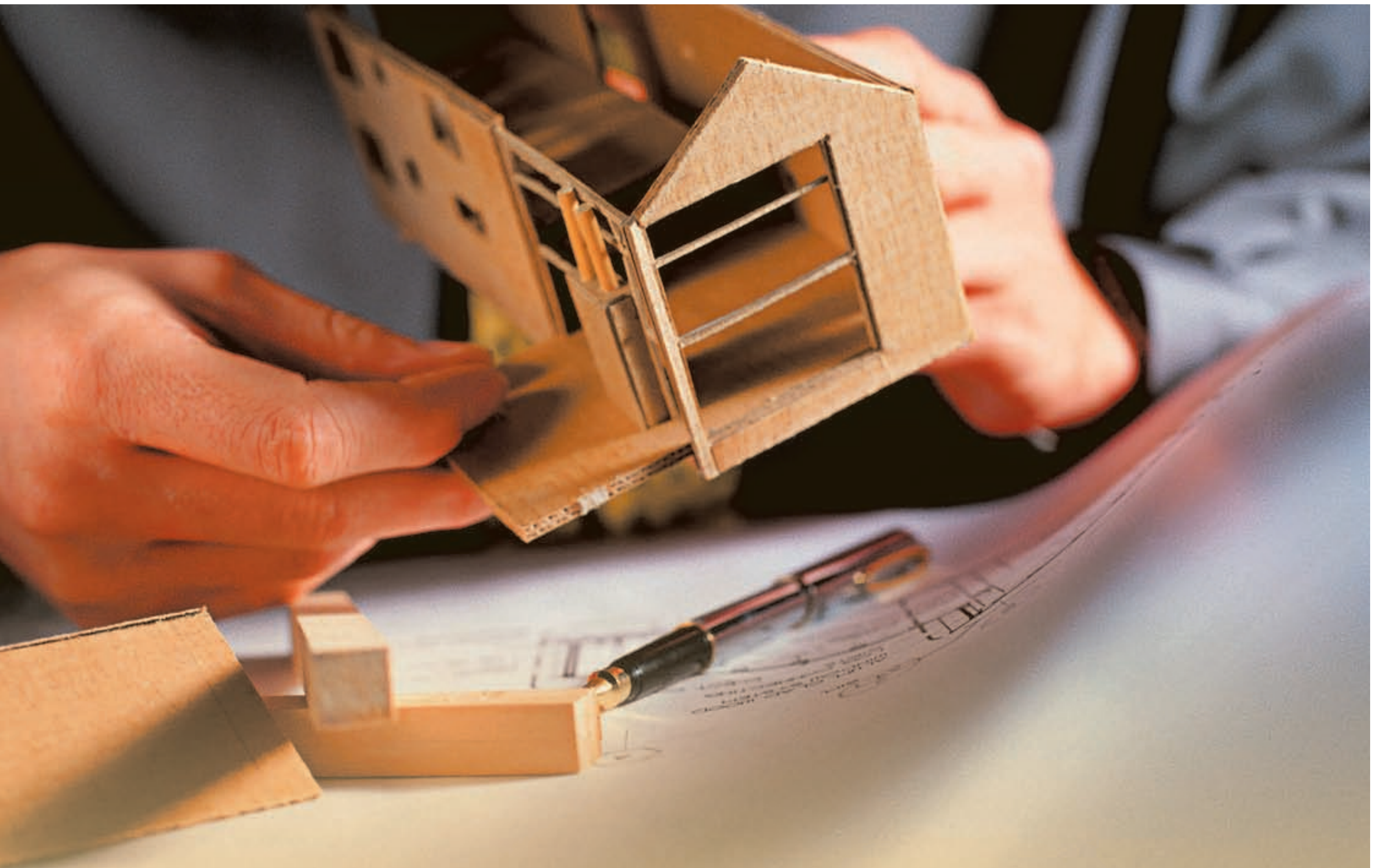

Specializing

Annual Report 2009



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

Executive Directors

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

Independent Non-Executive Directors

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

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 and resigned on 14 October 2008)
Ho Sui Man (appointed on 14 October 2008)

PRINCIPAL BANKERS

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

RESULTS FOR THE YEAR

The Group reported turnover of HK$3,413,878,000 for the year, an increase by 124% compared with the turnover of HK$1,526,015,000 in the prior year. The increase was attributable to the acquisition of REC Engineering Company Limited (previously known as Ryoden Engineering Company Limited) and its subsidiaries ("REC") in May 2008, which contributed turnover of HK$1,328,580,000 for the period from June 2008 to March 2009, as well as increased contribution from our construction contracts, especially in Singapore. Net profit for the year was HK$10,623,000 compared with a net profit of HK$422,357,000 in the prior year. The profit in the prior year was mainly due to the profit from discontinued operations of HK$795,409,000 from the operations and subsequent sale of the hotel at 33 Sharp Street East.

With regards to our continuing operations, the Group reported gross profit of HK$229,507,000 in the current year compared with a gross loss of HK$240,202,000 in 2008. Our core construction business is back on profitable track especially from the contribution from Singapore and Macau contracts and we have recorded the profit from our mechanical and engineering business starting from June 2008 onwards. The gross loss in last year was a result of the non-recurring losses from certain isolated construction contracts. Our administrative expenses in the year was HK$197,968,000, which is relatively lower compared with our turnover increase in the current year. Other income and gains, mainly sundry income and interest income, were at HK$22,140,000 while our finance costs have greatly reduced from HK$32,588,000 to HK$9,481,000 as benefited from our large decrease in indebtedness. The finance cost in current year mainly came from the fair value loss from a financial instrument. Taking into account the share of loss from jointly controlled entities/operation of HK$18,186,000 and our taxation charge (primarily overseas taxation in Singapore and Macau) of HK$5,715,000. Overall, the Group reported profit attributable to shareholders of HK$10,623,000 for the year.

The net asset value of the Group as at 31 March 2009 was HK$1,248,147,000 (2008: HK$1,284,307,000) equivalent to HK$2.85 (2008: HK$2.91) per share based on the 438,053,600 (2008: 440,949,600) ordinary shares in issue.

DIVIDENDS

In the Board meeting held on 21 July 2009, the Directors recommended the payment of a final dividend of HK0.97 cents per share (2008: HK10 cents per share) for the year ended 31 March 2009. Subject to the equity holders' approval at the forthcoming Annual General Meeting, the dividend will be paid on 25 September 2009 to equity holders whose names appear on the Company's register of members on 21 August 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 August 2009 to Friday, 21 August 2009, 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 Friday, 14 August 2009.

REVIEW OF OPERATIONS

Building construction, renovation and maintenance

Revenue for the building construction, renovation and maintenance segment was HK$1,953,312,000 (2008: HK$1,474,518,000) and segment profit was HK$45,472,000 (2008: loss of HK$329,364,000), reflecting higher revenue and profit contribution from the construction business in Singapore and Macau and improving performance in our contracts in Hong Kong. Meanwhile, a net loss of HK$10,637,000 (2008: net profit of HK$2,496,000) was taken up by the project undertaken through a jointly controlled operation.

During the year, the Group secured 10 contracts with a total contract sum of HK$2,601,000,000 and completed 5 contracts with a total contract value of HK$1,549,000,000 giving the total value of contracts in hand as at 31 March 2009 at HK$4,930,000,000. In addition, a contract with value of HK$1,654,000,000 under a jointly controlled operation is also in progress at year end. Subsequent to the year end and up to the date of this report, the Group has further secured 3 contracts with a total value of HK$2,132,000,000. However, contracts with value of HK$301,000,000 were terminated in Macau. The strong contract intakes demonstrate the Group's experience and recognition in the construction market.

In Hong Kong, the Group continues to monitor closely its contracts in progress especially design and build contracts and implement cost control measures. The construction project with Marina Bay Sands on the Integrated Resort Development in Singapore runs smoothly and the Group has deployed additional resources to the project to ensure completion on time. In Macau, the Group has received termination notices from Venetian Orient Limited in respect of 3 contracts. However, since the project suspension in November 2008, the Group had quickly reacted by reallocating resources from the affected projects to other projects in Macau and Hong Kong to minimise the impact to the Group.

The Group has always focused on upholding its high quality, safety and environmental standards and has made relentless effort to maintain the high standard. The effort of the Group is well recognised by the industry and many safety, quality and environmental awards have been awarded to the Group during the year. The major awards are:

1. the Gold Award for Outstanding Environmental Management & Performance Awards;

2. the Safety Team Silver Award; and

3. the Silver Award for Considerate Contractors Site Awards.

Electrical and mechanical installation

This segment relates to the business of REC and has started to report revenue to the Group in June 2008 due to the acquisition of REC by the Company. During the year, the revenue for electrical and mechanical installation segment was HK$1,328,580,000 with segment profit of HK$29,803,000. The result was partly driven by the strong profit intake from projects in Macau and the contribution by the engineering maintenance and electrical installation. As at 31 March 2009, the total contracts in hand in Hong Kong, Macau and mainland China amounted to HK$3,445,000,000.

The Group's electrical and mechanical installation business was impacted by the economic slow down in Hong Kong after the financial tsunami in 2008 as property developers became more cautious and competition remained keen. In Macau, the projects with Venetian Orient Limited and one other casino operator were terminated and the Group has implemented appropriate measures to mitigate losses and financial exposures to the Group. However, the Group has successfully expanded its markets to China by securing a few major contracts with some reputable property developers in Hong Kong through its business arms in Shanghai and Guangdong, which will contribute to the result of the Group.

Building materials trading

This segment reported turnover of HK$122,875,000 (2008: HK$44,761,000) and a segment loss of HK$26,077,000 (2008: HK$9,567,000) in the year. The performance of the Group's factory in China was a result of the appreciation of the Renminbi, rising salary costs, increased valued added taxation charge as well as material price fluctuation. With the lower order book with third parties after the financial tsunami last year, the Group has reacted promptly by downsizing the factory and adopting cost reduction measures. The Group will continue to exercise tight control over the factory, however, the few large contracts secured by the construction business after 31 March 2009 and an improving market situation in the last few months are expected to benefit the building material trading business.

Others

The Group's other businesses mainly include computer software development, provision for website hosting services, architectural and engineering services as well as property investment. These businesses actively support the Group's existing construction business and at the same time, proactively pursue more work with external customers. Such provision of integrated services will help build up competitive edge in the market. In the current year, the Group has also purchased two properties in Singapore for investment purposes which are expected to generate attractive rental yields for the Group.

BUSINESS PROSPECTS

With the impact of financial tsunami starting the middle of September 2008, the economic downturn has affected most businesses and the unemployment rate in construction sector in Hong Kong continues to escalate. The Government of HKSAR has committed to increase spending in public sector work, adopt schemes to boost employment and to speed up the cash flow of main contractors. With the Group's strong expertise and position in public construction work, this will certainly benefit the Group's operation. In addition, the Group has also expanded and reorganised its maintenance and fitting-out department to aim at securing a larger market share.

While the Group continued to secure new contracts during this downturn, the acquisition of REC during the year has truly integrated our building construction business with the electrical and mechanical installation business. This will greatly increase the Group's competitiveness in the tendering process and has expanded our market to both private contractors and to China geographically. Besides expanding further in China businesses with Hong Kong property developers, the Group will explore more types of environmental businesses and will work collaboratively with local universities on new research and develop products to a marketable status. Along with the acquisition, the Group will also continue to drive more synergies out of the enlarged group and share best practices across all business segments.

Apart from our existing businesses, the Group licensed StarStone patent rights from a third party in the United States and committed the purchase of the associated equipment to set up production lines. The Group will devote more time on product development and testing to ensure this new kind of environmentally friendly, low cost and high performance building materials can benefit both our public construction projects and our third party customers in the near future.

During the year, the Group has purchased two properties in Singapore for investment purpose which generate attractive rental yields for the Group. Subsequent to year end, the Group has purchased land in Jervois Street, Sheung Wan for a hotel development project. The Group has signed a management agreement to engage InterContinental Hotels Group (Greater China) Limited to operate the proposed hotel for a period of 10 years (with a further option to renew) after construction of the hotel, which is expected to be in the year 2012. The Group has also purchased a property in Tsun Yip Street, Kwun Tong and is considering redeveloping it into an office building after expiry of the tenancy in early 2010. These proposed developments will certainly help to further diversify the business and increase shareholders' value in the medium and long term.

By order of the Board

Wong Ip Kuen
Chairman

Hong Kong, 21 July 2009

FINANCIAL POSITION

At 31 March 2009, the Group's total cash in hand was HK$888,492,000 (2008: HK$957,631,000) while total borrowings have reduced to HK$72,897,000 (2008: HK$166,271,000) this year. Our net cash maintained at a slightly higher level than last year as a result of stronger cash flow from our construction contracts and tight cash control. The Group has no net debt (total borrowings less total cash in hand) as at 31 March 2009 (2008: nil) and the current ratio (total current assets: total current liabilities) has changed from 3.2 in 2008 to 2.1 in 2009.

