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有利集團有限公司*

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0406)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011**

HIGHLIGHTS

The Group reported an increase in revenue from HK\$1,551,440,000 to HK\$1,816,681,000.

The Group reported gross profit of HK\$123,961,000 (2010: HK\$69,048,000) in current period.

Profit for the period increased from HK\$10,103,000 to HK\$16,098,000.

Basic and diluted earnings per share was approximately HK3.67 cents (2010: HK2.44 cents).

The net asset value of the Group as at 30 September 2011 was HK\$1,398,058,000 (31 March 2011: HK\$1,387,490,000), equivalent to HK\$3.19 (31 March 2011: HK\$3.17) per share based on the 438,053,600 (31 March 2011: 438,053,600) ordinary shares in issue.

* For identification purpose only

INTERIM RESULTS

The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2011 were as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

		Six months ended	
		30 September	
		2011	2010
	Note	HK\$'000	HK\$'000
Revenue	4	1,816,681	1,551,440
Cost of sales	6	<u>(1,692,720)</u>	<u>(1,482,392)</u>
Gross profit		123,961	69,048
Other income and gains	5	25,263	36,002
Distribution costs	6	(6,995)	(5,915)
Administrative expenses	6	(104,854)	(89,135)
Other operating expenses	6	<u>(2,886)</u>	<u>(4,387)</u>
Operating profit		34,489	5,613
Finance costs	7	(21,978)	(3,350)
Share of profit of jointly controlled entities		6,461	10,869
Share of profit/(loss) of an associate		<u>237</u>	<u>(17)</u>
Profit before income tax		19,209	13,115
Income tax expense	8	<u>(3,111)</u>	<u>(3,012)</u>
Profit for the period		<u>16,098</u>	<u>10,103</u>
Attributable to:			
Equity holders of the Company		16,098	10,697
Non-controlling interests		<u>—</u>	<u>(594)</u>
		<u>16,098</u>	<u>10,103</u>
Interim dividend	9	<u>—</u>	<u>—</u>
Earnings per share (basic and diluted)	10	<u>3.67 cents</u>	<u>2.44 cents</u>

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 September 2011*

	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	16,098	10,103
Other comprehensive income:		
Currency translation differences	4,458	3,221
Total comprehensive income for the period	<u>20,556</u>	<u>13,324</u>
Attributable to:		
Equity holders of the Company	20,556	13,918
Non-controlling interests	—	(594)
Total comprehensive income for the period	<u>20,556</u>	<u>13,324</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2011

	<i>Note</i>	30 September 2011 HK\$'000	31 March 2011 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		807,166	688,318
Investment properties		396,607	368,069
Leasehold land and land use rights		60,952	60,209
Intangible assets		18,318	18,846
Goodwill		15,905	15,905
Associates		1,891	1,654
Jointly controlled entities		17,821	11,342
Deferred income tax assets		13,599	14,699
Other non-current assets		160,112	98,302
		<u>1,492,371</u>	<u>1,277,344</u>
Current assets			
Cash and bank balances		269,140	428,230
Trade debtors, net	11	579,199	543,037
Prepayments, deposits and other receivables		258,223	246,253
Inventories		76,785	57,123
Prepaid income tax		193	115
Due from customers on construction contracts		497,463	388,154
Financial assets at fair value through profit or loss		44,299	43,919
Derivative financial assets		784	2,069
Due from associates		2	–
Due from jointly controlled entities		4,137	31,203
		<u>1,730,225</u>	<u>1,740,103</u>
Total assets		<u>3,222,596</u>	<u>3,017,447</u>
EQUITY			
Share capital		87,611	87,611
Other reserves		442,795	438,337
Retained profits			
Proposed final dividends		–	9,988
Others		867,652	851,554
Total equity		<u>1,398,058</u>	<u>1,387,490</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 September 2011

