



有利集團有限公司

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 406)

ANNUAL REPORT
2007



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BOARD OF DIRECTORS AND CORPORATE INFORMATION

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*

* Independent Non-Executive Director

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10th Floor, Tower 1
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

URL: <http://www.yaulee.com>
<http://www.irasia.com>

COMPANY SECRETARY

Chui Man Lung, Everett

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
BNP Paribas Hong Kong Branch
Bank of Tokyo-Mitsubishi UFJ, Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

AUDITORS

PricewaterhouseCoopers

SOLICITORS

Gallant Y.T. Ho & Co
T. H. Koo & Associates

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Ltd.
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

RESULTS OF THE YEAR

The consolidated turnover of Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2007 has increased by 45% to HK\$2,109,311,000 (2006: HK\$1,452,208,000) while the gross profit increased by 42% to HK\$177,667,000 (2006: HK\$125,290,000). The gross profit margin however has decreased slightly from 8.6% in 2006 to 8.4% in this year. Together with the fair value gain on investment properties of HK\$41,000,000 (2006: HK\$9,000,000), the operating profit of the Group has increased by HK\$67,371,000 or 249% to HK\$94,415,000 (2006: HK\$27,044,000). Full year results for the hotel operation in 2007 compare with only 5-month operation in 2006 is also a main contributor to the improved results of the Group. However, high finance costs have continued to impact the Group's results. The total finance costs has increased by 88% to HK\$40,344,000 (2006: HK\$21,435,000). Improvements in the performance of the Group's jointly controlled entities were recorded and provision on amount due from an associate of HK\$4,033,000 has been written back. The performances of individual business segment are detailed in note 5 to the financial statements. As a result the Group has achieved a profit before income tax and profit attributable to equity holders of HK\$66,666,000 (2006: HK\$5,099,000) and HK\$49,790,000 (2006: HK\$1,967,000) respectively. The net assets value of the Group as at 31 March 2007 was HK\$866,625,000 (2006: HK\$814,332,000) equivalent to HK\$1.97 (2006: HK\$1.85) per share based on the 440,949,600 (2006: 440,949,600) ordinary shares in issue.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK1.0 cent per share (2006: Nil) for the year ended 31 March 2007. Subject to equity holders' approval at the forthcoming Annual General Meeting, the final dividend will be paid on 25 September 2007 to equity holders whose name appear on the Company's register of members on 24 August 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20 August 2007 to Friday, 24 August 2007, 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, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on Friday, 17 August 2007.

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

During the year, the Group completed four contracts with a total contract value of HK\$608 million and secured three contracts with total contract sum of HK\$675 million giving the total value of contracts in hand as at 31 March 2007 of HK\$3,344 million (2006: HK\$3,277 million). Subsequent to the year ended and up to 30 June 2007, the Group has further secured four contracts with total value of HK\$2,175 million and a joint venture contract with contract sum HK\$1,654 million and completed two contracts with total contract sum of HK\$1,383 million. The sum of value contracts in hand excluding joint venture contract has therefore increased to HK\$4,136 million as of 30 June 2007 from that of the year ended date. The increase in turnover and contracts in hand was the result of the upturn of the construction market in Hong Kong. The results of the construction segment decreased from HK\$12,721,000 in 2006 to HK\$8,777,000 in 2007, because of upward revision of the costs estimation for some construction projects. However, the effect of increased costs was partially offset by the reversal of amounts due from customers on construction contracts previously written off.

REVIEW OF OPERATIONS *(Continued)*

Building construction, renovation and maintenance *(Continued)*

Upholding of high quality, safety and environmental standards have always been the Group's major focus. Relentless effort has been made to maintain the high standard. The effort of the Group is well recognised by the industry and over 45 safety, quality and environmental awards have been awarded to the Group during the year. The major awards are:

1. the "Gold Award for Outstanding Waste Management Performance Grand Award" for the **Considerate Contractors Site Award**
2. the "Gold Award for Outstanding Contractor Award (Building)" for **New Works Category of the Quality Public Housing Construction and Maintenance Award**
3. the "Gold Award for Building Sites (Public Sector)" for the **Safety Award Scheme for the Construction Industry**
4. the "Silver Award for Building Site (Public Sector)" for the **Safety Award Scheme for the Construction Industry**

Property investment

The Group's wholly owned investment properties at 33 Sharp Street East Causeway Bay (also known as Express by Holiday Inn Causeway Bay, Hong Kong) made a substantial contribution to the Group's results. The retail units are fully let during the year and the average occupancy rate of the Hotel is better than the market average in Hong Kong. Due to the improvement in the property market, especially retail properties, the Group recorded a gain in fair value of the retail portion of HK\$41,000,000.

Other Operations

The Group's other business comprises information technology services provision, precast building components manufacturing and trading, plumbing works, building materials trading and the newly set up curtain wall and steel works contracting division. These businesses account for only about 2% of the Group's total external sales and therefore did not have a significant contribution to the Group's result. However they do form integral parts of the Group's operation for the upholding of the quality of the Group's services and products.

OUTLOOK

The construction industry has begun its upturn during the year and we expect the trend will continue in the foreseeable future. However, competition in the market remains keen and there is ever increasing demand in the technical and financial capability of contractors. The Group's effort in enhancing technical abilities has been rewarded by the winning of several large Design and Build contracts from the government. And the management foresees that this will continue to be the major focus of the construction market in Hong Kong in the coming years. The demand for the public housing estate construction and maintenance work shall remain stable, the Group with its ample experience and good track record should also be able to sustain a reasonable market share.

The hotel and investment properties owned by the Group shall continue to be a major contributor to the Group's results. The hotel's occupancy rate and the room rate are expected to increase as the upward trend of demand for mid tariff hotels maintain its momentum. Certain of the leases for the investment properties are due for renewal in the coming months. Increase in rental income is expected base on the current market conditions.

With the promising future of both the construction market, the property market and the hotel market, the management believes the Group shall continue its growth trend in the coming years. At the same time the management will keep an eye on any suitable opportunities that may arise.

By order of the Board

Wong Ip Kuen

Chairman

Hong Kong, 19 July 2007

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

At 31 March 2007, the Group's total cash in hand was HK\$213,011,000 (2006: HK\$257,696,000) while total bank borrowings increased by HK\$157,524,000 in 2007 to HK\$889,827,000 (2006: HK\$732,303,000) this year. The substantial increase in bank borrowings was caused by the increased debtors, due from customers and other receivables resulted from the significant increase during the year. If the HK\$426,800,000 (2006: HK\$446,800,000) long-term loan secured by the Group's hotel and investment properties is excluded, the Group has a net debt of HK\$250,016,000 (2006: HK\$27,807,000) representing a net debt to equity ratio of 28.8% (2006: 3.4%). The current ratio (total current assets: total current liabilities) has maintained at 1.6 (2006: 1.6). Due to the increased indebtedness, the Group has breached certain of the loan covenants imposed by a syndicate of banks (the "Banks") in respect of a committed loan facility of up to HK\$100,000,000 (the "Loan"). The outstanding balance of the Loan as at 31 March 2007 was HK\$100,000,000 and has been reduced to HK\$70,000,000 subsequent to the year end date. In accordance with the relevant loan agreements, the Banks have the right to withdraw the facilities. However, a waiver application has been submitted to the Banks for a waiver of the above breach. Base on the long-term relationship and good track record with the Banks, the management is confident that a waiver can be obtained and there will not be any adverse effect to the Group's liquidity.

The short-term and long-term bank borrowings are secured by the Group's investment properties, investment in unit trust 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 31 March 2007 was approximately HK\$1,021 million (2006: HK\$951 million), of which approximately HK\$913 million (2006: HK\$747 million) had been utilised.

HUMAN RESOURCES

At 31 March 2007, the Group employed approximately 1,000 employees in Hong Kong and Macau and approximately 1,000 employees in Mainland China.

Employees in Hong Kong and Macau 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 Mainland China are remunerated according to the prevailing market conditions in the location of their employment.

Employees are encouraged to participate voluntary community services as part of their development. The Group was awarded "Caring Company 2006/2007" organized by the Hong Kong Council of Social Service.

SUMMARY OF CONTRACTS

CONTRACTS COMPLETED DURING THE YEAR ENDED 31 MARCH 2007

Contracts	Commencement date	Completion Date	Original contract value HK\$ million
Design and Construction of Joint User Building at Rock Hill Street, Kennedy Town	July 2003	May 2006	213
Term Contract for the Alterations, Additions, Maintenance & Repairs of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible (Tuen Mun & Yuen Long)	April 2004	March 2007	347
District Term Contract for the Maintenance and the Vacant Flat refurbishment for Chuk Yuen (South), Choi Wan (II) and Tsui Ping (South) Estates	July 2004	June 2006	32
Construction of 6 Essex Crescent	July 2005	September 2006	16
Total			608

SUMMARY OF CONTRACTS

CONTRACTS SECURED IN PRIOR YEAR AND IN PROGRESS DURING THE YEAR ENDED 31 MARCH 2007

Contracts	Commencement date	Original contract value HK\$ million	Estimated remaining works as at 31 March 2007 HK\$ million
Redevelopment of Kwai Chung Flatted Factory	January 2005	366	148
Main Works (Area B) for Hong Kong Science Park Phase 2 at Pak Shek Kok, Tai Po	May 2005	1,270	131
Term Contract for the Design and Construction of Fitting-Out Works to Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Kowloon and New Territories – Western Region)	July 2005	113	10
Redevelopment of Un Chau Street Estate Phases 2 and 4 and Minor Works	August 2005	640	299
Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Kowloon City, Sai Kung and Outlying Islands (Sai Kung))	October 2005	239	120
Residential Development at 3 Middle Gap Road, Hong Kong	December 2005	41	29
Total		2,669	737

SUMMARY OF CONTRACTS

CONTRACTS SECURED IN CURRENT YEAR AND IN PROGRESS DURING THE YEAR ENDED 31 MARCH 2007

Contracts	Commencement date	Original contract value HK\$ million	Estimated remaining works as at 31 March 2007 HK\$ million
Completion Contract for the Construction of Fanling Area 36 Phase 1	June 2006	552	478
Kwai Chung (District Open Space) Phase 2A & Kwai Chung Estate (Lift Tower & Footbridge) Phase 5A	September 2006	77	65
Term Maintenance Contract (Region 1) for Kowloon East, Hong Kong and Tseung Kwan O 2007/2009	March 2007	46	45
Total		675	588
Contracts in hand as at 31 March 2007		3,344	1,325