The short-term and long-term borrowings are secured by the Group's properties 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 Group has been granted banking facilities of HK$642,120,000 relating to bank loans and overdrafts and HK$665,606,000 relating to guarantees and trade financing as at 31 March 2009, in which an amount of HK$72,897,000 and HK$479,987,000 were utilised respectively. The Group's banking facilities increased mainly because of the acquisition of REC and the utilised facilities mainly relate to the performance bonds issued on overseas construction contracts as well as our electrical and mechanical installation business.

HUMAN RESOURCES

With the Group's expansion to overseas markets and acquisition of REC during the year, as at 31 March 2009, the Group employed approximately 2,200 (2008: 1,850) of which approximately 520 (2008: nil) employees are from REC. There are approximately 1,600 (2008: 980) employees in Hong Kong, Macau, Malaysia and Singapore and approximately 600 (2008: 870) employees in mainland China. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned.

MOVEMENT OF INCOMPLETE CONTRACTS

FOR THE YEAR ENDED 31 MARCH 2009

	31 March 2008 HK$ Million	30 May 2008 Acquisition of REC HK$ Million	Contracts secured HK$ Million	Contracts completed HK$ Million	31 March 2009 HK$ Million
Building Construction, Renovation and Maintenance	3,878	–	2,601	(1,549)	4,930
Electrical and Mechanical Installation	–	3,365	251	(171)	3,445
	3,878	3,365	2,852	(1,720)	8,375

The above contract value as at 31 March 2009 did not include a contract of HK$1,654 million under a jointly controlled operation.

BUILDING CONSTRUCTION, RENOVATION AND MAINTENANCE SEGMENT

CONTRACTS COMPLETED DURING THE YEAR ENDED 31 MARCH 2009

Contracts	Commencement date	Completion date	Contract value HK$ million
Redevelopment of Un Chau Street Estate Phases 2 and 4 and Minor Works	August 2005	January 2009	640
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	September 2008	239
Residential Development at 3 Middle Gap Road, Hong Kong	December 2005	June 2008	41
Completion Contract for the Construction of Fanling Area 36 Phase 1	June 2006	October 2008	552
Kwai Chung (District Open Space) Phase 2A & Kwai Chung Estate (Lift Tower & Footbridge) Phase 5A	September 2006	August 2008	77
Total			1,549

BUILDING CONSTRUCTION, RENOVATION AND MAINTENANCE SEGMENT *(Continued)*

CONTRACTS SECURED IN PRIOR YEAR AND IN PROGRESS DURING THE YEAR ENDED 31 MARCH 2009

Contracts	Commencement date	Contract value	Estimated remaining works as at 31 March 2009
		HK$ million	HK$ million
Term Maintenance Contract (Region 1) for Kowloon East, Hong Kong and Tseung Kwan O (2007/2009)	March 2007	46	15
Construction of Choi Wan Road Development Site 3B Phase 1	April 2007	551	272
Design and Construction of Reprovisioning of Central District Headquarters and Central Divisional Police Station at Chung Kong Road, Sheung Wan	April 2007	240	90
Design and Construction of Redevelopment of Lo Wu Correctional Institution	April 2007	1,228	855
District Term Contract for the Maintenance and the Vacant Flat Refurbishment for Ma On Shan and Shatin North District (2007/2010)	May 2007	156	59
Supply and Install Primary and Secondary Ceiling (Main Casino)	December 2007	33	2
Venetian Orient Limited – Podium Parcel 6 Casino, Bus Lobby, Spice Walk, Court of Palms and Sheraton Reception Fit-out	March 2008	75	39
Total		2,329	1,332

BUILDING CONSTRUCTION, RENOVATION AND MAINTENANCE SEGMENT *(Continued)*

CONTRACTS SECURED IN CURRENT YEAR AND IN PROGRESS DURING THE YEAR ENDED 31 MARCH 2009

Contracts	**Commencement date**	**Contract value** HK$ million	**Estimated remaining works** HK$ million
Construction of the Podium of the Marina Bay Sands Integrated Resort from Basement 4 to Level L5	June 2008	1,026	503
Venetian Orient Limited – Podium Themed External Facades (North and South)	June 2008	131	122
Venetian Orient Limited – Podium Retail FOH Fit-out/Metal & Earth Mall Fit-out	June 2008	95	87
Ma On Shan Area 86B	August 2008	799	722
Cyclical Decoration Works to Bishop Lei International House at Typical Floor Suite and Corridor	December 2008	29	4
General Improvement Works for Science Park Phase 1 and 2	March 2009	7	6
Marina Bay Sands Integrated Resort Podium-Wide Post-Fixed Column/Beam Facings	March 2009	111	100
District Term Contract for the Maintenance and Vacant Flat Refurbishment for Property Service Administration Unit/Kowloon West & Hong Kong (2009/2012)	April 2009	97	97
District Term Contract for the Maintenance and Vacant Flat Refurbishment for Property Service Administration Unit/Kowloon East (2009/2012)	April 2009	150	150
District Term Contract for the Maintenance and Vacant Flat Refurbishment for Property Service Administration Unit/Kwai Chung & Tsuen Wan (2009/2012)	May 2009	156	156
Total		2,601	1,947
Contracts in hand as at 31 March 2009		4,930	3,279

BUILDING CONSTRUCTION, RENOVATION AND MAINTENANCE SEGMENT *(Continued)*

CONTRACTS SECURED SUBSEQUENT TO THE YEAR ENDED UP TO 30 JUNE 2009

Contracts	**Commencement date**	**Contract value**
		HK$ million
Construction of Public Rental Housing at Shek Kip Mei Estate Phase 2	June 2009	542
Redevelopment of Lower Ngau Tau Kok Estate Phase 1	July 2009	1,242
Term Contract for the Design and Construction of Fitting-Out Works to Buildings and Lands and Other Properties which The Architectural Services Department is Responsible	July 2009	348
Total		2,132

CONTRACTS TERMINATED SUBSEQUENT TO THE YEAR ENDED UP TO 30 JUNE 2009

Contracts	**Commencement date**	**Contract value**
		HK$ million
Venetian Orient Limited – Podium Parcel 6 Casino, Bus Lobby, Spice Walk, Court of Palms and Sheraton Reception Fit-out	March 2008	75
Venetian Orient Limited – Podium Themed External Facades (North and South)	June 2008	131
Venetian Orient Limited – Podium Retail FOH Fit-out/Metal & Earth Mall Fit-out	June 2008	95
Total		301

BUILDING CONSTRUCTION, RENOVATION AND MAINTENANCE SEGMENT *(Continued)*

CONTRACTS SECURED BY A JOINTLY CONTROLLED OPERATION IN PRIOR YEAR AND IN PROGRESS DURING THE YEAR ENDED 31 MARCH 2009

Contracts	Commencement date	Contract value	Estimated remaining works as at 31 March 2009
		HK$ million	HK$ million
Design and Construction of Prince of Wales Hospital – Extension Block at Shatin	April 2007	1,654	1,114

ELECTRICAL AND MECHANICAL INSTALLATION SEGMENT

CONTRACTS COMPLETED DURING THE PERIOD FROM 30 MAY 2008 TO 31 MARCH 2009

Contracts	Commencement date	Completion date	Contract value
			HK$ million
Tiu Keng Leng Station Development (Site B) at Tseung Kwan O Town Lot No.73 Area 73b,Tseung Kwan O, N.T.	July 2005	June 2008	46
Primary School In Area 31, Sheung Shui	September 2006	July 2008	15
Development of a Whole-day Primary School For Fung Kai School at Jockey Club Road, Sheung Shui, N.T.	July 2007	October 2008	14
Warehouse, Carpark & Maintenance Building at Pac On, Lot.02 – Taipa	August 2007	June 2008	18
Venetian Macau at Cotai, Macau Parcel 1 in Year 2008	January 2008	March 2009	16
M&E Install Nominated Sub-contract for Podium Refurbishment Works (Stage B1) Holiday Inn Golden Mile	February 2008	July 2008	7

ELECTRICAL AND MECHANICAL INSTALLATION SEGMENT *(Continued)*

CONTRACTS COMPLETED DURING THE PERIOD FROM 30 MAY 2008 TO 31 MARCH 2009 *(Continued)*

Contracts	**Commencement date**	**Completion date**	**Contract value** HK$ million
Housing Society's Estates and Managed Properties	June 2006	June 2008	5
Refurbishment of Plant Rooms and Vent Shafts Stations of Kwun Tong Line	December 2007	May 2008	6
Others			44
Total			171

CONTRACTS SECURED IN PRIOR YEAR AND IN PROGRESS DURING THE PERIOD ENDED 31 MARCH 2009

Contracts	**Commencement date**	**Contract value** HK$ million	**Estimated remaining works as at 31 March 2009** HK$ million
Guangzhou Huangsha The Riverside Project	May 2005	101	39
Nam Sang Wai, Sha Po & Kam Tin Sewage Pumping Stations	March 2006	45	26
Galaxy Resort & Casino in Cotai City Macau	April 2006	112	–
Redevelopment of Lo Wu Correctional Insitution (Electrical Installation)	April 2007	113	113
Redevelopment of Lo Wu Correctional Insitution (HVAC Installation)	April 2007	61	61

ELECTRICAL AND MECHANICAL INSTALLATION SEGMENT *(Continued)*

CONTRACTS SECURED IN PRIOR YEAR AND IN PROGRESS DURING THE PERIOD ENDED 31 MARCH 2009 *(Continued)*

Contracts	**Commencement date**	**Contract value** HK$ million	**Estimated remaining works as at 31 March 2009** HK$ million
Redevelopment of Lo Wu Correctional Insitution (Fire Services Installation)	April 2007	34	34
Electrical Term Maintenance Contract (Kwai Tsing, Tsuen Wan, Island Region) 2007/2010 Housing Authority Estates, Areas & Buildings	April 2007	97	30
Electrical Term Maintenance Contract (Kowloon East Region) 2007/2010 Housing Authority Estates, Areas & Buildings	April 2007	95	26
Shanghai IFC Boiler System	June 2007	34	31
Regency Park, Guanlan, Shenzhen Ph. 1 E&M works	June 2007	31	25
Construction of Public Housing Development At Ex-Chai Wan Estate	July 2007	28	24
City of Dreams in Cotai, Macau	July 2007	636	23
Construction of Redevelopment of Shatin Pass Estate	August 2007	25	23
Venetian Orient Limited – Parcel 5 and 6 Fire Services (Wet) Installation	August 2007	115	–

ELECTRICAL AND MECHANICAL INSTALLATION SEGMENT *(Continued)*

CONTRACTS SECURED IN PRIOR YEAR AND IN PROGRESS DURING THE PERIOD ENDED 31 MARCH 2009 *(Continued)*

Contracts	**Commencement date**	**Contract value** HK$ million	**Estimated remaining works as at 31 March 2009** HK$ million
The Proposed Gic/Public Carpark & Residential Development (Phase 2) at Area 33 Tin Shui Wai N.T.	November 2007	51	50
Ballroom, Pre-Function & Congress Electrical Installation Work for Venetian Orient, Parcel 5&6	November 2007	63	–
Shanghai IFC North Tower – Electrical Installation	December 2007	124	123
Shanghai IFC North Tower – HVAC System	December 2007	114	114
Development of Po Leung Kuk Choi Kai Yau School at 6 Caldecott Road	April 2008	49	45
MTRC's Stations, Depots, Headquarters and Premises	May 2008	78	65
Others		1,188	419
Total		3,194	1,271

CONTRACTS SECURED IN CURRENT PERIOD AND IN PROGRESS DURING THE PERIOD ENDED 31 MARCH 2009

Contracts	**Commencement date**	**Contract value** HK$ million	**Estimated remaining works as at 31 March 2009** HK$ million
Guangzhou Taikoo Hui HVAC System Supply and Installation	June 2008	231	227
Others		20	13
Total		251	240
Contracts in hand as at 31 March 2009		3,445	1,511

ELECTRICAL AND MECHANICAL INSTALLATION SEGMENT *(Continued)*

CONTRACTS SECURED SUBSEQUENT TO THE PERIOD ENDED UP TO 30 JUNE 2009

Contracts	**Commencement date**	**Contract value** HK$ million
Kowloon Central, Wong Tai Sin, Kwai Tsing & Tsuen Wan & Yuen Long & Tuen Mun Districts	April 2009	23
The Extension of Fanling Lutheran Sec. School at Fanling Sheung Shui Town Lot No.228, 227 Jockey Club Road, Fanling	April 2009	18
The Extension to Lam Tai Fai College at 25 Ngan Shing Street, Shatin	May 2009	12
Proposed Wong Tai Sin Temple Extension Sik Sik Yuen at Wong Tai Sin	May 2009	7
Stormwater Pumping Station at Cheung Shue Tan, Tai Po	May 2009	5
Ma On Shan Water Treatment Works	May 2009	5
Water Supplies Department (2009-2012)	June 2009	7
Others		20
Total		97

ELECTRICAL AND MECHANICAL INSTALLATION SEGMENT *(Continued)*

CONTRACTS TERMINATED SUBSEQUENT TO THE PERIOD ENDED UP TO 30 JUNE 2009

Contracts	**Commencement date**	**Contract value** HK$ million
Galaxy Resort & Casino in Cotai City Macau	April 2006	112
Venetian Orient Limited – Parcel 5 and 6 Fire Services (Wet) Installation	August 2007	115
Venetian Orient Limited – Ballroom, Pre-Function & Congress Electrical Installation Work for Parcel 5&6	November 2007	63
Total		290

EXECUTIVE DIRECTORS

Mr. Wong Ip Kuen

aged 73, 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 45, 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 Limited, Vice Chairman of REC as well as Chief Executive Officer of VHSoft Technologies Company Limited. 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 Degree in Business Administration at the Chinese University of Hong Kong, he has been taking an active role in the Hong Kong construction industry for more than a decade.

