



YAU LEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)



INTERIM REPORT
— 2004-2005 —

The Board of Directors (the "Directors") of Yau Lee Holdings Limited (the "Company") is pleased to announce the **unaudited** results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2004:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

		Unaudited	
		Six months ended	
		30th September,	
		2004	2003
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
			<i>(Note 10)</i>
Turnover	2	571,058	506,825
Cost of sales		(509,908)	(461,789)
Gross profit		61,150	45,036
Other revenues		1,087	1,038
General and administrative expenses		(51,195)	(40,102)
Other operating expenses, net		(1,339)	(2,559)
Operating profit		9,703	3,413
Finance costs		(5,677)	(3,653)
Profit (Loss) before share of results of associated companies and taxation		4,026	(240)
Share of profit (loss) of associated companies		173	(33)
Profit (Loss) before taxation	3	4,199	(273)
Taxation	4		
Company and subsidiaries		(2,215)	(1,895)
Profit (Loss) after taxation		1,984	(2,168)
Minority interests		502	655
Profit (Loss) attributable to shareholders		2,486	(1,513)
Dividend	5	1,543	-
Earnings (Loss) per share	6	0.56 cents	(0.34 cents)

CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2004

	<i>Note</i>	Unaudited 30th September, 2004 HK\$'000	Audited 31st March, 2004 HK\$'000
Non-current assets			
Fixed assets		838,951	831,142
Development costs		1,518	1,798
Long-term trade debtors		42,232	42,691
Loans to employees		2,559	2,385
Associated companies		18,348	26,315
Deferred tax assets		111	111
Other investments		5,484	5,484
		909,203	909,926
Current assets			
Time deposits, cash and bank balances		35,279	18,846
Restricted deposits		164,752	164,514
Trade debtors, net	7	197,444	159,688
Inventories		14,686	12,098
Prepayments, deposits and other receivables		39,047	20,174
Prepaid tax		38	231
Due from customers on construction contracts		266,868	316,219
Short-term investments		360	366
Due from related parties		30	30
		718,504	692,166
Current liabilities			
Bank overdrafts, secured		89,933	53,723
Short-term bank loans, secured		216,289	229,370
Current portion of long-term liabilities, secured		623	308,412
Payable to suppliers and subcontractors	8	89,919	101,656
Accruals, retentions payable and other liabilities		71,799	68,023
Taxation payable		1,981	709
Due to customers on construction contracts		23,835	11,985
Due to related parties		1,104	1,104
		495,483	774,982
Net current assets (liabilities)		223,021	(82,816)

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30TH SEPTEMBER, 2004

	Unaudited	Audited
	30th September,	31st March,
	2004	2004
<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Total assets less current liabilities	1,132,224	827,110
Non-current liabilities		
Long-term liabilities	308,115	387
Deferred tax liabilities	5,675	5,864
	313,790	6,251
Minority interests	4,574	5,076
	813,860	815,783
Financed by:		
Share capital	88,190	88,190
Other reserves	633,380	633,380
Retained profits		
Proposed interim/final dividend	1,543	4,409
Others	90,747	89,804
Shareholders' equity	813,860	815,783

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

	Unaudited	
	Six months ended	
	30th September,	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Net cash flows used in operating activities	(2,151)	(33,923)
Net cash flows from (used in) investing activities	2,436	(55,965)
Net cash flows (used in) from financing activities	(20,062)	62,672
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(19,777)	(27,216)
Cash and cash equivalents, beginning of period	(34,877)	(14,674)
	<hr/>	<hr/>
Cash and cash equivalents, end of period	(54,654)	(41,890)
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Analysis of cash and cash equivalents		
Time deposits	4,645	1,129
Cash and bank balances	30,634	14,295
Bank overdrafts, secured	(89,933)	(57,314)
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	(54,654)	(41,890)
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

	Unaudited					
	Six months ended 30th September, 2004					
	Share capital	Share premium	Property revaluation reserve	Capital redemption reserve	Retained profits	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1st April, 2004	88,190	415,430	217,591	359	94,213	815,783
Profit for the period	-	-	-	-	2,486	2,486
Dividend paid	-	-	-	-	(4,409)	(4,409)
	<u>88,190</u>	<u>415,430</u>	<u>217,591</u>	<u>359</u>	<u>92,290</u>	<u>813,860</u>
As at 30th September, 2004	88,190	415,430	217,591	359	92,290	813,860

