Annual Report 2008

有利集團有限公司

Yau Lee Holdings Limited

( Incorporated in Bermuda with limited liability )

(Stock code: 406)

# Contents

# Board of Directors and Corporate Information



## Directors

Wong Ip Kuen *(Chairman)*
Wong Tin Cheung *(Vice Chairman)*
So Yau Chi
Sun Chun Wai
Wong Wai Man (appointed on 1 June 2008)
Chan, Bernard Charnwut*
Wu King Cheong*
Dr. Yeung Tsun Man, Eric*

* 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 (resigned on 31 May 2008)
Koo Tsang Hoi (appointed on 1 June 2008)

## 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

## Auditor

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

During the year, the Group has completed a transaction to dispose of its wholly-owned properties at 33 Sharp Street East Causeway Bay (also known as Express by Holiday Inn Causeway Bay, Hong Kong) at a consideration of HK$1,580,000,000 which resulted in a capital gain to the Group. The Group's profit for the year from discontinued operations amounted to HK$795,409,000 including our profit from hotel operation and property leasing, interim fair value gain on investment properties and a deferred taxation credit. This transaction has greatly improved the Group's operating cash level and allowed the Group to pursue other development opportunities that are essential for future expansion both geographically and to other business segments.

The Group's continuing operations from its core businesses achieved revenue (mainly construction revenue) of HK$1,526,015,000 in 2008 (2007: HK$2,012,055,000), a 24% reduction over the former year and was primarily a result of timing of construction projects. In the current year, the Group has incurred losses from certain completed contracts as a result of an agreed final settlement reached with a customer subsequent to 31 March 2008 in one of the contracts and additional costs from the delays of construction works due to unforeseen difficulties. In addition, the Group has revised the estimates on recoverability of costs incurred on variations orders in respect of contracts in progress and completed contracts, which also contributed to the Group's gross loss from continuing operations of HK$240,202,000 (2007: gross profit of HK$95,861,000). Nonetheless, the Group's on-going businesses remain robust and the management team is monitoring closely the profitability and progress of all contracts in hand which is expected to lead to an improving year of 2009. During the year, the Group's administrative expenses increased by 32% to HK$129,475,000 (2007: HK$98,042,000) mainly coming from rising tendering costs of design and build projects. The above, partially offset by a net increase in other income and gains and finance cost, has resulted in a net loss from continuing operations of HK$373,052,000 (2007: profit of HK$2,957,000).

The Group's total profit attributable to equity holders amounted to HK$422,357,000 (2007: HK$49,609,000) which is record high for the Group. The net assets value of the Group as at 31 March 2008 was HK$1,284,307,000 (2007: HK$866,625,000) equivalent to HK$2.91 (2007: HK$1.97) per share based on the 440,949,600 (2007: 440,949,600) ordinary shares in issue. The strong assets base has significantly increased the Group's financial strength.

## Dividends

In the Board meeting held on 22 July 2008, the Directors recommend the payment of a final dividend of HK10 cents per share (2007: HK1 cent per share) for the year ended 31 March 2008. Subject to the equity holders' approval at the forthcoming Annual General Meeting, the dividend will be paid on 25 September 2008 to equity holders whose names appear on the Company's register of members on 26 August 2008.

## Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 20 August 2008 to Tuesday, 26 August 2008, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed 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 4:30 p.m. on Tuesday, 19 August 2008.

# Chairman's Statement



## Review of Operations

### Building construction, renovation and maintenance

During the year, the Group completed three contracts with a total contract value of HK$1,749,000,000 and secured six contracts with a total contract sum of HK$2,283,000,000 giving the total value of contracts in hand as at 31 March 2008 of HK$3,878,000,000 (2007: HK$3,344,000,000) including those secured in Macau. In addition, the Group has also secured a contract with a value of HK$1,654,000,000 under a jointly controlled operation with another renowned main contractor in Hong Kong. Subsequent to the year ended and up to the date of this report, the Group has further secured three contracts with a total value of HK$1,227,000,000 and completed two contracts with a total contract value of HK$717,000,000. The increase in contracts in hand was the result of an upturn of the construction market in Hong Kong. A few of the contracts in progress are design and build contracts that require extra expertise especially in early stage of the project. The management believes that the Group's experience and performance will help secure more of such contracts for future growth.

The Group has also actively expanded its construction business in overseas markets including Macau and Singapore. As at the date of this report, the Group has four contracts in hand in Macau. During the year, the Group also set up an office in Singapore and subsequent to year end, the Group has already commenced work on the contract secured in Singapore. As the first step into this market, the Group has hired an experienced team both locally as well as seconding qualified team members from Hong Kong to support such development. With the Group's industry experience and excellent relationship with customers, the management is confident of securing additional contracts from this growing market and expects positive financial results from these markets in the coming few years.

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 20 safety, quality and environmental awards have been awarded to the Group during the year. The major awards are:

1. the "Silver Award for Outstanding Environmental Management and Performance Grand Award" for **Considerate Contractors Site Award**;

2. the "Silver Award of Green Contractor" awarded by Architectural Services Department; and

3. the "Silver Award for Building Site (Public Sector)" for **Safety Award Scheme for the Construction Industry**.

### Building materials trading

During the year, the Group has increased its revenue derived from its building materials trading and precast building component manufacturing and trading business from HK$32,925,000 in 2007 to HK$44,761,000 in 2008. However, consistent with pressures in the market, the Group's factory in China is facing the impact of Renminbi appreciation, rising salary costs as well as commodity and material costs increase. The Group has undertaken measures to mitigate the impact of material costs increases in the coming year.

### Others operations

The Group's other businesses mainly include information technology services provision, curtain wall, architects and engineers companies as well as theme painting. These businesses do not only provide good platforms to support the Group's construction business, but have been actively pursuing work with external customers. The management believes that these segments will help provide integrated services to all customers and uphold the quality of the Group's services and products.

# Chairman's Statement



## Business Prospects

The construction industry is currently in its upturn. Given the Group's good track record and reputation in public construction work especially in quality and design, the Group remains in a strong position to capture these opportunities by securing further contracts. Recently, there has been a lower demand of public housing estate construction and redevelopment work which made a consequential impact to the Group. However, the Group's credentials and experience developed from the recent large design and build contracts from the government will provide a strong platform for more works. The maturing curtain wall and glass reinforced gypsum products businesses will integrate more closely with the Group's existing construction segment allowing the Group to position itself as a total solution contractor in the market and be even more competitive in tendering for contracts.

In Macau, the construction market remains stable with large infrastructure projects planned by the government of Macau SAR and private sectors. The Group will continue to seize opportunities for future works with the credentials developed. In Singapore, after securing the first large project in this second quarter, the Group is currently tendering more works to capture opportunities in this rapidly growing market. The move into overseas markets is important to capture the needs and recent development in these markets and the Group also believes that growing internationally will help diversify the business geographically in the Group's core competencies. The Group will continue to explore the potential of the United Arab Emirates market that is currently enjoying strong growth with mega projects to be undergone. All these overseas investments will support the growth of our core businesses in the near term.

In May 2008, the Group has completed a major transaction to acquire 100% of the shares of Ryoden Engineering Company Limited ("REC Group"). REC Group has strong speciality in mechanical and engineering field and its large amount of remaining contract value in hand will be beneficial to the Group. The management believes that the acquisition will allow the Group to integrate vertically into mechanical and engineering field and to take the benefit of a well-established team with strong expertise. This will give the Group an additional advantage in future tenders especially in design and build contracts. An integration process with REC Group is currently underway and REC Group will contribute to the Group's financial performance for next year commencing June 2008 onwards.

Overall, while the Group has had a challenging year in respect of some projects, the cash and assets base have substantially improved which provides the financial strength for further expansion including potential opportunities in property development both in Hong Kong and China. This will allow the Group to maximise shareholder value and take advantage of improvement in the construction and real estate market in the long run. With these and a clear vision, the management is confident of achieving a reasonable growth in the coming years. The Group has also raised a campaign within the Group to support donations to 12 May Sichuan earthquake. While we show sympathy to the affected victims, the Group will continue to provide support to fulfill our social responsibility.

By order of the Board

**Wong Ip Kuen**
*Chairman*

Hong Kong, 22 July 2008

## Financial Position

At 31 March 2008, the Group's total cash in hand was HK$957,631,000 (2007: HK$213,011,000) while total borrowings have reduced to HK$166,271,000 (2007: HK$892,543,000) this year. The substantial increase in cash in hand and decrease in bank borrowings were resulted from the disposal of the properties at 33 Sharp Street East during the year. The Group has no net debt (total borrowings less total cash in hand) as at 31 March 2008 (2007: HK$679,532,000 and net debt to equity ratio in 2007 was 78.4%) and the current ratio (total current assets: total current liabilities) has improved from 1.6 in 2007 to 3.2 in 2008.

The short-term and long-term borrowings are secured by the Group's 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 considers hedging any excessive risk when necessary. The total bank facilities granted to the Group at 31 March 2008 was approximately HK$498,810,000 (2007: HK$1,021,310,000), of which approximately HK$193,538,000 (2007: HK$912,074,000) had been utilised.

## Human Resources

At 31 March 2008, the Group employed approximately 980 employees in Hong Kong, Macau and Singapore and approximately 870 employees in mainland China.

Employees in Hong Kong, Macau and Singapore 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 2007/2008" organised by the Hong Kong Council of Social Service.

# Summary of Contracts

## Contracts Completed During the Year Ended 31 March 2008

| Contracts | Commencement date | Completion date | Original contract value HK$ million |
|---|---|---|---|
| Redevelopment of Kwai Chung Flatted Factory | January 2005 | February 2008 | 366 |
| Main Works (Area B) for Hong Kong Science Park Phase 2 at Pak Shek Kok, Tai Po | May 2005 | September 2007 | 1,270 |
| 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 | May 2007 | 113 |
| Total | | | 1,749 |

# Summary of Contracts



## Contracts Secured in Prior Year and in Progress During the Year Ended 31 March 2008

| Contracts | Commencement date | Original contract value HK$ million | Estimated remaining works as at 31 March 2008 HK$ million |
|---|---|---|---|
| Redevelopment of Un Chau Street Estate Phases 2 and 4 and Minor Works | August 2005 | 640 | 54 |
| 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 | 40 |
| Residential Development at 3 Middle Gap Road, Hong Kong | December 2005 | 41 | 2 |
| Completion Contract for the Construction of Fanling Area 36 Phase 1 | June 2006 | 552 | 174 |
| Kwai Chung (District Open Space) Phase 2A & Kwai Chung Estate (Lift Tower & Footbridge) Phase 5A | September 2006 | 77 | 29 |
| Term Maintenance Contract (Region 1) for Kowloon East, Hong Kong and Tseung Kwan O 2007/2009 | March 2007 | 46 | 21 |
| Total | | 1,595 | 320 |

# Summary of Contracts



## Contracts Secured in Current Year and in Progress During the Year Ended 31 March 2008

| Contracts | Commencement date | Original contract value HK$ million | Estimated remaining works as at 31 March 2008 HK$ million |
|---|---|---|---|
| Construction of Choi Wan Road Development Site 3B Phase 1 | April 2007 | 551 | 481 |
| Design and Construction of Reprovisioning of Central District Headquarters and Central Divisional Police Station at Chung Kong Road, Sheung Wan | April 2007 | 240 | 165 |
| Design and Construction of Redevelopment of Lo Wu Correctional Institution | April 2007 | 1,228 | 1,082 |
| District Term Contract for the Maintenance and the Vacant Flat Refurbishment for Ma On Shan and Shatin North District (2007/2010) | May 2007 | 156 | 111 |
| Supply and Install Primary and Secondary Ceiling (Main Casino) | December 2007 | 33 | 18 |
| Venetian Orient Limited – Podium Parcel 6 Casino, Bus Lobby, Spice Walk, Court of Palms and Sheraton Reception Fit-out | March 2008 | 75 | 66 |
| Total | | 2,283 | 1,923 |
| Contracts in hand as at 31 March 2008 | | 3,878 | 2,243 |