Mr. Wong is appointed as the Member of Construction Industry Council, the Member of the Occupational Safety and Health Council, the Member of MPF Industry Schemes Committee, the Member of the Land and Development Advisory Committee, the President of the Hong Kong Construction Association and the Chairman of Pneumoconiosis Compensation Fund Board and the First Vice President of International Federation of Asia and Western Pacific Contractors' Associations as well as 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. He is a Fellow of the Chartered Institute of Building. In 2009, he became an Honorary Fellow of University of Central Lancashire.

Mr. Wong was elected member of 2006 Election Committee Subsection Election (Real Estate & Construction) and the Member of Guizhou Province Committee of the Chinese People's Political Consultative Conference. In 2008, Mr. Wong was appointed as a Justice of the Peace (JP) by the Government of the HKSAR.

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

aged 43, joined the Group in 2003 and was promoted as a Director of the Group during the year. She is the Managing Director of Yau Lee Construction (Singapore) Pte. Ltd. as well as a Director of Yau Lee Formglas Limited, Yau Lee Curtain Wall and Steel Works Limited, Yau Lee Construction, Leena Theme Painting Limited and InnoVision Architects and Engineers 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.

Mr. So Yau Chi

aged 65, 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 member 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 48, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan, Bernard Charnwut

aged 44, has been an Independent Non-Executive Director of the Company since 2000. He is a graduate of Pomona College in California, the United States of America ("USA") and he holds the positions of Executive Director and President of Asia Financial Holdings Limited and Asia Insurance Company Limited. Bernard Chan is a deputy to the National People's Congress and a former member both of Hong Kong's Executive and Legislative Councils. He is Chairman of the Antiquities Advisory Board, the Advisory Committee on Revitalizing Historical Buildings and the Council for Sustainable Development. 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, and Kingboard Laminates Holdings Limited, all of which are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). 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 58, has been an Independent Non-Executive Director of the Company since 1994. Mr. Wu is a Member of Hong Kong Housing Authority, Life Honorary Chairman of the Chinese General Chamber of Commerce, 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 SEHK.

Dr. Yeung Tsun Man, Eric

aged 63, 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 directorships of companies in Hong Kong, Macau, mainland China, USA 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 62, joined the Group in 2000. Mr. Chan is a Professional Member of Royal Institution of Chartered Surveyors. He has 40 years of experience in quantity surveying. He is responsible for contractual matters of Yau Lee Construction.

Mr. Cheung Woon Yin, *Deputy General Manager*

aged 57, 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 and Company Secretary*

aged 37, 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 15 years' experience in accounting, auditing and management fields and is responsible for all corporate finance, banking, accounting and company secretarial matters of the Group.

Ms. Tang Wai Chun, *Chief Quantity Surveyor*

aged 52, 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 USA. She holds a Bachelor Degree in Quantity Surveying. She has 30 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 USA. 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 Council Training Academy (former 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.

Mr. Tsang Chiu Kwan, *Managing Director of REC*

aged 62, joined REC from 1988 to 2007 and re-joined in July 2008. Mr. Tsang is responsible for the overall strategic planning, management and direction of REC. He is a fellow member of Hong Kong Institution of Engineers and Institution of Engineering and Technology. He graduated with a Bachelor degree in Electrical Engineering from The University of Hong Kong in 1970.

Mr. Tsang is a member of The Construction Workers Registration Authority. In addition, he is a co-opted member of committee on construction site safety, and a member of management committee for Voluntary Subcontractor Registration Scheme under the Construction Industry Council. In the past, he has served as Chairman of The Hong Kong Federation of Electrical and Mechanical Contractors Ltd, President of The Hong Kong Electrical & Mechanical Contractors' Association, and member of Construction Advisory Board of the Government of the HKSAR.

Mr. Tsang has also served on a number of non-construction related non-government organisations in Hong Kong.

In alphabetical order

SITE MANAGEMENT

Contract Managers#

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

Project Managers#

- Chung Chi Hung
- Lam Lap Wa
- Lee Shiu Ming
- Ngan Siu Tak

HEAD OFFICE MANAGEMENT

Department Heads#

• Cheung Man Ching	Legal Advisor
• Fung Tak Ming	Building Services Department
• Ko Hwee Sau Chun	Administration Department
• Kwan Man Ho	Machinery and Logistics Department
• Lam Chan Sing	Health and Safety Department
• Wong Sik Yan	Information Technology Department
• Wong Ko Yin	Research and Development 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 Technologies Company Limited

• Mak Yiu Kau, Hubert	Chief Operating Officer

Yau Lee Wah Concrete Precast Products Limited

• Wong Chi Leung	Assistant General Manager

Yau Lee Curtain Wall and Steel Works Limited

• Chan Tsan Han	Manager

Yau Lee Construction (Singapore) Pte. Ltd.#

• Goh Hock Chai	Director
• Ho Chi Man	Project Manager
• Wong Ming Tak	Commercial Director

REC Engineering Company Limited#

• Chan Chi Ming, Antonio	Executive Director
• Lok Tat Hong	Executive Director
• Yeung Wai Ming	Executive Director

InnoVision Architects & Engineers Limited

• Fung Shuk Mei	Assistant Director

Yau Lee Building Construction and Decoration Company Limited#

• Ho Chi Fai	Project Director (BR)
• Wong Chi Wa	Project Director (BR)

In alphabetical order

The Directors submit their report together with the audited financial statements of the Company and the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS

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, provision for website hosting services, architectural and engineering services as well as property investment.

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 REC Engineering Company Limited, previously known as Ryoden Engineering Company Limited, for a total cash consideration of HK$46,000,000 (excluding transaction expenses). The results derived from REC Engineering Company Limited and its subsidiaries ("REC") were disclosed as electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services (hereinafter referred to as electrical and mechanical installation) operation.

An analysis of the Group's performance for the year by business segments and geographical segments are set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 38.

In the Board meeting held on 21 July 2009, the directors recommend the payment of a final dividend of HK0.97 cents per share (2008: HK10 cents per share), totalling approximately HK$4,249,000 (2008: HK$44,095,000) for the year ended 31 March 2009.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 35 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$312,000 (2008: HK$38,200).

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 2009, the reserves of the Company available for distribution, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to approximately HK$1,004,796,000 (2008: HK$136,626,000).

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 34 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 114.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company repurchased a total of 2,896,000 shares at prices ranging from HK$0.485 to HK$0.850 per share on SEHK at an aggregate consideration of approximately HK$2,233,000 excluding transaction costs and these shares were subsequently cancelled by the Company during the year. The repurchase of the Company's shares during the year was effected by the Board, pursuant to the repurchase mandate granted by the shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company. Apart from this, the Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold the Company's listed securities for the year ended 31 March 2009.

Details of the shares repurchased during the year under review are as follows:

Month/year	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregated consideration (excluding transaction costs)
		HK$	HK$	HK$'000
September 2008	2,864,000	0.850	0.620	2,217
October 2008	32,000	0.490	0.485	16
Total	2,896,000			2,233

POST BALANCE SHEET EVENTS

(a) Acquisition of property at Tsun Yip Street, Kwun Tong

On 30 March 2009, a wholly-owned subsidiary of the Group entered into a legally binding sale and purchase agreement with the vendor, pursuant to which the vendor shall sell and the purchaser shall acquire the property in No. 43 and 45 Tsun Yip Street, Kowloon at a consideration of HK$100,000,000. A deposit of HK$5,000,000 has been paid on the same date.

The property comprises two blocks of industrial buildings with 3 storeys (plus roofs) and 5 storeys (plus roofs) respectively. Some of the floors are currently being occupied and used by the existing tenant. The site area of the buildings is approximately 9,169 square feet. The plot ratio of the site on which the property is built is 12 and thus upon redevelopment of the site, the permissible gross floor area will be approximately 110,028 square feet.

In light of the plot ratio and the permissible gross floor area, the Group considers that the properties have favourable potential development value. The acquisition was completed in June 2009 and since then, the property has begun to generate rental income to the Group.

(b) Acquisition of property at Jervois Street, Sheung Wan

On 30 April 2009, a wholly-owned subsidiary of the Group entered into a legally binding sale and purchase agreement with the vendor, pursuant to which the vendor shall sell and the purchaser shall acquire the property in No. 77, 79, 81, 83 & 85 Jervois Street and No. 14A, 16, 18, 20 & 22 Burd Street, Hong Kong at a consideration of HK$350,000,000. The transaction was completed in July 2009.

The property is currently a bare site. The site area of the property is approximately 6,592 square feet. The permissible plot ratio of the property is in the region between 10 and 15 depending on the nature of the building to be built on the property and thus upon development of the property, the permissible gross floor area of the building to be built on the property will approximately be in the region between 65,920 square feet and 98,880 square feet as calculated based on the plot ratio.

While the Group intends to construct a building on the existing site for hotel business, the planning and construction work is expected to take a period of 3 years. The Directors believe that such development will bring long-term benefit to the Group in the future.

On 15 July 2009, the Group entered into a management agreement with Intercontinental Hotels Group (Greater China) Limited ("IHG"), an independent third party, whereby the Group will engage IHG in providing hotel management services in relation to a Holiday Inn Express branded hotel that the Group proposes to build at the above site.

(c) Acquisition of machinery

On 28 May 2009, the Group has entered into two separate agreements with the vendor in identical terms, save and except the territory to which it applies, pursuant to which the Group agrees to acquire from vendor two separate sets of equipment and services for building a production plant respectively in the Mainland China and United Arab Emirates for the production of environmentally friendly and high performance building material at an aggregate amount of approximately US$11,800,000 (approximately HK$92,040,000), the consideration of each agreement being US$5,900,000 (approximately HK$46,020,000). The Group has made 30% deposits in relation to the purchase as at and up to the date of this report.

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 2009, 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	:	43,805,360 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 34 to the financial statements
The remaining life of the share option scheme	:	The scheme remains in force for a period of 10 years until 16 October 2010

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

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

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

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. Wong Tin Cheung and Mr. So Yau Chi 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 2009, 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 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	236,083,599	53.89%

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 5,404,000 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 2009, 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 SUPPLIERS AND CUSTOMERS

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

Purchases		
–	five largest suppliers	16%
–	the largest supplier	4%
Sales		
–	five largest customers	69%
–	the largest customer	21%

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 2009, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") are disclosed in Note 41 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 31 to 35.

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, 21 July 2009

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 five Executive Directors and three Independent Non-Executive Directors, whose personal biographies are set out on pages 18 to 20 of this report.

The Company forms its Board of Directors based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required experience and management expertise. In order to balance the power between the Executive Directors and Independent Non-Executive Directors, the Company appointed three qualified candidates to become its Independent Non-Executive Directors to ensure the independence of the policy making process of the Board and protect the 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 auditor and other operational and financial matters relating to the Company. Notice convening each regular Board meeting will be sent at least 14 days in advance, and reasonable notice will be given for other Board meetings. The agenda, accompanied by the relevant documents of the Board meeting will be sent to each director with sufficient period 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.

THE BOARD OF DIRECTORS *(Continued)*

During the year ended 31 March 2009, 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	2/2	N/A
Ms. Wong Wai Man	3/3	N/A	N/A	N/A
Mr. So Yau Chi	4/4	N/A	2/2	N/A
Mr. Sun Chun Wai	4/4	N/A	N/A	N/A
Mr. Chan, Bernard Charnwut	1/4	2/2	2/2	1/1
Mr. Wu King Cheong	3/4	2/2	2/2	1/1
Dr. Yeung Tsun Man, Eric	4/4	2/2	2/2	1/1

COMMITTEES OF THE BOARD

The Directors have set up an audit committee, a remuneration committee and a 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 during the year ended 31 March 2009 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 twice during the year ended 31 March 2009 and the record of attendance of the members is listed on page 32. 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. The Nomination Committee met once during the year ended 31 March 2009.

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 2009, PricewaterhouseCoopers provided the following services to the Group:

	HK$'000
Audit services	3,082
Transaction related services	720
Taxation services	263
	4,065

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors of the Company acknowledged their responsibility for the preparation of consolidated 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 year. 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 2009, appropriate accounting policies are selected and applied consistently by the Directors who made careful and reasonable judgements and estimates, and prepared the financial statements on an on-going basis.

The independent auditor's report, which contains the statement of the external auditor about its reporting responsibilities on the Company's financial statements, is set out in pages 36 to 37 of this annual report.

