

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you have sold or transferred all your shares in **Yau Lee Holdings Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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有利集團有限公司[#]
Yau Lee Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 00406)

DISCLOSEABLE TRANSACTION
ACQUISITION OF PROPERTY

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
APPENDIX – GENERAL INFORMATION	7

DEFINITIONS

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

“Acquisition”	the acquisition of the Property
“Board”	the board of Directors
“Company”	Yau Lee Holdings Limited, a company incorporated in Bermuda with limited liabilities, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) including independent non-executive director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	16 January 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	an option issued by the Vendor to Yau Lee Development whereby Yau Lee Development has the right to the Acquisition
“Option Agreement”	an option agreement dated 11 September 2008 issued by the Vendor in favour of Yau Lee Development
“Property”	the property located at 40 Prinsep Street, Singapore, 188666
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.2 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Whang Shang Ying and Chan Chia Lin

DEFINITIONS

“Yau Lee Development”	Yau Lee Development (Singapore) Pte Ltd., a company incorporated in Singapore, a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“%”	per cent.

Note: For purpose of this circular, the exchange rate used is S\$1.00 = HK\$5.55 and the resulting figure is rounded up to the nearest thousand.



有利集團有限公司[#]
Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00406)

Executive Directors:

Wong Ip Kuen (*Chairman*)

Wong Tin Cheung (*Vice Chairman*)

Wong Wai Man

So Yau Chi

Sun Chun Wai

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Independent Non-Executive Directors:

Dr. Yeung Tsun Man, Eric

Wu King Cheong

Chan, Bernard Charnwut

Principal Place of Business:

10th Floor, Tower I

Enterprise Square

9 Sheung Yuet Road

Kowloon Bay

Kowloon, Hong Kong

16 January 2009

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
ACQUISITION OF PROPERTY

1. INTRODUCTION

On 7 January 2009, the Company announced that Yau Lee Development had purchased the Option from the Vendor on 11 September 2008 and exercised the Option on 25 September 2008. By exercising the Option, Yau Lee Development agreed to purchase the Property and the Acquisition was completed on 20 November 2008. The total consideration of the Property, which included the price payable to the Vendor for the purchase and exercise of the Option, is S\$4,130,000 (equivalent to approximately HK\$22,922,000) in cash.

The acquisition of the Property by the exercise of the Option on 25 September 2008 constituted a discloseable transaction of the Company and is subject to the disclosure requirements under the then applicable Chapter 14 of the Listing Rules.

[#] For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the Acquisition and other information as required by the then applicable Listing Rules.

2. OPTION AGREEMENT

Date : 11 September 2008

Parties : (1) Issuer of the Option : the Vendor
(2) Purchaser of the Option : Yau Lee Development

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates as defined under the Listing Rules.

3. PURCHASE PRICE AND EXERCISE PRICE OF THE OPTION

The purchase price of the Option is S\$41,300 (equivalent to approximately HK\$229,000), being 1% of the consideration of the Property, paid by Yau Lee Development to the Vendor in cash at the time of the issue of the Option, that is, on 11 September 2008.

The exercise price of the Option is S\$165,200 (equivalent to approximately HK\$917,000), being 4% of the consideration of the Property, paid by Yau Lee Development to the Vendor in cash at the time of the exercise of the Option, that is, on 25 September 2008.

4. EXERCISE PERIOD OF THE OPTION

The Option was exercisable by Yau Lee Development from the issue date of the Option till 25 September 2008, 4:00 p.m.

5. THE OPTION

Under the Option Agreement, Yau Lee Development had the right to the Acquisition at a consideration of S\$4,130,000 (equivalent to approximately HK\$22,922,000).

6. THE PROPERTY

The Property consists of two floors and an attic, and the whole Property has been rented out. The Property was sold to Yau Lee Development with the assignment of two existing tenancies, generating monthly rental revenue of S\$18,000 (equivalent to approximately HK\$100,000) and S\$10,080 (equivalent to approximately HK\$56,000) respectively. The term of the two existing tenancies are the same, which is two years commencing on 1 August 2008.

