



Annual Report 2010



有利集團有限公司
Yau Lee Holdings Limited
(Incorporated in Bermuda with limited liability)

Stock Code: 0406

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Board of Directors and Corporate Information

Directors

Executive Directors

Wong Ip Kuen (*Chairman*)
Wong Tin Cheung (*Vice Chairman*)
Wong Wai Man
So Yau Chi
Sun Chun Wai
Tsang Chiu Kwan (appointed on 1 May 2010)

Independent Non-Executive Directors

Chan, Bernard Charnwut
Wu King Cheong
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
Hong Kong

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

Company Secretary

Ho Sui Man

Principal Bankers

Nanyang Commercial Bank, Limited
BNP Paribas Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of Tokyo-Mitsubishi UFJ, 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.
Room No. 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Chairman's Statement

Results for the year

The Group reported an increase in turnover during the year. Overall, profit for the year increased mainly due to the healthy and steady growth in our business operations as well as the fair value gains on the Group's investment properties.

Gross profit for the year was HK\$231,639,000 which increased slightly from HK\$229,507,000 reported in the prior year as a result of our close monitoring of margins in construction and electrical and mechanical installation businesses. Other income and gains increased by HK\$33,339,000 mainly due to fair value gains on the Group's investment properties of HK\$39,543,000 (post-tax impact being HK\$33,018,000) as partly offset by the drop in interest from bank deposits and sundry income. Administrative expenses were at HK\$209,084,000 which increased in line with turnover and finance costs reduced further due to lower average interest rates for the year ended 31 March 2010. The Group also benefited from the tight control on the operations of the joint venture entities. The Group's tax expense increased to HK\$12,485,000, in line with the increased profit and the effective tax rate was at 18% in the current year. Overall, the increase of profit for the year from HK\$10,623,000 to HK\$56,335,000 shows the stable performance in our core businesses and the upsides in property investments.

The net asset value of the Group as at 31 March 2010 was HK\$1,303,450,000 (2009: HK\$1,248,147,000) equivalent to HK\$2.98 (2009: HK\$2.85) per share based on the 438,053,600 (2009: 438,053,600) ordinary shares in issue.

Dividends

In the Board meeting held on 14 July 2010, the Directors recommended the payment of a final dividend of HK1.28 cents (2009: HK0.97 cents) per share for the year ended 31 March 2010. Subject to the equity holders' approval at the forthcoming Annual General Meeting, the dividend will be paid on 22 September 2010 to equity holders whose names appear on the Company's register of members on 20 August 2010.

Closure of register of members

The register of members of the Company will be closed from 16 August 2010, Monday, to 20 August 2010, Friday, 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 Room No. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 13 August 2010, Friday.

Chairman's Statement

Review of operations

Building construction, renovation and maintenance

Revenue for the building construction, renovation and maintenance segment was HK\$2,183,737,000 (2009: HK\$1,953,312,000) and segment profit was HK\$15,214,000 (2009: HK\$45,472,000). The increased revenue was mainly contributed by the increased contract work. Segment profit, however, was reduced due to revised cost estimates on certain construction contracts. The Group will continue to monitor closely its contracts in progress to ensure profitability and completion on time in a quality manner.

During the year, the Group secured 6 contracts with a total contract sum of HK\$2,636,000,000 and completed 5 contracts with total contract value of HK\$355,000,000 giving the total value of contracts in hand as at 31 March 2010 at HK\$6,910,000,000. In addition, the Group also secured a contract through a jointly controlled entity with a renowned contractor with a total contract value of HK\$2,896,000,000 and a contract at an amount of HK\$1,654,000,000 under another jointly controlled entity was also in progress at year end. As at 31 March 2010, the Group's total contract value on hand was at HK\$11,460,000,000 including those held through jointly controlled entities. Subsequent to the year end and up to 30 June 2010, the Group has further secured a contract at an amount of HK\$235,000,000. The strong contract intakes demonstrate the Group's experience and recognition in the construction market.