# Summary of Contracts



## Contracts Secured Subsequent to the Year Ended up to 30 June 2008

| Contracts | Commencement date | Awarded contract value HK$ million |
|---|---|---|
| Venetian Orient Limited – Podium Themed External Facades (North and South) | May 2008 | 131 |
| Venetian Orient Limited – Parcel 5 & 6 – Podium Retail FOH Fit-out/ Metal & Earth Mall Fit-out | June 2008 | 70 |
| Marina Bay Sands Integrated Resort Development – Trade Contract for South Podium Reinforced Concrete Works | June 2008 | 1,026 |
| Total | | 1,227 |

## Contracts Completed by Jointly Controlled Entities During the Year Ended 31 March 2008

| Contract | Commencement date | Completion date | Original contract value HK$ million |
|---|---|---|---|
| Podium Internal Façade for Venetian Macao Resort Hotel in Cotai, Macau | September 2005 | November 2007 | 168 |

## Contracts Secured by Jointly Controlled Operation in Current Year and in Progress During the Year Ended 31 March 2008

| Contract | Commencement date | Original contract value HK$ million | Estimated remaining works as at 31 March 2008 HK$ million |
|---|---|---|---|
| Design and Construction of Prince of Wales Hospital – Extension Block at Shatin | April 2007 | 1,654 | 1,464 |

# Biographical Details of Directors and Senior Management



## Executive Directors

### Mr. Wong Ip Kuen

aged 72, 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, JP

aged 44, 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 Chief Executive Officer 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 a Member of the Construction Industry Council, a member of Occupational Industry Council, the President of the Hong Kong Construction Association 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. In July 2008, Mr. Wong was appointed as 'Justice of the Peace' by Chief Executive, Government of the Hong Kong Special Administrative Region.

### Mr. So Yau Chi

aged 64, 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.

### Mr. Sun Chun Wai

aged 47, 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.

### Ms. Wong Wai Man (appointed on 1 June 2008)

aged 42, joined the Group in 2003 and was recently promoted as the Director of the Group. She is the Managing Director of Yau Lee Construction (Singapore) Pte. Ltd. as well as the Director of Yau Lee Formglas Limited, Yau Lee Curtain Wall and Steel Works Limited, Yau Lee Construction, Leena Theme Painting Limited.

Ms. Wong is responsible for formulating the Group's strategic planning, corporate business development, reviewing and improving the internal management systems, management of construction projects in Hong Kong, together with expansion opportunities in overseas markets namely Macau, Singapore and United Arab Emirates, as well as the Group's investment projects. Under the leadership of Ms. Wong, the Group continues to expand worldwide.

Ms. Wong holds a Bachelor Degree from the De Montfort University, a Master degree at the Royal College of Art in Britain and an Executive Master Degree in Business Administration at the Chinese University of Hong Kong.

# Biographical Details of Directors and Senior Management





## Independent Non-executive Directors

### Mr. Chan, Bernard Charnwut

aged 43, has been an Independent Non-Executive Director of the Company in 2000. He is a graduate of Pomona College in California USA and he holds the positions of Executive Director and President of Asia Financial Holdings Limited and Asia Insurance Company Limited. Mr. Chan also serves as a member of the Legislative Council representing the insurances industry, a non-official member of the Executive Council of the Hong Kong Special Administrative Region and a Hong Kong Deputy to the National People's Congress. He serves as the Chairman of Advisory Committee on Revitalization of Histroic Buildings and 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 of Hong Kong Limited. In addition, he is also an Advisor of the Bangkok Bank (Hong Kong Branch), the Chairman of Hong Kong-Thailand Business Council, the Chairperson of The Hong Kong Council of Social Service and a Trustee of the Pomona College, California, USA.

### Mr. Wu King Cheong

aged 57, has been an Independent Non-Executive Director of the Company since 1994. Mr. Wu is 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.

### Dr. Yeung Tsun Man, Eric

aged 62, has been 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".

## Senior Management*

**Mr. Chan Sou Kai,** *Chief Quantity Surveyor*
aged 61, joined the Group in 2000. Mr. Chan is a Professional Member of Royal Institution of Chartered Surveyors. He has 39 years of experience in quantity surveying. He is responsible for contractual matters of Yau Lee Construction.

**Mr. Cheung Woon Yin,** *Deputy General Manager*
aged 56, joined Yau Lee Construction in 1987 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. Ho Sui Man,** *Chief Financial Officer*
aged 36, joined the Group in June 2008. Mr. Ho is an Associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. He is also a Fellow member of the Association of Chartered Certified Accountants. He holds a Bachelor Degree and a Master Degree in Business Administration in the Chinese University of Hong Kong and he has over 10 years' experience in accounting, auditing and management fields and is responsible for all corporate finance, banking and accounting matters of the Group.

**Mr. Pang Tak Him,** *General Manager – Building Renovation Division*
aged 54, 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 51, 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 29 years of experience in litigation, arbitration, mediation, quantity surveying, project management and subcontracting business in civil, building, maintenance & repair and fitting-out works in Hong Kong, Macau, 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 – 2004 and 2004 – 2007 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
- Lau Wai Foo
- Man Tin Hung
- Wong Kwok Keung

### Project Managers*

- Chung Chi Hung
- Ho Chi Man
- Lam Lap Wa
- Lee Shiu Ming
- 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 and Safety Department |
| • Leung Sau Lin | Finance and Accounts Department |
| • Wong Sik Yan | Information Technology Department |
| • Yu Chi Kin | Quality Department |
| • Yu Kwok Yan | Tender and Purchase 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 |

### Yau Lee Construction (Singapore) Pte. Ltd.

| | |
|---|---|
| • Wong Ming Tak | Commercial Director |

* *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 2008.

## Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are contracting of building construction, plumbing, maintenance and fitting-out projects and building materials trading. In addition, the Group is engaged in other activities which mainly include computer software development and provision for website hosting services. During the year, the Group has completed a transaction to dispose of its properties at 33 Sharp Street East with the results from this property leasing and hotel operation being presented as discontinued operations.

## Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 25.

In the Board meeting held on 22 July 2008, the directors recommend the payment of a final dividend of HK10 cents per share (2007: HK1 cent per share), totalling approximately HK$44,095,000 (2007: HK$4,409,000) for the year ended 31 March 2008.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 34 to the financial statements.

## Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$38,200 (2007: HK$4,900).

## Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the financial statements.

## Distributable Reserves

At 31 March 2008, the reserves of the Company available for distribution, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to approximately HK$136,626,000 (2007: HK$143,019,000).

## Share Capital

Details of the share capital of the Company are set out in Note 33 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 88.

## 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.

## Post Balance Sheet Event – Business Combination

On 30 May 2008, the Company completed the purchase of 50,000,000 shares of HK$1.00 each, being the entire share capital of Ryoden Engineering Company Limited at a total cash consideration of HK$46,000,000 (excluding transaction expenses). The acquisition of Ryoden Engineering Company Limited and its subsidiaries constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. The Company has obtained from Mr. Wong Ip Kuen, being the controlling shareholder of the Company, a written approval of the major transaction. Accordingly, there is no need to convene a shareholders' meeting to approve the major transaction.

## 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 2008, 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 |
| Period within which payments/calls/loan must be made/repaid | : | Not applicable |
| Basis of determining the exercise price | : | Details are set out in Note 33 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 |

## Share Option Schemes and Directors' Rights to Acquire Shares *(Continued)*

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 and up to the date of this report were:

### Executive Directors

Mr. Wong Ip Kuen *(Chairman)*
Mr. Wong Tin Cheung *(Vice Chairman)*
Mr. So Yau Chi
Mr. Sun Chun Wai
Ms. Wong Wai Man (appointed on 1 June 2008)

### Independent Non-Executive Directors

Mr. Chan, Bernard Charnwut
Mr. Wu King Cheong
Dr. Yeung Tsun Man, Eric

In accordance with the Company's bye-laws, Mr. Sun Chun Wai and Mr. Chan, Bernard Charnwut 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 2008, 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 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 year was the Company, its subsidiaries, its associates or its jointly controlled entities/operation 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 2008, the register of substantial shareholders maintained under Section 336 of the SFO showed 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 | 5% |
| – five largest suppliers | 13% |
| Sales | |
| – the largest customer | 56% |
| – five largest customers | 89% |

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 any interests 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 2008, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") are disclosed in Note 39 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 20 to 23.

## Auditor

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, 22 July 2008

The Directors are 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.

## The Board of Directors

During the year, the Board of Directors of the Company comprised four Executive Directors and three Independent Non-Executive Directors, whose personal biographies are set out on pages 11 to 12 of this report. Up to the date of this report, a further Executive Director was appointed.

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 interests 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 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 delegate 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, very substantial disposal, major acquisition, annual and interim results, dividend policy, proposed appointment and re-election of directors, appointment of auditors and other operational 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 2008, four board meetings were held. The attendance of the Directors at the meetings of the Board and its respective committees is as follows:

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

## Committees of the Board

The Directors have 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 include the review of the Company's financial reporting, internal control system, appointment of auditor, review of corporate governance issues and making recommendations to the Board as appropriate, resulting from the above matters. The committee comprises:

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

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 two meetings in the year ended 31 March 2008 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 above.

## 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 2008 and the record of attendance of the members is listed on page 21. The members of the Remuneration Committee are as follows:

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

## 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 was no casual vacancy in the Board, the Nomination Committee did not hold any meetings during the year ended 31 March 2008.

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

## Auditor's Remuneration

The Company engaged PricewaterhouseCoopers as the Company's external auditor. For the year ended 31 March 2008, PricewaterhouseCoopers provided the following services to the Group:

| | HK$'000 |
|---|---|
| Audit services | 1,715 |
| Regulatory reporting services | 1,000 |
| Transaction related services | 1,380 |
| Taxation services | 316 |
| | 4,411 |

## 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 to and used as a management tool for the day-to-day business operation. The system can only provide reasonable but not absolute assurance against misstatements or losses.

During the year, the Group has implemented a variation orders reporting and approval on-line application such that all variation orders from construction sites have to be submitted and approved through our internal website. Management believes that this process will enhance our controls over variation orders in respect of the Group's construction contracts.

The Audit Committee has conducted a review of the effectiveness of the Group's internal control system for the year ended 31 March 2008, including financial, operational and compliance controls as well as the risk management process 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 2008.

## 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. 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. In preparing the financial statements for the year ended 31 March 2008, 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.

## 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 2008 except for the Code provision A.2.1 and A.4.2.

Code provision A.2.1 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 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.

Code provision A.4.2 requires every director be subject to retirement by rotation at least once every three years, however the Bye-laws stipulate that one-third of the directors of the Company, except director holding office as Chairman, should be subject to retirement by rotation at each annual general meeting. This Code provision also stipulates that all directors appointed to fill a casual vacancy should be subject to re-election by shareholders at the first general meeting after their appointment. In accordance with the Bye-laws of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. The Board of the Company considers that the impact of deviation is immaterial and casual vacancy does not happen frequently.