	Unaudited					
	Six months ended 30th September, 2003					
	Share capital	Share premium	Property revaluation reserve	Capital redemption reserve	Retained profits	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1st April, 2003, as previously stated	88,190	415,430	-	359	94,056	598,035
Effect of adopting SSAP 12 (revised)	-	-	-	-	166	166
	<u>88,190</u>	<u>415,430</u>	<u>-</u>	<u>359</u>	<u>94,222</u>	<u>598,201</u>
As at 1st April, 2003, as restated	88,190	415,430	-	359	94,222	598,201
Loss for the period	-	-	-	-	(1,513)	(1,513)
	<u>88,190</u>	<u>415,430</u>	<u>-</u>	<u>359</u>	<u>92,709</u>	<u>596,688</u>
As at 30th September, 2003	88,190	415,430	-	359	92,709	596,688

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Accounting Policies

The interim accounts have not been audited by the auditors of the Group but have been reviewed by the Group's Audit Committee.

These unaudited consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 – "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the Group's annual accounts for the year ended 31st March, 2004.

2. Turnover and Segment Information

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong and property investment in Hong Kong. Revenues recognised during the period are as follows:

	Six months ended	
	30th September,	
	2004	2003
	HK\$'000	HK\$'000
Turnover		
Contracting of building construction, plumbing, maintenance and fitting-out projects	544,755	473,378
Property investment	3,082	–
Others	23,221	33,447
	571,058	506,825

NOTES TO INTERIM FINANCIAL STATEMENTS (CONTINUED)**2. Turnover and Segment Information (Continued)**

The analyses of the Group's segment information are as follows:

Primary reporting format – business segments

	2004				Total HK\$'000
	Construction HK\$'000	Property Investment HK\$'000	Others HK\$'000	Elimination HK\$'000	
External sales	544,755	3,082	23,221	-	571,058
Intersegment sales	400	-	30,082	(30,482)	-
Total sales	<u>545,155</u>	<u>3,082</u>	<u>53,303</u>	<u>(30,482)</u>	<u>571,058</u>
Segment results	<u>9,774</u>	<u>(796)</u>	<u>1,805</u>	<u>(283)</u>	<u>10,500</u>
Unallocated costs					<u>(797)</u>
Operating profit					<u>9,703</u>
	2003				
	Construction HK\$'000 (Note 10)	Property Development HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000 (Note 10)
External sales	473,378	-	33,447	-	506,825
Intersegment sales	68,406	-	20,450	(88,856)	-
Total sales	<u>541,784</u>	<u>-</u>	<u>53,897</u>	<u>(88,856)</u>	<u>506,825</u>
Segment results	<u>13,613</u>	<u>(58)</u>	<u>5,313</u>	<u>(14,556)</u>	4,312
Unallocated costs					<u>(899)</u>
Operating profit					<u>3,413</u>

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 INTERIM FINANCIAL STATEMENTS (CONTINUED)**3. Profit (Loss) Before Taxation**

Profit (Loss) before taxation is arrived at after charging the following:

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Depreciation		
Owned assets	9,147	8,102
Assets held under finance leases	154	373
Amortisation of development costs	300	–
Loss on disposal of fixed assets	31	1,894

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

5. Dividend

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Interim dividend of HK 0.35 cents (2003: Nil) per share.	1,543	–

6. Earnings (Loss) per share

Earnings per share has been calculated base on the unaudited consolidated profit attributable to shareholders for the period of HK\$2,486,000 (2003: unaudited consolidated loss of HK\$1,513,000) and 440,949,600 shares (2003: 440,949,600 shares) in issue during the period. No diluted earnings per share are disclosed as there are no potential dilutive shares during the period.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONTINUED)**7. Trade Debtors**

Trade debts are due after 21 days to one year depending on the nature of services or products.

The aging analysis of trade debtors at the period end is as follows:

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Not yet due	183,792	145,533
Overdue by:		
1 – 30 days	4,663	5,096
31 – 90 days	1,274	3,153
91 – 180 days	263	1,287
Over 180 days	7,452	4,619
	197,444	159,688

8. Payable to Suppliers and Subcontractors

The aging analysis of payable to suppliers and subcontractors at the period end is as follows:

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Not yet due	73,565	94,935
Overdue by:		
1 – 30 days	16,150	6,051
31 – 90 days	46	–
91 – 180 days	–	–
Over 180 days	158	670
	89,919	101,656

9. Share Capital

There were no movements in the share capital of the Company in the reporting period.

10. Comparative Figures

Certain comparative figures have been reclassified in order to conform with the presentation of current period.