CONTRACTS SECURED SUBSEQUENT TO THE YEAR ENDED UP TO 30 JUNE 2007

Contracts	Commencement date	Original contract value HK\$ million
Construction of Choi Wan Road Development Site 3B Phase 1	April 2007	551
Design and Construction of Reprovisioning of Central District Headquarters and Central Divisional Police Station at Chung Kong Road, Sheung Wan	April 2007	240
Design and Construction of Redevelopment of Lo Wu Correctional Institution	April 2007	1,228
District Term Contract for the Maintenance and the Vacant Flat Refurbishment for Ma On Shan and Shatin North District (2007/2010)	May 2007	156
Total		2,175

SUMMARY OF CONTRACTS

CONTRACTS SECURED BY A JOINTLY CONTROLLED ENTITY/JOINT VENTURE

Contracts	Commencement date	Original contract value HK\$ million	Estimated remaining works as at 31 March 2007 HK\$ million
Podium Internal Facade for Venetian Macao Resort Hotel in Cotai, Macau	September 2005	168	36
Design and Construction of Prince of Wales Hospital – Extension Block at Shatin	April 2007	1,654	N/A

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Ip Kuen

aged 71, is the Chairman of the Group. Mr. Wong has over 50 years of experience in the building construction industry of Hong Kong. He is responsible for the overall strategic development and management of the Group.

Mr. Wong Tin Cheung

aged 43, is the Vice Chairman of the Group, Managing Director of Yau Lee Construction Company Limited ("Yau Lee Construction") and Yau Lee Wah Concrete Precast Products Company Limited ("Yau Lee Wah") and CEO of VHSOFT Technologies Company Limited ("VHSOFT"). He is responsible for overall corporate development and management of the Group. Having earned his Bachelor Degree in Civil Engineering at the University of Southampton, Master Degree in Foundation Engineering at the University of Birmingham, and Master of Business Administration at the Chinese University of Hong Kong, he has been taking an active role in Hong Kong construction industry for the past decade. He is the President of the Hong Kong Construction Association, a Member of the Construction Industry Council and the Chairman of Pneumoconiosis Compensation Fund Board. Mr. Wong is a Fellow of the Chartered Institute of Building and is an Adjunct Professor in the Department of Building and Real Estate of the Hong Kong Polytechnic University. He won the "2001 Hong Kong Outstanding Young Digi Persons Award" and the "Bauhinia Cup Outstanding Entrepreneur Award 2002" presented by the Hong Kong Polytechnic University.

Mr. Sun Chun Wai

aged 46, he earned a Bachelor Degree in Britain. He joined the Group in 1992 to manage the Group's property development, construction works, manufacturing and trading of building materials, and development and marketing of computer software in Mainland China. He was appointed as a Director of the Company in 1994 and is responsible for the Group's business management and development in Mainland China.

Mr. So Yau Chi

aged 63, joined the Group in 1994 as the General Manager of Yau Lee Construction and was appointed as a Director of the Group in 1996. He is responsible for the overall management of Yau Lee Construction. Before joining the Group, he worked in the Housing Department for over 17 years and held the post of Senior Structural Engineer before he left. Mr. So is a Fellow of the Institution of Structural Engineers in the United Kingdom and was the Vice President of the Hong Kong Institution of Engineers for the 1994/95 sessions.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yeung Tsun Man, Eric

aged 61, has been appointed as an Independent Non-Executive Director of the Company since 1993. Dr. Yeung is Director and Vice President of Perfekta Enterprises Limited, a toy manufacturing company. He holds directorship in companies in Hong Kong, Macau, China, the United States of America and Australia, which are engaged in electronics, trading and agriculture businesses. He is a Standing Committee Member of the National Committee, The Chinese People's Political Consultative Conference, an Executive Committee Council Member of the Hong Kong Management Association, the Chairman of Macau Productivity and Technology Transfer Centre, Member of World Presidents' Organisation and Chief Executives' Organisation. He was awarded the Medal of Merit by the Macau Government in 1994, Commander of the Order of Merit by the Government of Portugal in 1998 & the Medal of Professional Merit by the Macau SAR Government 2001. He is also listed in "The Marquis Who's Who in the World" and "The International Who's Who of Professionals".

Mr. Wu King Cheong

aged 56, has been appointed as an Independent Non-Executive Director of the Company since 1994. Mr. Wu is a Councillor of the Eastern District Council of the Hong Kong Special Administrative Region, the Vice Chairman of the Chinese General Chamber of Commerce, a Member of Hong Kong Housing Authority, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Stockbrokers Association. He is an Executive Director of Lee Cheong Gold Dealers Limited. He is also an Independent Non-executive Director of Chevalier Pacific Holdings Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Miramar Hotel and Investment Company Limited and Hong Kong Ferry (Holdings) Company Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Chan, Bernard Charnwut

aged 42, has been appointed as an Independent Non-Executive Director of the Company in 2000. A graduate of Pomona College in California USA, he holds the positions of Executive Director and President of Asia Financial Holdings Limited and Asia Insurance Company Limited. 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 Deputy Chairman of Lingnan University. He is also a member of the Insurance Advisory Committee, Greater Pearl River Delta Business Council and the Antiquities Advisory Board. He is a Non-Executive Director of City e-Solutions Limited and New Heritage Holdings Limited, an Independent Non-Executive Director of each of Chen Hsong Holdings Limited, China Resources Enterprise Limited, Kingboard Laminates Holdings Limited and Wing Lung Bank 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT*

Mr. Chan Sou Kai, *Chief Quantity Surveyor*

aged 60, joined the Group in 2000. Mr. Chan is a Professional Member of Royal Institution of Chartered Surveyors. He has 38 years of experience in quantity surveying. He is responsible for contractual matters of Yau Lee Construction.

Mr. Cheung Woon Yin, *Deputy General Manager*

aged 54, joined Yau Lee Construction in 1986 as a Contract Manager and was promoted to his present post in 1996. He has over 30 years of experience in the construction industry. He holds a Higher Certificate in Construction Technology and is an associate of the Chartered Institute of Building.

Mr. Chui Man Lung Everett, *Financial Controller and Company Secretary*

aged 43, joined the Group in 1995. Mr. Chui is a Fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has 21 years of experience in auditing, accounting and financial management. He holds a BSc(Hons) in Business Economics and Accounting. He is responsible for all corporate finance, accounting and company secretarial matters of the Group.

Mr. Pang Tak Him, *General Manager – Building Renovation Division*

aged 53, joined Yau Lee Construction in 1988 and was promoted to his present post in 2002. He has over 30 years of experience in the construction industry. He holds a Higher Certificate in Construction Engineering. He is responsible for overall administration and supervision of the project design & supervisory teams of the Building Renovation Division.

Ms. Tang Wai Chun, *Chief Quantity Surveyor*

aged 50, joined the Group in 1993, Ms. Tang is a Professional Member of the Royal Institution of Chartered Surveyors and of the Hong Kong Institute of Surveyors, Member of the Chartered Institute of Arbitrators and Registered Professional Surveyor (QS). She is also a Certified General Contractor in Construction in the state of Florida, the United States of America. She holds a Bachelor Degree in Quantity Surveying. She has 28 years of experience in arbitration, mediation, quantity surveying, project management and subcontracting business in civil, building, maintenance & repair and fitting-out works in Hong Kong, the United Kingdom, Central America and the United States of America. She has been the chairperson and member of the Course Advisory Committee on Measurement Technician Programme and Course Advisory Committee on Certificate in Quantity Measurement of the Construction Industry Training Authority since 2002 and 2004 respectively. She is responsible for quantity surveying management, contract and disputes resolution advisory of Yau Lee Construction.

* *In alphabetical order*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SITE MANAGEMENT

Contract Managers*

- Cheung Yu Wai
- Lam Wai Chung
- Lau Wai Foo
- Man Tin Hung
- Tsang Kwok Man
- Wong Kwok Keung

Project Managers*

- Chung Chi Hung
- Ho Chi Man
- Lam Lap Wa
- Lee Shiu Ming
- Ng Fuk Ping, Edwin
- Ngan Siu Tak

HEAD OFFICE MANAGEMENT

Department Heads*

- | | |
|--------------------------|------------------------------------|
| • Chan Chi Ming, Antonio | Building Services Department |
| • Ko Hwee Sau Chun | Administration Department |
| • Kwan Man Ho | Machinery and Logistics Department |
| • Lam Chan Sing | Health & Safety Department |
| • Leung Sau Lin | Finance & Accounts Department |
| • Wong Ming Tak | Tender and Purchase Department |
| • Wong Sik Yan | Information Technology Department |
| • Wong Wai Man | Corporate Development Department |
| • Yu Chi Kin | Quality Department |

SUBSIDIARIES MANAGEMENT

Ming Hop Company Limited*

- | | |
|-----------------|---------------------------|
| • Ng Hak Ming | Contract Manager |
| • Wong Lai Ying | Assistant General Manager |

VHSoft

- | | |
|-----------------------|-------------------------|
| • Mak Yiu Kau, Hubert | Chief Operating Officer |
|-----------------------|-------------------------|

Yau Lee Wah

- | | |
|------------------|---------------------------|
| • Wong Chi Leung | Assistant General Manager |
|------------------|---------------------------|

Yau Lee Curtain Wall and Steel Works Limited

- | | |
|-----------------------|---------|
| • Cheung Lok Fu, Leon | Manager |
|-----------------------|---------|

* In alphabetical order

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of the Company and the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property investment and the operation of a hotel in Hong Kong. In addition, the Group is engaged in other activities which mainly include computer software development and provision for website hosting services.

The Group's revenue and operating profit/(loss) for the year ended 31 March 2007 are analysed as follows:

	Revenue HK\$'000	Operating profit/(loss) HK\$'000
Contracting of building construction, plumbing, maintenance and fitting-out projects	1,970,496	23,604
Building materials trading	32,925	1,943
Property leasing	12,647	38,565
Hotel operation	84,609	43,420
Others	8,634	(13,117)
	2,109,311	94,415

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 24.