# 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 25 to 87, which comprise the consolidated and Company balance sheets as at 31 March 2008, 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 2008 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, 22 July 2008

# Consolidated Income Statement

*For the year ended 31 March 2008*



| | Note | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5 | **1,526,015** | 2,012,055 |
| Cost of sales | 7 | **(1,766,217)** | (1,916,194) |
| Gross (loss)/profit | | **(240,202)** | 95,861 |
| Other income and gains | 6 | **37,117** | 17,267 |
| Administrative expenses | 7 | **(129,475)** | (98,042) |
| Other operating expenses | 7 | **(7,992)** | (2,657) |
| Operating (loss)/profit | | **(340,552)** | 12,429 |
| Finance costs | 9 | **(32,588)** | (17,418) |
| Share of profit of jointly controlled entities/operation | 21 | **1,430** | 12,595 |
| (Loss)/profit before income tax | | **(371,710)** | 7,606 |
| Income tax expense | 10 | **(1,342)** | (4,649) |
| (Loss)/profit for the year from continuing operations | | **(373,052)** | 2,957 |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | 15 | **795,409** | 46,652 |
| Profit for the year | | **422,357** | 49,609 |
| Attributable to: | | | |
| Equity holders of the Company | 11 | **422,360** | 49,790 |
| Minority interests | | **(3)** | (181) |
| | | **422,357** | 49,609 |
| Dividends | 12 | **44,095** | 4,409 |
| (Loss)/earnings per share (basic and diluted) | 13 | | |
| – from continuing operations | | **(84.60) cents** | 0.71 cents |
| – from discontinued operations | | **180.39 cents** | 10.58 cents |
| | | **95.79 cents** | 11.29 cents |

# Balance Sheets

*As at 31 March 2008*

| | Note | 2008 Group HK$'000 | 2008 Company HK$'000 | 2007 Group HK$'000 | 2007 Company HK$'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *16* | **97,007** | **–** | 294,800 | – |
| Investment properties | *17* | **–** | **–** | 340,000 | – |
| Leasehold land | *18* | **35,655** | **–** | 352,038 | – |
| Subsidiaries | *19* | **–** | **361,075** | – | 361,075 |
| Associates | *20* | **39** | **–** | 39 | – |
| Jointly controlled entities/operation | *21* | **26,170** | **–** | 12,595 | – |
| Deferred income tax assets | *31* | **41** | **–** | 34 | – |
| Other non-current assets | *22* | **34,122** | **–** | 35,364 | – |
| | | **193,034** | **361,075** | 1,034,870 | 361,075 |
| **Current assets** | | | | | |
| Cash and bank balances | *24* | **957,631** | **410** | 213,011 | 11,182 |
| Trade debtors, net | 25 | **184,048** | **–** | 252,901 | – |
| Prepayments, deposits and other receivables | *25* | **103,787** | **313** | 109,428 | 264 |
| Inventories | *26* | **23,107** | **–** | 16,282 | – |
| Prepaid income tax | | **273** | **–** | 871 | 335 |
| Due from customers on construction contracts | *27* | **302,915** | **–** | 406,991 | – |
| Financial assets at fair value through profit or loss | *28* | **15,244** | **9,774** | 5,167 | – |
| Derivative financial assets | *29* | **6,489** | **–** | – | – |
| Due from associates | *20* | **8,523** | **1,023** | 13,855 | 1,229 |
| Due from subsidiaries | *19* | **–** | **377,698** | – | 368,741 |
| Due from jointly controlled entities/operation | *21* | **6,095** | **–** | 14,408 | – |
| Due from related parties | *39* | **30** | **30** | 30 | 30 |
| | | **1,608,142** | **389,248** | 1,032,944 | 381,781 |
| **Total assets** | | **1,801,176** | **750,323** | 2,067,814 | 742,856 |
| **EQUITY** | | | | | |
| Share capital | *33* | **88,190** | **88,190** | 88,190 | 88,190 |
| Other reserves | *34* | **418,933** | **415,789** | 419,199 | 415,789 |
| Retained profits | | | | | |
| Proposed final dividends | *34* | **44,095** | **44,095** | 4,409 | 4,409 |
| Others | *34* | **732,464** | **92,531** | 354,199 | 138,610 |
| **Attributable to equity holders** | | **1,283,682** | **640,605** | 865,997 | 646,998 |
| **Minority interests** | | **625** | **–** | 628 | – |
| **Total equity** | | **1,284,307** | **640,605** | 866,625 | 646,998 |

# Balance Sheets

*As at 31 March 2008*

| | Note | 2008 Group HK$'000 | 2008 Company HK$'000 | 2007 Group HK$'000 | 2007 Company HK$'000 |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Long-term borrowings | 30 | **2,590** | **–** | 477,441 | – |
| Deferred income tax liabilities | 31 | **5,683** | **–** | 66,653 | – |
| | | **8,273** | **–** | 544,094 | – |
| **Current liabilities** | | | | | |
| Bank overdrafts – secured | 30 | **–** | **–** | 70,405 | – |
| Short-term bank loans – secured | 30 | **158,800** | **–** | 292,622 | – |
| Current portion of long-term borrowings | 30 | **4,881** | **–** | 52,075 | – |
| Derivative financial liabilities | 29 | **12,160** | **–** | – | – |
| Payables to suppliers and subcontractors | 32 | **125,995** | **–** | 124,481 | – |
| Accruals, retention payables and other liabilities | | **144,873** | **706** | 105,146 | 331 |
| Income tax payable | | **7,264** | **–** | 2,396 | – |
| Due to customers on construction contracts | 27 | **54,623** | **–** | 9,970 | – |
| Due to subsidiaries | 19 | **–** | **109,012** | – | 95,527 |
| | | **508,596** | **109,718** | 657,095 | 95,858 |
| **Total liabilities** | | **516,869** | **109,718** | 1,201,189 | 95,858 |
| **Total equity and liabilities** | | **1,801,176** | **750,323** | 2,067,814 | 742,856 |
| **Net current assets** | | **1,099,546** | **279,530** | 375,849 | 285,923 |
| **Total assets less current liabilities** | | **1,292,580** | **640,605** | 1,410,719 | 646,998 |

**Wong Ip Kuen**
*Director*

**Wong Tin Cheung**
*Director*

# Consolidated Statement of Changes in Equity

*For the year ended 31 March 2008*





| | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **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$'000 | **Total** HK$'000 |
| As at 1 April 2007 | 88,190 | 415,430 | 359 | 3,410 | 358,608 | 865,997 | 628 | 866,625 |
| Profit/(loss) for the year | – | – | – | – | 422,360 | 422,360 | (3) | 422,357 |
| Currency translation differences | – | – | – | (266) | – | (266) | – | (266) |
| 2007 final dividends | – | – | – | – | (4,409) | (4,409) | – | (4,409) |
| **As at 31 March 2008** | **88,190** | **415,430** | **359** | **3,144** | **776,559** | **1,283,682** | **625** | **1,284,307** |
| 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 |

# Consolidated Cash Flow Statement

*For the year ended 31 March 2008*



| | Note | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net cash used in operations | *35(a)* | **(15,603)** | (152,330) |
| Hong Kong profits tax paid | | **(433)** | (1,027) |
| Net cash used in operating activities | | **(16,036)** | (153,357) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | **(15,827)** | (16,369) |
| Purchase of financial assets at fair value through profit or loss | | **(10,000)** | – |
| Realised loss on derivative financial assets | | **(1,185)** | – |
| Proceeds from disposal of property, plant and equipment | | **277** | 283 |
| Investment in jointly controlled operation | | **(15,000)** | – |
| Net proceeds from disposal of properties | | **1,566,606** | – |
| Dividends received | | **218** | 112 |
| Interest received | | **14,737** | 10,071 |
| Net cash from/(used in) investing activities | | **1,539,826** | (5,903) |
| Cash flows from financing activities | *35(b)* | | |
| (Repayment)/drawdown of long-term bank loans | | **(526,800)** | 80,000 |
| (Repayment)/drawdown of short-term bank loans | | **(133,822)** | 8,668 |
| Decrease/(increase) in restricted deposits | | **869** | (2,156) |
| Capital element of finance lease payments | | **(3,724)** | (2,605) |
| Interest paid | | **(40,716)** | (40,322) |
| Dividends paid | | **(4,409)** | – |
| Interest element of finance lease payments | | **(15)** | (22) |
| Net cash (used in)/from financing activities | | **(708,617)** | 43,563 |
| Increase/(decrease) in cash and cash equivalents | | **815,173** | (115,697) |
| Cash and cash equivalents at beginning of year | | **(27,063)** | 88,634 |
| Exchange gain on cash and cash equivalents | | **721** | – |
| Cash and cash equivalents at end of year | | **788,831** | (27,063) |
| Analysis of cash and cash equivalents | *24(b)* | | |
| Cash and bank balances | | **48,174** | 43,342 |
| Time deposits | | **740,657** | – |
| Bank overdrafts – secured | | **–** | (70,405) |
| | | **788,831** | (27,063) |

## 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 and building materials trading. The Group is also engaged in other activities which mainly include computer software development and provision for website hosting services.

On 29 February 2008, the Group has completed a transaction to dispose of its wholly-owned properties at 33 Sharp Street East at a total cash consideration of HK$1,580,000,000 to a third party, Smart Easy Enterprises Limited. A gain of HK$671,598,000 was resulted from the disposal. The results derived from the properties were previously disclosed as property leasing, with rental income from retail stores, and hotel operation.

The results of the property leasing and hotel operation for the period from 1 April 2007 to 29 February 2008 have been presented as discontinued operations in accordance with HKFRS 5 – "Non-current assets held for sale and discontinued operations", details of which are set out in Note 15. Prior year comparatives have been adjusted to conform with the current year classification.

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 22 July 2008.

## 2. Summary of significant accounting policies

The significant 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 and financial liabilities (including derivative instruments) 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.

## 2. Summary of significant accounting policies *(Continued)*

### (a) Basis of preparation *(Continued)*

*(i) Standards, interpretations and amendments to standards that are effective in 2008*

The Group has adopted the following new standards, interpretations and amendments to standards which are relevant to the Group's operations, and mandatory for the financial year ended 31 March 2008:

HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, 'Presentation of financial statements – Capital disclosures', introduce new disclosures relating to financial instruments and capital management and do not have any impact on the classification and valuation of the Group's financial instruments.

HK(IFRIC) – Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 11, "IFRS 2 – Group and treasury share transactions" provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Group's financial statements.

*(ii) Standards, interpretations and amendments to standards effective in 2008 but not relevant*

The following standards, interpretations and amendments to published standards are mandatory for accounting periods beginning on or after 1 April 2007 but they are not relevant to the group's operations:

| | |
|---|---|
| HK(IFRIC) – Int 7 | Applying the restatement approach under HKAS 29 |
| HK(IFRIC) – Int 9 | Re-assessment of embedded derivatives |

*(iii) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods, but the Group has not early adopted them:

## 2. Summary of significant accounting policies *(Continued)*

### (a) Basis of preparation *(Continued)*

*(iii) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group (Continued)*

HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 April 2009.

HKAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 April 2009 but is currently not applicable to the Group as there are no qualifying assets.

HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the United States standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management, however it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 April 2010.

## 2. Summary of significant accounting policies *(Continued)*

### (a) Basis of preparation *(Continued)*

*(iii) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group (Continued)*

HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration) and each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 April 2010.

HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

*(iv) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

HK(IFRIC) – Int 12, "Service concession arrangements" (effective from 1 January 2008). The interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's companies provide public sector services.