INTERNAL CONTROL

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

During the year, the Board appointed an international accounting firm, Baker Tilly Hong Kong, to conduct a review of the internal control system of the Group for the year ended 31 March 2009, including financial, operational and compliance controls as well as risk management process. The results of the internal control review were submitted to the Audit Committee for their consideration. The Audit Committee has reviewed the results of the internal control review and is satisfied that the Group's system of internal controls is sound and adequate. As part of the process of the annual review, the Board has performed evaluation of the Group's accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of staff of the function, and their training programmes and budget.

The Board will continue to review and improve the Group's internal control system, taking into account the prevailing regulatory requirements, the interests of shareholders, and the Group's business growth and development.

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 2009.

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 2009 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 officer of the Company are not separated and are performed by the same individual, Mr. Wong Ip Kuen. The current structure will enable the Company to make and facilitate the implementation of decisions promptly and efficiently.

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.

COMMUNICATION WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders. All directors are encouraged to attend the general meetings to have personal communication with shareholders. In annual general meeting, Chairman of the Board and the chairman of each committee are required to attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also required to be present to assist the directors in addressing any relevant queries by shareholders.

The Company's annual general meeting ("AGM") and extraordinary general meeting ("EGM") provide good opportunities for shareholders to air their views and ask directors and management questions regarding the Company. All shareholders of the Company receive the annual report, circulars and notices of AGM and EGM and other corporate communications. The notices are also published in website. Separate resolutions are required at general meetings on each distinct issue. Each shareholder is permitted to appoint a proxy to attend and vote in his stead.

VOTING BY POLL

Under Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the ordinary resolutions proposed at the Annual General Meeting will also be taken by poll. A poll results announcement will be made by the Company after the Annual General Meeting in accordance with Rule 13.39(5) of the Listing Rules.

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 38 to 113, which comprise the consolidated and Company balance sheets as at 31 March 2009, 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 2009 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, 21 July 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Revenue	5	**3,413,878**	1,526,015
Cost of sales	7	**(3,184,371)**	(1,766,217)
Gross profit/(loss)		**229,507**	(240,202)
Other income and gains	6	**22,140**	37,117
Administrative expenses	7	**(197,968)**	(129,475)
Other operating expenses	7	**(9,785)**	(7,992)
Operating profit/(loss)		**43,894**	(340,552)
Finance costs	9	**(9,481)**	(32,588)
Share of profit of associates	21	**111**	–
Share of (loss)/profit of jointly controlled entities/operation	22	**(18,186)**	1,430
Profit/(loss) before income tax		**16,338**	(371,710)
Income tax expense	10	**(5,715)**	(1,342)
Profit/(loss) for the year from continuing operations		**10,623**	(373,052)
Discontinued operations			
Profit for the year from discontinued operations	5, 15	**–**	795,409
Profit for the year		**10,623**	422,357
Attributable to:			
Equity holders of the Company	11	**10,652**	422,360
Minority interests		**(29)**	(3)
		10,623	422,357
Dividends	12	**4,249**	44,095
Earnings/(loss) per share (basic and diluted)	13		
– from continuing operations		**2.42 cents**	(84.60) cents
– from discontinued operations		**–**	180.39 cents
		2.42 cents	95.79 cents

Balance Sheets

As at 31 March 2009

	Notes	2009 Group HK$'000	2009 Company HK$'000	2008 Group HK$'000	2008 Company HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	16	**110,380**	**–**	97,007	–
Investment properties	17	**24,727**	**–**	–	–
Leasehold land	18	**34,732**	**–**	35,655	–
Intangible assets	19	**20,228**	**–**	–	–
Goodwill	19	**15,905**	**–**	–	–
Subsidiaries	20	**–**	**491,615**	–	361,075
Associates	21	**1,929**	**–**	39	–
Jointly controlled entities/operation	22	**7,987**	**–**	26,170	–
Deferred income tax assets	32	**689**	**–**	41	–
Other non-current assets	23	**20,494**	**–**	34,122	–
		237,071	**491,615**	193,034	361,075
Current assets					
Cash and bank balances	25	**888,492**	**42,636**	957,631	410
Trade debtors, net	26(a)	**577,658**	**–**	184,048	–
Prepayments, deposits and other receivables	24, 26(b)	**137,731**	**349**	103,787	313
Inventories	27	**21,350**	**–**	23,107	–
Prepaid income tax		**530**	**–**	273	–
Due from customers on construction contracts	28	**327,353**	**–**	302,915	–
Financial assets at fair value through profit or loss	29	**15,147**	**9,854**	15,244	9,774
Derivative financial assets	30	**–**	**–**	6,489	–
Due from associates	21	**8,774**	**1,028**	8,523	1,023
Due from subsidiaries	20	**–**	**1,061,159**	–	377,698
Due from jointly controlled entities/operation	22	**14,988**	**–**	6,095	–
Due from related parties	41	**–**	**–**	30	30
		1,992,023	**1,115,026**	1,608,142	389,248
Total assets		**2,229,094**	**1,606,641**	1,801,176	750,323
EQUITY					
Share capital	34	**87,611**	**87,611**	88,190	88,190
Other reserves	35	**416,824**	**414,135**	418,933	415,789
Retained profits					
Proposed final dividends	35	**4,249**	**4,249**	44,095	44,095
Others	35	**738,867**	**1,000,547**	732,464	92,531
Attributable to equity holders		**1,247,551**	**1,506,542**	1,283,682	640,605
Minority interests		**596**	**–**	625	–
Total equity		**1,248,147**	**1,506,542**	1,284,307	640,605

Balance Sheets

As at 31 March 2009

	Note	2009 Group HK$'000	2009 Company HK$'000	2008 Group HK$'000	2008 Company HK$'000
LIABILITIES					
Non-current liabilities					
Long-term borrowings	31	**17,721**	**–**	2,590	–
Deferred income tax liabilities	32	**7,522**	**–**	5,683	–
Retention payables		**9,349**	**–**	–	–
		34,592	**–**	8,273	–
Current liabilities					
Short-term bank loans – secured	31	**50,000**	**–**	158,800	–
Current portion of long-term borrowings	31	**5,176**	**–**	4,881	–
Derivative financial liabilities	30	**839**	**174**	12,160	–
Payables to suppliers and subcontractors	33	**299,914**	**–**	125,995	–
Accruals, retention payables and other liabilities		**198,430**	**907**	144,873	706
Income tax payable		**12,053**	**–**	7,264	–
Due to customers on construction contracts	28	**376,912**	**–**	54,623	–
Due to subsidiaries	20	**–**	**99,018**	–	109,012
Due to jointly controlled entities/operation	22	**3,031**	**–**	–	–
		946,355	**100,099**	508,596	109,718
Total liabilities		**980,947**	**100,099**	516,869	109,718
Total equity and liabilities		**2,229,094**	**1,606,641**	1,801,176	750,323
Net current assets		**1,045,668**	**1,014,927**	1,099,546	279,530
Total assets less current liabilities		**1,282,739**	**1,506,542**	1,292,580	640,605

Wong Ip Kuen
Director

Wong Tin Cheung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Attributable to equity holders of the Company							
	Share capital	**Other reserves**	**Capital redemption reserve**	**Currency translation reserve**	**Retained profits**	**Sub-total**	**Minority interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2008	88,190	415,430	359	3,144	776,559	1,283,682	625	1,284,307
Profit/(loss) for the year	–	–	–	–	10,652	10,652	(29)	10,623
Currency translation differences	–	–	–	(455)	–	(455)	–	(455)
2008 final dividend	–	–	–	–	(44,095)	(44,095)	–	(44,095)
Shares repurchased	(579)	(1,654)	–	–	–	(2,233)	–	(2,233)
As at 31 March 2009	**87,611**	**413,776**	**359**	**2,689**	**743,116**	**1,247,551**	**596**	**1,248,147**
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 dividend	–	–	–	–	(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

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Net cash from/(used in) operations	36(a)	**133,142**	(15,603)
Hong Kong profits tax paid		**(8,307)**	(433)
Net cash from/(used in) operating activities		**124,835**	(16,036)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(38,763)**	(15,827)
Purchase of investment properties		**(28,953)**	–
Purchase of financial assets at fair value through profit or loss		**–**	(10,000)
Realised gain on derivative financial liabilities		**2,882**	–
Realised loss on derivative financial assets		**–**	(1,185)
Net cash settlements on derivative financial assets and liabilities		**(10,957)**	–
Proceeds from disposal of property, plant and equipment		**729**	277
Cash inflow from acquisition of REC		**15,335**	–
Investment in a jointly controlled operation		**–**	(15,000)
Net proceeds from disposal of properties		**–**	1,566,606
Dividends received from a jointly controlled entity		**553**	–
Dividends received from an associate		**190**	–
Dividends received from investments		**334**	218
Interest received		**9,952**	14,737
Net cash (used in)/from investing activities		**(48,698)**	1,539,826
Cash flows from financing activities	36(b)		
Repayment of long-term bank loans		**(285)**	(526,800)
Repayment of short-term bank loans		**(108,800)**	(133,822)
Drawdown of long-term bank loans		**18,883**	–
Decrease in restricted deposits		**17,086**	869
Capital element of finance lease payments		**(5,840)**	(3,724)
Repurchase of shares		**(2,233)**	–
Interest paid		**(2,970)**	(40,716)
Dividends paid		**(44,095)**	(4,409)
Interest element of finance lease payments		**(137)**	(15)
Net cash used in financing activities		**(128,391)**	(708,617)
(Decrease)/increase in cash and cash equivalents		**(52,254)**	815,173
Cash and cash equivalents at beginning of year		**788,831**	(27,063)
Exchange gain on cash and cash equivalents		**201**	721
Cash and cash equivalents at end of year		**736,778**	788,831
Analysis of cash and cash equivalents	25(b)		
Cash and bank balances		**475,502**	48,174
Time deposits		**261,276**	740,657
		736,778	788,831

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, provision for website hosting services, architectural and engineering services as well as property investment.

The Group completed a transaction to dispose of its wholly-owned properties at 33 Sharp Street East on 29 February 2008 at a total cash consideration of HK$1,580,000,000 to a third party. 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". Prior year comparatives have adjusted to conform with the current year classification.

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 REC Engineering Company Limited, previously known as Ryoden Engineering Company Limited, for a total cash consideration of HK$46,000,000 (excluding transaction expenses). The results derived from REC Engineering Company Limited and its subsidiaries ("REC") were disclosed as electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services (hereinafter referred to as electrical and mechanical installation) operation.

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 21 July 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied 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 consolidated 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"), and the disclosure requirements of the Hong Kong Companies Ordinances and the Rules Governing the Listing of Securities on SEHK. The consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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 the process of applying the Group's accounting policies.

(i) Interpretation and amendment to standards that are effective in 2009

The Group has adopted the following interpretation and amendment to standards which are relevant to the Group's operations, and mandatory for the financial year ended 31 March 2009:

HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

HK(IFRIC) – Int 11, "HKFRS 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 an impact on the Group's financial statements.

(ii) Interpretations to standards effective in 2009 but not relevant

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2008 but they are not relevant to the Group's operations:

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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 2009 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 1 (Amendment)	First-time adoption of HKFRS and HKAS 27 – Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 15	Agreements for Construction of Real Estates	1 January 2009
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
Improvements to HKFRSs – Amendments to:		
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2009
HKAS 16 (Amendment)	Property, Plant and Equipment	1 January 2009
HKAS 19 (Amendment)	Employee Benefits	1 January 2009
HKAS 23 (Amendment)	Borrowing Costs	1 January 2009
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 January 2009
HKAS 28 (Amendment)	Investment in Associates	1 January 2009
HKAS 31 (Amendment)	Interests in Joint Ventures	1 January 2009
HKAS 36 (Amendment)	Impairment of Assets	1 January 2009
HKAS 38 (Amendment)	Intangible Assets	1 January 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1 January 2009
HKAS 40 (Amendment)	Investment Property	1 January 2009
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operation	1 January 2009
HKFRS 7	Financial Instruments: Disclosures	1 January 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2009 or later periods but are not relevant for the Group's operations:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 July 2009
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners	1 July 2009
HK(IFRIC) – Int 18	Transfers of Assets from Customers	1 July 2009
Improvements to HKFRSs – Amendments to:		
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies	1 January 2009
HKAS 41 (Amendment)	Agriculture	1 January 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March.

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.

(i) Subsidiaries

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.

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 consolidated 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 in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

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

Associated companies 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 associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill identified on acquisition, (net of any accumulated impairment loss).

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated 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 associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligation or made payments on behalf of the associated company.

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

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

(iv) Jointly controlled entities/operation

Jointly controlled entities/operation are entities/operation which operate 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(k)). The results of jointly controlled entities/operation are accounted for by the Company on the basis of dividend income received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 Group, is classified as investment property.

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, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by an independent firm of qualified property valuers. Gains or losses in fair values of investment property are recognised in the consolidated income statement as part of "other income and gains" or "other operating expenses" respectively.

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 consolidated 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 consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

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 are charged to the consolidated income statement during the financial period in which they are incurred.