The Group has always focused on upholding its high quality, safety and environmental standards and has made relentless effort to maintain such high standards. The effort of the Group is well recognised by the industry and the Group has again secured a variety of safety, quality and environmental awards during the year. The major awards are as follows:

1. the Gold Safety Award for Building Sites (Public Sector);
2. the Safety Gold Award;
3. the Silver Award of Considerate Contractors; and
4. the Safety Team Silver Award.

Electrical and mechanical installation

Revenue for the electrical and mechanical installation segment was HK\$1,232,158,000 (2009: HK\$1,328,580,000) and segment profit was HK\$21,922,000 (2009: HK\$29,803,000). The reduced revenue and profit contribution was due to reduced work in Macau as a result of termination of contracts with Venetian Macau Limited. This has been partly offset by the additional contribution from engineering maintenance business. As at 31 March 2010, the total contracts in hand of this segment amounted to HK\$3,460,000,000.

Chairman's Statement

The Group's electrical and mechanical installation business has been gradually improving with the rebound of property market in Hong Kong after the financial tsunami at the end of 2008. In Macau, the Group has successfully secured the resumed work from some terminated contracts which will benefit the Group in future. With the Group's firm foothold in mainland China, the Group will continue to pursue further work with reputable Hong Kong and overseas developers and corporations which will contribute to the result of the Group.

Building materials trading

This segment reported turnover of HK\$32,958,000 (2009: HK\$122,875,000) and a segment profit of HK\$1,554,000 (2009: loss of HK\$26,077,000). The reduced turnover was due to decreased materials supply contracts with private developers in Hong Kong as a result of the cautious attitude of developers after the financial tsunami. However, the Group has successfully brought this segment back to profitability by cost reduction and implementing alternative operational measures. With improved pricing and market situation as well as our tight cost control, the Group will be able to sustain profitability in this business segment.

Property investment and development

This segment reported turnover of HK\$2,816,000 from leasing of investment properties and a segment profit of HK\$41,269,000 primarily from fair value gains on the appreciation of the property values in the current year. During the year, the Group has made several acquisitions of properties in Hong Kong after the sharp adjustments in property prices during the financial tsunami. Some of those properties are currently under development and the rest of the properties will continue to derive rental income for the Group.

Others

The Group's other businesses include other business units that support the Group's existing construction business, including computer software development, architectural and engineering services businesses, etc. The provision of integrated services helps the Group to build up competitive edge in the market.

Business prospects

The Group is currently operating as a total solution contractor in the market with diversified construction-related businesses across different territories. This has increased our competitiveness in tendering and allowed the Group to maintain a balanced contract portfolio.

Chairman's Statement

Recently, the Government of HKSAR has increased its public sector spending with a view to boosting the economy of Hong Kong and reducing unemployment within the construction sector. With the Group's strong expertise and excellent reputation in the local construction and building renovation sector, the Group was awarded The Integrated Contract for Construction of Public Rental Housing Development at Kai Tak Site 1B of approximately HK\$2.9 billion through a jointly controlled entity at the end of 2009, as well as a couple of maintenance and fitting-out term contracts from the Government of HKSAR. This will secure our business contribution and performance in the coming few years. In addition, the Group will continue to explore opportunities in Singapore and Macau given our strong reputation and track record built up from the recent contract work. The Group may also explore private sector opportunities to diversify our contract base and leverage our industry capabilities.

Our mechanical and electrical installation business will continue to actively go after projects in Hong Kong, Macau and mainland China, given the improved market situation, resumption of certain Macau work and our strong presence in mainland China. In future, the Group will focus on developing environmental products to the market by actively co-operating with local universities on new research and developments.