HK(IFRIC) – Int 13, "Customer loyalty programmes" (effective from 1 July 2008). The interpretation clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) – Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

## 2. Summary of significant accounting policies *(Continued)*

### (a) Basis of preparation *(Continued)*

*(iv) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations (Continued)*

HK(IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). The interpretation provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) – Int 14 from 1 April 2008, but it is not expected to have any impact on the Group's financial statements.

### (b) 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.

*(i) Subsidiaries*

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(i)). The results of subsidiaries are accounted for by the Company on the basis of dividend income received and receivable.

*(ii) 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.

## 2. Summary of significant accounting policies *(Continued)*

### (b) Consolidation *(Continued)*

*(iii) 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 a legal obligation exists or it has 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(i)). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

*(iv) Jointly controlled entities/operation*

A jointly controlled entity/operation is an entity/operation 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/operation 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/operation for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities/operation and goodwill (net of any accumulated impairment loss) on acquisition.

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

### (c) Investment property

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 comprises land held under operating leases and buildings held under finance leases.

## 2. Summary of significant accounting policies *(Continued)*

### (c) Investment property *(Continued)*

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. 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.

### (d) Property, plant and equipment

*(i) Construction in progress*

Construction in progress includes 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.

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 costs are expensed in the income statement during the financial period in which they are incurred.

## 2. Summary of significant accounting policies *(Continued)*

### (d) Property, plant and equipment *(Continued)*

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

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 |

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(i)).

The gain or loss on disposals of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised within "other income and gains" or "other operating expenses" in the income statement.

### (e) 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 borrowings. 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.

### (f) 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.

*(i) 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.

## 2. Summary of significant accounting policies *(Continued)*

### (f) Financial assets *(Continued)*

*(ii) 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.

Regular purchases and sales of investments are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. All other financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gain 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 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 fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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. Impairment testing of receivables is described in Note 2(i).

### (g) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. However, as the Group does not designate its hedging instruments at inception of the transaction, all changes in the fair value of these derivative instruments are recognised immediately in the income statement.

### (h) 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.

## 2. Summary of significant accounting policies *(Continued)*

### (i) Impairment of assets

Assets that have an indefinite useful life or have not yet been 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.

### (j) 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 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).

### (k) Trade and other receivables

Trade 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 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 are 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 'other operating expenses'. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

## 2. Summary of significant accounting policies *(Continued)*

### (l) 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.

### (m) 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 twelve months after the balance sheet date.

### (n) 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.

### (o) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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/operation, 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)*

### (p) 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.

### (q) 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.

### (r) 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.

## 2. Summary of significant accounting policies *(Continued)*

### (s) 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.

*(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 bonuses 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 bonuses are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

## 2. Summary of significant accounting policies *(Continued)*

### (t) 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.

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.

*(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.

## 2. Summary of significant accounting policies *(Continued)*

### (u) 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 dollars, 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.

*(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:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) 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

(c) 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.

## 2. Summary of significant accounting policies *(Continued)*

### (v) 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 income represent the net of other income and 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 borrowings and exclude items such as deferred income tax liabilities. Capital expenditure comprises additions to property, plant and equipment and investment properties.

As a result of the disposal of the properties (Note 1), the results in respect of the hotel operation and property leasing have been separately disclosed as discontinued operations within the segmental reporting. This has resulted in changes to the presentation of certain items and comparative figures have been reclassified accordingly.

### (w) Dividend distribution

Dividend 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/Directors.

## 3. Financial risk management

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), credit risk and liquidity 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) Price risk

The Group's investment securities are exposed to price risk as they are classified either as financial assets at fair value through profit or loss or derivative financial instruments. The Group manages its price risk arising in investment securities, through maintaining diversified investments. The price risk is being monitored regularly and management will consider hedging the risk exposure should the need arise.

Certain Group's financial assets at fair value through profit or loss are publicly traded. Had the price of these investments increased/decreased by 5% with all other variables held constant, post-tax profit would have been HK$629,000 (2007: HK$213,000) higher/lower.

The Group's derivative financial instruments are paper contracts traded with banks. Had the price of these investments increased/decreased by 5% with all other variables held constant, post-tax profit would have been HK$268,000 (2007: HK$Nil) higher/lower.

## 3. Financial risk management *(Continued)*

### (a) Financial risk factors *(Continued)*

*(i) Market risk (Continued)*

(b) Foreign currency risk

The Group mainly operates in Hong Kong and mainland China. However, the transactions of the group companies are predominantly conducted in the functional currency of the respective group entity. Therefore, the Group is not significantly exposed to foreign currency risk arising from Renminbi. The Group has investments in jointly controlled entities in mainland China as well as some subsidiary operations with substantially all accounts payable and cash and bank balances being denominated in Renminbi. Although the Group holds cash and bank balances in other currencies, the exposure to foreign currency risk is not significant.

(c) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk mainly arises from its borrowings, bank overdraft and obligations under finance lease.

The Group's borrowings, bank overdraft and obligations under finance lease issued at variable rates expose the Group to cash flow interest rate risk. During 2008 and 2007, the Group's borrowings, bank overdraft and obligations under finance lease were denominated in Hong Kong dollars.

The Group manages its exposure to interest rate risk by maintaining borrowings, bank overdraft and obligations under finance lease at a low level.

Had interest rates on borrowings been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK$1,353,000 (2007: HK$7,363,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and obligations under finance lease.

*(ii) Credit risk*

Credit risk is managed on a group basis. Credit risk arises mainly from derivative financial instruments, deposits with banks, as well as credit exposure to customers. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, the management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment is made for the irrecoverable amounts.

The Group has no significant credit risk regarding derivative financial instruments and deposits with banks as these are held with highly-rated financial institutions, substantially comprising the Group's principal bankers.

## 3. Financial risk management *(Continued)*

### (a) Financial risk factors *(Continued)*

*(iii) Liquidity risk*

In order to maintain flexibility in funding, the Group has credit facilities available from major banks. The Group has bank borrowings as at 31 March 2008 to finance its operations.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

| | **Less than 1 year** HK$'000 | **Between 1 and 2 years** HK$'000 | **Between 2 and 5 years** HK$'000 |
|---|---|---|---|
| **Group** | | | |
| **At 31 March 2008** | | | |
| Long-term borrowings and interest thereon | **5,125** | **2,690** | **–** |
| Short-term bank loans and interest thereon | **165,668** | **–** | **–** |
| Derivative financial liabilities | **12,160** | **–** | **–** |
| Payables to suppliers and subcontractors | **125,995** | **–** | **–** |
| Accruals, retention payables and other liabilities | **144,873** | **–** | **–** |
| At 31 March 2007 | | | |
| Long-term borrowings and interest thereon | 80,020 | 115,840 | 407,059 |
| Short-term bank loans and interest thereon | 308,852 | – | – |
| Bank overdraft and interest thereon | 76,374 | – | – |
| Payables to suppliers and subcontractors | 124,481 | – | – |
| Accruals, retention payables and other liabilities | 105,146 | – | – |
| **Company** | | | |
| **At 31 March 2008** | | | |
| Accruals and other liabilities | **706** | **–** | **–** |
| Due to subsidiaries | **109,012** | **–** | **–** |
| At 31 March 2007 | | | |
| Accruals and other liabilities | 331 | – | – |
| Due to subsidiaries | 95,527 | – | – |

## 3. Financial risk management *(Continued)*

### (b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and bank balances.

In 2008, the Group's strategy is to maintain a gearing ratio at a lower level. The gearing ratios at 31 March 2008 and 2007 were as follows:

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Total borrowings *(Note 30)* | **(166,271)** | (892,543) |
| Cash and bank balances *(Note 24)* | **957,631** | 213,011 |
| Net cash/(debt) maintained | **791,360** | (679,532) |
| Total equity | **1,284,307** | 866,625 |
| Gearing ratio | **N/A** | 78.4% |

The change in net cash/(debt) maintained during 2008 resulted primarily from the sales proceeds from disposal of properties.

### (c) Fair value estimation

The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of receivables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 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.

### (a) 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 periods. 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.

### (b) 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 provided by the major contractors/suppliers/vendors involved and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred.

### (c) 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.

### (d) 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 from previous estimates, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

## 4. Critical accounting estimates and judgements *(Continued)*

### (e) 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.

## 5. Revenue and segment information

| | **2008 HK$'000** | 2007 HK$'000 |
|---|---|---|
| Revenue | | |
| Contracting of building construction, plumbing, maintenance and fitting-out projects | **1,474,518** | 1,970,496 |
| Building materials trading | **44,761** | 32,925 |
| Others | **6,736** | 8,634 |
| | **1,526,015** | 2,012,055 |

### Primary reporting format – business segment

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects and building materials trading. The Group is organised into two main business segments:

- Construction – Contracting of building construction, plumbing, maintenance and fitting-out projects

- Building materials trading – Trading of construction and building materials

Other operations of the Group mainly comprise 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.

## 5. Revenue and segment information *(Continued)*

Primary reporting format – business segments

| | Continuing operations | | | | Discontinued operations | | |
|---|---|---|---|---|---|---|---|
| | Construction HK$'000 | Building materials trading HK$'000 | Others HK$'000 | Total HK$'000 | Property leasing HK$'000 | Hotel operation HK$'000 | Total HK$'000 |
| **Year ended 31 March 2008** | | | | | | | |
| Total sales | 1,525,053 | 123,717 | 14,732 | 1,663,502 | 11,332 | 87,597 | 98,929 |
| Inter-segment sales | (50,535) | (78,956) | (7,996) | (137,487) | – | – | – |
| External sales | 1,474,518 | 44,761 | 6,736 | 1,526,015 | 11,332 | 87,597 | 98,929 |
| Segment results | (329,806) | (9,567) | (12,659) | (352,032) | 43,785 | 44,486 | 88,271 |
| Unallocated income | | | | 11,480 | | | 835 |
| Operating (loss)/profit | | | | (340,552) | | | 89,106 |
| Finance costs | (32,350) | (12) | (226) | (32,588) | (21,715) | – | (21,715) |
| Profit on disposal of properties | – | – | – | – | 671,598 | – | 671,598 |
| Share of profit/(loss) of jointly controlled entities/operation | 2,496 | (1,066) | – | 1,430 | – | – | – |
| (Loss)/profit before income tax | | | | (371,710) | | | 738,989 |
| Income tax (expense)/credit | | | | (1,342) | | | 56,420 |
| (Loss)/profit for the year | | | | (373,052) | | | 795,409 |

## 5. Revenue and segment information *(Continued)*

### Primary reporting format – business segments *(Continued)*

| | Continuing operations | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|
| | Construction HK$'000 | Building materials trading HK$'000 | Others HK$'000 | Sub-total HK$'000 | Property leasing HK$'000 | Hotel operation HK$'000 | Sub-total HK$'000 | Total HK$'000 |
| **Year ended 31 March 2008** | | | | | | | | |
| Segment assets | 1,339,513 | 143,363 | 52,012 | 1,534,888 | 208,213 | 6,396 | 214,609 | 1,749,497 |
| Interests in associates | – | – | 39 | 39 | – | – | – | 39 |
| Interests in jointly controlled entities/operation | 17,496 | 8,674 | – | 26,170 | – | – | – | 26,170 |
| Unallocated assets | | | | 25,470 | | | – | 25,470 |
| Total assets | | | | 1,586,567 | | | 214,609 | 1,801,176 |
| Segment liabilities | (461,157) | (24,610) | (6,502) | (492,269) | (13,101) | (4,130) | (17,231) | (509,500) |
| Unallocated liabilities | | | | (7,369) | | | – | (7,369) |
| Total liabilities | | | | (499,638) | | | (17,231) | (516,869) |
| Capital expenditure | 10,894 | 12,982 | 398 | 24,274 | – | 32 | 32 | 24,306 |
| Depreciation | 10,380 | 11,795 | 812 | 22,987 | 11,347 | 281 | 11,628 | 34,615 |
| Amortisation of leasehold land | 173 | – | 748 | 921 | 331 | – | 331 | 1,252 |
| Other non-cash expenses/(income) | 6,571 | (1,203) | 226 | 5,594 | (47,000) | – | (47,000) | (41,406) |