The Directors recommend the payment of a final dividend of HK1.0 cent per share, total approximately HK\$4,409,000 for the year ended 31 March 2007.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 32 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK\$4,900.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out on page 72.

DISTRIBUTABLE RESERVES

At 31 March 2007, the reserves of the Company available for distribution, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to approximately HK\$143,019,000 (2006: HK\$142,893,000).

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws of Bermuda.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 71.

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.

SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Since 17 October 2000, the Company has operated a share option scheme (the "Share Option Scheme") under which the Company may grant options to Directors and employees of the Group to subscribe for shares in the Company. Up to 31 March 2007, no share options have been granted under the Share Option Scheme.

A summary of the details of the Share Option Scheme are as follows:

Purpose of the scheme	:	To retain qualified and skilled employees to contribute to the development of the Group
Participants	:	Full-time employees (including Executive Directors of the Company and any of its subsidiaries)
Total number of shares of the Company available for issue and the percentage of the issued share capital that it represents at the date of annual report	:	44,094,960 shares (10% of the issued share capital of the Company)
Maximum entitlement of each participant	:	Shall not exceed 25% of the aggregate number of shares subject to the Share Option Scheme at the time of the proposed grant of that option
Period within which the securities must be taken up under an option	:	One year after the date of grant and no later than ten years from the date of adoption of the Share Option Scheme
Minimum period for which an option must be held before it can be exercised	:	Not applicable

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

A summary of the details of the Share Option Scheme are as follows: *(Continued)*

Period within which payments/calls/loan must : Not applicable
be made/repaid

Basis of determining the exercise price : Details are set out in note 31 to the financial statements

The remaining life of the share option scheme : The scheme remains in force for a period of 10 years until
16 October 2010

Save as otherwise disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS

The Directors during the year were:

Executive Directors

Mr. Wong Ip Kuen (*Chairman*)

Mr. Wong Tin Cheung (*Vice Chairman*)

Mr. Sun Chun Wai

Mr. So Yau Chi

Independent Non-Executive Directors

Dr. Yeung Tsun Man, Eric

Mr. Wu King Cheong

Mr. Chan, Bernard Charnwut

In accordance with the Company's bye-laws, Dr. Yeung Tsun Man, Eric and Mr. Wu King Cheong retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Group which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 March 2007, the interests 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 and The Stock Exchange of Hong Kong Limited ("SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Shares of HK\$0.2 each in the Company

Director	Number of shares held (long position)	
	Corporate interest	Percentage
Mr. Wong Ip Kuen	234,033,599	53.07%

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 3,354,000 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 a director of both All Fine Investment Company Limited and Billion Goal Holdings Limited.

During the year, none of the Directors and chief executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

At no time during the year was the Company, its subsidiaries, its associates or its jointly controlled entities 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 31 March 2007, 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

- | | |
|--------------------------|-----|
| – the largest supplier | 12% |
| – five largest suppliers | 27% |

Sales

- | | |
|--------------------------|-----|
| – the largest customer | 41% |
| – five largest customers | 93% |

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 March 2007, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") are disclosed in Note 37 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

CORPORATE GOVERNANCE

The Company's corporate Governance Report is set out on pages 19 to 22.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Ip Kuen

Chairman

Hong Kong, 19 July 2007

CORPORATE GOVERNANCE REPORT

The Directors is committed to safeguard the interest of its shareholders by complying with the corporate governance requirements set out in the Code on Corporate Governance Practice (the “Code”) as set out in the Appendix 14 of the Listing Rules. The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders through prudent management, investment and treasury policies.

COMPLIANCE WITH LISTING RULES

In the opinion of the Directors, the Company has complied with the requirements of the Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2007.

THE BOARD OF DIRECTORS

During the year, the Board of Directors of the Company comprised of four Executive Directors and three Independent Non-Executive Directors, whose personal biographies are set out in pages 10 to 11 of this Annual Report.

The Company forms its Board of Directors based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required experience and management expertise. In order to balance the power between the Executive Directors and Independent Non-Executive Directors, the Company appointed three qualified candidates to become its Independent Non-Executive Directors to ensure the independence of the policy making process of the Board and protect the interest of its shareholders. The Company has received confirmations of independence from each of the Independent Non-Executive Directors. The Company considers them to be independent.

The responsibilities of the chairman and vice chairman of the Company are properly defined and separated. The chairman is responsible for leading the Board of Directors to ensure effective operation of the Board and full compliance with corporate governance requirements. The vice chairman is responsible for the day-to-day operation of the Company and implementation of the development strategy adopted by the Board of Directors. The chairman is the father of the vice-chairman.

The Directors delegates day-to-day operation of the business of the Group to the management of relevant subsidiaries or divisions.

The Directors held regular meetings during the year to discuss the overall development strategy, operations and financial reporting of the Company. The matters resolved and considered by the Directors include overall development strategies, major acquisition, annual and interim results, dividend policy, proposed appointment and re-election of directors, appointment of auditors and other operation and financial matters relating to the Company. The time, agenda and related documents of the board meeting will be available to the Directors at least 14 working days in advance to enable each Director to fully understand the matters to be discussed and make an informed opinion. Each Director has the right to seek independent professional advice in furtherance of his duties at the expense of the Company. No Director has requested to seek professional advice as mentioned above during the year.

THE BOARD OF DIRECTORS (Continued)

During the year ended 31 March 2007, five board meetings were held. The attendance of the Directors at the meetings of the Board and its respective committees is as follows:

	Board meeting	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Wong Ip Kuen	5/5	N/A	N/A	N/A
Mr. Wong Tin Cheung	5/5	N/A	1/1	N/A
Mr. Sun Chun Wai	5/5	N/A	N/A	N/A
Mr. So Yau Chi	5/5	N/A	1/1	N/A
Dr. Yeung Tsun Man, Eric	5/5	3/3	1/1	0/0
Mr. Wu King Cheong	4/5	2/3	1/1	0/0
Mr. Chan, Bernard Charnwut	5/5	3/3	1/1	0/0

SUB-COMMITTEES OF THE BOARD

The Directors has set up an audit committee, a remuneration committee and nomination committee, all of them are chaired by an Independent Non-Executive Director with written terms of reference which were discussed and approved by the Directors. The duties of the three committees are as follows:

AUDIT COMMITTEE

The Audit Committee was established in April 1999 and its responsibilities including of reviewing the Company's financial reporting, internal control system, appointment of auditors and review of corporate governance issues and make recommendations to the Board. The committee comprises:

Dr. Yeung Tsun Man, Eric – *Chairman of the Committee*
 Mr. Wu King Cheong
 Mr. Chan, Bernard Charnwut

The chairman of the Audit Committee is an independent non-executive director and its members are all independent non-executive directors with relevant financial and commercial experience. Their role is to ensure objectivity and credibility of financial reporting, and that the Directors have exercised the care, diligence and skills prescribed by law when presenting results to the shareholders.

The Audit Committee held three meetings in the year ended 31 March 2007 to review the results, the accounting principles and practices adopted by the Company, the requirements of the Listing Rules and discuss the auditing, internal control, risk management and financial reporting matters with the Company's senior management and independent auditors. The record of attendance of the members is listed on page 20.

AUDITORS' REMUNERATION

The Company engaged PricewaterhouseCoopers as the Company's external auditors. For the year ended 31 March 2007, PricewaterhouseCoopers provided the following services to the Group:

	HK\$'000
Audit services	1,470

REMUNERATION COMMITTEE

The Remuneration Committee was established in April 2005 and is chaired by Mr. Chan, Bernard Charnwut. The Remuneration Committee is responsible for the approval of remuneration packages (including non-monetary benefits, retirement benefits and share option scheme) for all executive directors and senior management and advising on the remuneration of Independent Non-Executive Directors. The Remuneration Committee met once during the year ended 31 March 2007 and the record of attendance of the members is listed on page 20. The members of the Remuneration Committee are as follows:

Mr. Chan, Bernard Charnwut – *Chairman of the Committee*
Dr. Yeung Tsun Man, Eric
Mr. Wu King Cheong
Mr. Wong Tin Cheung
Mr. So Yau Chi

NOMINATION COMMITTEE

The Nomination Committee was established in April 2005 and is chaired by Mr. Wu King Cheong. The terms of reference of the Nomination Committee was formulated in accordance with the requirements of the Code on Corporate Governance Practices. The Nomination Committee is responsible for making recommendations to the Board on the appointment of Directors. Since there is no casual vacancy in the Board, the Nomination Committee has not held any meeting during the year ended 31 March 2007.

The members of the Nomination Committee are as follows:

Mr. Wu King Cheong – *Chairman of the Committee*
Mr. Chan, Bernard Charnwut
Dr. Yeung Tsun Man, Eric

The record of attendance of the members is listed on page 20.

INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatements or losses.

During the year, the Board has appointed an independent certified public accountants firm to perform an internal control exercise on selected systems of the Group and report audit review findings or irregularities, if any, to management and advise on the implementation of necessary steps of systems to enhance operational or financial controls.

The Audit Committee has conducted a review of the effectiveness of the Group's internal control system for the year ended 31 March 2007 including financial, operational and compliance controls and risk management processes to ensure these functions are in place and functioning effectively.