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

Buildings	20-50 years
Leasehold improvements	4 years
Plant and machinery	5-10 years
Furniture, fixtures and office equipment	3-5 years
Motor vehicles	4-5 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(k)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and gains" and "other operating expenses" respectively in the consolidated income statement.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets

Intangible assets represent the customer relationships acquired in a business combination, which are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the client relationships of 20 years.

(g) Leases

Finance leases are capitalised at the leases commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balances outstanding. The corresponding rental obligations, net of finance charges, are included in the long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets held under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

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 consolidated income statement on a straight-line basis over the period of lease.

(h) 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 also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and bank balances" in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets *(Continued)*

(iii) Recognition and measurement

Regular way purchases and sales of financial assets 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 consolidated 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.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated 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 consolidated income statement as part of other income and gains 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 trade receivables is described in Note 2(k).

(i) 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, all changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

(k) Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Construction contracts in progress

Contract costs are recognised as expenses in the period in which they are 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 likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable contract, revenue is recognised over the period of the contract. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Variation in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Construction contracts in progress *(Continued)*

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 retentions 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).

(m) 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 receivables 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 original effective interest rate. The amount of the provision is recognised in the consolidated income statement within "other operating expenses". Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the consolidated income statement.

(n) 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.

(o) Share capital

Ordinary shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated 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.

(q) Payables to suppliers and sub-contractors

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

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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 substantively 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)*

(s) Provisions

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

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

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

(t) Contingent liabilities and contingent assets

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

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

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

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

(u) Borrowing costs

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

The Group operates defined contribution schemes which are available to all employees. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the consolidated 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, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits *(Continued)*

(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.

(w) Revenue recognition

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(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 is recognised on a time-proportion basis using the effective interest method.

(vi) Dividend income

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

(x) Foreign currency translation

(i) Functional and presentation currency

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "other income and gains" or "other operating expenses". All other foreign exchange gains and losses are presented in the consolidated income statement within "other income and gains" or "other operating expenses".

Translation differences on non-monetary financial assets and liabilities are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities classified as available-for-sale are included in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Foreign currency translation *(Continued)*

(iii) Group companies

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

(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 consolidated income statement as part of the gain or loss on sale.

(y) Segment reporting

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

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 as the secondary reporting format.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Segment reporting *(Continued)*

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.

(z) 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$632,000 (2008: HK$629,000) 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$35,000 (2008: HK$268,000) higher/lower.

(b) Foreign currency risk

The Group mainly operates in Hong Kong, Macau, Singapore and mainland China. However, the transactions of the group companies are predominantly conducted in the functional currency of the respective group entities. Therefore, the Group is not significantly exposed to foreign currency risk. The Group, however, entered into a foreign exchange forward contract in March 2009 for Singapore Dollars at fixed rate. This forward contract will expire in December 2009. Although the Group holds cash and bank balances in other currencies, the exposure to foreign currency risk is not significant.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Market risk (Continued)

(c) Cash flow and fair value interest rate risk

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

The Group's borrowings, bank overdraft, obligations under finance lease and cash deposits issued at variable rates expose the Group to cash flow interest rate risk. During 2009, the Group's borrowings, bank overdraft, obligations under finance lease and cash deposits were denominated in Hong Kong dollars and Singapore dollars, while during 2008 these were denominated in Hong Kong dollars only.

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$183,000 (2008: HK$1,353,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings, obligations under finance lease and cash deposits.

(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 2009 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$'000	After 5 years HK$'000
Group				
At 31 March 2009				
Long-term borrowings and interest thereon	**5,880**	**2,146**	**5,372**	**13,577**
Short-term bank loans and interest thereon	**50,715**	**–**	**–**	**–**
Derivative financial liabilities	**839**	**–**	**–**	**–**
Payables to suppliers and subcontractors	**299,914**	**–**	**–**	**–**
Accruals, retention payables and other liabilities	**198,430**	**9,349**	**–**	**–**
Due to jointly controlled entities/operation	**3,031**	**–**	**–**	**–**
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	–	–	–
Company				
At 31 March 2009				
Derivative financial liabilities	**174**	**–**	**–**	**–**
Accruals and other liabilities	**907**	**–**	**–**	**–**
Due to subsidiaries	**99,018**	**–**	**–**	**–**
At 31 March 2008				
Accruals and other liabilities	706	–	–	–
Due to subsidiaries	109,012	–	–	–

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 2009, the Group's strategy is to maintain a gearing ratio at a lower level. The gearing ratios at 31 March 2009 and 2008 were as follows:

	2009 **HK$'000**	2008 HK$'000
Total borrowings (Note 31)	**(72,897)**	(166,271)
Cash and bank balances (Note 25)	**888,492**	957,631
Net cash maintained	**815,595**	791,360
Total equity	**1,248,147**	1,284,307
Gearing ratio	**N/A**	N/A

The change in net cash maintained resulted primarily from normal operating activities of the Group.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(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 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 submitted for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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 conditions existing at the balance sheet date. These estimates are compared to actual market data.

(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.

(e) Income taxes

The Group is mainly subject to income taxes in Hong Kong, Singapore, Macau and mainland China. Significant judgement is required in determining the provision for income taxes. 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.

(f) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(k). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, details of which are disclosed in note 19(a).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(g) Provision for impairment of trade debtors

The policy of provision for impairment of trade debtors of the Group is based on the evaluation of the recoverability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counterparty. If the financial conditions of counterparty of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required.

5 REVENUE AND SEGMENT INFORMATION

	2009 **HK$'000**	2008 HK$'000
Revenue		
Contracting of building construction, plumbing, maintenance and fitting-out projects	**1,953,312**	1,474,518
Electrical and mechanical installation	**1,328,580**	–
Building materials trading	**122,875**	44,761
Others	**9,111**	6,736
	3,413,878	1,526,015

Primary reporting format – business segments

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

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

Other operations of the Group mainly comprise computer software development, provision for website hosting services, architectural and engineering services as well as property investment which is not of a sufficient size to be reported separately.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Construction HK$'000	Electrical and mechanical installation HK$'000	Building materials trading HK$'000	Others HK$'000	Total HK$'000
	Continuing operations				
Year ended 31 March 2009					
Total sales	1,986,886	1,366,045	199,395	23,226	3,575,552
Inter-segment sales	(33,574)	(37,465)	(76,520)	(14,115)	(161,674)
External sales	1,953,312	1,328,580	122,875	9,111	3,413,878
Segment results	45,472	29,803	(26,077)	(9,521)	39,677
Unallocated net income					4,217
Operating profit					43,894
Finance costs	(8,832)	(13)	(119)	(517)	(9,481)
Share of profit of associates	–	111	–	–	111
Share of loss of jointly controlled entities/operation	(10,637)	–	(7,549)	–	(18,186)
Profit before income tax					16,338
Income tax expense					(5,715)
Profit for the year					10,623

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Continuing operations				
	Construction HK$'000	Electrical and mechanical installation HK$'000	Building materials trading HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2009					
Segment assets	1,391,975	471,386	203,625	80,967	2,147,953
Interests in associates	–	1,879	–	50	1,929
Interests in jointly controlled entities/operation	6,858	–	1,129	–	7,987
Unallocated assets					71,225
Total assets					2,229,094
Segment liabilities	(515,358)	(398,420)	(31,815)	(25,764)	(971,357)
Unallocated liabilities					(9,590)
Total liabilities					(980,947)
Capital expenditure	29,145	7,935	4,144	29,148	70,372
Depreciation	11,326	18,052	1,636	907	31,921
Amortisation of leasehold land	173	–	–	748	921
Amortisation of intangible assets	–	879	–	–	879
Other non-cash expenses, net	5,870	–	–	352	6,222

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 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	(329,364)	(9,567)	(10,103)	(349,034)	43,785	44,486	88,271
Unallocated income				8,482			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)

Secondary reporting format – geographical segments

The Group's operations are primarily conducted in Hong Kong, Macau, mainland China and Singapore.

The following table provides an analysis of the Group's revenue by geographical markets:

	2009 HK$'000	2008 HK$'000
Hong Kong	**2,043,278**	1,513,038
Macau	**729,356**	4,586
Singapore	**466,518**	–
Mainland China	**174,726**	8,391
	3,413,878	1,526,015

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Secondary reporting format – geographical segments *(Continued)*

The following is an analysis of the carrying amount of segment assets at the balance sheet date, and additions to investment properties, property, plant and equipment during the year analysed by the geographical area in which the assets are located.

	Total assets		Capital expenditure	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,526,529**	1,666,969	**11,889**	19,154
Macau	**222,914**	24,015	**3,706**	308
Mainland China	**207,844**	102,977	**2,779**	4,031
Singapore	**266,230**	7,215	**51,061**	813
Malaysia	**5,577**	–	**937**	–
	2,229,094	1,801,176	**70,372**	24,306

6 OTHER INCOME AND GAINS

	2009	2008
	HK$'000	HK$'000
Other income		
Dividend income from investments	**334**	218
Bank interest income	**6,162**	10,903
Interest income from subcontractors	**3,790**	2,998
Sundry income	**8,487**	4,291
	18,773	18,410
Other gains		
Gain on disposal of property, plant and equipment, net	**319**	–
Unrealised gain on financial assets at fair value through profit and loss	**152**	303
Realised gain on derivative financial liabilities	**2,882**	–
Unrealised gain on derivative financial assets	**–**	6,489
Exchange gain, net	**–**	11,750
Others	**14**	165
	3,367	18,707
	22,140	37,117

7 EXPENSES BY NATURE

	2009 HK$'000	2008 HK$'000
Cost of construction	**2,696,166**	1,436,936
Cost of inventories sold	**168,459**	118,833
Depreciation		
Owned property, plant and equipment	**29,243**	21,351
Leased property, plant and equipment	**2,678**	1,636
	31,921	22,987
Operating lease rentals of		
Land and buildings	**10,077**	3,615
Other equipment	**43,072**	25,023
	53,149	28,638
Staff costs (excluding directors' emoluments)	**374,327**	214,200
Directors' emoluments	**14,863**	11,659
Amortisation of leasehold land	**921**	921
Amortisation of intangible assets	**879**	–
Write-off of impaired receivables	**980**	1,867
Auditor's remuneration – audit services	**3,092**	1,612
Loss on disposal of property, plant and equipment, net	**–**	104
Fair value loss on investment properties	**4,413**	–
Exchange loss, net	**1,745**	–
Others	**41,209**	65,927
Total cost of sales, administrative and other operating expenses	**3,392,124**	1,903,684

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of the Directors for the year ended 31 March 2009 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
2009					
Mr. Wong Ip Kuen	**–**	**5,460**	**870**	**252**	**6,582**
Mr. Wong Tin Cheung	**–**	**2,015**	**605**	**93**	**2,713**
Ms. Wong Wai Man	**–**	**1,220**	**210**	**56**	**1,486**
Mr. So Yau Chi	**–**	**1,758**	**335**	**69**	**2,162**
Mr. Sun Chun Wai	**–**	**819**	**313**	**38**	**1,170**
Mr. Chan, Bernard Charnwut	**250**	**–**	**–**	**–**	**250**
Mr. Wu King Cheong	**250**	**–**	**–**	**–**	**250**
Dr. Yeung Tsun Man, Eric	**250**	**–**	**–**	**–**	**250**
	750	**11,272**	**2,333**	**508**	**14,863**
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

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

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2008: three) Directors whose emoluments are reflected in the analysis above. The emoluments paid and payable to the remaining two (2008: two) highest paid individuals during the year were as follows:

	2009	2008
	HK$'000	HK$'000
Salaries	**2,753**	2,666
Bonuses	**378**	100
Retirement benefits	**116**	69
	3,247	2,835

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**2**	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

	2009 HK$'000	2008 HK$'000
Interest on overdrafts and short-term bank loans	**3,501**	19,001
Interest on long-term bank loans repayable within five years	**–**	4,659
Interest on long-term bank loans repayable over five years	**268**	–
Interest element of finance lease payments	**311**	246
Total borrowing costs incurred	**4,080**	23,906
Less: Classified under contract costs	**(973)**	(4,889)
	3,107	19,017
Unrealised loss on financial assets at fair value through profit or loss	**249**	226
Unrealised loss on derivative financial liabilities	**6,125**	12,160
Realised loss on derivative financial assets	**–**	1,185
	9,481	32,588

10 INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
Hong Kong profits tax provision for the year	**–**	38
Overseas tax provision for the year	**8,746**	–
Over-provision in prior years	**(1,419)**	(25)
Deferred income tax relating to the origination and reversal of temporary differences	**(1,612)**	1,329
	5,715	1,342

No taxation on Hong Kong profits tax for the year as there were no estimated assessable profits in which the Group operates in Hong Kong. In 2008, Hong Kong profits tax was calculated at 17.5% on the estimated assessable profits for the year.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates (2008: nil).