## 5. Revenue and segment information *(Continued)*

Primary reporting format – business segments *(Continued)*

| | Continuing operations | | | | Discontinued operations | | |
|---|---|---|---|---|---|---|---|
| | Construction HK$'000 | Building materials trading HK$'000 | Others HK$'000 | Total HK$'000 | Property leasing HK$'000 | Hotel operation HK$'000 | Total HK$'000 |
| Year ended 31 March 2007 | | | | | | | |
| Total sales | 1,974,535 | 168,940 | 18,221 | 2,161,696 | 12,647 | 84,609 | 97,256 |
| Inter-segment sales | (4,039) | (136,015) | (9,587) | (149,641) | – | – | – |
| External sales | 1,970,496 | 32,925 | 8,634 | 2,012,055 | 12,647 | 84,609 | 97,256 |
| Segment results | 7,158 | 1,834 | (8,766) | 226 | 38,526 | 43,249 | 81,775 |
| Unallocated income | | | | 12,203 | | | 211 |
| Operating profit | | | | 12,429 | | | 81,986 |
| Finance costs | (17,351) | (67) | – | (17,418) | (22,926) | – | (22,926) |
| Share of profit of jointly controlled entities | – | 12,595 | – | 12,595 | – | – | – |
| Profit before income tax | | | | 7,606 | | | 59,060 |
| Income tax expense | | | | (4,649) | | | (12,408) |
| Profit for the year | | | | 2,957 | | | 46,652 |

## 5. Revenue and segment information *(Continued)*

### Primary reporting format – business segments *(Continued)*

| | Continuing operations | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|
| | Construction HK$'000 | Building materials trading HK$'000 | Others HK$'000 | Sub-total HK$'000 | Property leasing HK$'000 | Hotel operation HK$'000 | Sub-total HK$'000 | Total HK$'000 |
| Year ended 31 March 2007 | | | | | | | | |
| Segment assets | 965,452 | 123,231 | 57,568 | 1,146,251 | 664,793 | 204,775 | 869,568 | 2,015,819 |
| Interests in associates | – | – | 39 | 39 | – | – | – | 39 |
| Interests in jointly controlled entities | – | 12,595 | – | 12,595 | – | – | – | 12,595 |
| Unallocated assets | | | | 39,361 | | | – | 39,361 |
| Total assets | | | | 1,198,246 | | | 869,568 | 2,067,814 |
| Segment liabilities | (674,814) | (18,947) | (3,772) | (697,533) | (430,130) | (5,532) | (435,662) | (1,133,195) |
| Unallocated liabilities | | | | (67,994) | | | – | (67,994) |
| Total liabilities | | | | (765,527) | | | (435,662) | (1,201,189) |
| Capital expenditure | 7,809 | 7,377 | 318 | 15,504 | 3,476 | 570 | 4,046 | 19,550 |
| Depreciation | 10,846 | 6,060 | 877 | 17,783 | 11,839 | 260 | 12,099 | 29,882 |
| Amortisation of leasehold land | 173 | – | 749 | 922 | 361 | – | 361 | 1,283 |
| Other non-cash expenses/(income) | 27 | 1,223 | (208) | 1,042 | (41,000) | – | (41,000) | (39,958) |

## 6. Other income and gains

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Other income | | |
| Dividend income from listed investments | **218** | 112 |
| Bank interest income | **10,903** | 6,983 |
| Interest income from subcontractors | **2,998** | 2,877 |
| Sundry income | **4,291** | 3,068 |
| | **18,410** | 13,040 |
| Other gains | | |
| Write back of provision on an amount due from an associate | **–** | 4,033 |
| Unrealised gain on financial assets at fair value through profit and loss | **303** | 194 |
| Unrealised gain on derivative financial assets | **6,489** | – |
| Exchange gains | **11,750** | – |
| Others | **165** | – |
| | **18,707** | 4,227 |
| | **37,117** | 17,267 |

## 7. Expenses by nature

| | 2008 HK$'000 | | 2007 HK$'000 | |
|---|---|---|---|---|
| Cost of construction | | **1,436,936** | | 1,563,177 |
| Cost of inventories sold | | **118,833** | | 136,248 |
| Depreciation | | | | |
| Owned property, plant and equipment | **21,351** | | 16,866 | |
| Leased property, plant and equipment | **1,636** | | 917 | |
| | | **22,987** | | 17,783 |
| Operating lease rentals of | | | | |
| Land and buildings | **3,615** | | 2,945 | |
| Other equipment | **25,023** | | 28,494 | |
| | | **28,638** | | 31,439 |
| Staff costs (excluding directors' emoluments) *(Note 14)* | | **214,200** | | 218,491 |
| Amortisation of leasehold land | | **921** | | 922 |
| Write-off of impaired receivables | | **1,867** | | 1,396 |
| Auditor's remuneration – audit services* | | **1,612** | | 1,407 |
| Loss on disposal of property, plant and equipment, net | | **104** | | 75 |
| Exchange losses, net | | **–** | | 968 |
| Others | | **77,586** | | 44,987 |
| Total cost of sales, administrative and other operating expenses | | **1,903,684** | | 2,016,893 |

* During the year, the total auditor's remuneration for audit services (including discontinued operations) amounted to HK$1,872,000 (2007: HK$1,627,000).

## 8. Directors' and senior management's emoluments

(a) The remuneration of the Directors for the year ended 31 March 2008 is set out below:

| Name | Fees | Salaries | Discretionary bonuses | Employer's contribution to pension scheme | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **2008** | | | | | |
| Mr. Wong Ip Kuen | **–** | **4,992** | **400** | **223** | **5,615** |
| Mr. Wong Tin Cheung | **–** | **1,815** | **400** | **82** | **2,297** |
| Mr. So Yau Chi | **–** | **1,658** | **200** | **64** | **1,922** |
| Mr. Sun Chun Wai | **–** | **789** | **250** | **36** | **1,075** |
| Mr. Chan, Bernard Charnwut | **250** | **–** | **–** | **–** | **250** |
| Mr. Wu King Cheong | **250** | **–** | **–** | **–** | **250** |
| Dr. Yeung Tsun Man, Eric | **250** | **–** | **–** | **–** | **250** |
| | **750** | **9,254** | **1,250** | **405** | **11,659** |
| 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 |
| Mr. Chan, Bernard Charnwut | 250 | – | – | – | 250 |
| Mr. Wu King Cheong | 250 | – | – | – | 250 |
| Dr. Yeung Tsun Man, Eric | 250 | – | – | – | 250 |
| | 750 | 8,946 | 956 | 401 | 11,053 |

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007: three) Directors whose emoluments are reflected in the analysis above. The emoluments paid to the remaining two (2007: two) highest paid individuals during the year were as follows:

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries | **2,666** | 2,565 |
| Bonuses | **100** | 100 |
| Retirement benefits | **69** | 61 |
| | **2,835** | 2,726 |

## 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 **2008** | 2007 |
|---|---|---|
| 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

| | **2008** **HK$'000** | 2007 HK$'000 |
|---|---|---|
| Interest on overdrafts and short-term bank loans | **19,001** | 17,409 |
| Interest on long-term bank loans repayable within five years | **4,659** | 5,671 |
| Interest element of finance lease payments | **246** | 199 |
| Total borrowing costs incurred | **23,906** | 23,279 |
| *Less:* Classified under contract cost | **(4,889)** | (5,861) |
| | **19,017** | 17,418 |
| Unrealised loss on financial assets at fair value through profit or loss | **226** | – |
| Unrealised loss on derivative financial assets | **12,160** | – |
| Realised loss on derivative financial assets | **1,185** | – |
| | **32,588** | 17,418 |

## 10. Income tax expense

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Current income tax | | |
| Hong Kong profits tax | **38** | 3,444 |
| (Over)/under provisions in prior years | **(25)** | 66 |
| Deferred income tax relating to the origination and reversal of temporary differences *(Note 31)* | **1,329** | 1,139 |
| | **1,342** | 4,649 |

Hong Kong profits tax is calculated at 17.5% (2007: 17.5%) on the estimated assessable profits for the year. No taxation on overseas profits has been provided for as there were no estimated assessable profits for the year in the overseas countries in which the Group operates (2007: Nil).

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

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| (Loss)/profit before income tax | **(371,710)** | 7,606 |
| *Less:* Share of profits of jointly controlled entities/operation | **(1,430)** | (12,595) |
| | **(373,140)** | (4,989) |
| Calculated at a taxation rate of 17.5% (2007: 17.5%) | **(65,300)** | (873) |
| Effect of different tax rates in other countries | **111** | (841) |
| Income not subject to taxation | **(6,422)** | (1,293) |
| Expenses not deductible for taxation purposes | **14,038** | 5,473 |
| Temporary differences not recognised | **3,232** | 571 |
| Tax losses not recognised | **55,877** | 4,629 |
| Utilisation of previously unrecognised tax losses | **(169)** | (3,082) |
| (Over)/under provisions in prior years | **(25)** | 65 |
| Income tax expense | **1,342** | 4,649 |

## 11. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$1,984,000 (2007: profit of HK$126,000).

## 12. Dividends

In the Board meeting held on 22 July 2008, the Directors recommend the payment of a final dividend at HK10 cents per share (2007: HK1 cent per share), totalling HK$44,095,000 (2007: HK$4,409,000) for the year ended 31 March 2008.

## 13. (Loss)/earnings per share (basic and diluted)

The calculation of (loss)/earnings per share is based on:

| | **2008 HK$'000** | 2007 HK$'000 |
|---|---|---|
| Net (loss)/profit attributable to the equity holders of the Company | | |
| – from continuing operations | **(373,049)** | 3,138 |
| – from discontinued operations | **795,409** | 46,652 |
| | **422,360** | 49,790 |

| | **2008** | 2007 |
|---|---|---|
| Number of shares in issue during the year | **440,949,600** | 440,949,600 |

Diluted (loss)/earnings per share for the years ended 31 March 2008 and 2007 are not presented as there are no potential dilutive shares during the years.

## 14. Staff costs excluding directors' emoluments

| | **2008 HK$'000** | 2007 HK$'000 |
|---|---|---|
| Salaries, wages and bonuses | **202,788** | 207,498 |
| Unutilised annual leave | **143** | 242 |
| Long service payments | **875** | (327) |
| Termination benefits | **2,039** | 2,812 |
| Pension costs – defined contribution scheme | **8,355** | 8,266 |
| | **214,200** | 218,491 |

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.