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions of the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2007.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

During each financial period, the Directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the Group and of the Group's results and cash flows during the relevant period. In preparing the financial statements for the year ended 31 March 2007, appropriate accounting policies are selected and applied consistently by the Directors who made careful and reasonable judgements and estimates, and prepared the financial statements on an on-going basis. The Directors are responsible for the filing of appropriate accounting records that reasonably and accurately disclose the financial position of the Company from time to time.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
YAU LEE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yau Lee Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 24 to 70, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 July 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
Revenue	5	2,109,311	1,452,208
Cost of sales		(1,931,644)	(1,326,918)
Gross profit		177,667	125,290
Other income and gains	6	17,478	8,824
Administrative expenses		(138,901)	(112,154)
Other operating expenses		(2,829)	(3,916)
Change in fair value of investment properties	16	41,000	9,000
Operating profit	7	94,415	27,044
Finance costs	9	(40,344)	(21,435)
Share of profit/(loss) of jointly controlled entities	20	12,595	(510)
Profit before income tax		66,666	5,099
Income tax expense	10	(17,057)	(3,079)
Profit for the year		49,609	2,020
Attributable to:			
Equity holders of the Company	11	49,790	1,967
Minority interests		(181)	53
		49,609	2,020
Dividends	12	4,409	–
Earnings per share	13	11.29 cents	0.45 cents

BALANCE SHEETS

As at 31 March 2007

	Note	2007		2006	
		Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	294,800	–	303,543	–
Investment properties	16	340,000	–	299,000	–
Leasehold land	17	352,038	–	353,321	–
Subsidiaries	18	–	361,075	–	361,075
Associates	19	39	–	39	–
Jointly controlled entities	20	12,595	–	–	–
Deferred income tax assets	29	34	–	30	–
Other non-current assets	21	35,364	–	29,779	–
		1,034,870	361,075	985,712	361,075
Current assets					
Cash and bank balances	23	213,011	11,182	257,696	12,901
Trade debtors, net	24	252,901	–	171,235	–
Prepayments, deposits and other receivables	24	109,428	264	63,516	331
Inventories	25	16,282	–	11,599	–
Prepaid income tax		871	335	1,783	–
Due from customers on construction contracts	26	406,991	–	299,423	–
Financial assets at fair value through profit or loss	27	5,167	–	4,973	–
Due from associates	19	13,855	1,229	9,730	1,179
Due from subsidiaries	18	–	368,741	–	373,287
Due from jointly controlled entities	20	14,408	–	–	–
Due from related parties	37	30	30	30	30
		1,032,944	381,781	819,985	387,728
Total assets		2,067,814	742,856	1,805,697	748,803
EQUITY					
Share capital	31	88,190	88,190	88,190	88,190
Other reserves	32	419,199	415,789	416,515	415,789
Retained profits					
Proposed final dividend	32	4,409	4,409	–	–
Others	32	354,199	138,610	308,818	142,893
Attributable to equity holders		865,997	646,998	813,523	646,872
Minority interests		628	–	809	–
Total equity		866,625	646,998	814,332	646,872

BALANCE SHEETS

As at 31 March 2007

	Note	2007		2006	
		Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
LIABILITIES					
Non-current liabilities					
Long-term borrowings	28	477,441	–	427,285	–
Deferred income tax liabilities	29	66,653	–	53,102	–
		544,094	–	480,387	–
Current liabilities					
Bank overdrafts – secured	28	70,405	–	1,549	–
Short-term bank loans – secured	28	292,622	–	283,954	–
Current portion of long-term borrowings	28	52,075	–	21,655	–
Payables to suppliers and subcontractors	30	124,481	–	102,802	–
Accruals, retention payables and other liabilities		105,146	331	88,542	163
Income tax payable		2,396	–	790	15
Due to customers on construction contracts	26	9,970	–	2,479	–
Due to subsidiaries	18	–	95,527	–	101,753
Due to jointly controlled entities	20	–	–	9,207	–
		657,095	95,858	510,978	101,931
Total liabilities		1,201,189	95,858	991,365	101,931
Total equity and liabilities		2,067,814	742,856	1,805,697	748,803
Net current assets		375,849	285,923	309,007	285,797
Total assets less current liabilities		1,410,719	646,998	1,294,719	646,872

Wong Ip Kuen
Director

Wong Tin Cheung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Attributable to equity holders of the Group							Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Capital Redemption reserve HK\$'000	Currency translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	
As at 1 April 2006	88,190	415,430	359	726	308,818	813,523	809	814,332
Profit/(loss) for the year	-	-	-	-	49,790	49,790	(181)	49,609
Currency translation differences	-	-	-	2,684	-	2,684	-	2,684
As at 31 March 2007	88,190	415,430	359	3,410	358,608	865,997	628	866,625
As at 1 April 2005	88,190	415,430	359	-	310,158	814,137	756	814,893
Profit for the year	-	-	-	-	1,967	1,967	53	2,020
Currency translation differences	-	-	-	726	-	726	-	726
Dividends	-	-	-	-	(3,307)	(3,307)	-	(3,307)
As at 31 March 2006	88,190	415,430	359	726	308,818	813,523	809	814,332

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
Cash flows from operating activities			
Net cash used in operations	33(a)	(152,330)	(32,584)
Hong Kong profits tax paid		(1,027)	(3,654)
Net cash used in operating activities		(153,357)	(36,238)
Cash flows from investing activities			
Additions of leasehold land		–	(12,381)
Purchase of property, plant and equipment		(16,369)	(26,403)
Proceeds from disposal of financial assets at fair value through profit or loss		–	5,817
Proceeds from disposal of property, plant and equipment		283	1,464
Proceeds from disposal of other non-current assets		–	121
Dividends received		112	110
Interest received		10,071	7,603
Net cash used in investing activities		(5,903)	(23,669)
Cash flows from financing activities			
Drawdown of long-term bank loans	33(b)	80,000	97,000
Increase in short-term bank loans		8,668	88,098
Increase in restricted deposits		(2,156)	(7,448)
Capital element of finance lease payments		(2,605)	(1,862)
Interest paid		(40,322)	(29,446)
Dividends paid		–	(3,307)
Interest element of finance lease payments		(22)	(27)
Net cash from financing activities		43,563	143,008
(Decrease)/increase in cash and cash equivalents		(115,697)	83,101
Cash and cash equivalents at beginning of year		88,634	5,533
Cash and cash equivalents at end of year		(27,063)	88,634
Analysis of cash and cash equivalents			
Cash and bank balances	23(b)	43,342	86,576
Time deposits		–	3,607
Bank overdrafts – secured		(70,405)	(1,549)
(27,063)		(27,063)	88,634

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Yau Lee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") is principally engaged in the contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property investment and the operation of a hotel in Hong Kong. The Group is also engaged in other activities which mainly include computer software development and provision for website hosting services.

The Company is a limited liability company incorporated in Bermuda on 25 June 1991. The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK").

These financial statements are presented in thousands of Hong Kong dollars ("HK\$000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 19 July 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Changes in accounting policies

(i) *Amendment and interpretation to published standards effective in 2007 and adopted by the Group*

The Group adopted the new amendment and interpretation of HKFRS and Hong Kong Accounting Standards ("HKAS") below which are relevant to its operations.

HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendment and interpretation and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Changes in accounting policies *(Continued)*

(ii) Standards, interpretations and amendments to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the Group's operations and financial statements and are mandatory for the Group's accounting periods beginning on or after 1 April 2007 or later periods as follows:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangement

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

(c) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses (Note 2(l)). The results of subsidiaries are accounted for by the Company on the basis of dividend income received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses (Note 2(l)). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(f) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for by the equity method of accounting. The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of any accumulated impairment loss) on acquisition.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2(l)). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value, representing market value determined by external valuers. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognised in the income statement.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property, others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

(h) Property, plant and equipment

(i) Construction in progress

Construction in progress included construction and development expenditure incurred and other direct costs attributable to the construction and development. On completion, the construction is transferred to appropriate categories of other property, plant and equipment. No depreciation is provided for construction in progress.

(ii) Other property, plant and equipment and depreciation

Buildings comprise mainly factories and offices. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 – 50 years
Leasehold improvements	4 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	4 years
Motor vehicles	4 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

(ii) Other property, plant and equipment and depreciation (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(l)).

(iii) Gain or loss on disposal of property, plant and equipment

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(i) Leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in the long-term liabilities. The finance charges are charged to the income statement over the lease periods. Assets held under finance leases are depreciated over their estimated useful lives.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases net of any incentives received from the lessors are charged to the income statement on a straight-line basis over the lease periods.

(j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified under 'Other non-current assets', 'Trade debtors, net' and 'Prepayments, deposits and other receivables' in the balance sheet.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income and gains, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

Inventories comprise building materials and equipment for sale and are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Impairment of assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Construction contracts in progress

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised over the period of the contract, respectively, as revenue and expenses. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured by reference to contract revenue certified to date as a percentage of total contract value. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers on construction contracts for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and other receivables.

The Group presents as a liability the gross amount due to customers on construction contracts for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade debtors and other receivables

Trade debtors and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debtors is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within administrative expenses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown in current liabilities on the balance sheet.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Payables to suppliers and sub-contractors

Payables to suppliers and sub-contractors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(v) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits *(Continued)*

(ii) Retirement benefit obligations

The Group operates defined contribution schemes which are available to all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the income statement as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Bonus entitlements

The Group recognises a liability and an expense for bonus when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue/income is recognised as follows:

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(i) *Contract revenue*

To the extent that the outcome of the contract can be estimated reliably, revenue from construction contracts is recognised using the percentage of completion method, measured by reference to the percentage of revenue certified to date to estimated total contract value. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

(ii) *Sale of building materials*

Sale of building materials is recognised when significant risks and rewards of ownership of the goods have been transferred to customers.

(iii) *Operating lease rental income*

Operating lease rental income is recognised on a straight-line basis over the terms of the respective lease.

(iv) *Hotel operation revenue*

Revenue from hotel operation is recognised upon provision of services.

(v) *Interest income*

Interest income from bank deposits is recognised on a time proportion basis using the effective interest method.

(vi) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(x) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(y) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

In accordance with the Group's internal financial reporting and operating activities, the Group has determined that business segments be presented as the primary reporting format and geographical segments be presented as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of investment properties, intangible assets, property, plant and equipment, inventories, receivables and operating cash, and exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation, certain corporate borrowings. Capital expenditure comprises additions to intangible assets, property, plant and equipment and investment properties.

(z) Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) *Market risk*

(a) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from Renminbi with respect to Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group continuously monitors its foreign currency positions and does not consider that it has a significant exposure to risk arising from Renminbi.

(b) Price risk

The Group is exposed to equity securities price risk because of its investments in financial assets. The Group is not exposed to commodity price risk.

(ii) *Credit risk*

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that provision of services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions.

(iii) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market position. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) *Cash flow and fair value interest rate risk*

As the Group has no significant interest bearing assets other than bank balances and cash, the Group's income and operating cash flows are substantially independent of changes in markets interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The management closely monitors the interest rate fluctuation and will consider the use of financial instruments such as interest rate swap to manage its interest rate risk, if necessary.