10 INCOME TAX EXPENSE *(Continued)*

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

	2009 **HK$'000**	2008 HK$'000
Profit/(loss) before income tax	**16,338**	(371,710)
Share of loss/(profit) of jointly controlled entities/operation and associates	**18,075**	(1,430)
	34,413	(373,140)
Calculated at a taxation rate of 16.5% (2008: 17.5%)	**5,678**	(65,300)
Effect of different tax rates in other countries	**2,157**	111
Income not subject to taxation	**(2,024)**	(6,422)
Expenses not deductible for taxation purposes	**500**	14,038
Temporary differences not recognised	**(320)**	3,232
Tax losses not recognised	**10,937**	55,877
Utilisation of previously unrecognised tax losses	**(9,794)**	(169)
Over-provision in prior years	**(1,419)**	(25)
Income tax expense	**5,715**	1,342

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$912,265,000 (2008: loss of HK$1,984,000).

12 DIVIDENDS

In the Board meeting held on 21 July 2009, the Directors recommend the payment of a final dividend at HK0.97 cents per share (2008: HK10 cents per share), totalling HK$4,249,000 (2008: HK$44,095,000) for the year ended 31 March 2009.

13 EARNINGS/(LOSS) PER SHARE (BASIC AND DILUTED)

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

	2009	2008
	HK$'000	HK$'000
Net profit/(loss) attributable to the equity holders of the Company		
– from continuing operations	**10,652**	(373,049)
– from discontinued operations	**–**	795,409
	10,652	422,360

	2009	2008
Weighted average number of shares in issue during the year	**439,363,052**	440,949,600

Diluted earnings/(loss) per share for the years ended 31 March 2009 and 2008 are not presented as there are no potential dilutive shares during the years.

14 STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2009	2008
	HK$'000	HK$'000
Salaries, wages and bonuses	**352,899**	202,788
Unutilised annual leave	**224**	143
Long service payments	**2,247**	875
Termination benefits	**3,303**	2,039
Pension costs – defined contribution scheme	**15,654**	8,355
	374,327	214,200

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
(a) Results	
Revenue	98,929
Cost of sales	(16,794)
Gross profit	82,135
Other income and gains	876
Administrative expenses	(40,878)
Other operating expenses	(27)
Change in fair value of investment properties	47,000
Operating profit	89,106
Finance costs	(21,715)
Profit on disposal of properties	671,598
Profit before income tax	738,989
Income tax credit	56,420
Profit for the year from discontinued operations	795,409
(b) Cash flows	
Net cash from operating activities	36,008
Net cash from investing activities	1,567,328
Net cash used in financing activities	(448,515)
Total net cash from discontinued operations	1,154,821

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Group						
At 1 April 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
Currency translation 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
Year ended 31 March 2009						
Opening net book values	32,072	96	47,540	7,693	9,606	97,007
Currency translation differences	421	(49)	825	21	4	1,222
Additions	–	8	29,399	6,868	5,144	41,419
Acquisition of REC	–	–	275	2,098	690	3,063
Transfers	–	606	3	(609)	–	–
Disposals	–	(18)	(16)	(48)	(328)	(410)
Depreciation	(1,692)	(152)	(21,448)	(4,178)	(4,451)	(31,921)
Closing net book values	30,801	491	56,578	11,845	10,665	110,380
At 31 March 2009						
Cost	48,283	6,193	153,704	55,612	34,821	298,613
Accumulated depreciation	(17,482)	(5,702)	(97,126)	(43,767)	(24,156)	(188,233)
Net book values	30,801	491	56,578	11,845	10,665	110,380

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	Group	
	2009	2008
	HK$'000	HK$'000
Plant and equipment	**550**	1,372
Motor vehicles	**7,292**	8,533
	7,842	9,905

(b) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK$9,796,000 (2008: HK$10,117,000) (Notes 31 and 37(e)).

17 INVESTMENT PROPERTIES

	Group	
	2009	2008
	HK$'000	HK$'000
Beginning of year	**–**	340,000
Additions	**28,953**	–
Change in fair value	**(4,413)**	47,000
Currency translation differences	**187**	–
Disposal	**–**	(360,000)
Transfer to property, plant and equipment	**–**	(27,000)
End of year	**24,727**	–

(a) Prior to the year ended 31 March 2008, investment properties were held under long-term leases and situated in Hong Kong. These investment properties were sold on 29 February 2008, and therefore the changes in fair value in the prior year relating to these investment properties have been recognised within "profit for the year from discontinued operations" as disclosed in the consolidated income statement and Note 15.

(b) Additions of investment properties were held under long-term leases and situated in Singapore and were revalued as at 31 March 2009 by Savills (Singapore) Pte. Ltd., an independent firm of qualified property valuers, for the purpose of inclusion in the Group's annual report.

(c) The investment properties are pledged as security for the bank loans of the Group (Note 31 and 37(e)).

18 LEASEHOLD LAND

	Group	
	2009	2008
	HK$'000	HK$'000
Beginning of year	**35,655**	352,038
Currency translation differences	**(2)**	–
Amortisation	**(921)**	(1,252)
Disposal	**–**	(315,131)
End of year	**34,732**	35,655
In Hong Kong, held on leases of 10 to 50 years	**32,534**	33,398
	32,534	33,398
Outside Hong Kong, held on lease of 10 to 50 years	**2,198**	2,257
	34,732	35,655

The Group's interests in leasehold land represented prepaid operating lease payments. Leasehold land with a net book value of HK$28,885,000 (2008: HK$29,656,000) was pledged as securities for the Group's banking facilities (Notes 31 and 37(e)).

19 GOODWILL AND INTANGIBLE ASSETS

Group

	Goodwill	Intangible assets	Total
	HK$'000	HK$'000	HK$'000
Year ended 31 March 2009			
Acquisition of REC	15,905	21,107	37,012
Amortisation	–	(879)	(879)
Closing net book value	15,905	20,228	36,133
At 31 March 2009			
Cost	15,905	21,107	37,012
Accumulated amortisation	–	(879)	(879)
Net book value	15,905	20,228	36,133

19 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

(a) Goodwill is allocated to REC's cash generating units (CGUs) identified according to operating segments.

For impairment assessment of goodwill, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections prepared based on financial budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates which do not exceed the long-term average growth rate in which the CGU operates.

Key assumptions used in value-in-use calculations include:

(i) gross margin ranging from 6% to 8% per annum;

(ii) growth rate ranging from 2% to 3% per annum; and

(iii) discount rate of 9% per annum.

Management determined budgeted gross margin based on past performance and the expectations for the market development.

(b) Intangible assets arised from the customer relationships held by the REC. The Group has entered into agreements to deliver electrical and mechanical engineering services to the long term customers, including various government departments and major players in the construction industry, and expected to continue having business with these long-term customers in the future.

20 SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**326,615**	276,075
Advance to subsidiaries	**165,000**	85,000
	491,615	361,075
Due from subsidiaries	**1,061,159**	377,698
Due to subsidiaries	**99,018**	109,012

The advances to subsidiaries are unsecured and not repayable within the next twelve months from the balance sheet date. Included in the advance to subsidiaries is an amount of HK$85,000,000 (2008: HK$85,000,000) which bears interest at Hong Kong dollar prime rate less two per cent and all other advance to subsidiaries are interest free. 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.

20 SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiaries at 31 March 2009:

Name	Place of incorporation/ operation	Particulars of registered/ issued share capital	Principal activities	Percentage of registered/issued share capital held by Company	Subsidiaries	Group
Bellaglade Company Limited	Hong Kong	HK$2	Property holding	–	100%	100%
Best Ease Investment Limited (formerly known as "VHBuild Company Limited")	Hong Kong	HK$2	Property holding	–	100%	100%
Best Fortune Investment Limited (formerly known as "VHSoft Company Limited")	Hong Kong	HK$5,000,000	Inactive	–	100%	100%
Century Score Limited	Hong Kong	HK$2	Inactive	–	100%	100%
First Smart Investment Limited	Hong Kong	HK$2	Investment holding	–	100%	100%
Guangdong Yuean Ryoden Mechanical and Electrical Engineering Company Limited	Mainland China	US$380,000	Engineering services	–	60%	60%
InnoVision Architects & Engineers Limited	Hong Kong	HK$1	Architectural and engineering services	–	100%	100%
Leena Theme Painting (Macau) Limited	Macau	MOP100,000	Theme Painting	–	100%	100%
Leena Theme Painting Limited	Hong Kong	HK$1	Theme Painting	–	100%	100%
Lever Construction Materials (Shenzhen) Company Limited	Mainland China	HK$3,000,000	Trading of building materials	–	100%	100%
Million Wealth Enterprises Limited (formerly known as "Hirrock Company Limited")	Hong Kong	HK$2	Property holding	–	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%

20 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
Nanjing Nanda VH Software Intelligence Company Limited	Mainland China	RMB1,500,000	Development and sale of computer software	–	70%	70%
REC (China) Company Limited (formerly known as Ryoden (China) Company Limited)	Hong Kong	HK$13,800,000	Electrical and mechanical engineering services and investment holding	–	100%	100%
REC Engineering Company Limited (formerly known as Ryoden Engineering Company Limited)	Hong Kong	HK$50,000,000	Electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services and investment holding	100%	–	100%
REC Engineering Contracting Company Limited (formerly known as Ryoden Engineering Contracting Company Limited)	Hong Kong	HK$2,000,000	Electrical and mechanical engineering services	–	100%	100%
Right Motive Limited	Hong Kong	HK$6,000	Property holding	–	100%	100%
Ryoden Mechanical and Electrical Engineering (Shanghai) Company Limited	Mainland China	US$8,500,000	Engineering services	–	100%	100%
Solid Star Company Limited	Hong Kong	HK$2	Property holding	–	100%	100%
Steerers Engineering Limited	Hong Kong	HK$20	Engineering services	–	100%	100%
Tin Sing Chemical Engineers Limited	Hong Kong	HK$1,000,000	Water treatment services	–	100%	100%
Trendplot Investments Limited	Hong Kong	HK$2	Equipment leasing	–	100%	100%
Trinity Crown Limited	Hong Kong	HK$2	General trading	–	100%	100%
VHSoft I.P. Company Limited	Hong Kong	HK$2	Patent holding	–	100%	100%

20 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
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 (Macau) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction (Singapore) Pte. Ltd.	Singapore	S$4,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction (UAE) Company Limited (formerly known as "SPS Company Limited")	Hong Kong	HK$2	Investment holding	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK$236,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Materials & Technology (B.V.I.) Limited	The British Virgin Islands/Hong Kong	US$2	Sale of precast products	–	100%	100%
Yau Lee Construction Materials & Technology Limited	Hong Kong	HK$2	Sale of building materials and precast products	–	100%	100%
Yau Lee Construction Materials Limited	Hong Kong	HK$1	Trading of building material	–	100%	100%

20 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 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 Curtain Wall and Steel Works Limited	Hong Kong	HK$2	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	Equipment leasing	–	100%	100%
Yau Lee Hotel Management Limited	Hong Kong	HK$2	Inactive	–	100%	100%
Yau Lee Innovative Technology Limited (formerly known as Yau Lee Trademark Services Limited)	Hong Kong	HK$2	Licensing of patent	–	100%	100%
Yau Lee Investment Limited	The Cook Islands/ Hong Kong	US$100	Investment holding	100%	–	100%
Yau Lee Management (UAE) Limited (formerly known as Yau Lee Property Management Limited)	Hong Kong	HK$2	Provision of management services	–	100%	100%
Yau Lee Materials Manufacturing Limited (formerly known as All Fortune Investment Limited)	Hong Kong	HK$1	Licensing of patent	–	100%	100%
Yau Lee Precast Sdn Bhd (formerly known as 88 Dynamic Sdn Bhd)	Malaysia	RM2	Manufacture of precast products	–	100%	100%
Yau Lee Tak (Macau) Estates Company Limited	Macau	MOP500,000	Property holding	–	100%	100%

20 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 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 (Macau) Company Limited	Macau	MOP200,000	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 Company Limited	Hong Kong	HK$10,000,000	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%

21 ASSOCIATES

	2009 Group HK$'000	2009 Company HK$'000	2008 Group HK$'000	2008 Company HK$'000
Share of net assets				
Beginning of year	**39**	**–**	39	–
Acquisition of REC	**1,959**	**–**	–	–
Share of profit	**111**	**–**	–	–
Dividends received	**(190)**	**–**	–	–
Disposals	**10**	**–**	–	–
End of year	**1,929**	**–**	39	–
Amounts due from associates	**21,260**	**1,028**	21,009	1,023
Provision for impairment	**(12,486)**	**–**	(12,486)	
Amounts due from associates, net	**8,774**	**1,028**	8,523	1,023

21 ASSOCIATES *(Continued)*

(a) The following are the details of the principal associates at 31 March 2009:

Name	Particulars of issued share capital	Place of incorporation	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	(Loss)/ profit HK$'000	Interest held
2009							
Yau Lee Development Company Limited ("YLDC") (Notes b & e)	100 ordinary shares of $1 each	Hong Kong	16,720	(35,366)	–	(558)	50%
EYE Lighting (Hong Kong) Limited ("Eye Lighting") (Note c)	2,000,000 ordinary shares of $1 each	Hong Kong	7,614	(2,669)	7,433	291	38%
2008							
Yau Lee Development Company Limited ("YLDC") (Notes b & e)	100 ordinary shares of $1 each	Hong Kong	17,220	(35,308)	–	(879)	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) Eye Lighting is 38% owned by REC Engineering Company Limited, a wholly owned subsidiary of the Group and it is engaged in the trading of electric bulbs, light fittings and related products.

