committee and Nomination Committee have been set up in April 2005 and are chaired by Mr. Chan, Bernard Charnwut and Mr. Wu King Cheong respectively. Both Mr. Chan and Mr. Wu are Independent Non-Executive Directors of the Company.

CODE OF BEST PRACTICE

Throughout the year, the Company was in compliance 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 (the "Listing Rules").

CONFIRMATION FOR INDEPENDENCE

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-Executive Directors are Independent.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

INFORMATION TO BE PUBLISHED ON THE STOCK EXCHANGE'S WEBSITE

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

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 21st July 2005

As at the date of this announcement, the Executive Directors of the Company are Mr. Wong Ip Kuen, Mr. Wong Tin Cheung, Mr. Sun Chun Wai and Mr. So Yau Chi. 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/listco/hk/yaulee>