(b) Fair value estimation

There were no material differences between the carrying amounts and estimated fair values of the Company and the Group's significant financial assets and liabilities as at 31 March 2006 and 2007.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The Group is mainly subject to income taxes in Hong Kong and Mainland China. Significant judgement is required in determining the provision for income taxes in Hong Kong and Mainland China. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Investment properties

The fair values of investment properties are determined by independent valuers on an open market value basis. In making the judgements, consideration has been given to assumptions that are mainly based on market condition existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iii) Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for the related depreciation charges for its property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different to previous estimate, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works based on total amount of workdone certified by customers over total estimated contract sum. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(v) Estimation of foreseeable losses in respect of construction works

The Group's management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION

Revenue represents turnover from contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property leasing, hotel operation and others.

	2007 HK\$'000	2006 HK\$'000
Turnover		
Contracting of building construction, plumbing, maintenance and fitting-out projects	1,970,496	1,372,317
Building materials trading	32,925	29,588
Property leasing	12,647	10,934
Hotel operation	84,609	30,467
Others	8,634	8,902
	2,109,311	1,452,208

Primary reporting format – business segment

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property leasing and the operation of a hotel in Hong Kong. The Group is organised into four main business segments:

- Construction – Contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong
- Building materials trading – Trading of construction and building materials
- Property leasing – Property leasing in Hong Kong
- Hotel operation – Operating a hotel in Hong Kong

Other operations of the Group mainly comprise of computer software development and provision for website hosting services which is not of a sufficient size to be reported separately.

Secondary reporting format – geographical segment

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 FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments

	Construction HK\$'000	Building materials trading HK\$'000	Property leasing HK\$'000	Hotel operation HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Year ended 31 March 2007							
External sales	1,970,496	32,925	12,647	84,609	8,634	–	2,109,311
Inter-segment sales	4,039	136,015	–	–	9,587	(149,641)	–
Total sales	1,974,535	168,940	12,647	84,609	18,221	(149,641)	2,109,311
Segment results	8,777	1,701	38,526	43,249	(2,173)	(8,079)	82,001
Unallocated income							12,414
Operating profit							94,415
Finance costs	(17,351)	(67)	(22,926)	–	–		(40,344)
Share of profit of jointly controlled entities	–	12,595	–	–	–		12,595
Profit before income tax							66,666
Income tax expense							(17,057)
Profit for the year							49,609
Segment assets	979,861	120,534	664,793	204,775	57,529		2,027,492
Interests in associates	–	–	–	–	13,894		13,894
Interests in jointly controlled entities	–	12,595	–	–	–		12,595
Unallocated assets							13,833
Total assets							2,067,814
Segment liabilities	(674,814)	(18,947)	(430,130)	(5,532)	(3,772)		(1,133,195)
Unallocated liabilities							(67,994)
Total liabilities							(1,201,189)
Capital expenditure	7,809	7,377	3,476	570	318		19,550
Depreciation	10,846	6,060	11,839	260	877		29,882
Amortisation of leasehold land	173	–	361	–	749		1,283
Other non-cash expenses/(income)	27	1,223	(41,000)	–	(208)		(39,958)

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Construction HK\$'000	Building materials trading HK\$'000	Property leasing HK\$'000	Hotel operation HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Year ended 31 March 2006							
External sales	1,372,317	29,588	10,934	30,467	8,902	–	1,452,208
Inter-segment sales	–	48,073	–	–	4,312	(52,385)	–
Total sales	1,372,317	77,661	10,934	30,467	13,214	(52,385)	1,452,208
Segment results	12,721	(6,711)	16,203	5,910	(8,647)	(139)	19,337
Unallocated income							7,707
Operating profit							27,044
Finance costs	(13,855)	(61)	(7,519)	–	–		(21,435)
Share of loss of jointly controlled entities	–	(510)	–	–	–		(510)
Profit before income tax							5,099
Income tax expense							(3,079)
Profit for the year							2,020
Segment assets	775,338	99,428	621,715	225,546	56,919		1,778,946
Interests in associates	–	–	–	–	9,769		9,769
Unallocated assets							16,982
Total assets							1,805,697
Segment liabilities	(450,606)	(16,197)	(450,884)	(7,133)	(2,305)		(927,125)
Unallocated liabilities							(64,240)
Total liabilities							(991,365)
Capital expenditure	9,735	9,059	–	8,690	9,289		36,773
Depreciation	11,467	6,404	–	4,966	1,262		24,099
Amortisation of leasehold land	145	–	356	–	748		1,249
Other non-cash income	(12)	–	(8,992)	(350)	(302)		(9,656)

NOTES TO THE FINANCIAL STATEMENTS

6. OTHER INCOME AND GAINS

	2007 HK\$'000	2006 HK\$'000
Other income		
Dividend income from listed investments	112	110
Bank interest income	7,194	5,792
Interest income from subcontractors	2,877	1,811
Sundry income	3,068	4
	13,251	7,717
Other gains		
Write back of provision on an amount due from an associate	4,033	–
Unrealised gain on financial assets through profit and loss	194	99
Realised gain on financial assets through profit and loss	–	356
Exchange gain	–	652
	4,227	1,107
	17,478	8,824

7. OPERATING PROFIT

Operating profit is stated after charging the following:

	2007 HK\$'000	2006 HK\$'000
Depreciation		
Owned property, plant and equipment	22,154	23,300
Leased property, plant and equipment	7,728	799
	29,882	24,099
Operating lease rentals of		
Land and buildings	3,010	3,372
Other equipment	28,494	24,929
	31,504	28,301
Cost of inventories sold	136,248	61,281
Staff costs (excluding directors' emoluments) (Note 14)	227,968	207,717
Amortisation of leasehold land	1,283	1,249
Write-off of doubtful debts	2,711	63
Auditor's remuneration – audit services	1,470	1,323
Outgoings in respect of investment properties	2,921	3,373
Loss on disposal of property, plant and equipment, net	75	–
Exchange losses, net	968	–

NOTES TO THE FINANCIAL STATEMENTS

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of the Directors for the year ended 31 March 2007 is set out below:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension scheme	Total HK\$'000
				HK\$'000	
2007					
Mr. Wong Ip Kuen	–	4,784	290	221	5,295
Mr. Wong Tin Cheung	–	1,754	286	81	2,121
Mr. So Yau Chi	–	1,628	180	63	1,871
Mr. Sun Chun Wai	–	780	200	36	1,016
Dr. Yeung Tsun Man, Eric	250	–	–	–	250
Mr. Wu King Cheong	250	–	–	–	250
Mr. Chan, Bernard Charnwut	250	–	–	–	250
	750	8,946	956	401	11,053
2006					
Mr. Wong Ip Kuen	–	4,641	290	214	5,145
Mr. Wong Tin Cheung	–	1,658	286	77	2,021
Mr. So Yau Chi	–	1,581	180	61	1,822
Mr. Sun Chun Wai	–	702	200	32	934
Dr. Yeung Tsun Man, Eric	250	–	–	–	250
Mr. Wu King Cheong	250	–	–	–	250
Mr. Chan, Bernard Charnwut	250	–	–	–	250
	750	8,582	956	384	10,672

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2006: three) Directors whose emoluments are reflected in the analysis above. The emoluments paid to the remaining two (2006: two) highest paid individuals during the year were as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries	2,565	1,708
Bonus	100	1,155
Retirement benefits	61	79
	2,726	2,942

NOTES TO THE FINANCIAL STATEMENTS

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest-paid individuals *(Continued)*

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2007	2006
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1

(c) During the year, no emoluments have been paid by the Group to the Directors or the five highest-paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors waived or has agreed to waive any emoluments.

9. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on overdrafts and short-term bank loans	17,409	15,556
Interest on long-term bank loans repayable within five years	28,597	13,890
Interest element of finance lease contract payments	199	27
Total borrowing costs incurred	46,205	29,473
Less:		
Interest capitalised as cost of construction in progress	–	(8,038)
Classified under contract cost	(5,861)	–
	40,344	21,435

No interest was capitalised as cost of construction during the year. The capitalisation rate applied to funds borrowed and used for the construction in progress was 1.675% and 5.175% per annum for the year ended 31 March 2006.

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAX EXPENSE

	2007 HK\$'000	2006 HK\$'000
Current income tax		
Hong Kong profits tax	3,444	1,801
Under provisions in prior years	66	3
Deferred income tax relating to the origination and reversal of temporary differences (<i>Note 29</i>)	13,547	1,275
	17,057	3,079

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the year. No taxation on overseas profits has been provided for as the tax losses brought forward exceeded the estimated assessable profits for the year in the countries in which the Group operates (2006: Nil).

The tax charge on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

	2007 HK\$'000	2006 HK\$'000
Profit before income tax	66,666	5,099
Less: Share of profits less losses of jointly controlled entities	(12,595)	510
	54,071	5,609
Calculated at a taxation rate of 17.5% (2006: 17.5%)	9,463	982
Effect of different tax rates in other countries	(841)	(303)
Income not subject to taxation	(1,330)	(204)
Expenses not deductible for taxation purposes	4,495	37
Temporary differences not recognised	3,659	(869)
Tax losses not recognised	4,629	4,501
Utilisation of previously unrecognised tax losses	(3,084)	(1,068)
Under provisions in prior years	66	3
Income tax expense	17,057	3,079

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK\$126,000 (2006: HK\$2,559,000).

NOTES TO THE FINANCIAL STATEMENTS

12. DIVIDENDS

The Directors recommend the payment of a final dividend at HK1.0 cent per share (2006: Nil), totalling HK\$4,409,000 for the year ended 31 March 2007.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$49,790,000 (2006: HK\$1,967,000) and on the 440,949,600 (2006: 440,949,600) shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2007 and 2006 are not presented as there are no potential dilutive shares during the years.