(d) The amounts due from associates are unsecured, interest free and have no fixed repayment terms.

(e) For YLDC, the above balances/amounts reflect the total assets, total liabilities, revenue and (loss)/ profit of the associates. The Group did not share the loss of the associate for the year ended 31 March 2009 and 2008.

22 JOINTLY CONTROLLED ENTITIES/OPERATION

(a) Jointly controlled entities

	Group	
	2009 HK$'000	2008 HK$'000
Beginning of year	**8,675**	12,595
Share of loss	**(7,549)**	(1,065)
Acquisition of REC	**553**	–
Disposals	**(553)**	–
Currency translation reserves	**3**	267
Dividends	**–**	(3,122)
End of year	**1,129**	8,675
Amounts due from jointly controlled entities	**14,988**	6,095
Amounts due to jointly controlled entities	**(3,031)**	–

22 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 2009:

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
2009							
Yau Lee Formglas Limited ("YLFG") (Note ii)	HK$1,000,000	Hong Kong	9,830	(14,866)	–	(1,895)	51%
Yau Lee Formglas (Macau) Limited ("YLFM") (Note iii)	MOP200,000	Macau	14,796	(3,206)	7,756	(8,317)	51%
Yau Lee Formglas (Shenzhen) Limited ("YLFS") (Note iv)	HK$4,200,000	Mainland China	3,912	(8,252)	9,983	(4,589)	51%
Total			28,538	(26,324)	17,739	(14,801)	
The Group's share			14,554	(13,425)	9,047	(7,549)	
2008							
Yau Lee Formglas Limited ("YLFG") (Note ii)	HK$1,000,000	Hong Kong	9,390	(10,936)	–	(1,104)	51%
Yau Lee Formglas (Macau) Limited ("YLFM") (Note iii)	MOP200,000	Macau	26,345	(8,108)	69,357	23,651	51%
Yau Lee Formglas (Shenzhen) Limited ("YLFS") (Note iv)	HK$4,200,000	Mainland China	569	(250)	14,911	(24,636)	51%
Total			36,304	(19,294)	84,268	(2,089)	
The Group's share			18,515	(9,840)	42,977	(1,065)	

22 JOINTLY CONTROLLED ENTITIES/OPERATION *(Continued)*

(a) Jointly controlled entities *(Continued)*

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

(iv) YLFS is a wholly-owned subsidiary of YLFG, and is principally engaged in manufacturing of glass reinforced gypsum products. The subsidiary was dormant as at 31 March 2009.

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

(b) Jointly controlled operation

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

	Group	
	2009	2008
	HK$'000	HK$'000
Beginning of the year	**17,495**	–
Investment in jointly controlled operation	**–**	15,000
Share of (loss)/profit	**(10,637)**	2,495
End of the year	**6,858**	17,495

2009

Name	**Place of operation**	**Assets** HK$'000	**Liabilities** HK$'000	**Revenue** HK$'000	**Loss** HK$'000	**Interest held**
Hsin Chong-Yau Lee Joint Venture	Unincorporated joint venture operating in Hong Kong	260,643	(246,927)	325,710	(21,274)	50%
The Group's share		130,322	(123,464)	162,855	(10,637)	

2008

Name	Place of operation	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Profit HK$'000	Interest held
Hsin Chong-Yau Lee Joint Venture	Unincorporated joint venture operating in Hong Kong	118,373	(83,383)	190,037	4,990	50%
The Group's share		59,187	(41,692)	95,019	2,495	

23 OTHER NON-CURRENT ASSETS

	Group	
	2009	2008
	HK$'000	HK$'000
Retention receivables (Note 28)	**203,795**	54,729
Loans to employees (Note 24)	**1,060**	1,420
Others	**–**	22
	204,855	56,171
Less: Current portion of retention receivables (Note 26(a))	**(185,139)**	(21,594)
Less: Provision for impairment	**1,131**	–
Less: Current portion of loans to employees (Note 24)	**(353)**	(455)
	20,494	34,122

Long-term retention receivables were carried at amortised cost using effective interest method.

24 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$353,000 (2008: HK$455,000) are included in prepayments, deposits and other receivables. Loans to employees approximate their fair values.

25 CASH AND BANK BALANCES

	2009		2008	
	Group	**Company**	Group	Company
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and bank balances	**475,502**	**3,011**	48,174	410
Time deposits	**261,276**	**29,625**	740,657	–
Restricted deposits (Note a)	**151,714**	**10,000**	168,800	–
	888,492	**42,636**	957,631	410

25 CASH AND BANK BALANCES *(Continued)*

(a) Restricted deposits are funds which are pledged to secure the banking facilities of the Group (Note 37(a)).

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

	2009		2008	
	Group	**Company**	Group	Company
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and bank balances	**475,502**	**3,011**	48,174	410
Time deposits	**261,276**	**29,625**	740,657	–
	736,778	**32,636**	788,831	410

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

	2009		2008	
	Group	**Company**	Group	Company
	HK$'000	**HK$'000**	HK$'000	HK$'000
Hong Kong dollars	**488,099**	**42,614**	633,706	410
United States dollars	**226,386**	**22**	303,026	–
Renminbi	**82,258**	**–**	8,864	–
Macau Patacas	**79,446**	**–**	12,035	–
Other currencies	**12,303**	**–**	–	–
	888,492	**42,636**	957,631	410

(d) Interest rate of time deposits and restricted deposits ranged from zero to 2.6% (2008: 0.6% to 3.5%) per annum.

26 TRADE AND OTHER RECEIVABLES

(a) Trade debtors, net

	2009 HK$'000	2008 HK$'000
Trade debtors	**405,300**	162,494
Retention receivables (Note 23)	**185,139**	21,594
Provision for impairment	**(12,781)**	(40)
	577,658	184,048

The trade debtors are due 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2009, trade debtors of HK$54,532,000 (2008: HK$15,617,000) 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:

	2009 HK$'000	2008 HK$'000
Overdue by:		
1 – 30 days	**18,827**	754
31 – 90 days	**9,807**	2,386
91 – 180 days	**3,156**	897
Over 180 days	**22,742**	11,580
	54,532	15,617

As at 31 March 2009, trade debtors of HK$12,781,000 (31 March 2008: HK$40,000) was impaired and fully provided for. The individually impaired receivables relate to customers which are in unexpected difficult economic situations. All of these trade debtors were overdue by more than 180 days as at 31 March 2009.

26 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade debtors, net *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Beginning of year	**40**	51
Acquisition of REC	**13,288**	–
Reversal of impairment loss	**(540)**	–
Uncollectible amounts written off	**(42)**	(11)
Currency translation differences	**35**	–
End of year	**12,781**	40

The Group's trade and other receivables balances are mainly denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	**318,248**	178,867
Renminbi	**2,533**	2,386
Macau Patacas	**40,617**	2,795
Singapore dollars	**216,260**	–
	577,658	184,048

(b) Prepayments, deposits and other receivables

	2009		2008	
	Group HK$'000	**Company HK$'000**	Group HK$'000	Company HK$'000
Advances to subcontractors	**112,124**	**–**	60,469	–
Prepayments and deposits	**24,226**	**53**	11,310	17
Other receivables	**1,381**	**296**	32,008	296
	137,731	**349**	103,787	313

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$64,492,000 (2008: HK$38,095,000) which bear interest ranging from 7.00% to 9.25% (2008: 8.75% to 10.75%) 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.

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.

27 INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials, at cost	**16,457**	17,816
Finished goods, at cost	**3,471**	5,291
Others, at cost	**1,422**	–
	21,350	23,107

28 CONSTRUCTION CONTRACTS IN PROGRESS

	2009 HK$'000	2008 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	**10,949,194**	9,102,840
Progress billings to date	**(10,998,753)**	(8,854,548)
	(49,559)	248,292
Included in current assets/(liabilities) are the following:		
Due from customers on construction contracts	**327,353**	302,915
Due to customers on construction contracts	**(376,912)**	(54,623)
	(49,559)	248,292

Retention receivables from customers in respect of construction contracts in progress of HK$203,795,000 (2008: HK$54,729,000) are classified under other non-current assets and trade debtors, net (Notes 23 and 26(a)).

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009		2008	
	Group HK$'000	Company HK$'000	Group HK$'000	Company HK$'000
Equity securities at fair value – listed in Hong Kong	**245**	**–**	294	–
Money market fund, at fair value – unlisted	**14,902**	**9,854**	14,950	9,774
	15,147	**9,854**	15,244	9,774

The money market fund is pledged as security for the Group's banking facilities of the Group (Note 37(c)).

30 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2009				2008			
	Group		Company		Group		Company	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Commodity forward contract (Note a)	–	–	–	–	1,203	–	–	–
Hong Kong dollars floating swap (Note b)	–	644	–	–	5,286	–	–	–
United states dollars interest rate and Renminbi forward contract (Note c)	–	–	–	–	–	12,160	–	–
United states dollars and Renminbi performance scoring US$ deposits contracts (Note d)	–	195	–	174	–	–	–	–
	–	839	–	174	6,489	12,160	–	–

Note:

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

(b) The Group entered into a floating swap agreement with a bank at a notional amount of HK$100,000,000. Under this agreement, income is earned on the principal with the counterparty having a call option to sell United States dollars (US$) 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 (approximately HK$13,650,000) in April 2007. The contract was closed in May 2008.

(d) The Group entered into two US$/Renminbi performance scoring US$ deposits contracts with total notional amount of US$8,800,000 (approximately HK$68,640,000) in April 2008 to mitigate its exchange rate exposure to Renminbi appreciation within its China operations. The contracts matured in April 2009 and the Group has subsequently recovered the notional amount upon maturity since the financial instruments are principal protected.

31 BORROWINGS

	Group	
	2009 HK$'000	2008 HK$'000
Non-current		
Obligations under finance lease	**349**	2,590
Long-term bank loans – secured	**17,372**	–
	17,721	2,590
Current		
Short-term bank loans – secured	**50,000**	158,800
Current portion of long-term borrowings	**5,176**	4,881
	55,176	163,681
Total borrowings	**72,897**	166,271

31 BORROWINGS *(Continued)*

(a) The maturity of borrowings are as follows:

	Bank borrowings		Obligations under finance lease	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**51,238**	158,800	**3,938**	4,881
Between 1 and 2 years	**1,275**	–	**349**	2,590
Between 2 and 5 years	**4,066**	–	**–**	–
After 5 years	**12,031**	–	**–**	–
	68,610	158,800	**4,287**	7,471

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

	2009	2008
Short-term bank loans	**1.5**	3.7
Long-term bank loans	**3.1**	–
Obligations under finance lease	**4.3**	3.7

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

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

(e) The bank borrowings are secured by certain property, plant and equipment, leasehold land, investment properties and restricted deposits of the Group (Notes 16, 17, 18, 25 and 37).

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

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**4,090**	5,125
In the second year	**355**	2,690
	4,445	7,815
Future finance charges on finance lease	**(158)**	(344)
Present value of obligations under finance lease	**4,287**	7,471

32 DEFERRED INCOME TAX

	Group 2009 HK$'000	Group 2008 HK$'000
Beginning of year	**5,642**	66,619
Acquisition of REC		
– Deferred income tax assets	**(679)**	–
– Deferred income tax liabilities	**3,482**	–
Credited to income statement	**(1,612)**	(60,977)
End of year	**6,833**	5,642

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)/liabilities in respect of the following:

	Tax losses		Change in fair value of investment property		Intangible assets		Accelerated taxation depreciation		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Beginning of year	**–**	(5,463)	**–**	56,428	**–**	–	**5,642**	15,654	**5,642**	66,619
Acquisition of REC	**(679)**	–	**–**	–	**3,482**	–	**–**	–	**2,803**	–
Charged/(credited) to income statement	**–**	5,463	**–**	(56,428)	**(144)**	–	**(1,468)**	(10,012)	**(1,612)**	(60,977)
End of year	**(679)**	–	**–**	–	**3,338**	–	**4,174**	5,642	**6,833**	5,642

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:

	2009 HK$'000	2008 HK$'000
Deferred income tax assets	**(689)**	(41)
Deferred income tax liabilities	**7,522**	5,683
	6,833	5,642

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.

32 DEFERRED INCOME TAX *(Continued)*

The Group has unrecognised tax losses of approximately HK$506,025,000 (2008: HK$382,594,000) to carry forward against future taxable income.