	Note	30 September 2011 HK\$'000	31 March 2011 HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings		479,049	437,086
Deferred income tax liabilities		22,176	21,946
Retention payables		19,031	9,218
		<u>520,256</u>	<u>468,250</u>
Current liabilities			
Bank overdrafts		3,709	–
Short-term bank loans		472,607	353,012
Current portion of long-term borrowings		19,122	19,162
Derivative financial liabilities		17,299	1,317
Payables to suppliers and subcontractors	12	265,761	273,046
Accruals, retention payables and other liabilities		216,657	199,600
Income tax payable		9,101	15,019
Obligation in respect of jointly controlled entities		1,221	1,203
Due to customers on construction contracts		288,805	291,108
Due to jointly controlled entities		10,000	8,240
		<u>1,304,282</u>	<u>1,161,707</u>
Total liabilities		<u>1,824,538</u>	<u>1,629,957</u>
Total equity and liabilities		<u>3,222,596</u>	<u>3,017,447</u>
Net current assets		<u>425,943</u>	<u>578,396</u>
Total assets less current liabilities		<u>1,918,314</u>	<u>1,855,740</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

Attributable to equity holders of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2011	87,611	413,776	359	24,202	861,542	1,387,490	-	1,387,490
Comprehensive income:								
Profit for the period	-	-	-	-	16,098	16,098	-	16,098
Other comprehensive income:								
Currency translation differences	-	-	-	4,458	-	4,458	-	4,458
2011 final dividend	-	-	-	-	(9,988)	(9,988)	-	(9,988)
As at 30 September 2011	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>28,660</u>	<u>867,652</u>	<u>1,398,058</u>	<u>-</u>	<u>1,398,058</u>
As at 1 April 2010	87,611	413,776	359	5,906	795,204	1,302,856	594	1,303,450
Comprehensive income:								
Profit/(loss) for the period	-	-	-	-	10,697	10,697	(594)	10,103
Other comprehensive income:								
Currency translation differences	-	-	-	3,221	-	3,221	-	3,221
2010 final dividend	-	-	-	-	(5,607)	(5,607)	-	(5,607)
As at 30 September 2010	<u>87,611</u>	<u>413,776</u>	<u>359</u>	<u>9,127</u>	<u>800,294</u>	<u>1,311,167</u>	<u>-</u>	<u>1,311,167</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Yau Lee Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in the contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials trading and property investment and development. The Group is also engaged in other activities which mainly include computer software development and architectural and engineering services.

The Company is a limited liability company incorporated in Bermuda on 25 June 1991. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”).

Condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. Condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 30 November 2011.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2011 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

The following revised standard, amendment and interpretations to existing standards have been published that are effective for the accounting period of the Group beginning on 1 April 2011:

- HKAS 24 (revised), ‘Related Party Disclosures’
- HK(IFRIC) – Int 14 (amendment), ‘Prepayments of a Minimum Funding Requirement’
- HK(IFRIC) – Int 19, ‘Extinguishing Financial Liabilities with Equity Instruments’
- Improvements to HKFRSs 2010

The adoption of these revised standard, amendment and interpretations to existing standards has no significant impact on the Group’s financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

3. ACCOUNTING POLICIES (Continued)

The following new or revised standards, and amendments to existing standards have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted:

- Amendments to HKAS 1 (revised), ‘Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income’
- HKAS 12 (amendment), ‘Deferred Tax: Recovery of Underlying Assets’
- HKAS 19 (2011), ‘Employee Benefits’
- HKAS 27 (2011), ‘Separate Financial Statements’
- HKAS 28 (2011), ‘Investments in Associates and Joint Ventures’
- HKFRS 7 (amendment), ‘Disclosures – Transfers of Financial Assets’
- HKFRS 9, ‘Financial Instruments’
- HKFRS 10, ‘Consolidated Financial Statements’
- HKFRS 11, ‘Joint Arrangements’
- HKFRS 12, ‘Disclosure of Interests in Other Entities’
- HKFRS 13, ‘Fair Value Measurement’

The Group will adopt the above new or revised standards, and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials trading and property investment and development.

	Six months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
Revenue		
Contracting of building construction, plumbing, renovation, maintenance and fitting-out projects	1,092,829	834,343
Electrical and mechanical installation	645,273	693,002
Building materials trading	72,647	19,270
Property investment and development	905	755
Others	5,027	4,070
	<u>1,816,681</u>	<u>1,551,440</u>

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

The chief operating decision makers have been identified as the Executive Directors. In accordance with the Group's internal financial reporting provided to the Executive Directors, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are as follows:

- Construction – Contracting of building construction, plumbing, renovation, maintenance and fitting-out projects
- Electrical and mechanical installation – Provision of electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services
- Building materials trading – Trading of construction and building materials
- Property investment and development