14. STAFF COSTS EXCLUDING DIRECTORS' EMOLUMENTS

	2007 HK\$'000	2006 HK\$'000
Salaries, wages and bonus	216,776	197,748
Unutilised annual leave	242	–
Long service payments	(327)	–
Termination benefits	2,812	1,771
Pension costs – defined contribution scheme	8,465	8,198
	227,968	207,717

The Group contributes to the Mandatory Provident Fund Scheme (the "MPF Scheme") which is provided to all the employees in Hong Kong. The Group and each of the employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Employees' contributions are subject to a cap of monthly earnings of HK\$20,000. For those employees with monthly earnings less than HK\$5,000, the employees' contributions are voluntary. In addition to the mandatory contributions, the Group makes monthly voluntary contributions to the MPF scheme at 5% of certain employees' earnings in excess of HK\$20,000. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Group							
At 1 April 2005							
Cost	199,506	41,691	5,216	145,721	40,407	20,497	453,038
Accumulated depreciation	-	(9,996)	(5,102)	(94,452)	(34,115)	(17,484)	(161,149)
Net book amount	199,506	31,695	114	51,269	6,292	3,013	291,889
Year ended 31 March 2006							
Opening net book amount	199,506	31,695	114	51,269	6,292	3,013	291,889
Exchange differences	-	177	-	251	9	3	440
Additions	17,321	1,896	399	11,015	3,693	2,449	36,773
Transfer	(216,827)	153,323	-	47,674	15,830	-	-
Disposals	-	-	-	(1,201)	(186)	(73)	(1,460)
Depreciation	-	(2,603)	(215)	(14,585)	(4,798)	(1,898)	(24,099)
Closing net book amount	-	184,488	298	94,423	20,840	3,494	303,543
At 31 March 2006							
Cost	-	197,136	5,615	202,655	58,643	21,939	485,988
Accumulated depreciation	-	(12,648)	(5,317)	(108,232)	(37,803)	(18,445)	(182,445)
Net book amount	-	184,488	298	94,423	20,840	3,494	303,543
Year ended 31 March 2007							
Opening net book amount	-	184,488	298	94,423	20,840	3,494	303,543
Exchange differences	-	731	-	1,154	48	14	1,947
Additions	-	1,854	-	12,293	2,748	2,655	19,550
Disposals	-	-	-	(162)	(165)	(31)	(358)
Depreciation	-	(4,391)	(195)	(16,901)	(6,644)	(1,751)	(29,882)
Closing net book amount	-	182,682	103	90,807	16,827	4,381	294,800
At 31 March 2007							
Cost	-	199,975	5,620	194,452	60,600	24,147	484,794
Accumulated depreciation	-	(17,293)	(5,517)	(103,645)	(43,773)	(19,766)	(189,994)
Net book amount	-	182,682	103	90,807	16,827	4,381	294,800

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) The net book value of property, plant and equipment held under finance lease contracts comprises:

	Group	
	2007 HK\$'000	2006 HK\$'000
Plant and equipment	1,115	–
Motor vehicles	3,128	3,049
	4,243	3,049

(b) The net book value of property, plant and equipment pledged as security for the Group's bank loans amounted to HK\$206 million (2006: HK\$205 million) (Notes 28 and 34(e)).

16. INVESTMENT PROPERTIES

	Group	
	2007 HK\$'000	2006 HK\$'000
Beginning of year	299,000	290,000
Change in fair value	41,000	9,000
End of year	340,000	299,000

Investment properties are held under long-term leases and situated in Hong Kong. The investment properties were revalued as at 31 March 2007 by Savills Valuation and Professional Services Limited, an independent firm of qualified property valuers. Valuation reflects rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The investment properties are pledged as security for the bank loans of the Group (Notes 28 and 34(e)).

17. LEASEHOLD LAND

	Group	
	2007 HK\$'000	2006 HK\$'000
Opening	353,321	342,189
Additions	–	12,381
Amortisation	(1,283)	(1,249)
	352,038	353,321
In Hong Kong, held on		
Lease of over 50 years	315,462	315,823
Leases of between 10 to 50 years	34,263	35,128
	349,725	350,951
Outside Hong Kong, held on		
Lease of between 10 to 50 years	2,313	2,370
	352,038	353,321

NOTES TO THE FINANCIAL STATEMENTS

17. LEASEHOLD LAND *(Continued)*

The Group's interests in leasehold land represented prepaid operating lease payments. Leasehold land with a net book value of approximately HK\$345,886,000 (2006: HK\$317,988,000) was pledged as securities for the Group's bank loans (Notes 28 and 34(e)).

18. SUBSIDIARIES

	Company	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	276,075	276,075
Advance to a subsidiary	85,000	85,000
	361,075	361,075
Due from subsidiaries	368,741	373,287
Due to subsidiaries	95,527	101,753

The advance to a subsidiary is unsecured, bears interest at Hong Kong dollar prime rate less two per cent (2006: Hong Kong dollar prime rate less two per cent) per annum and not repayable within next twelve months from the balance sheet date. The amounts due from and to subsidiaries are unsecured, interest free, and have no fixed terms of repayment, and their carrying amounts are not materially different from their fair values.

The following is a list of the principal subsidiaries at 31 March 2007:

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by		
				Company	Subsidiaries	Group
Australian Development Holdings Pty. Limited	Australia	A\$2	Investment holding	–	100%	100%
Bellaglade Company Limited	Hong Kong	HK\$2	Property holding	–	100%	100%
Century Score Limited	Hong Kong	HK\$2	Property leasing and investment	–	100%	100%
Lever Construction Materials (Shenzhen) Company Limited	Mainland China	HK\$3,000,000	Trading of building materials	–	100%	100%
Ming Hop Company Limited	Hong Kong	HK\$1,000,000	Sourcing of construction materials and execution of plumbing work	–	100%	100%
Nanjing Autocon Technology Company Limited <i>(Note a)</i>	Mainland China	US\$500,000	Development and sale of construction equipment and computer software	–	100%	100%
Nanjing Nanda VH Software Intelligence Company Limited <i>(Note b)</i>	Mainland China	RMB1,500,000	Development and sale of computer software	–	70%	70%

NOTES TO THE FINANCIAL STATEMENTS

18. SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by		
				Company	Subsidiaries	Group
Right Motive Limited	Hong Kong	HK\$6,000	Property holding	–	100%	100%
Solid Star Company Limited	Hong Kong	HK\$2	Property holding	–	100%	100%
SPS Company Limited	Hong Kong	HK\$2	Manufacturing and trading of office partition	–	100%	100%
Trendplot Investments Limited	Hong Kong	HK\$2	Provision of management services	–	100%	100%
VHBuild Company Limited	Hong Kong	HK\$2	Provision of website hosting services	–	100%	100%
VHSoft Company Limited	Hong Kong	HK\$5,000,000	Computer software development	–	100%	100%
VHSoft I.P. Company Limited	Hong Kong	HK\$2	Patent holding	–	100%	100%
VHSoft Technologies Company Limited	Hong Kong	HK\$2	Computer software development	–	100%	100%
VHSoft Technologies (SZ) Company Limited (Note a)	Mainland China	HK\$3,000,000	Computer software development	–	100%	100%
Yau Lee Building Construction and Decoration Company Limited	Hong Kong	HK\$100,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Building Materials Trading Company Limited	Hong Kong	HK\$2	Trading of building materials	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK\$100,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Materials & Technology Limited	Hong Kong	HK\$2	Sale of building materials and precast products	–	100%	100%
Yau Lee Construction Materials & Technology (B.V.I.) Limited	The British Virgin Islands/ Hong Kong	US\$2	Sale of precast products	–	100%	100%
Yau Lee Construction (Macau) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Curtain Wall and Steel Works Limited	Hong Kong	HK\$2	Curtain wall installation	–	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

18. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by		
				Company	Subsidiaries	Group
Yau Lee Equipment Leasing Limited	Hong Kong	HK\$2	Leasing equipments	–	100%	100%
Yau Lee Hotel Management Limited	Hong Kong	HK\$2	Provision of hotel and property management services	–	100%	100%
Yau Lee Investment Limited	The Cook Islands/ Hong Kong	US\$100	Investment holding	100%	–	100%
Yau Lee Property Management Limited	Hong Kong	HK\$2	Provision of property management services	–	100%	100%
Yau Lee Technology Limited	The British Virgin Islands/ Hong Kong	US\$1	Investment holding and trading of construction equipment and development of computer control software	–	100%	100%
Yau Lee Wah Concrete Precast Products Company Limited	Hong Kong	HK\$10,000,000	Sale of precast products	–	100%	100%
Yau Lee Wah Concrete Precast Products (Shenzhen) Company Limited <i>(Note a)</i>	Mainland China	RMB39,076,066	Manufacture of precast products	–	100%	100%
Yau Lee Wah Concrete Precast Products (Macau) Company Limited	Macau	MOP200,000	Sale of precast products	–	100%	100%

(a) These subsidiaries are wholly foreign-owned enterprises established in Mainland China.

(b) The subsidiary is a contractual joint venture established in Mainland China.

19. ASSOCIATES

	2007		2006	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Share of net assets				
Beginning of year	39	–	39	–
End of year	39	–	39	–
Amounts due from associates, net	13,855	1,229	9,730	1,179

NOTES TO THE FINANCIAL STATEMENTS

19. ASSOCIATES (Continued)

(a) The following is a list of the principal associate at 31 March 2007:

Name	Particulars of issued share capital	Place of incorporation	Assets HK\$'000	Liabilities HK\$'000	Revenues HK\$'000	(Loss)/profit HK\$'000	Interest held
2006							
Yau Lee Development Company Limited ("YLDC") (Note b)	100 ordinary shares of \$1 each	Hong Kong	29,949	53,402	7,827	(340)	50%
2007							
Yau Lee Development Company Limited ("YLDC") (Note b)	100 ordinary shares of \$1 each	Hong Kong	18,454	35,663	1,067	6,245	50%

- (b) YLDC is engaged in a 50:50 joint venture with a Chinese party in the development of Fuli Building, a residential and commercial property project in Shunde, Mainland China.
- (c) The amounts due from associates are unsecured, interest free and have no fixed repayment terms.
- (d) The Group did not share the profit of the associate for the year ended 31 March 2007 as its share of the profit is still less than the share of losses previously not recognised.