LETTER FROM THE BOARD

7. EXERCISE OF THE OPTION AND COMPLETION

On 25 September 2008, Yau Lee Development exercised the Option by paying S\$165,200 (equivalent to approximately HK\$917,000) in cash, being 4% of the consideration of the Property, to the Vendor, and the Acquisition was completed on 20 November 2008.

8. CONSIDERATION

As mentioned above, Yau Lee Development paid S\$41,300 (equivalent to approximately HK\$229,000) and S\$165,200 (equivalent to approximately HK\$917,000) as the purchase price and exercise price of the Option respectively to the Vendor.

Upon completion of the Acquisition, Yau Lee Development further paid S\$3,923,500 (equivalent to approximately HK\$21,775,000) in cash for the 95% balance of the consideration of the Property.

Therefore, the total consideration of the Property, which was acquired by purchasing and exercising the Option, is S\$4,130,000 (equivalent to approximately HK\$22,922,000). There was no other consideration, whether in kind or in cash, nor security or guarantee given by any member of the Group to the Vendor for the Acquisition.

No independent valuation was carried out for the Property but the Directors deem the consideration as the fair value of the Property.

9. SOURCE OF FUNDS

The funds for the purchase of the Option, exercise of the Option and completion of the Acquisition were funded by both internal resources of the Company and bank financing.

Yau Lee Development borrowed an amount of S\$2,750,000 (equivalent to approximately HK\$15,263,000) from a bank in Singapore, and executed a first legal mortgage and a rental assignment in favour of the bank creating a first legal mortgage over the Property on completion of the Acquisition.

10. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group intends to hold the Property as long-term investment and the Group receives rental income from leasing the Property. Upon expiry of the existing tenancies, the Group may continue to rent out the Property.

The Directors consider that the Acquisition is a good investment opportunity for the Group because the Property is located within the business district in Singapore with high future potential. The Directors believe that the Group will benefit from the anticipated growth in value of the Property in the long run and providing a steady income stream at an annual pre-tax rate of return of 8.2% for the Group based on the existing tenancies.

LETTER FROM THE BOARD

The Directors confirm that the consideration of the Property have been determined after arm's length negotiations between the parties by reference to the market value of similar properties in similar location. The Directors consider that the terms of the Acquisition are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

11. FINANCIAL IMPACT OF THE ACQUISITION

As mentioned, the Acquisition was financed by a combination of internal resources of the Group and external mortgage loan from bank. The amount of external mortgage loan was approximately 67% of the total consideration. The Property consists of two floors and an attic, and the whole Property has been rented out. The current annual yield of the existing tenancies to the total consideration and to the principal amount of the mortgage loan is 8.2% and 12.3% respectively. The Directors consider that the yield is attractive compared to the current average deposit rate of time deposit available in Hong Kong or in Singapore.

The debt servicing obligation to Yau Lee Development due to the external mortgage loan following the Acquisition is not material. The annual interest rate for the external mortgage loan is materially lower than the annual yield of the tenancies. The Company through Yau Lee Development will continue to enjoy the existing rental income of the Property during the term of the existing tenancies. The Directors are of the view that the Acquisition will have no material effect on the earnings, assets and liabilities of the Company, and the Company will continue to have adequate working capital after the Acquisition.

12. BUSINESS OF THE COMPANY

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

13. ADDITIONAL INFORMATION

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

By Order of the Board
Wong Ip Kuen
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with Listing Rules applicable to the Acquisition for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

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

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

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

Up to the Latest Practicable Date, none of the Company, its subsidiaries, its associates or its jointly controlled entities/operation is a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

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

As at the Latest Practicable Date, so far as was known to any of the Directors or chief executive of the Company, there was no person, other than a Director or chief executive of the Company as disclosed above, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying right to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE CONTRACTS

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

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and the Directors were not aware of any litigation or claim of material importance pending or threatened against any member of the Group.

5. COMPETING INTERESTS

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

6. MISCELLANEOUS

- (a) The head office and principal place of business of the Company is at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- (c) The secretary and the qualified accountant of the Company is Mr. Ho Sui Man, an associate member of The Hong Kong Institute of Certified Public Accountants, and The Chartered Institute of Management Accountants as well as a fellow member of the Chartered Association of Certified Accountants.
- (d) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Ltd., 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail over the Chinese text.