Other operations of the Group mainly comprise computer software development and architectural and engineering services which are not of a sufficient size to be reported separately.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

4. REVENUE AND SEGMENT INFORMATION (Continued)

	Construction HK\$'000	Electrical and mechanical installation HK\$'000	Building materials trading HK\$'000	Property investment and development HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended 30 September 2011						
Total sales	1,390,982	734,785	115,761	905	17,367	2,259,800
Inter-segment sales	(298,153)	(89,512)	(43,114)	–	(12,340)	(443,119)
External sales	<u>1,092,829</u>	<u>645,273</u>	<u>72,647</u>	<u>905</u>	<u>5,027</u>	<u>1,816,681</u>
Segment results	<u>16,197</u>	<u>3,392</u>	<u>8,279</u>	<u>7,185</u>	<u>(2,695)</u>	32,358
Unallocated income						<u>2,131</u>
Operating profit						34,489
Finance costs	(2,077)	(461)	(18,953)	(241)	(246)	(21,978)
Share of profit/(loss) of jointly controlled entities	6,479	–	(18)	–	–	6,461
Share of profit of an associate	–	237	–	–	–	<u>237</u>
Profit before income tax						19,209
Income tax expense						<u>(3,111)</u>
Profit for the period						<u>16,098</u>
Capital expenditure	6,394	1,546	57,551	86,157	84	151,732
Depreciation	7,598	1,610	5,069	1	844	15,122
Amortisation of leasehold land and land use rights	28	–	671	–	–	699
Amortisation of intangible assets	–	528	–	–	–	528
Fair value gain on investment properties, net	–	–	–	(6,673)	–	(6,673)
Other non-cash (income)/expenses, net	(188)	–	17,340	–	(192)	<u>16,960</u>
As at 30 September 2011						
Segment assets	1,122,053	430,331	645,042	902,816	60,672	3,160,914
Interests in associates	–	1,866	–	–	25	1,891
Interests in jointly controlled entity	17,821	–	–	–	–	17,821
Unallocated assets						<u>41,970</u>
Total assets						<u>3,222,596</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

4. REVENUE AND SEGMENT INFORMATION (Continued)

	Construction HK\$'000	Electrical and mechanical installation HK\$'000	Building materials trading HK\$'000	Property investment and development HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended 30 September 2010						
Total sales	834,343	731,223	125,363	755	12,749	1,704,433
Inter-segment sales	—	(38,221)	(106,093)	—	(8,679)	(152,993)
External sales	<u>834,343</u>	<u>693,002</u>	<u>19,270</u>	<u>755</u>	<u>4,070</u>	<u>1,551,440</u>
Segment results	<u>(30,158)</u>	<u>12,700</u>	<u>1,651</u>	<u>22,902</u>	<u>(2,349)</u>	4,746
Unallocated income						<u>867</u>
Operating profit						5,613
Finance costs	(1,298)	(252)	(995)	(260)	(545)	(3,350)
Share of profit of jointly controlled entities	10,831	—	38	—	—	10,869
Share of loss of an associate	—	(17)	—	—	—	(17)
Profit before income tax						13,115
Income tax expense						(3,012)
Profit for the period						<u>10,103</u>
Capital expenditure	7,899	876	25,479	35,914	275	70,443
Depreciation	6,762	1,500	11,022	—	508	19,792
Amortisation of leasehold land and land use rights	87	—	633	—	592	1,312
Amortisation of intangible assets	—	528	—	—	—	528
Fair value gain on investment properties, net	—	—	—	(25,526)	—	(25,526)
Other non-cash expenses/(income), net	378	—	(285)	—	545	<u>638</u>
As at 31 March 2011						
Segment assets	1,170,252	454,875	474,758	811,650	54,496	2,966,031
Interests in associates	—	1,629	—	—	25	1,654
Interests in jointly controlled entities	11,342	—	—	—	—	11,342
Unallocated assets						<u>38,420</u>
Total assets						<u>3,017,447</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

5. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Dividend income from investments	145	–
Bank interest income	837	861
Interest income from subcontractors	4,651	2,810
Management service income from a jointly controlled entity	758	758
Sundry income	2,012	2,513
	<hr/> 8,403	<hr/> 6,942
Other gains		
Fair value gain on investment properties, net	6,673	26,176
Gain on financial assets at fair value through profit or loss	531	13
Gain on derivative financial assets	991	964
Gain on disposal of subsidiary companies	–	1,907
Gain on disposal of property, plant and equipment, net	172	–
Exchange gain, net	8,493	–
	<hr/> 16,860	<hr/> 29,060
	<hr/> 25,263	<hr/> 36,002