## 15. Discontinued operations

An analysis of the results and the cash flows of the discontinued operations are as follows:

| | Period from 1 April 2007 to 29 February 2008 HK$'000 | Year ended 31 March 2007 HK$'000 |
|---|---|---|
| **(a) Results** | | |
| Revenue | **98,929** | 97,256 |
| Cost of sales | **(16,794)** | (15,450) |
| Gross profit | **82,135** | 81,806 |
| Other income and gains | **876** | 211 |
| Administrative expenses | **(40,878)** | (40,859) |
| Other operating expenses | **(27)** | (172) |
| Change in fair value of investment properties | **47,000** | 41,000 |
| Operating profit | **89,106** | 81,986 |
| Finance costs | **(21,715)** | (22,926) |
| Profit on disposal of properties | **671,598** | – |
| Profit before income tax | **738,989** | 59,060 |
| Income tax credit/(expense) | **56,420** | (12,408) |
| Profit for the year from discontinued operations | **795,409** | 46,652 |
| **(b) Cash flows** | | |
| Net cash from operating activities | **36,008** | 53,999 |
| Net cash from/(used in) investing activities | **1,567,328** | (3,835) |
| Net cash used in financing activities | **(448,515)** | (42,763) |
| Total net cash from discontinued operations | **1,154,821** | 7,401 |

## 16. Property, plant and equipment

| | 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 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 values | 184,488 | 298 | 94,423 | 20,840 | 3,494 | 303,543 |
| Year ended 31 March 2007 | | | | | | |
| Opening net book values | 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 values | 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 values | 182,682 | 103 | 90,807 | 16,827 | 4,381 | 294,800 |
| Year ended 31 March 2008 | | | | | | |
| Opening net book values | 182,682 | 103 | 90,807 | 16,827 | 4,381 | 294,800 |
| Exchange differences | 1,985 | 2 | 3,623 | 145 | 19 | 5,774 |
| Additions | – | – | 11,650 | 4,550 | 8,106 | 24,306 |
| Transfers | 27,000 | – | – | – | – | 27,000 |
| Disposals | (174,819) | – | (38,057) | (7,226) | (156) | (220,258) |
| Depreciation | (4,776) | (9) | (20,483) | (6,603) | (2,744) | (34,615) |
| Closing net book values | 32,072 | 96 | 47,540 | 7,693 | 9,606 | 97,007 |
| At 31 March 2008 | | | | | | |
| Cost | 47,638 | 5,629 | 130,823 | 48,228 | 31,094 | 263,412 |
| Accumulated depreciation | (15,566) | (5,533) | (83,283) | (40,535) | (21,488) | (166,405) |
| Net book values | 32,072 | 96 | 47,540 | 7,693 | 9,606 | 97,007 |

## 16. Property, plant and equipment *(Continued)*

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

| | Group 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Plant and equipment | **1,372** | 1,115 |
| Motor vehicles | **8,533** | 3,128 |
| | **9,905** | 4,243 |

(b) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK$10,117,000 (2007: HK$206,384,000) (Notes 30 and 36(e)).

## 17. Investment properties

| | Group 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Beginning of year | **340,000** | 299,000 |
| Change in fair value | **47,000** | 41,000 |
| Transfer to property, plant and equipment | **(27,000)** | – |
| Disposal | **(360,000)** | – |
| End of year | **–** | 340,000 |

Investment properties were held under long-term leases and situated in Hong Kong and were revalued as at 30 September 2007 by Savills Valuation and Professional Services Limited, an independent firm of qualified property valuers, for the purpose of inclusion in the Group's interim financial statements.

These investment properties were sold on 29 February 2008 and therefore any changes in fair value in the current year has been recognised within "profit for the year from discontinued operations" as disclosed in the income statement and Note 15.

## 18. Leasehold land

| | Group 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Beginning of year | **352,038** | 353,321 |
| Amortisation | **(1,252)** | (1,283) |
| Disposal | **(315,131)** | – |
| End of year | **35,655** | 352,038 |
| In Hong Kong, held on | | |
| Lease of over 50 years | **–** | 315,462 |
| Leases of between 10 to 50 years | **33,398** | 34,263 |
| | **33,398** | 349,725 |
| Outside Hong Kong, held on | | |
| Lease of between 10 to 50 years | **2,257** | 2,313 |
| | **35,655** | 352,038 |

The Group's interests in leasehold land represented prepaid operating lease payments. Leasehold land with a net book value of HK$29,656,000 (2007: HK$345,886,000) was pledged as securities for the Group's banking facilities (Notes 30 and 36(e)).

## 19. Subsidiaries

| | Company 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Unlisted shares, at cost | **276,075** | 276,075 |
| Advance to a subsidiary | **85,000** | 85,000 |
| | **361,075** | 361,075 |
| Due from subsidiaries | **377,698** | 368,741 |
| Due to subsidiaries | **109,012** | 95,527 |

The advance to a subsidiary is unsecured, bears interest at Hong Kong dollar prime rate less two per cent (2007: Hong Kong dollar prime rate less two per cent) per annum and not repayable within the 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.

## 19. Subsidiaries *(Continued)*

The following is a list of the principal subsidiaries at 31 March 2008:

| 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% |
| InnoVision Architects & Engineers Limited | Hong Kong | HK$1 | Architectural and engineering services | – | 100% | 100% |
| Leena Theme Painting Limited | Hong Kong | HK$1 | Theme Painting | – | 100% | 100% |
| Leena Theme Painting (Macau) Limited | Macau | MOP100,000 | Theme Painting | – | 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 | Mainland China | US$500,000 | Development and sale of construction equipment and computer software | – | 100% | 100% |
| Nanjing Nanda VH Software Intelligence Company Limited | Mainland China | RMB1,500,000 | Development and sale of computer software | – | 70% | 70% |
| Right Motive Limited | Hong Kong | HK$6,000 | Property holding | – | 100% | 100% |
| Solid Star Company Limited | Hong Kong | HK$2 | Property holding | – | 100% | 100% |

## 19. 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 |
| 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 | 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% |

## 19. 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 Construction (Macau) Company Limited | Macau | MOP1,000,000 | Building construction, maintenance and fitting-out | – | 100% | 100% |
| Yau Lee Construction (Singapore) Pte. Ltd. | Singapore | S$50,000 | 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% |
| Yau Lee Curtain Wall and Steel Works (Singapore) Pte. Ltd. | Singapore | S$50,000 | Curtain wall installation | – | 100% | 100% |
| Yau Lee Curtain Wall and Steel Works (Macau) Limited | Macau | MOP100,000 | Curtain wall installation | – | 100% | 100% |
| Yau Lee Dat (Macau) Estates Company Limited | Macau | MOP500,000 | Property holding | – | 100% | 100% |
| Yau Lee Development (Singapore) Pte. Ltd. | Singapore | S$50,000 | Property holding | – | 100% | 100% |
| 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% |

## 19. 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 Property Management Limited | Hong Kong | HK$2 | Provision of property management services | – | 100% | 100% |
| Yau Lee Tak (Macau) Estates Company Limited | Macau | MOP500,000 | Property holding | – | 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 | 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% |
| 有利祥制造(深圳)有限公司 | Mainland China | HK$2,000,000 | Sale of building materials | – | 100% | 100% |

## 20. Associates

| | 2008 Group HK$'000 | 2008 Company HK$'000 | 2007 Group HK$'000 | 2007 Company HK$'000 |
|---|---|---|---|---|
| Share of net assets | | | | |
| Beginning and end of year | **39** | **–** | 39 | – |
| Amounts due from associates | **21,009** | **1,023** | 22,459 | 1,229 |
| Provision for impairment | **(12,486)** | **–** | (8,604) | – |
| Amounts due from associates, net | **8,523** | **1,023** | 13,855 | 1.229 |

(a) The following are the details of the principal associate at 31 March 2008:

| Name | Particulars of issued share capital | Place of incorporation | Assets HK$'000 | Liabilities HK$'000 | Revenue HK$'000 | (Loss)/profit HK$'000 | Interest held |
|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | |
| Yau Lee Development Company Limited ("YLDC") *(Note b)* | 100 ordinary shares of $1 each | Hong Kong | 17,220 | 35,308 | – | (879) | 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 above balances reflect the total assets, total liabilities, revenue and (loss)/profit of the associate. The Group did not share the profit of the associate for the year ended 31 March 2007 as its share of the profit was less than the share of losses previously not recognised, and the loss of the associate for the year ended 31 March 2008 was also not recognised.

## 21. Jointly controlled entities/operation

(a) Jointly controlled entities

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Beginning of year | **12,595** | – |
| Share of (loss)/profit | **(1,065)** | 12,595 |
| Share of exchange reserves | **267** | – |
| Dividends | **(3,122)** | – |
| End of year | **8,675** | 12,595 |
| Amounts due from jointly controlled entities | **6,095** | 14,408 |

(i) The following is a list of the principal jointly controlled entities at 31 March 2008:

| Name | Particulars of registered/ issued share capital | Place of incorporation | Assets HK$'000 | Liabilities HK$'000 | Revenue HK$'000 | (Loss)/ profit HK$'000 | Effective interest held |
|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | |
| Yau Lee Formglas Limited ("YLFG") *(Note ii)* | HK$1,000,000 | Hong Kong | 9,390 | (10,936) | – | (1,104) | 51% |
| Yau Lee Formglas (Shenzhen) Limited ("YLFS") *(Note iii)* | HK$4,200,000 | Mainland China | 569 | (250) | 14,911 | (24,636) | 51% |
| Yau Lee Formglas (Macau) Limited ("YLFM") *(Note iv)* | MOP200,000 | Macau | 26,345 | (8,108) | 69,357 | 23,651 | 51% |
| Total | | | 36,304 | (19,294) | 84,268 | (2,089) | |
| The Group's share | | | 18,515 | (9,840) | 42,977 | (1,065) | |

## 21. Jointly controlled entities/operation *(Continued)*

### (a) Jointly controlled entities *(Continued)*

(i) The following is a list of the principal jointly controlled entities at 31 March 2008: *(Continued)*

| Name | Particulars of registered/ issued share capital | Place of incorporation | Assets HK$'000 | Liabilities HK$'000 | Revenue HK$'000 | (Loss)/ Profit HK$'000 | Effective interest held |
|---|---|---|---|---|---|---|---|
| 2007 | | | | | | | |
| Yau Lee Formglas Limited ("YLFG") *(Note ii)* | HK$1,000,000 | Hong Kong | 10,932 | (17,086) | 113 | (2,794) | 51% |
| Yau Lee Formglas (Shenzhen) Limited ("YLFS") *(Note iii)* | HK$4,200,000 | Mainland China | 16,684 | (10,089) | 22,255 | 2,257 | 51% |
| Yau Lee Formglas (Macau) Limited ("YLFM") *(Note iv)* | MOP200,000 | Macau | 49,881 | (25,625) | 137,027 | 25,234 | 51% |
| Total | | | 77,497 | (52,800) | 159,395 | 24,697 | |
| The Group's share | | | 39,523 | (26,928) | 81,291 | 12,595 | |

(ii) YLFG is a joint venture with a Canadian party, and is engaged in investment holding of YLFS and YLFM, the principal activities of which are set out in Notes (iii) and (iv).

(iii) YLFS is a wholly-owned subsidiary of YLFG, and is principally engaged in manufacturing of glass reinforced gypsum products.

(iv) YLFM is a wholly-owned subsidiary of YLFG, and is principally engaged in the construction projects in Macau.

(v) The amounts due from jointly controlled entities are unsecured, interest free and have no fixed repayment terms.

