

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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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)

**RE-ELECTION OF RETIRING DIRECTORS
AND
PROPOSED GENERAL MANDATES
TO ISSUE SHARES AND REPURCHASE SHARES**

A letter from the Board of Directors of Yau Lee Holdings Limited is set out on pages 1 to 6 of this circular.

A notice convening the annual general meeting of Yau Lee Holdings Limited to be held on 30th August 2005 at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. is set out on pages 7 to 10 of this circular.

If you are not able to attend such meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

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LETTER FROM THE BOARD



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

Directors:–

Wong Ip Kuen (*Chairman*)
Wong Tin Cheung (*Vice Chairman*)
Sun Chun Wai
So Yau Chi
Dr. Yeung Tsun Man, Eric*
Wu King Cheong*
Chan, Bernard Charnwut*

Registered Office:–

Clarendon House, Church Street
Hamilton HM 11
Bermuda

Principal Office:–

10th Floor, Tower I
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

* *Independent non-executive director*

29th July 2005

To the shareholders

Dear Sirs,

**RE-ELECTION OF RETIRING DIRECTORS,
AND
PROPOSED GENERAL MANDATES
TO ISSUE SHARES AND REPURCHASE SHARES**

INTRODUCTION

This circular includes information required by the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) to be given to shareholders concerning (1) the re-election of retiring Directors; and (2) the proposed general mandates for the issue of shares and repurchase of fully-paid shares to be granted to the Directors of the Company to be approved by shareholders at the annual general meeting of the Company to be held on 30th August 2005 (the “**AGM**”).

[#] *for identification only*

LETTER FROM THE BOARD

RE-ELECTION OF RETIRING DIRECTORS

Pursuant to Bye-law 98, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to one-third, shall retire from office by rotation provided that no Director holding office as Chairman shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. The Directors to retire shall be those who have been longest in office since their last election. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Sun Chun Wai (Mr. Sun) and Mr. Chan Bernard Charnwut (Mr. Chan) shall retire at the AGM who shall then be eligible for re-election. Brief biographical details of the retiring Directors are set out below.

Mr. Sun Chun Wai, aged 44, earned his Bachelor Degree in Britain. He joined the Group in 1992 to manage the Group's property development in Mainland China, construction works, manufacturing and trading of construction materials, and development and marketing of computer software. He was appointed as a Director of the Company in 1994, responsible for the Group's business management and development in Mainland China. Mr. Sun do not hold any directorship in any listed company in the last three years.

Mr. Sun is a cousin of Mr. Wong Tin Cheung, an Executive Director and Vice Chairman of the Company. He has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Being the General Manager of certain of the Company's subsidiary companies Mr. Sun is entitled to a basic salary of HK\$702,000 per annum plus a discretionary bonus payment subject to the absolute discretion of the Board of Directors with regard to his performance and the results of the Group. His remuneration package is determined by reference to operating performance, market conditions and job responsibilities.

Mr. Chan Bernard Charnwut, aged 40, was appointed as an Independent Non-Executive Director of the Company in 2000. He is a graduate of Pomona College in California USA. While he is a member of both the Executive Council and Legislative Council of the Hong Kong Special Administrative Region, he also serves as the Chairman of the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Deputy Chairman of Lingnan University. He is also a member of the Insurance Advisory Committee, Greater Pearl River Delta Business Council and the Committee on Financial Assistance for Family Members of Those Who Sacrifice Their Lives to Save Others. Mr. Chan is currently the Executive Director and President of both Asia Financial Holdings Ltd., a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and Asia Insurance Co. Ltd. He is a non-executive director of City e-Solutions Limited, an independent non-executive director of each of Peaktop International Holdings Limited and Pioneer Global Group Limited, all of which are listed on the Stock Exchange. In addition, he is also an Advisor of the Bangkok Bank (Hong Kong Branch), the Chairman of Hong Kong-Thailand Business Council and the Chairperson of The Hong Kong Council of Social Service.

LETTER FROM THE BOARD

Save as disclosed above, Mr. Chan do not hold any other positions with the Company or any of its subsidiaries and his contracts of appointment which expires on 4th June 2006 entitle him to a fixed annual salary of HK\$250,000. Mr. Chan is not entitled to any bonus payments. Mr. Chan do not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company nor he has any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

As far as the Directors are aware, there are no other matters which are required to be brought to the attention of the Shareholders of the Company.

EXERCISE OF THE SHARE ISSUE MANDATE

Resolution No. 6(1) set out in the notice of AGM (the “**AGM Notice**”) dated 29th July 2005 will, if passed, give a general unconditional mandate (the “**Share Issue Mandate**”) to the Directors authorizing the exercise by the Directors of the powers of the Company to allot additional shares of HK\$0.20 each in the capital of the Company (“**Shares**”). This authority would apply to up to 20% of the nominal amount of the share capital of the Company in issue at the date of the AGM and could be exercised at any time during the Relevant Period (as defined in Resolution No. 6(1) set out in the AGM Notice).