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

6. EXPENSES BY NATURE

Expenses by nature are arrived at after charging/(crediting) the followings:

	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of construction	1,368,293	1,183,111
Cost of inventories sold	84,322	92,665
Staff cost (including directors' emoluments)	270,191	218,385
Depreciation		
Owned property, plant and equipment	13,150	18,380
Leased property, plant and equipment	1,972	2,063
	<u>15,122</u>	<u>20,443</u>
Operating lease rentals		
Land and buildings	5,939	5,403
Other equipment	24,412	23,267
	<u>30,351</u>	<u>28,670</u>
Amortisation of leasehold land and land use rights	699	661
Less: Capitalised in construction in progress	–	(633)
	<u>699</u>	<u>28</u>
Amortisation of intangible assets	528	528
Auditor's remuneration	1,548	1,509
Loss on disposal of property, plant and equipment, net	–	41
Fair value loss on investment property	–	650
Exchange loss, net	–	2,763
Direct operating expenses arising from investment properties		
– Generate rental income	84	139
– Not generate rental income	19	130
Distribution costs	6,995	5,915
Others	<u>29,303</u>	<u>26,852</u>
Total cost of sales, distribution costs, administrative and other operating expenses	<u>1,807,455</u>	<u>1,581,829</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

7. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on overdrafts and short-term bank loans	3,748	2,242
Interest on long-term bank loans repayable within five years	2,413	1,938
Interest on long-term bank loans repayable after five years	531	636
Interest element of finance lease payments	148	217
	<hr/>	<hr/>
Total borrowing costs incurred	6,840	5,033
Less: Classified under cost of construction	(286)	(984)
Capitalised under construction in progress	(1,860)	(1,396)
Capitalised under investment properties	(915)	(918)
	<hr/>	<hr/>
	3,779	1,735
Loss on financial assets at fair value through profit or loss	29	936
Loss on derivative financial liabilities	18,170	679
	<hr/>	<hr/>
	21,978	3,350
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSE

No taxation on Hong Kong profits tax for the period has been provided as there were no estimated assessable profits in Hong Kong.

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax charged to the unaudited condensed consolidated income statement represents:

	Six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overseas tax provision for the period	947	7,623
Under-provision of tax in prior years	834	52
Deferred income tax relating to the origination and reversal of temporary differences	1,330	(4,663)
	<hr/>	<hr/>
	3,111	3,012
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (*Continued*)

9. DIVIDEND

The Board of Directors does not recommend an interim dividend for the period (2010: Nil).

10. EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of earnings per share is based on:

	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit attributable to the equity holders of the Company	<u>16,098</u>	<u>10,697</u>
	Six months ended	
	30 September	
	2011	2010
Weighted average number of shares in issue during the period	<u>438,053,600</u>	<u>438,053,600</u>

Diluted earnings per share for the six months ended 30 September 2011 and 2010 are not presented as there are no potential dilutive shares during the periods.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (*Continued*)

11. TRADE DEBTORS, NET

Trade debtors, net included trade debtors and retention receivables less provision for impairment.

The trade debtors are due 30 days to 150 days after invoicing depending on the nature of services or products. As at 30 September 2011, trade debtors of HK\$95,029,000 (31 March 2011: HK\$38,860,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aging analysis of the trade debtors, net is as follows:

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Current	<u>484,170</u>	<u>504,177</u>
Overdue by:		
1-30 days	66,267	18,163
31-90 days	10,462	4,753
91-180 days	4,707	4,209
Over 180 days	<u>13,593</u>	<u>11,735</u>
	<u>95,029</u>	<u>38,860</u>
	<u>579,199</u>	<u>543,037</u>

12. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Current	247,514	234,582
1-30 days	13,466	14,970
31-90 days	4,086	5,912
91-180 days	503	6,773
Over 180 days	<u>192</u>	<u>10,809</u>
	<u>265,761</u>	<u>273,046</u>