INTERIM DIVIDEND

The Board of Directors of the Company (“the Directors”) recommend the payment of an interim dividend of HK 0.35 cents (2003: Nil) per share. The interim dividend will be payable on 7th March, 2005 to shareholders whose names appear on the register of members at the close of business on 4th March, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 28th February, 2005 to Friday, 4th March, 2005, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfer accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar 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, 25th February, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and operation

The consolidated turnover for the six months ended 30th September, 2004 has increased by 12.67% to HK\$571,058,000 when compare with the turnover of HK\$506,825,000 for the same period last year. As a result of stringent cost control and rental income generated from the investment property in Causeway Bay, the gross profit margin for the period has increased from 8.9% in 2003 to 10.7% this period.

However, due to the additional expenses incurred for the management of the investment property, the general and administrative expenses has increased to HK\$51,195,000 (2003: HK\$40,102,000).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at the date of this report the total contract sum of the Group's construction contracts in hand is approximately HK\$3,555,000,000.

Value of Contracts in hand	<i>HK\$ Million</i>
As at 31st March, 2004	3,506
Secured during the period from 1st April, 2004 to 30th September, 2004	32
Completed during the period from 1st April, 2004 to 30th September, 2004	—
	<hr/>
As at 30th September, 2004	3,538
Secured subsequent to 30th September, 2004	17
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As at the date of this report	<u>3,555</u>

The Group has successfully committed leases for all the retail floors of the Group's property in Causeway Bay. After the granting of the approval for changing the usage of certain floors of the property to a hotel, the work for converting the property into a hotel is now in progress and the expected completion date for the work is first quarter of 2005.

Financial Position

At 30th September, 2004, the Group's total cash in hand was HK\$200 Million (31st March, 2004: HK\$183 Million) and bank borrowings increased from HK\$591 Million in 31st March, 2004 to HK\$614 Million. The increase in bank borrowings was due to the additional working capital requirement for construction contracts in hand. The Group's net debt (total bank borrowings less total cash in hand) to equity ratio increased to 50.9% (31st March, 2004: 50.1%). If the property development loan is excluded, the Group has a net debt of only HK\$107 Million (31st March, 2004: HK\$100 Million) representing a net debt to equity ratio of 13.1% (31st March, 2004: 12.3%). The current ratio (total current assets: total current liabilities) has improved from 0.9 to 1.45 as compared to 31st March, 2004. The Group has entered into an arrangement with a bank to refinance the property development loan of HK\$308 Million with a 5 year term loan and the loan is reclassified from current liabilities to long term liabilities.

The bank borrowings are secured by the Group's properties, investment properties, investments in unit trust and certain time deposits.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Human Resources

As at 30th September, 2004, the Group employed approximately 870 employees in Hong Kong and approximately 750 employees in Mainland China.

Employees in Hong Kong are either paid on a monthly salary basis or daily wages basis. Salaried employees are entitled to benefits according to seniority and position 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 locations of their employments.

Outlook

The outlook of the local construction market remains uncertain despite recent signs of recovery of the property market and the Hong Kong economy in general. To cope with the situation the Group with its expertise in advanced precast construction techniques is exploring business opportunities in the expanding construction market in Macau. With the uprising of the retail and the tourism markets, the Group believes that the hotel and commercial property located in the core of Causeway Bay will be able to make a healthy contribution to the Group's result in the near future.

DIRECTORS' INTERESTS

At 30th September, 2004, the interests and short positions 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 were as follows:

Ordinary shares of HK\$0.2 each in Yau Lee Holdings Limited

Director	Number of shares held	
	Corporate interests	Percentage
Mr. Wong Ip Kuen	230,679,599	52.3%

DIRECTORS' INTERESTS (CONTINUED)

The 230,679,599 shares of the Company referred to above are registered in the name of All Fine Investment Company Limited. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Holdings Company Limited, which owns the entire issued share capital of All Fine Investment Company Limited, both of which are companies incorporated in the Cook Islands. Mr. Wong Ip Kuen is a director of both All Fine Holdings Company Limited and All Fine Investment Company Limited.

During the period ended 30th September, 2004, no right to subscribe for equity of the Company was exercised by any of the Directors or chief executives of the Company or the spouses or children under 18 years of age of such Directors and chief executives.

At no time during the period was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding company 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

At 30th September, 2004, 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

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the six months ended 30th September, 2004.

AUDIT COMMITTEE

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 Unaudited Interim Financial Statements.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the code of best practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the period covered by this Interim Report.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 22nd December, 2004