### (b) Jointly controlled operation

During the year, the Group has commenced a construction contract with a value of HK$1,654,000,000 under a jointly controlled operation with another renowned main contractor company in Hong Kong.

| | Group 2008 HK$'000 | Group 2007 HK$'000 |
|---|---|---|
| Beginning of the year | **–** | – |
| Investment in jointly controlled operation | **15,000** | – |
| Share of profit | **2,495** | – |
| End of the year | **17,495** | – |

## 21. Jointly controlled entities/operation *(Continued)*

### (b) Jointly controlled operation *(Continued)*

| Name | Place of operation | Assets HK$'000 | Liabilities HK$'000 | Revenue HK$'000 | Profit HK$'000 | Effective interest held |
|---|---|---|---|---|---|---|
| Hsin Chong-Yau Lee Joint Venture | Unincorporated joint venture operating in Hong Kong | 118,373 | (83,383) | 190,037 | 4,990 | 50% |

## 22. Other non-current assets

| | Group 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Retention receivables *(Note 27)* | **54,729** | 67,318 |
| Loans to employees *(Note 23)* | **1,420** | 1,259 |
| Others | **22** | 22 |
| | **56,171** | 68,599 |
| *Less:* Current portion of retention receivables *(Note 25(a))* | **(21,594)** | (33,037) |
| *Less:* Current portion of loans to employees *(Note 23)* | **(455)** | (198) |
| | **34,122** | 35,364 |

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

## 23. 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$455,000 (2007: HK$198,000) are included in prepayments, deposits and other receivables. Loans to employees approximate their fair values.

## 24. Cash and bank balances

| | 2008 Group HK$'000 | 2008 Company HK$'000 | 2007 Group HK$'000 | 2007 Company HK$'000 |
|---|---|---|---|---|
| Cash and bank balances | **48,174** | **410** | 43,342 | 413 |
| Time deposits | **740,657** | **–** | – | – |
| Restricted deposits *(Note a)* | **168,800** | **–** | 169,669 | 10,769 |
| | **957,631** | **410** | 213,011 | 11,182 |

(a) Restricted deposits are funds which are pledged to secure the bank overdrafts, short-term bank loans and a financial derivative instrument (Notes 30 and 36(a)).

(b) Cash, cash equivalents and bank overdrafts include the following for the purposes of the consolidated cash flow statement:

| | 2008 Group HK$'000 | 2008 Company HK$'000 | 2007 Group HK$'000 | 2007 Company HK$'000 |
|---|---|---|---|---|
| Unrestricted cash and bank balances | **788,831** | **410** | 43,342 | 413 |
| Bank overdrafts *(Note 30)* | **–** | **–** | (70,405) | – |
| | **788,831** | **410** | (27,063) | 413 |

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

| | 2008 Group HK$'000 | 2008 Company HK$'000 | 2007 Group HK$'000 | 2007 Company HK$'000 |
|---|---|---|---|---|
| Hong Kong dollars | **633,706** | **410** | 61,181 | 11,182 |
| United States dollars | **303,026** | **–** | 145,083 | – |
| Renminbi | **8,864** | **–** | 6,506 | – |
| Other currencies | **12,035** | **–** | 241 | – |
| | **957,631** | **410** | 213,011 | 11,182 |

(d) Interest rate of time deposits and restricted deposits ranged from 0.6% to 3.5% (2007: 2.8% to 6.0%) per annum.

## 25. Trade and other receivables

### (a) Trade debtors, net

| | Group 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Trade debtors | **162,494** | 219,915 |
| Retention receivables *(Note 22)* | **21,594** | 33,037 |
| Provision for impairment | **(40)** | (51) |
| | **184,048** | 252,901 |

Substantially all of the Group's trade debtors are denominated in Hong Kong dollars. The trade debtors are due 30 days to 90 days after invoicing depending on the nature of services or products. As at 31 March 2008, trade debtors of HK$15,617,000 (2007: HK$63,404,000) 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 these trade debtors is as follows:

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Overdue by: | | |
| 1 – 30 days | **754** | 39,898 |
| 31 – 90 days | **2,386** | 7,448 |
| 91 – 180 days | **897** | 783 |
| Over 180 days | **11,580** | 15,275 |
| | **15,617** | 63,404 |

Movements on the provision for impairment of trade debtors are as follows:

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Beginning of year | **51** | – |
| Provision for impairment | **–** | 51 |
| Receivables written off during the year as uncollectible | **(11)** | – |
| End of year | **40** | 51 |

In addition, during the year ended 31 March 2007, HK$1,396,000 of trade debtors were deemed as irrecoverable and were written off (Note 7).

## 25. Trade and other receivables *(Continued)*

(b) Prepayments, deposits and other receivables

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 |
| Advances to subcontractors | **60,469** | **–** | 93,318 | – |
| Prepayments and deposits | **11,310** | **17** | 15,006 | 17 |
| Other receivables | **32,008** | **296** | 1,104 | 247 |
| | **103,787** | **313** | 109,428 | 264 |

Substantially all of the Group's prepayments, deposits and other receivables are denominated in Hong Kong dollars. Included in advances to subcontractors are amounts of HK$38,095,000 (2007: HK$35,560,000) which bear interest ranging from 8.75% to 10.75% (2007: 10% to 11%) per annum. All other advances to subcontractors are interest free and have no fixed terms of repayment. None of the prepayments, deposits and other receivables have been impaired and all are current in nature. However, during the year HK$1,867,000 of other receivables were written off (Note 7).

The maximum exposure to credit risk at the date of this report is the fair value for each class of receivables above. The Group does not hold collateral as security.

## 26. Inventories

| | **Group** | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Raw materials, at cost | **17,816** | 11,750 |
| Finished goods, at cost | **5,291** | 4,532 |
| | **23,107** | 16,282 |

## 27. Construction contracts in progress

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Contract costs incurred plus attributable profits less foreseeable losses to date | **9,102,840** | 13,193,736 |
| Progress billings to date | **(8,854,548)** | (12,796,715) |
| | **248,292** | 397,021 |
| Included in current assets/(liabilities) are the following: | | |
| Due from customers on construction contracts | **302,915** | 406,991 |
| Due to customers on construction contracts | **(54,623)** | (9,970) |
| | **248,292** | 397,021 |

Retention receivables from customers in respect of construction contracts in progress of HK$54,729,000 (2007: HK$67,318,000) are classified under other non-current assets and trade debtors, net (Notes 22 and 25).

## 28. Financial assets at fair value through profit or loss

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Equity securities at fair value – listed in Hong Kong | **294** | 282 | **–** | – |
| Money market fund, at fair value – unlisted | **14,950** | 4,885 | **9,774** | – |
| | **15,244** | 5,167 | **9,774** | – |

## 29. Derivative financial assets/liabilities

| | Group | | | |
|---|---|---|---|---|
| | **2008** | | 2007 | |
| | **Assets** | **Liabilities** | Assets | Liabilities |
| | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 |
| Commodity forward contract *(Note a)* | **1,203** | **–** | – | – |
| Hong Kong dollars floating swap *(Note b)* | **5,286** | **–** | – | – |
| United states dollars interest rate and Renminbi forward contract *(Note c)* | **–** | **12,160** | – | – |
| | **6,489** | **12,160** | – | – |

*Note:*

(a) The Group entered into a commodity forward contract for aluminium at a fixed rate. This forward contract expires in August 2008.

(b) The Group entered into a floating swap agreement with a bank at a notional amount of HK$100,000,000. Under this agreement, an interest is earned on the principal with the counterparty having a call option to sell United States dollars (US$) and purchase Hong Kong dollars (HK$) from the Group provided that certain conditions are met. This option expires in September 2009.

(c) The Group entered into a US$ London InterBank Offered Rate range accrual subsidised Renminbi forward contract with a notional amount of US$1,750,000 in April 2007. The contract was closed in May 2008.

## 30. Borrowings

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| **Non-current** | | |
| Obligations under finance lease | **2,590** | 641 |
| Long-term bank loans – secured | **–** | 476,800 |
| | **2,590** | 477,441 |
| **Current** | | |
| Bank overdrafts – secured | **–** | 70,405 |
| Short-term bank loans – secured | **158,800** | 292,622 |
| Current portion of long-term borrowings | **4,881** | 52,075 |
| | **163,681** | 415,102 |
| **Total borrowings** | **166,271** | 892,543 |

## 30. Borrowings *(Continued)*

(a) The maturity of borrowings are as follows:

| | Group | | | |
|---|---|---|---|---|
| | Bank borrowings and overdrafts | | Obligations under finance lease | |
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within 1 year | **158,800** | 413,027 | **4,881** | 2,075 |
| Between 1 and 2 years | **–** | 90,000 | **2,590** | 641 |
| Between 2 and 5 years | **–** | 386,800 | **–** | – |
| Wholly repayable within 5 years | **158,800** | 889,827 | **7,471** | 2,716 |

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

| | **2008** | 2007 |
|---|---|---|
| | **%** | % |
| Bank overdrafts | **–** | 8.5 |
| Short-term bank loans | **3.7** | 5.6 |
| Long-term bank loans | **–** | 5.3 |
| Obligations under finance lease | **3.7** | 6.8 |

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

(d) The borrowings are all denominated in Hong Kong dollars.

(e) The bank borrowings are secured by certain property, plant and equipment, leasehold land and restricted deposits of the Group (Notes 16, 18 and 24).

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

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Within one year | **5,125** | 2,190 |
| In the second year | **2,690** | 654 |
| | **7,815** | 2,844 |
| Future finance charges on finance lease | **(344)** | (128) |
| Present value of obligations under finance lease | **7,471** | 2,716 |

## 31. Deferred income tax

| | Group 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Beginning of year | **66,619** | 53,072 |
| (Credited)/charged to income statement | **(60,977)** | 13,547 |
| End of year | **5,642** | 66,619 |

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 in respect of recognised tax losses of the Group:

| | Group 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Beginning of year | **5,463** | 10,901 |
| Charged to income statement | **(5,463)** | (5,438) |
| End of year | **–** | 5,463 |

Deferred income tax liabilities in respect of the following:

| | Change in fair value of investment property | | Accelerated taxation depreciation | | Total | |
|---|---|---|---|---|---|---|
| | **2008 HK$'000** | 2007 HK$'000 | **2008 HK$'000** | 2007 HK$'000 | **2008 HK$'000** | 2007 HK$'000 |
| Beginning of year | **56,428** | 49,253 | **15,654** | 14,720 | **72,082** | 63,973 |
| (Credited)/charged to income statement | **(56,428)** | 7,175 | **(10,012)** | 934 | **(66,440)** | 8,109 |
| End of year | **–** | 56,428 | **5,642** | 15,654 | **5,642** | 72,082 |

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:

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Deferred income tax assets | **(41)** | (34) |
| Deferred income tax liabilities | **5,683** | 66,653 |
| | **5,642** | 66,619 |

## 31. Deferred income tax *(Continued)*

The deferred income tax assets and liabilities resulted from the acceleration depreciation are expected to crystalise more than 12 months after the balance sheet date.

The Group has unrecognised tax losses of approximately HK$382,594,000 (2007: HK$74,376,000) to carry forward against future taxable income. These unrecognised tax losses are analysed according to their expiry dates as follows:

| | **Group** | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| With no expiry date | **344,505** | 51,164 |
| Expiring not later than one year | **3,620** | 6,023 |
| Expiring later than one year and not later than five years | **34,469** | 17,189 |
| | **382,594** | 74,376 |

## 32. Payables to suppliers and subcontractors

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

| | **Group** | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Not yet due | **123,054** | 114,127 |
| Overdue by: | | |
| 1-30 days | **454** | 8,711 |
| 31-90 days | **807** | 907 |
| 91-180 days | **1,007** | 190 |
| Over 180 days | **673** | 546 |
| | **125,995** | 124,481 |

Substantially all of the Group's payables to suppliers and subcontractors are denominated in Hong Kong dollars.