20. JOINTLY CONTROLLED ENTITIES

	Group	
	2007 HK\$'000	2006 HK\$'000
Beginning of the year	–	–
Investment in jointly controlled entities	–	510
Share of profit/(loss)	12,595	(510)
End of the year	12,595	–
Amounts due from/(to) jointly controlled entities	14,408	(9,207)

NOTES TO THE FINANCIAL STATEMENTS

20. JOINTLY CONTROLLED ENTITIES *(Continued)*

(a) The following is a list of the principal jointly controlled entities at 31 March 2007:

Name	Particulars of issued share capital	Place of incorporation	Assets HK\$'000	Liabilities HK\$'000	Revenues HK\$'000	Profit/(loss) HK\$'000	Effective Interest held
2006							
Yau Lee Formglas Limited (“YLFG”) (Note b)	HKD1,000,000	Hong Kong	12,857	(4,503)	525	73	51%
Yau Lee Formglas (Shenzhen) Limited (“YLFS”) (Note c)	HKD4,200,000	Mainland China	4,845	(195)	2,275	(66)	51%
Yau Lee Formglas (Macau) Limited (“YLFM”) (Note d)	MOP200,000	Macau	18,280	(31,284)	6,931	(1,007)	51%
Total			35,982	(35,982)	9,731	(1,000)	
Share of net assets value			18,351	(18,351)		(510)	
2007							
Yau Lee Formglas Limited (“YLFG”) (Note b)	HKD1,000,000	Hong Kong	10,932	(17,086)	113	(2,794)	51%
Yau Lee Formglas (Shenzhen) Limited (“YLFS”) (Note c)	HKD4,200,000	Mainland China	16,684	(10,089)	22,255	2,257	51%
Yau Lee Formglas (Macau) Limited (“YLFM”) (Note d)	MOP200,000	Macau	49,881	(25,625)	137,027	25,234	51%
Total			77,497	(52,800)	159,395	24,697	
Share of net assets value			39,523	(26,928)		12,595	

- (b) YLFG is a joint venture with a Canadian party, engaged in investment holding of YLFM and YLFS, which their principal activities are set out in note (c) and (d).
- (c) YLFS is a wholly owned subsidiary of YLFG, which is principally engaged in manufacturing of precast products.
- (d) YLFM is a wholly owned subsidiary of YLFG, which is principally engaged in the construction projects in Macau.
- (e) The amounts due from jointly controlled entities are unsecured, interest free and have no fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS

21. OTHER NON-CURRENT ASSETS

	Group	
	2007 HK\$'000	2006 HK\$'000
Retention receivables (Note 26)	67,318	61,887
Loans to employees (Note 22)	1,259	1,671
Others	22	22
	68,599	63,580
Less: Current portion of retention receivables (Note 24(a))	(33,037)	(33,389)
Less: Current portion of loans to employees (Note 22)	(198)	(412)
	35,364	29,779

Long-term retention receivables were carried at amortised cost using effective interest method required by HKAS 39.

22. LOANS TO EMPLOYEES

The Group provides housing loans to certain employees and the loans are secured by second mortgages of the related properties of the employees. The repayment period ranges from two to twelve years with interest at one per cent below prime rate. Amounts receivable within one year of HK\$198,000 (2006: HK\$412,000) are included in prepayments, deposits and other receivables. Loans to employees approximate their fair value.

23. CASH AND BANK BALANCES

	2007		2006	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Cash and bank balances	43,342	413	86,576	295
Time deposits	–	–	3,607	2,049
Restricted deposits (Note a)	169,669	10,769	167,513	10,557
	213,011	11,182	257,696	12,901

- (a) Restricted deposits are funds which are pledged to secure the bank overdrafts and short-term bank loans (Notes 28 and 34(a)).
- (b) Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2007		2006	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Cash and cash equivalents	43,342	413	90,183	2,344
Bank overdrafts (Note 28)	(70,405)	–	(1,549)	–
	(27,063)	413	88,634	2,344

NOTES TO THE FINANCIAL STATEMENTS

23. CASH AND BANK BALANCES *(Continued)*

(c) The Group's cash and bank balances are mainly denominated in the following currencies:

	2007		2006	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Hong Kong dollar	61,181	11,182	118,804	12,901
US dollar	145,083	–	121,957	–
Renminbi	6,506	–	16,402	–
Other currencies	241	–	533	–
	213,011	11,182	257,696	12,901

(d) Interest rate of time deposits and restricted deposits ranged from 2.8% to 6.0% (2006: 1.4% to 5.5%)

24. TRADE AND OTHER RECEIVABLES

(a) Trade debtors, net

	Group	
	2007 HK\$'000	2006 HK\$'000
Trade debtors	219,915	139,202
Retention receivables <i>(Note 21)</i>	33,037	33,389
Provision for impairment	(51)	(1,356)
	252,901	171,235

The Group's trade debtors are mainly denominated in Hong Kong dollar. The trade debtors are due 21 days to one year after invoicing depending on the nature of services or products.

The aging analysis of the trade debtors of the Group (net of provision) is as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
Not yet due	189,497	138,003
Overdue by:		
1 – 30 days	39,898	16,998
31 – 90 days	7,448	3,788
91 – 180 days	783	3,045
over 180 days	15,275	9,401
	252,901	171,235

NOTES TO THE FINANCIAL STATEMENTS

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Prepayments, deposits and other receivables

	2007		2006	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Advances to subcontractors	93,318	–	56,493	–
Prepayment and deposits paid	15,006	17	6,881	217
Other receivables	1,104	247	142	114
	109,428	264	63,516	331

Included in advances to subcontractors are amounts of HK\$35,560,000 (2006: HK\$32,220,000) which bear interest ranging from 10% to 11% (2006: 7.25% to 11%). All other advances to subcontractors are interest free.

25. INVENTORIES

	Group	
	2007 HK\$'000	2006 HK\$'000
Raw materials, at cost	11,750	5,997
Finished goods, at cost	4,532	5,602
	16,282	11,599

26. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2007 HK\$'000	2006 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	13,193,736	10,600,031
Progress billings to date	(12,796,715)	(10,303,087)
	397,021	296,944
Included in current assets/(liabilities) under the following captions:		
Due from customers on construction contracts	406,991	299,423
Due to customers on construction contracts	(9,970)	(2,479)
	397,021	296,944

Retention receivables from customers in respect of construction contracts in progress of HK\$67,318,000 (2006: HK\$61,887,000) are classified under other non-current assets and trade debtors respectively (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007 HK\$'000	2006 HK\$'000
Equity securities at fair value – listed in Hong Kong	282	303
Money market fund, at fair value – unlisted in Hong Kong	4,885	4,670
	5,167	4,973

28. BORROWINGS

	Group	
	2007 HK\$'000	2006 HK\$'000
Non-current		
Obligations under finance lease contracts	641	485
Long-term bank loans – secured	476,800	426,800
	477,441	427,285
Current		
Bank overdrafts – secured	70,405	1,549
Short-term bank loans – secured	292,622	283,954
Current portions of non-current borrowings	52,075	21,655
	415,102	307,158
Total borrowings	892,543	734,443

(a) The maturity of borrowings are as follows:

	Group			
	Bank borrowings and overdrafts		Obligations under finance lease contracts	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Within 1 year	413,027	305,503	2,075	1,655
Between 1 and 2 years	90,000	20,000	641	485
Between 2 and 5 years	386,800	406,800	–	–
Wholly repayable within 5 years	889,827	732,303	2,716	2,140

NOTES TO THE FINANCIAL STATEMENTS

28. BORROWINGS (Continued)

(b) The effective interest rates at the balance sheet date are as follows:

	Group	
	2007	2006
	%	%
Bank overdrafts	8.5	7.3
Short-term bank loans	5.6	5.5
Long-term bank loans	5.3	5.1
Obligation under finance lease contracts	6.8	4.2

(c) The carrying amounts of borrowings approximates their fair values.

(d) The carrying amounts of borrowings are denominated in the following currencies:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong dollar	892,543	731,558
Renminbi	–	2,885
	892,543	734,443

(e) The bank borrowings are secured by the Group's investment properties, certain property, plant and equipment, leasehold land and restricted deposits (Notes 15, 16, 17 and 23).

(f) The Group's finance lease obligations are as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Within one year	2,190	1,739
In the second year	654	495
	2,844	2,234
Future finance charges on finance leases	(128)	(94)
Present value of finance lease obligations	2,716	2,140

29. DEFERRED INCOME TAX

	Group	
	2007	2006
	HK\$'000	HK\$'000
Beginning of year	53,072	51,797
Charged to income statement (Note 10)	13,547	1,275
End of year	66,619	53,072

NOTES TO THE FINANCIAL STATEMENTS

29. DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits are probable. The Group has unrecognised tax losses of approximately HK\$74.4 million (2006: HK\$76.4 million) to carry forward against future taxable income. These unrecognised tax losses are analysed according to their expiry dates as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
With no expiry date	51,164	34,995
Expiring not later than one year	6,023	3,937
Expiring later than one year and not later than five years	17,189	37,474
	74,376	76,406

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax assets:

	Group	
	2007 HK\$'000	2006 HK\$'000
Beginning of year	10,901	5,902
(Charged)/credited to income statement	(5,438)	4,999
End of year	5,463	10,901

Deferred income tax liabilities:

	Group					
	Change in fair value of investment property		Accelerated taxation depreciation		Total	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Beginning of year	49,253	47,678	14,720	10,021	63,973	57,699
Charged to income statement	7,175	1,575	934	4,699	8,109	6,274
End of year	56,428	49,253	15,654	14,720	72,082	63,973

NOTES TO THE FINANCIAL STATEMENTS

29. DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in balance sheet:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Deferred income tax assets	(34)	(30)
Deferred income tax liabilities	66,653	53,102
	66,619	53,072

30. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	Group	
	2007	2006
	HK\$'000	HK\$'000
Not yet due	114,127	102,133
Overdue by:		
1 – 30 days	8,711	313
31 – 90 days	907	24
91 – 180 days	190	3
Over 180 days	546	329
	124,481	102,802

The amounts payable to suppliers and subcontractors are mainly denominated in Hong Kong dollar.

31. SHARE CAPITAL

	2007	2006
	HK\$'000	HK\$'000
Authorised:		
1,000,000,000 shares of HK\$0.2 each	200,000	200,000
Issued and fully paid:		
440,949,600 shares of HK\$0.2 each	88,190	88,190

31. SHARE CAPITAL *(Continued)*

Share option scheme

Since 17 October 2000, the Company has operated a share option scheme (the "Share Option Scheme") under which the Board of Directors (the "Directors") of the Company may, at their absolute discretion, offer to any Director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company.