13. 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. As at 30 September 2011, 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 liabilities would not materially affect the financial position of the Group.
- (b) In 2011, the Group filed a statement of claims against a subcontractor of HK\$10,000,000 in respect of the subcontractor's failure to perform contractual duties and for recovery of overpayment made to the subcontractor. The subcontractor raised a counterclaim against the Group in the sum of HK\$10,000,000. The case is in the process of exchanging documents for proceedings. The Directors consider that no provision is presently required with respect to the case.
- (c) The Group has provided performance bonds amounting to approximately HK\$527,960,000 (31 March 2011: HK\$424,327,000) in favour of the Group's customers.
- (d) As at 30 September 2011, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of plant and equipment and construction of a factory in Mainland China of approximately HK\$38,492,000 (31 March 2011: HK\$83,524,000).
- (e) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Land and buildings		
– Within one year	10,931	8,659
– One year to five years	13,017	13,212
– More than five years	39,638	40,029
	<u>63,586</u>	<u>61,900</u>

14. RELATED PARTY BALANCES

Key management compensation

Key management includes the Directors (executive and independent non-executive directors) of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
Salaries and fees	7,735	7,286
Discretionary bonuses	116	104
Pension costs – defined contribution scheme	299	293
	<u>8,150</u>	<u>7,683</u>

15. FUTURE MINIMUM RENTAL RECEIVABLE

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

	30 September	31 March
	2011	2011
	HK\$'000	HK\$'000
Within one year	1,813	1,777
One year to five years	15	870
	<u>1,828</u>	<u>2,647</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Review of Operation

The Group's turnover for the six months ended 30 September 2011 was approximately HK\$1,816,681,000, representing an increase of 17% compared with the same period last year of HK\$1,551,440,000. The favourable increase in turnover was contributed mainly by the contracting of building construction and the building materials trading segments. During the period, the Group's construction projects in Hong Kong and Singapore performed steadily as these markets had maintained an upward trend and continued to show a strong momentum in property and infrastructure construction.

Gross profit recorded for the period was approximately HK\$123,961,000, which is a 79.5% increase from HK\$69,048,000 of the corresponding period last year. The significant increase is a result of improved cost control and progress management on building construction projects. Given this favourable result, the Group will continue to closely monitor contracts in progress to ensure profitability and completion on time in a quality manner.

During the period, the Group continued its policy of tightened control on operating expenses, and despite rising labour and material costs, the Group successfully maintained its general and administration expenses at about the same relative level as of the same period last year. Besides, the Group had benefited from the fair value gain on investment properties. However, reduced liquidity in the local money market and increased financing for capital expenditure by the Group had caused finance costs of the Group to increase considerably. The Group's jointly controlled entity in respect of a major public housing construction project in Hong Kong was progressing well. As a result of all these, the Group achieved a net profit attributable to shareholders for the period amounted to approximately HK\$16,098,000, representing a 59.3% increase compared to the same period last year of HK\$10,103,000.

As at 30 September 2011, the total contract sum of the Group's contracts in hand excluding joint venture contract, was approximately HK\$9,176 million. Within this, the estimated remaining works as at 30 September 2011 was approximately HK\$4,569 million. In building construction, renovation and maintenance segment, seven contracts with total contract sum of approximately HK\$920 million were secured during the period, which included a maintenance contract of HK\$360 million, a construction contract of HK\$33 million and a fitting out contract of HK\$44 million in Hong Kong. It also included a new construction contract in Singapore of contract sum S\$77 million (approximately HK\$471 million). During the period, two contracts with total contract sum of approximately HK\$30 million were completed. In the electrical and mechanical installation segment, total contract sum secured during the period was approximately HK\$668 million including a major contract of HK\$137 million in Shanghai, China. The value of contracts completed for this segment during the period was approximately HK\$862 million.

Movement of contracts

For the six months ended 30 September 2011 (excluding joint venture contract)

	31 March 2011 <i>HK\$ million</i>	Contracts Secured <i>HK\$ million</i>	Completed <i>HK\$ million</i>	30 September 2011 <i>HK\$ million</i>
Building construction, renovation and maintenance	5,065	920	(30)	5,955
Electrical and mechanical installation	3,849	668	(862)	3,655
Less: Inter-segment contracts	(353)	(85)	4	(434)
	<u>8,561</u>	<u>1,503</u>	<u>(888)</u>	<u>9,176</u>

Apart from showing in the table above, there was also a contract in progress of HK\$2,896 million in respect of the construction of Public Rental Housing at Kai Tak Development Site 1B, held by the Group under a jointly controlled entity, Yau Lee - Hsin Chong Joint Venture (the “Joint Venture”). The Group beneficially owns 60% of the Joint Venture through a wholly owned subsidiary, Yau Lee Construction Company Limited.