EXERCISE OF THE REPURCHASE MANDATE

Resolutions No. 6(2) and 6(3) set out in the AGM Notice will, if passed, give a general unconditional mandate (the “**Repurchase Mandate**”) to the Directors authorizing the repurchase by the Company of up to 10% of the fully paid Shares in issue at the date of the AGM at any time during the Relevant Period (as defined in Resolution No. 6(2) set out in the AGM Notice).

The Directors believe that these proposals, which are similar to those approved by shareholders in previous years, will provide the Board with a prudent measure of flexibility for them to act in the Company’s interests. The information set out below constitutes an Explanatory Statement (as defined in Rule 10.06 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)) for the purpose of the Listing Rules:-

(1) Share Capital

Exercise in full of the Repurchase Mandate (on the basis of 440,949,600 Shares in issue as at 25th July 2005, being the latest practicable date (the “**Latest Practicable Date**”) prior to the printing of this circular) would result in up to 44,094,960 Shares being repurchased by the Company during the Relevant Period as defined in Resolution No. 6(2).

(2) Reasons for Repurchases

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to repurchase Shares. Such repurchases may, depending on market conditions and

LETTER FROM THE BOARD

funding arrangements at the time, lead to an enhancement in the value of the Shares and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

(3) Funding of Repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the laws of Bermuda and the Memorandum of Association and Bye-laws of the Company. Such funds may include profits available for distribution and the proceeds of a fresh issue of Shares made for the purpose of the repurchases.

There might be an adverse impact on the working capital requirements or gearing levels of the Company (as compared with the position disclosed in the annual report of the Company for the year ended 31st March 2005) in the event that the Repurchase Mandate is exercised in full at any time during the Relevant Period (as defined in Resolution No. 6(2)). However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(4) Share Price

The highest and lowest prices at which Shares have been traded on the Stock Exchange during each of the previous twelve months from 1st July 2004 were as follows:

	Traded Market Price	
	Highest HK\$	Lowest HK\$
2004		
July	0.455	0.305
August	0.520	0.420
September	0.550	0.440
October	0.490	0.450
November	0.730	0.480
December	0.750	0.570
2005		
January	0.720	0.620
February	0.750	0.660
March	0.740	0.650
April	0.790	0.670
May	0.740	0.670
June	0.720	0.670
July (up to the Latest Practicable Date)	0.690	0.600

LETTER FROM THE BOARD

(5) Disclosure of Interests

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to the Company or its subsidiaries under the Repurchase Mandate if such Repurchase Mandate is approved by shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the laws of Bermuda.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by shareholders.

(6) Hong Kong Code on Takeovers and Mergers

If as a result of a repurchase of Shares by the Company, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Code**"). Accordingly, a shareholder, or a group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code. All Fine Investment Company Limited holds 230,679,599 Shares, representing approximately 52.31% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Wong Ip Kuen, a Director of the Company, owns the entire issued share capital of All Fine Holdings Company Limited, which in turn owns the entire issued share capital of All Fine Investment Company Limited. The Directors are not aware of any such consequences which would arise under the Code as a consequence of any purchase pursuant to the Repurchase Mandate. In the event that any exercise of the Repurchase Mandate would, to the knowledge of the Directors, have such a consequence, the Directors would not exercise the mandate to such an extent.

In addition, assuming that the Repurchase Mandate is exercised in full, the share capital of the Company in issue will be reduced to 396,854,640 Shares (on the basis of 440,949,600 Shares in issue as at the Latest Practicable Date). Mr. Wong Ip Kuen, through All Fine Holdings Company Limited and All Fine Investment Company Limited, will hold 230,679,599 Shares, representing approximately 58.12% of the issued share capital of the Company after the exercise of the Repurchase Mandate in full. As far as the Directors are aware, the full exercise of the Repurchase Mandate will not have any impact on the relevant minimum public shareholding requirements as stipulated in the Listing Rules.

(7) Repurchases made by the Company

The Company has not repurchased Shares (whether on the Stock Exchange or otherwise) in the six months up to the Latest Practicable Date.

LETTER FROM THE BOARD

PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to Bye-law 79 of the Company's Bye-laws, a resolution put to the vote at the general meeting shall be determined by a show of hands of the members present in person or by proxy and entitled to vote unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

- (a) the Chairman of the meeting; or
- (b) at least three members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and holding Shares conferring a right to vote at the meeting, being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

ANNUAL GENERAL MEETING

The AGM Notice is set out on pages 7 to 10 of this circular. A form of proxy for use at the AGM is enclosed with 2004/2005 Annual Report. If you do not intend to be present at the AGM, you are requested to complete the form of proxy and return it to the Company's principal place of business in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the AGM. Completion and deposit of the form of proxy will not preclude you from attending and voting at the AGM if you so wish.