Subject to adjustment as a result of any alteration in the capital structure of the Company, the subscription price per share payable on the exercise of an option as follows:

- (a) granted before 1 September 2001 was determined by the Directors as being in no event less than the higher of:
 - (i) the nominal value of the shares; and
 - (ii) 80% of the average of the closing price of the shares as stated in the SEHK's daily quotation sheets for the 5 business days immediately preceding the date of offer of an option.
- (b) granted on or after 1 September 2001 is determined by the Directors, in compliance with the requirements of Chapter 17 of the Listing Rules, as being at least the higher of:
 - (i) the closing price of the shares as stated in the SEHK's daily quotations sheet on the date of grant, which must be a business day; and
 - (ii) the average closing price of the shares as stated in the SEHK's daily quotations sheets for the 5 business days immediately preceding the date of grant.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of the Company, represents 10% of the issued share capital of the Company from time to time. The Share Option Scheme remains in force for a period of 10 years. At 31 March 2007, no share options have been granted under the Share Option Scheme.

NOTES TO THE FINANCIAL STATEMENTS

32. OTHER RESERVES AND RETAINED PROFITS

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group					
At 1 April 2006	415,430	359	726	308,818	725,333
Currency translation differences	–	–	2,684	–	2,684
Profit attributable to equity holders of the Company	–	–	–	49,790	49,790
At 31 March 2007	415,430	359	3,410	358,608	777,807
Representing:					
2007 final dividend proposed				4,409	
Others				354,199	
At 31 March 2007				358,608	
At 1 April 2005	415,430	359	–	310,158	725,947
Currency translation differences	–	–	726	–	726
Dividends paid	–	–	–	(3,307)	(3,307)
Profit attributable to equity holders of the Company	–	–	–	1,967	1,967
At 31 March 2006	415,430	359	726	308,818	725,333
Representing:					
2006 final dividend proposed				–	
Others				308,818	
At 31 March 2006				308,818	

NOTES TO THE FINANCIAL STATEMENTS

32. OTHER RESERVES AND RETAINED PROFITS *(Continued)*

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company				
At 1 April 2006	415,430	359	142,893	558,682
Profit attributable to equity holders of the Company	–	–	126	126
At 31 March 2007	415,430	359	143,019	558,808
Representing:				
2007 final dividend proposed			4,409	
Others			138,610	
At 31 March 2007			143,019	
At 1 April 2005	415,430	359	143,641	559,430
Dividends paid	–	–	(3,307)	(3,307)
Profit attributable to equity holders of the Company	–	–	2,559	2,559
At 31 March 2006	415,430	359	142,893	558,682
Representing:				
2006 final dividend proposed			–	
Others			142,893	
At 31 March 2006			142,893	

The entire amounts of retained profits of the Company at 31 March 2007 are distributable.

NOTES TO THE FINANCIAL STATEMENTS

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash used in operations

	2007 HK\$'000	2006 HK\$'000
Operating profit	94,415	27,044
Interest income	(10,071)	(7,603)
Dividend income	(112)	(110)
Loss/(gain) on disposal of property, plant and equipment	75	(4)
Change in fair value of investment properties	(41,000)	(9,000)
Amortisation of prepaid operating lease payment	1,283	1,249
Depreciation	29,882	24,099
Write back on provision of amount due from associates	(4,033)	–
Unrealised gain on financial assets at fair value through profit or loss	(194)	(99)
Realised gain on financial assets at fair value through profit or loss	–	(356)
Operating profit before working capital changes	70,245	35,220
(Increase)/decrease in long-term trade debtors	(5,784)	3,530
Decrease in loans to employees	198	209
(Increase)/decrease in trade debtors, net	(80,928)	10,279
Increase in inventories	(4,683)	(691)
Increase in prepayments, deposits and other receivables	(45,912)	(19,368)
Increase in due from customers on construction contracts	(107,568)	(74,495)
(Increase)/decrease in due from associates	(92)	6,091
Movement in due from/to jointly controlled entity	(23,615)	8,697
Increase in payables to suppliers and subcontractors	21,679	2,641
Increase in accruals, retentions payable and other liabilities	16,639	9,129
Increase/(decrease) in due to customers on construction contracts	7,491	(13,297)
Decrease in due to related parties	–	(529)
Net cash used in operations	(152,330)	(32,584)
In the cash flow statement, proceeds from sale of property, plant and equipment comprises:		
Net book amount (Note 15)	358	1,460
(Loss)/gain on disposal of property, plant and equipment	(75)	4
Proceeds from disposal of property, plant and equipment	283	1,464

NOTES TO THE FINANCIAL STATEMENTS

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Share capital	Share premium	Minority interests	Finance lease obligations	Long-term bank loans	Short-term bank loans	Restricted deposits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	88,190	415,430	809	2,140	446,800	283,954	(167,513)	1,069,810
Net cash (outflow)/inflow from financing activities	-	-	-	(2,605)	80,000	8,668	(2,156)	83,907
Share of loss by minority shareholders	-	-	(181)	-	-	-	-	(181)
Inception of finance leases obligation (Note c)	-	-	-	3,181	-	-	-	3,181
At 31 March 2007	88,190	415,430	628	2,716	526,800	292,622	(169,669)	1,156,717
At 1 April 2005	88,190	415,430	756	1,670	349,800	195,856	(160,065)	891,637
Net cash (outflow)/inflow from financing activities	-	-	-	(1,862)	97,000	88,098	(7,448)	175,788
Share of profit by minority shareholders	-	-	53	-	-	-	-	53
Inception of finance leases obligations (Note c)	-	-	-	2,332	-	-	-	2,332
At 31 March 2006	88,190	415,430	809	2,140	446,800	283,954	(167,513)	1,069,810

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the lease of approximately HK\$3,181,000 (2006: HK\$2,332,000).

34. BANKING FACILITIES

As at 31 March 2007, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of approximately HK\$1,021 million (2006: HK\$951 million), of which HK\$913 million (2006: HK\$747 million) had been utilised. These banking facilities are secured by the following:

- Restricted deposits of approximately HK\$170 million (2006: HK\$167 million) (Note 23).
- Guarantees of approximately HK\$1,053 million (2006: HK\$1,009 million) given by the Company.
- Investment in the guaranteed unit trust fund and securities of approximately HK\$5 million (2006: HK\$5 million).
- Trade receivables of certain construction contracts.
- Property, plant and equipment of approximately HK\$206 million (2006: HK\$205 million), investment property of HK\$340 million (2006: HK\$299 million) and leasehold land of approximately HK\$346 million (2006: HK\$318 million) (Notes 15, 16 and 17).

NOTES TO THE FINANCIAL STATEMENTS

35. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

- (a) In the normal course of its business, the Group is subject to various claims under its construction contracts. At 31 March 2007, the Group had various liquidated damages claims on certain contracts for which the Group has filed extension of time claims with the customers. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.
- (b) In 2006, the Group received a statement of claims for an aggregate amount of approximately HK\$4.2 million for alleged breach of contract and uncertified workdone in connection with a design work contract. Financial expenses arising from the claims have been assessed by the Directors with reference to legal advice. Based on this advice, the Directors do not consider that any significant adverse financial impact will crystallise in respect of the claims and accordingly, no provision was made as at 31 March 2007.
- (c) In 2004, the Group initiated a mediation process with one of its customers in an attempt to reach a satisfactory commercial settlement on outstanding claims made by the Group relating to one of its completed construction contracts. In 2006, the Group has elevated the case to arbitration. Based on an external consultant's evaluation after the first hearing of arbitration in June 2007, the likely recoverable amount has been included in "Due from customers on construction contracts".
- (d) Guarantees in respect of performance bonds that amount to approximately HK\$86 million (2006: HK\$80 million) in favour of the Group's customers.
- (e) The future aggregate minimum lease rental payable under non-cancellable operating lease is as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Land and buildings		
– Within one year	2,410	2,763
– One year to five years	7,812	7,643
– More than five years	42,532	42,758
	52,754	53,164
Other equipment		
– Within one year	–	9
	52,754	53,173

NOTES TO THE FINANCIAL STATEMENTS

36. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
– Within one year	12,153	11,844
– One year to five years	11,680	6,494
	23,833	18,338

37. RELATED PARTY BALANCES

(i) Key management compensation

	Group	
	2007 HK\$'000	2006 HK\$'000
Salaries and other short-term employee benefits	8,946	8,582
Discretionary bonus	956	956
Pension costs – defined contribution scheme	401	384
	10,303	9,922

(ii) The balances due from related parties are unsecured, interest free and have no fixed repayment terms.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

Year ended 31 March

	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
Revenue	933,992	1,069,158	1,355,583	1,452,208	2,109,311
(Loss)/profit before income tax	(13,045)	218,370	57,982	5,099	66,666
Income tax expense	(4,541)	(38,945)	(12,281)	(3,079)	(17,057)
Minority interests	(260)	779	1,384	(53)	181
(Loss)/profit attributable to equity holders	(17,846)	180,204	47,085	1,967	49,790

CONSOLIDATED ASSETS AND LIABILITIES

As at 31 March

Total assets	1,240,557	1,600,138	1,644,285	1,805,697	2,067,814
Total liabilities	(644,386)	(823,763)	(826,022)	(991,365)	(1,201,189)
Shareholders' equity	596,171	776,375	818,263	814,332	866,625

The above financial summary as of and for the years ended 31 March 2006 and 2007 have been extracted from the audited financial statements of the Group set out on pages 24 to 26 of the annual report.

PROPERTIES HELD FOR INVESTMENT PURPOSES

As at 31 March 2007

Address	Lot number	Leasehold expiry	Site area in square feet	Use	Gross floor area in square feet
23, 25, 27, 29, 31, 33, 35, 37, 39, 41, 43 and 45 Sharp Street East and 11 and 13 Yiu Wa Street, Causeway Bay, Hong Kong	IL 730 sB ss4 sC ss1 IL 730 sB ss4 sC RP IL 730 sB ss4 sD ss1 IL 730 sB ss4 sD RP IL 730 sB ss6 sA IL 730 sB ss6 RP IL 730 sC RP IL 730 sC ss1 IL 5457 RP IL 5458 RP IL 5459 RP IL 5460 RP IL 5461 IL 5462	2880	10,428	Commercial and hotel	155,650