Financial Position

The Group’s finance and treasury functions has been centrally managed and controlled at the headquarters in Hong Kong. At 30 September 2011, the Group’s total cash in hand was approximately HK\$269,140,000 (31 March 2011: HK\$428,230,000) while total borrowings have increased to approximately HK\$974,487,000 (31 March 2011: HK\$809,260,000) during the period. The Group had a net debt (total borrowings less total cash in hand) of HK\$705,347,000 as at 30 September 2011 (31 March 2011: HK\$381,030,000). The increase in net debt position is a result of the timing of receipt construction revenue at period end, and further payments of machinery for production of environmentally friendly building materials and construction costs of property development projects which were partly financed by internal resources and partly by bank borrowings. The current ratio (total current assets: total current liabilities) as at 30 September 2011 was 1.3 (31 March 2011: 1.5). With prudent financial management policy in place, the Group considers the financial position as sound and healthy with sufficient liquidity.

The short term and long term borrowings are secured by the Group’s properties, certain time deposits and financial assets at fair value through profit or loss. Interest on bank loans are charged at floating rates and the Group monitors interest rate risks continuously and considers hedging any excessive risk when necessary. As at 30 September 2011, the Group has been granted banking facilities of approximately HK\$1,431,333,000 (31 March 2011: HK\$1,408,638,000) relating to bank loans and overdrafts and approximately HK\$669,632,000 (31 March 2011: HK\$611,004,000) relating to guarantees and trade financing. Within these amounts, approximately HK\$974,487,000 (31 March 2011: HK\$809,260,000) and approximately HK\$433,928,000 (31 March 2011: HK\$309,914,000) were utilised respectively. The increase in the Group’s banking facilities and related utilisation was mainly attributable to financing for capital expenditure of property development projects. The Group consider it has sufficient committed and unutilised banking facilities to meet its current business operation and property development requirement.

Human Resources

As at 30 September 2011, the Group had approximately 3,800 (31 March 2011: 3,100) employees. There are approximately 2,100 (31 March 2011: 1,850) employees in Hong Kong, Macau and Singapore and 1,700 (31 March 2011: 1,250) in Mainland China. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. The Group also invests on training and promotes staff development as the Group believes the expertise and experience of its staff force are one of the most important assets for sustaining business and growth of the Group.

Outlook

During the period, world economy has become even more complicated. The recent natural disasters, debt crisis in certain countries as well as the expected deterioration in world economy are likely to induce further volatility and uncertainty in the global market. Fortunately, Hong Kong's construction market has maintained a continuous upward trend, benefiting from the Hong Kong Government's rollout of the major infrastructure projects and the upswing of private construction sector. It is also likely that more public housing will be built and it is obviously positive for our construction business. However, it is not without challenges. Persistent inflation and rising material cost in Hong Kong and Mainland China undoubtedly affect the current market and general outlook. Shortage of experienced construction labour and rising salary level add further to the adversity of the problem. As such, we will stay attuned to the market, continue our proactive and yet prudent approach in our business development. The positioning as a highly integrated contractor and total solution provider stands the Group in a good stead for the opportunities ahead. Capitalizing on our expertise, experience and reputation in the construction industry, we will actively pursue further works and explore opportunities not only in Hong Kong, but also across different territories. This will further strengthen our base and ability to sustain long term growth.

The construction of the new integrated factory in Huizhou, Guangdong Province of China is well progressing and has already commenced production, as support to the Longhua, Shenzhen factory which has been operating at full capacity during the period. Both factories are now concentrating on producing precast building units for the Group and outside customers. On the other hand, the Starfon production line in the new integrated factory is already under pilot operation and is producing environmentally friendly building materials for use in our hotel in Sheung Wan, Hong Kong. Another new production line will be delivered and installed to the new factory in early 2012. The Group is committed to developing and promoting this environmentally friendly, cost effective and high performance building material technology to the market.