RECOMMENDATION

The Directors believe that the re-election of the retiring Directors, the Share Issue Mandate and the Repurchase Mandate are in the interests of the Company and the shareholders of the Company as a whole. Accordingly, the Directors recommend that all shareholders should vote in favour of the relevant Resolutions to be proposed at the AGM.

Yours faithfully,
For and on behalf of the Board
Yau Lee Holdings Limited
Wong Ip Kuen
Chairman

NOTICE OF ANNUAL GENERAL MEETING



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

NOTICE IS HEREBY GIVEN that the annual general meeting of Yau Lee Holdings Limited (the “**Company**”) will be held at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong on 30th August 2005 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following Resolutions:

1. To receive the audited consolidated accounts, Reports of the Directors and Auditors Report for the financial year ended 31st March 2005;
2. To declare a final dividend;
3. To re-elect Directors (please read Note 3);
4. To re-appoint auditors and to fix their remuneration;

As special business to consider and, if thought fit, pass the following Resolutions as Ordinary Resolutions:

5. “**THAT** for the period up until the next annual general meeting each of the Directors is authorised to be paid a director’s fee of such sum not exceeding HK\$300,000 as the board of Directors shall determine.”
6. (Please read Note 4)

(1) “**THAT**:

- a) the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company, including making and granting offers, agreements and options which would or might require shares to be allotted, issued or dealt with whether during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary

[#] for identification only

NOTICE OF ANNUAL GENERAL MEETING

or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of, any recognised regulatory body or any stock exchange in, any territory outside Hong Kong), the additional shares allotted, issued or dealt with, (including shares agreed conditionally or unconditionally to be allotted, issued or dealt with, whether pursuant to an option or otherwise) shall not in aggregate exceed 20 per cent of the nominal amount of the share capital of the Company in issue at the date of this Resolution;

b) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- i. the conclusion of the next annual general meeting of the Company;
 - ii. the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of Bermuda or the bye-laws of the Company (the “**Bye-laws**”) to be held; and
 - iii. the revocation or variation of the authority given under this Resolution by way of Ordinary Resolution of the shareholders of the Company in general meeting; and
- c) the authority contained in this Resolution shall replace the similar authority granted at the general meeting of the Company held on 25th August 2004.”

(2) “**THAT:**

- a) there be granted to the Directors of the Company an unconditional general mandate to repurchase shares in the capital of the Company, and that the exercise by the Directors of the Company of all powers of the Company to purchase shares subject to and in accordance with all applicable laws, rules and regulations be and is hereby generally and unconditionally approved, subject to the following conditions:
 - i. such mandate shall not extend beyond the Relevant Period (as hereinafter defined);
 - ii. such mandate shall authorise the Directors of the Company to procure the Company to repurchase shares at such prices as the Directors of the Company may at their discretion determine;

NOTICE OF ANNUAL GENERAL MEETING

- iii. the aggregate nominal amount of the shares repurchased by the Company pursuant to this Resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution; and
- b) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
 - i. the conclusion of the next annual general meeting of the Company; and
 - ii. the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of Bermuda or the Bye-laws to be held; and
 - iii. the revocation or variation of this Resolution by an Ordinary Resolution of the shareholders of the Company in general meeting.
- c) the authority contained in this Resolution shall replace the similar authority granted at the general meeting of the Company held on 25th August 2004.”
- (3) “**THAT** conditional upon the passing of Resolutions No. 6(1) and 6(2) as set out in the Notice convening this Meeting, the aggregate nominal amount of the shares which are repurchased by the Company pursuant to and in accordance with Resolution No. 6(2) above shall be added to the aggregate nominal amount of the shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to and in accordance with Resolution No. 6(1).”

By Order of the Board
Chui Man Lung, Everett
Company Secretary

Hong Kong, 29th July 2005

Registered Office:–
Clarendon House, Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:–
10th Floor, Tower I
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's principal place of business at 10th Floor, Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong at least 48 hours before the time fixed for holding the meeting or any adjournment thereof.
3. Mr. Sun Chun Wai and Mr. Chan, Bernard Charnwut are retiring Directors subject to re-election at the forthcoming general meeting.
4. With regard to the Ordinary Resolutions referred to in agenda items 6(1) and 6(2), approval is being sought from the shareholders for a general mandate to (a) allot shares of the Company and (b) re-purchase shares up to the relevant 20 per cent and 10 per cent limits. These authorities are sought in order that the Directors might take advantage of any relevant circumstances but the Directors have no immediate plans to issue any new shares of the Company or re-purchase any shares of the Company pursuant to such mandates.
5. Members are recommended to read the circular of the Company containing information concerning the Resolutions proposed in this notice.

As at the date hereof, the board of Directors of the Company comprises Mr. Wong Ip Kuen, Mr. Wong Tin Cheung, Mr. Sun Chun Wai, Mr. So Yau Chi, Dr. Yeung Tsun Man, Eric*, Mr. Wu King Cheong* and Mr. Chan, Bernard Charnwut*.

* *independent non-executive Director*