## 33. Share capital

| | **2008** **HK$'000** | 2007 HK$'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 |

### 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 is 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. Up to 31 March 2008, no share options have been granted under the Share Option Scheme.

## 34. 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 2007 | 415,430 | 359 | 3,410 | 358,608 | 777,807 |
| Currency translation differences | – | – | (266) | – | (266) |
| Loss from continuing operations attributable to equity holders of the Company | – | – | – | (373,049) | (373,049) |
| Profit from discontinued operations attributable to equity holders of the Company | – | – | – | 795,409 | 795,409 |
| 2007 final dividends | – | – | – | (4,409) | (4,409) |
| **At 31 March 2008** | **415,430** | **359** | **3,144** | **776,559** | **1,195,492** |
| Representing: | | | | | |
| 2008 final dividends proposed | | | | 44,095 | |
| Others | | | | 732,464 | |
| **At 31 March 2008** | | | | **776,559** | |
| At 1 April 2006 | 415,430 | 359 | 726 | 308,818 | 725,333 |
| Currency translation differences | – | – | 2,684 | – | 2,684 |
| Profit from continuing operations attributable to equity holders of the Company | – | – | – | 3,138 | 3,138 |
| Profit from discontinued operations attributable to equity holders of the Company | – | – | – | 46,652 | 46,652 |
| At 31 March 2007 | 415,430 | 359 | 3,410 | 358,608 | 777,807 |
| Representing: | | | | | |
| 2007 final dividends proposed | | | | 4,409 | |
| Others | | | | 354,199 | |
| At 31 March 2007 | | | | 358,608 | |

## 34. 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 2007 | 415,430 | 359 | 143,019 | 558,808 |
| Loss attributable to equity holders of the Company | – | – | (1,984) | (1,984) |
| 2007 final dividends | – | – | (4,409) | (4,409) |
| **At 31 March 2008** | **415,430** | **359** | **136,626** | **552,415** |
| Representing: | | | | |
| 2008 final dividends proposed | | | 44,095 | |
| Others | | | 92,531 | |
| **At 31 March 2008** | | | **136,626** | |
| 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 dividends proposed | | | 4,409 | |
| Others | | | 138,610 | |
| At 31 March 2007 | | | 143,019 | |

The entire amounts of retained profits of the Company at 31 March 2008 are distributable.

## 35. Notes to consolidated cash flow statement

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

| | **2008 HK$'000** | 2007 HK$'000 |
|---|---|---|
| Operating (loss)/profit | **(251,446)** | 94,415 |
| Interest income | **(14,737)** | (10,071) |
| Dividend income | **(218)** | (112) |
| Loss on disposal of property, plant and equipment | **104** | 75 |
| Change in fair value of investment properties | **(47,000)** | (41,000) |
| Amortisation of prepaid operating lease payment | **1,252** | 1,283 |
| Depreciation | **34,615** | 29,882 |
| Write back of provision on amount due from an associate | **–** | (4,033) |
| Provision for impairment of amount due from an associate | **3,882** | – |
| Unrealised gain on financial assets at fair value through profit or loss and on derivative financial assets and liabilities | **(6,792)** | (194) |
| Operating (loss)/profit before working capital changes | **(280,340)** | 70,245 |
| Decrease/(increase) in retention receivables | **1,146** | (5,784) |
| Decrease in loans to employees | **96** | 198 |
| Decrease/(increase) in trade debtors, net | **61,824** | (80,928) |
| Increase in inventories | **(6,825)** | (4,683) |
| Decrease/(increase) in prepayments, deposits and other receivables | **5,641** | (45,912) |
| Decrease/(increase) in due from customers on construction contracts | **104,076** | (107,568) |
| Decrease/(increase) in amounts due from associates | **1,450** | (92) |
| Decrease/(increase) in due from jointly controlled entities | **11,435** | (23,615) |
| Increase in payables to suppliers and subcontractors | **1,514** | 21,679 |
| Increase in accruals, retention payables and other liabilities | **39,727** | 16,639 |
| Increase in due to customers on construction contracts | **44,653** | 7,491 |
| Net cash used in operations | **(15,603)** | (152,330) |

In the cash flow statement, proceeds from disposal of property, plant and equipment and disposal of properties at 33 Sharp Street East together with related property, plant and equipment (collectively known as "hotel properties") comprise:

| | **2008 HK$'000** | 2007 HK$'000 |
|---|---|---|
| Net book values *(Note 16)* | **381** | 358 |
| Loss on disposal of property, plant and equipment | **(104)** | (75) |
| Proceeds from disposal of property, plant and equipment | **277** | 283 |
| Net book values of hotel properties *(Notes 16, 17 and 18)* | **895,008** | – |
| Gain on disposal of hotel properties | **671,598** | – |
| Net proceeds from disposal of hotel properties | **1,566,606** | – |

## 35. Notes to consolidated cash flow statement *(Continued)*

(b) Analysis of changes in financing during the year

| | Share capital HK$'000 | Share premium HK$'000 | Minority interests HK$'000 | Obligations under finance lease HK$'000 | Long-term bank loans HK$'000 | Short-term bank loans HK$'000 | Restricted deposits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 April 2007 | 88,190 | 415,430 | 628 | 2,716 | 526,800 | 292,622 | (169,669) | 1,156,717 |
| Net cash (outflow)/inflow from financing activities | – | – | – | (3,724) | (526,800) | (133,822) | 869 | (663,477) |
| Share of loss by minority shareholders | – | – | (3) | – | – | – | – | (3) |
| Inception of finance lease obligations *(Note c)* | – | – | – | 8,479 | – | – | – | 8,479 |
| **At 31 March 2008** | **88,190** | **415,430** | **625** | **7,471** | **–** | **158,800** | **(168,800)** | **501,716** |
| 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 lease obligations *(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 |

(c) Major non-cash transaction

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 HK$8,479,000 (2007: HK$3,181,000).

## 36. Banking facilities

As at 31 March 2008, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$498,810,000 (2007: HK$1,021,310,000), of which HK$193,538,000 (2007: HK$912,074,000) had been utilised. These banking facilities are secured by the following:

(a) Time deposits of HK$160,800,000 (2007: HK$169,669,000) (Note 24).

(b) Guarantees of HK$477,950,000 (2007: HK$1,053,113,000) given by the Company.

(c) Investment in the guaranteed unit trust fund and securities of HK$14,950,000 (2007: HK$4,885,000).

(d) Trade receivables of certain construction contracts.

(e) Property, plant and equipment of HK$10,117,000 (2007: HK$206,384,000), leasehold land of HK$29,656,000 (2007: HK$345,886,000) and no investment property (2007: HK$340,000,000) (Notes 16, 17 and 18).

## 37. 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 2008, 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 losses 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 2008.

(c) In 2007, the Group received a statement of claims for an aggregate amount of approximately HK$23.9 million for uncertified workdone, variation works and prolongation costs incurred by a subcontractor in a connection with a steelwork sub-contract. The Group has raised a counter-claim of approximately HK$37.0 million to the subcontractor for expenses and payments made on behalf. 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 2008.

(d) The Group has incurred guarantees in respect of performance bonds that amount to approximately HK$29 million (2007: HK$86 million) in favour of the Group's customers.

(e) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Land and buildings | | |
| – Within one year | **3,633** | 2,410 |
| – One year to five years | **8,563** | 7,812 |
| – More than five years | **40,554** | 42,532 |
| | **52,750** | 52,754 |

## 38. Future minimum rental payments receivable

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

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| – Within one year | **–** | 12,153 |
| – One year to five years | **–** | 11,680 |
| | **–** | 23,833 |

## 39. Related party balances

(a) Key management compensation

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Salaries | **9,254** | 8,946 |
| Discretionary bonuses | **1,250** | 956 |
| Pension costs – defined contribution scheme | **405** | 401 |
| | **10,909** | 10,303 |

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

## 40. Comparative figures

The Group disposed of its properties for hotel operation and property leasing during the year and accordingly, this business segment has been presented as discontinued operations. This has resulted in changes to the presentation of certain items and comparative figures have been reclassified accordingly. In addition, certain comparative figures have been reclassified to conform with the current year's presentation.

## 41. Post balance sheet event – Business combination

On 30 May 2008, the Company completed the purchase of 50,000,000 shares of HK$1.00 each, being the entire share capital of Ryoden Engineering Company Limited for a total cash consideration of HK$46,000,000 (excluding transaction expenses). The acquisition of Ryoden Engineering Company Limited and its subsidiaries constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. The Company has obtained from Mr. Wong Ip Kuen, being the controlling shareholder of the Company, a written approval of the major transaction. Accordingly, there is no need to convene a shareholders' meeting to approve the major transaction.

| | HK$'000 |
|---|---|
| Purchase consideration: | |
| – Cash paid | 46,000 |
| – Transaction expenses relating to the acquisition | 3,500 |
| Total purchase consideration | 49,500 |

As extracted from the unaudited management accounts of Ryoden Engineering Company Limited and its subsidiaries as at 30 May 2008, the carrying value of the assets and liabilities of this mechanical and engineering business were treated as an approximation to their values with provisional intangible assets expected to be recognised totalling HK$38,571,000, including goodwill. The Group has not performed the independent purchase price allocation in respect of this acquisition, which is expected to be completed during the coming year.

| | **Carrying value of net assets as at 30 May 2008 HK$'000** |
|---|---|
| Cash and cash equivalents | **69,959** |
| Inventories | **67,328** |
| Trade and other receivables | **193,366** |
| Property, plant and equipment | **3,009** |
| Investment in associates | **2,512** |
| Contract receipts in advance | **(231,415)** |
| Trade and other payables | **(93,830)** |
| Net assets acquired | **10,929** |
| Purchase consideration settled in cash | **49,500** |
| Provisional intangible assets (including goodwill) | **38,571** |
| Cash and cash equivalents in subsidiaries acquired | **69,959** |
| Cash inflow on acquisition | **20,459** |

# Five Year Financial Summary





## Consolidated Results

*Year ended 31 March*

| | 2004<br>HK$'000 | 2005<br>HK$'000 | 2006<br>HK$'000 | 2007<br>HK$'000 | **2008**<br>**HK$'000** |
|---|---|---|---|---|---|
| Revenue | 1,069,158 | 1,355,583 | 1,452,208 | 2,109,311 | **1,624,944** |
| Profit before income tax | 218,370 | 57,982 | 5,099 | 66,666 | **367,279** |
| Income tax (expense)/credit | (38,945) | (12,281) | (3,079) | (17,057) | **55,078** |
| Minority interests | 779 | 1,384 | (53) | 181 | **3** |
| Profit attributable to shareholders | 180,204 | 47,085 | 1,967 | 49,790 | **422,360** |

## Consolidated Assets and Liabilities

*As at 31 March*

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Total assets | 1,600,138 | 1,644,285 | 1,805,697 | 2,067,814 | **1,801,176** |
| Total liabilities | (823,763) | (826,022) | (991,365) | (1,201,189) | **(516,869)** |
| Shareholders' equity | 776,375 | 818,263 | 814,332 | 866,625 | **1,284,307** |

The above financial summary is extracted from the audited financial statements of the Group. The results for the years ended 31 March 2007 and 2008 were presented according to continuing and discontinued operations in the financial statements pursuant to HKFRS 5. For details of discontinued operations, please refer to Note 15 to the financial statements. Accordingly, the results for the years ended 31 March 2007 and 2008 within the above table include both continuing and discontinued operations.