The development of the hotel, Holiday Inn Express Hong Kong, SoHo in Sheung Wan, Hong Kong is near completion and pre-opening preparation work is undergoing. It is targeted to be operational in the first quarter of 2012. At the same time, the property in To Kwa Wan has just completed statutory procedures for lease modification, and preparation work for construction of this residential project has already commenced. The property in Kwun Tong is still under negotiation of lease terms. The Group believes that the hotel operation will start to provide a steady source of income for the Group upon commencement of business, and the other strategic investments in property development is expected to give the Group opportunity for further growth in the medium term.

Finally, energy saving and consideration for the environment has become a major theme in construction industry. In alignment of our pursuit of environmental protection, the Group is committed to ride on this trend and devote further efforts to developing environmentally friendly building technologies and products. As a corporate citizen, the Group will also continue its emphasis on quality customer services, staff welfare and care for the community as a whole.

DIRECTORS' INTERESTS

At the date of this announcement, 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 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	
	Corporate interest	Percentage
Mr. Wong Ip Kuen	260,659,599	59.50%

The shares referred to above are registered in the names of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 29,980,000 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 period ended 30 September 2011, none of the Directors and chief executives (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

At no time during the period 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 corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

At 30 September 2011, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, the Company's listed securities for the six months ended 30 September 2011.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's unaudited interim results.

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE SEHK (“LISTING RULES”) – BANKING FACILITY WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors of the Company reported the following loan facility which exists during the period and includes a condition relating to specific performance of the controlling shareholder of the Company.

In 2010, a wholly-owned subsidiary of the Company was granted a term loan facility of up to HK\$475,000,000 to be repaid in one lump sum 36 months after the date of the loan agreement or 31 December 2012, whichever shall be the earlier. The facility is for the purpose of refinancing the subsidiary’s existing indebtedness and financing or refinancing its property development project.

Pursuant to the loan agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family, hold directly or indirectly less than 40% of the equity interest and voting shares of the Company. The occurrence of the aforesaid event of default would render all outstanding liabilities and indebtedness of the subsidiary under the loan agreement to become immediately due and payable.

On 22 November 2011, another wholly-owned subsidiary of the Company was granted a term loan facility in the aggregate sum of HK\$207,500,000 to be repaid in 48 months from the date of the facility agreement or 6 months from the date of the occupation permit issued by the Hong Kong Building Authority in respect of an entire new building, whichever shall be the earlier. The facility is for the purpose of construction of a new building, which is in part financed or refinanced by the facility.

Pursuant to the facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, ceases to beneficially own 50% or more of the entire issued voting share capital of the Company.

On 24 November 2011, four wholly-owned subsidiaries of the Company, as borrowers entered into a loan facility agreement with a bank in Hong Kong for an uncommitted revolving loan facility in the sum of HK\$21,000,000 and a foreign exchange contract facility on unadvised and uncommitted basis.

Pursuant to the loan facility agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family, in aggregate hold directly or indirectly less than 40% of the equity interest and voting shares of the Company.

As at 30 September 2011 and up to the date of this announcement, there is no breach of this covenant.

CORPORATE GOVERNANCE

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality board, better transparency, and effective accountability system in order to enhance shareholders’ value. Detailed disclosure of the Company’s corporate governance practices is available in the 2011 Annual Report.

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 period ended 30 September 2011 except for the Code provision A.2.1 which requires the roles of chairman and chief executive officer be separated and not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. However, the roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Wong Ip Kuen. The current structure will enable the Company to make and facilitate the implementation of decisions promptly and efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the securities transactions of the Directors of the Company. Having made specific enquiries to all Directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code during the accounting period covered by this interim announcement.

By order of the Board

Wong Ip Kuen

Chairman

Hong Kong, 30 November 2011

As at the date of this announcement, the Executive Directors of the Company are Mr. Wong Ip Kuen, Mr. Wong Tin Cheung, Ms. Wong Wai Man, Mr. Sun Chun Wai, and Mr. Tsang Chiu Kwan. The Independent Non-Executive Directors of the Company are Dr. Yeung Tsun Man, Eric, Mr. Wu King Cheong and Mr. Chan, Bernard Charnwut.

The full version of this announcement can also be accessed on the following websites:

(i) *<http://www.yaulee.com>; and*

(ii) *<http://www.irasia.com>*