	2009 HK$'000	2008 HK$'000
With no expiry date	**464,840**	344,505
Expiring not later than one year	**10,470**	3,620
Expiring later than one year and not later than five years	**30,715**	34,469
	506,025	382,594

33 PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	2009 HK$'000	2008 HK$'000
Not yet due	**283,341**	123,054
Overdue by:		
1-30 days	**11,004**	454
31-90 days	**2,610**	807
91-180 days	**746**	1,007
Over 180 days	**2,213**	673
	299,914	125,995

The Group's payables to suppliers and subcontractors balances are mainly denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	**209,143**	122,742
Renminbi	**6,391**	2,095
Macau Patacas	**18,559**	1,071
Singapore dollars	**62,715**	–
Other currencies	**3,106**	87
	299,914	125,995

34 SHARE CAPITAL

	Number of shares		Amount	
	31 March 2009	31 March 2008	**31 March 2009 HK$'000**	31 March 2008 HK$'000
Ordinary shares of HK$0.2 each				
Authorised:				
At beginning and end of the year	**1,000,000,000**	1,000,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of the year	**440,949,600**	440,949,600	**88,190**	88,190
Shares repurchased and cancelled	**(2,896,000)**	–	**(579)**	–
	438,053,600	440,949,600	**87,611**	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 quotation sheets 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 quotation 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 2009, no share options have been granted under the Share Option Scheme.

35 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 2008	415,430	359	3,144	776,559	1,195,492
Currency translation differences	–	–	(455)	–	(455)
Profit for the year	–	–	–	10,652	10,652
2008 final dividend	–	–	–	(44,095)	(44,095)
Shares repurchased	(1,654)	–	–	–	(1,654)
At 31 March 2009	**413,776**	**359**	**2,689**	**743,116**	**1,159,940**
Representing:					
2009 final dividend proposed				4,249	
Others				738,867	
At 31 March 2009				**743,116**	
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 dividend	–	–	–	(4,409)	(4,409)
At 31 March 2008	415,430	359	3,144	776,559	1,195,492
Representing:					
2008 final dividend proposed				44,095	
Others				732,464	
At 31 March 2008				776,559	

35 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 2008	415,430	359	136,626	552,415
Profit attributable to equity holders of the Company	–	–	912,265	912,265
2008 final dividend	–	–	(44,095)	(44,095)
Shares repurchased	(1,654)	–	–	(1,654)
At 31 March 2009	**413,776**	**359**	**1,004,796**	**1,418,931**
Representing:				
2009 final dividend proposed			4,249	
Others			1,000,547	
At 31 March 2009			**1,004,796**	
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 dividend	–	–	(4,409)	(4,409)
At 31 March 2008	415,430	359	136,626	552,415
Representing:				
2008 final dividend proposed			44,095	
Others			92,531	
At 31 March 2008			136,626	

The entire amounts of retained profits of the Company at 31 March 2009 are distributable.

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2009 HK$'000	2008 HK$'000
Operating profit/(loss)	**43,894**	(251,446)
Interest income	**(9,952)**	(14,737)
Dividend income from investments	**(334)**	(218)
(Gain)/loss on disposal of property, plant and equipment, net	**(319)**	104
Fair value loss on investment properties	**4,413**	(47,000)
Amortisation of intangible assets	**879**	–
Amortisation of leasehold land	**921**	1,252
Depreciation	**31,921**	34,615
Provision for impairment of amount due from an associate	**–**	3,882
Gain on disposal of an associate	**(10)**	–
Realised gain on derivative financial liabilities	**(2,882)**	–
Unrealised gain on financial assets at fair value through profit or loss	**(152)**	(6,792)
Operating profit/(loss) before working capital changes	**68,379**	(280,340)
Decrease in retention receivables	**13,348**	1,146
Decrease in loans to employees	**258**	96
(Increase)/decrease in trade debtors, net	**(160,070)**	61,824
Decrease/(increase) in inventories	**3,434**	(6,825)
Decrease in prepayments, deposits and other receivables	**44,507**	5,641
Decrease in due from customers on construction contracts	**29,102**	104,076
(Increase)/decrease in amounts due from associates	**(251)**	1,450
(Increase)/decrease in due from jointly controlled entities	**(5,862)**	11,435
Increase in payables to suppliers and subcontractors	**33,069**	1,514
Increase in accruals, retention payables and other liabilities	**6,953**	39,727
Increase in due to customers on construction contracts	**90,874**	44,653
Decrease in other non-current assets	**22**	–
Decrease in due from related parties	**30**	–
Increase in long-term retention payables	**9,349**	–
Net cash from/(used in) operations	**133,142**	(15,603)

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:

	2009 HK$'000	2008 HK$'000
Net book values (Note 16)	**–**	381
Loss on disposal of property, plant and equipment, net	**–**	(104)
Proceeds from disposal of property, plant and equipment	**–**	277
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

36 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 2008	88,190	415,430	625	7,471	–	158,800	(168,800)	501,716
Net cash (outflow)/inflow from financing activities	(579)	(1,654)	–	(5,840)	(285)	(108,800)	17,086	(100,072)
Share of loss by minority shareholders	–	–	(29)	–	–	–	–	(29)
Currency translation differences	–	–	–	–	12	–	–	12
Drawdown of loans	–	–	–	–	18,883	–	–	18,883
Inception of finance lease obligations (Note c)	–	–	–	2,656	–	–	–	2,656
At 31 March 2009	**87,611**	**413,776**	**596**	**4,287**	**18,610**	**50,000**	**(151,714)**	**423,166**
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

(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 leases of HK$2,656,000 (2008: HK$8,479,000).

37 BANKING FACILITIES

As at 31 March 2009, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK$1,307,726,000 (2008: HK$498,810,000), of which HK$552,884,000 (2008: HK$193,538,000) had been utilised. These banking facilities are secured by the following:

(a) Restricted deposits of HK$151,714,000 (2008: HK$168,800,000) (Note 25).

(b) Guarantees of HK$1,293,894,000 (2008: HK$477,950,000) given by the Company.

(c) Investment in money market fund of HK$14,902,000 (2008: HK$14,950,000) (Note 29).

(d) Trade receivables of certain construction contracts.

(e) Property, plant and equipment of HK$9,796,000 (2008: HK$10,117,000), leasehold land of HK$28,885,000 (2008: HK$29,656,000) and investment properties of HK$24,727,000 (2008: nil) (Notes 16, 17 and 18).

38 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 REC for a total cash consideration of HK$46,000,000 (excluding transaction expenses). The acquisition of REC constitutes a major transaction on the part of the Company under Chapter 14 of the Rules Governing the Listing of Securities on SEHK (the "Listing Rules").

The acquired business contributed revenue of HK$1,328,580,000 to the Group for the period from acquisition to 31 March 2009. If the acquisition had occurred on 1 April 2008, consolidated revenue and consolidated net profit for the year ended 31 March 2009 for the Group would have been approximately HK$3,699,888,000 and HK$25,520,000 respectively.

	HK$'000
Purchase consideration:	
– Cash paid	46,000
– Direct costs relating to the acquisition	4,540
Total purchase consideration	50,540
– Fair value of net assets acquired	34,635
Goodwill	15,905

38 BUSINESS COMBINATION *(Continued)*

The carrying value of the assets and liabilities of REC as at 30 May 2008 were treated as an approximation to their fair values with intangible assets, deferred tax liabilities and goodwill recognised of HK$21,107,000, HK$3,482,000 and HK$15,905,000 respectively. The intangible assets (i.e. customer relationships) were valued by CB Richard Ellis Limited, an independent qualified professional valuer not connected with the Group, on this acquisition.

	Carrying value of net assets as at 30 May 2008	**Fair value at 30 May 2008**
	HK$'000	HK$'000
Cash and cash equivalents	65,875	65,875
Trade and other receivables	314,215	314,215
Due from customers on construction contracts	53,540	53,540
Inventories	1,677	1,677
Plant and equipment	3,063	3,063
Associate and jointly-controlled entity	2,512	2,512
Deferred tax assets	679	679
Intangible assets – customer relationships	–	21,107
Due to customers on construction contracts	(231,415)	(231,415)
Trade and other payables	(187,454)	(187,454)
Income tax payable	(5,682)	(5,682)
Deferred tax liabilities	–	(3,482)
Identifiable net assets acquired	17,010	34,635
Goodwill		15,905
Total purchase consideration settled in cash		50,540
Cash and cash equivalents in subsidiaries acquired		65,875
Less: purchase consideration in cash		(50,540)
Cash inflow on acquisition		15,335

During the period since acquisition, amortisation expense on intangible assets of HK$879,000 was charged to the consolidated income statement.

39 COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

(a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 31 March 2009, 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$4,200,000 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 2009.

(c) In 2007, the Group received a statement of claims for an aggregate amount of approximately HK$23,900,000 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$37,000,000 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 2009.

(d) The Group has incurred guarantees in respect of performance bonds that amount to approximately HK$467,000,000 (2008: HK$29,000,000) in favour of the Group's customers.

(e) As at 31 March 2009, the Group has capital expenditure contracted for but not yet incurred in relation of the acquisition of an investment property of approximately HK$99,250,000 (including transaction expenses). The details are disclosed in note 42(a).

39 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

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

	Group	
	2009	2008
	HK$'000	HK$'000
Land and buildings		
– Within one year	**6,212**	3,633
– One year to five years	**10,441**	8,563
– More than five years	**43,489**	40,554
	60,142	52,750

40 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 acquired during the year as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
– Within one year	**2,115**	–
– One year to five years	**573**	–
	2,688	–

41 RELATED PARTY BALANCES

(a) Key management compensation

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

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries and fees	**12,022**	10,004
Discretionary bonuses	**2,333**	1,250
Pension costs – defined contribution scheme	**508**	405
	14,863	11,659

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

42 POST BALANCE SHEET EVENTS

(a) Acquisition of property at Tsun Yip Street, Kwun Tong

On 30 March 2009, a wholly-owned subsidiary of the Group entered into a legally binding sale and purchase agreement with the vendor, pursuant to which the vendor shall sell and the purchaser shall acquire the property in No. 43 and 45 Tsun Yip Street, Kowloon at a consideration of HK$100,000,000. A deposit of HK$5,000,000 has been paid on the same date.

The property comprises two blocks of industrial buildings with 3 storeys (plus roofs) and 5 storeys (plus roofs) respectively. Some of the floors are currently being occupied and used by the existing tenant. The site area of the buildings is approximately 9,169 square feet. The plot ratio of the site on which the property is built is 12 and thus upon redevelopment of the site, the permissible gross floor area will be approximately 110,028 square feet.

In light of the plot ratio and the permissible gross floor area, the Group considers that the properties have favourable potential development value. The acquisition was completed in June 2009 and since then, the property has begun to generate rental income to the Group.

(b) Acquisition of property at Jervois Street, Sheung Wan

On 30 April 2009, a wholly-owned subsidiary of the Group entered into a legally binding sale and purchase agreement with the vendor, pursuant to which the vendor shall sell and the purchaser shall acquire the property in No. 77, 79, 81, 83 & 85 Jervois Street and No. 14A, 16, 18, 20 & 22 Burd Street, Hong Kong at a consideration of HK$350,000,000. The transaction was completed in July 2009.

The property is currently a bare site. The site area of the property is approximately 6,592 square feet. The permissible plot ratio of the property is in the region between 10 and 15 depending on the nature of the building to be built on the property and thus upon development of the property, the permissible gross floor area of the building to be built on the property will approximately be in the region between 65,920 square feet and 98,880 square feet as calculated based on the plot ratio.

While the Group intends to construct a building on the existing site for hotel business, the planning and construction work is expected to take a period of 3 years. The Directors believe that such development will bring long-term benefit to the Group in the future.

On 15 July 2009, the Group entered into a management agreement with Intercontinental Hotels Group (Greater China) Limited. ("IHG"), an independent third party, whereby the Group will engage IHG in providing hotel management services in relation to a Holiday Inn Express branded hotel that the Group proposes to build at the above site.

42 POST BALANCE SHEET EVENTS *(Continued)*

(c) Acquisition of machinery

On 28 May 2009, the Group has entered into two separate agreements with the vendor in identical terms, save and except the territory to which it applies, pursuant to which the Group agrees to acquire from vendor two separate sets of equipment and services for building a production plant respectively in the mainland China and United Arab Emirates for the production of environmentally friendly and high performance building material at an aggregate amount of approximately US$11,800,000 (approximately HK$92,040,000), the consideration of each agreement being US$5,900,000 (approximately HK$46,020,000). The Group has made 30% deposits in relation to the purchase as at and up to the date of this report.

Five Year Financial Summary

CONSOLIDATED RESULTS

Year ended 31 March

	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Revenue	1,355,583	1,452,208	2,109,311	1,624,944	**3,413,878**
Profit before income tax	57,982	5,099	66,666	367,279	**16,338**
Income tax (expense)/credit	(12,281)	(3,079)	(17,057)	55,078	**(5,715)**
Minority interests	1,384	(53)	181	3	**29**
Profit attributable to shareholders	47,085	1,967	49,790	422,360	**10,652**

CONSOLIDATED ASSETS AND LIABILITIES

As at 31 March

	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total assets	1,644,285	1,805,697	2,067,814	1,801,176	**2,229,094**
Total liabilities	(826,022)	(991,365)	(1,201,189)	(516,869)	**(980,947)**
Shareholders' equity	818,263	814,332	866,625	1,284,307	**1,248,147**

The above financial summary is extracted from the audited financial statements of the Group. The result for the year ended 31 March 2008 was 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 result for the year ended 31 March 2008 within the above table includes both continuing and discontinued operations.