During the year, the Group has acquired a land use right located at Huizhou, mainland China to construct new factories to enhance our production capabilities in order to cope with the new business intakes in pre-cast building materials supply contracts and to develop new types of building materials. The improved pricing and property market situation, coupled with our enhanced capacities, will be beneficial to the Group in the short to medium term. In addition, with the Starfon license rights from the United States, the Group will set up production lines to develop these environmental friendly, low cost and high performance building materials which will be beneficial to the Group and further strengthen our building materials trading businesses.

The Group is receiving stable rental income from its investment properties in Singapore. In Hong Kong, the development of Holiday Inn Express Hong Kong SoHo in Jervois Street, Sheung Wan is in good progress and the Group is working very closely with InterContinental Hotels Group as the hotel manager in the project. The hotel is targeted to be launched in 2012. In addition, the Group is also considering to redevelop the acquired properties in Kwun Tong and To Kwa Wan into offices and residential premises respectively. These potential development projects will surely bring long-term benefits to the Group.

The Group has sound business development plans in place both in the construction-related business segments and our property development arms. With diversified businesses and our continuous focus on driving synergies among different divisions, the Group's business performance and strengths will continue to solidify and this will enhance shareholders' value in the medium and long run. Lastly, the Group will continue to make charitable donations, conduct researches on environmentally friendly construction methods and will adopt the use of electronic means of communications with shareholders to fulfill our corporate social responsibilities.

By order of the Board

Wong Ip Kuen

Chairman

Hong Kong, 14 July 2010

Management Discussion and Analysis

Financial position

As at 31 March 2010, the Group's total cash in hand was HK\$566,630,000 (2009: HK\$888,492,000) while total borrowings have increased to HK\$516,949,000 (2009: HK\$72,897,000). Our net cash position was reduced as a result of several acquisitions of properties, leasehold land and land use right in 2009 for future development of the Group. The Group has no net debt (total borrowings less total cash in hand) as at 31 March 2010 (2009: nil) and the current ratio has reduced from 2.1 in 2009 to 1.69 in 2010 as a result of the use of internal cash to fund part of the acquisitions during the year.

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\$948,067,000 (2009: HK\$642,120,000) relating to bank loans and overdrafts and HK\$608,802,000 (2009: HK\$665,606,000) relating to guarantees and trade financing as at 31 March 2010, in which an amount of HK\$516,949,000 (2009: HK\$72,897,000) and HK\$290,728,000 (2009: HK\$479,987,000) were utilised respectively. The Group's banking facilities increased mainly because of the Group's expansion and financing of part of the acquisitions during the year.

Human resources

As at 31 March 2010, the Group employed approximately 2,600 (2009: 2,200). There are approximately 1,900 (2009: 1,600) employees in Hong Kong, Macau and Singapore and 700 (2009: 600) 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.

Summary of Contracts

MOVEMENT OF INCOMPLETE CONTRACTS

FOR THE YEAR ENDED 31 MARCH 2010

	31 March 2009 HK\$'million	Contracts Secured HK\$'million	Contracts Completed HK\$'million	31 March 2010 HK\$'million
Building construction, renovation and maintenance	4,629	2,636	(355)	6,910
Electrical and mechanical installation	3,155	1,491	(1,186)	3,460
	7,784	4,127	(1,541)	10,370

The above contract value as at 31 March 2010 did not include contracts of HK\$4,550 million under jointly controlled entities.

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2010

Contracts	Commencement date	Completion date	Contract value HK\$'million
Term Maintenance Contract (Region 1) for Kowloon East, Hong Kong and Tseung Kwan O (2007/2009)	March 2007	February 2010	46
Design and Construction of Reprovisioning of Central District Headquarters and Central Divisional Police Station at Chung Kong Road, Sheung Wan	April 2007	July 2009	240
Supply and Install Primary and Secondary Ceiling (Main Casino)	December 2007	June 2009	33
Cyclical Decoration Works to Bishop Lei International House at Typical Floor Suite and Corridor	December 2008	August 2009	29
General Improvement Works for Science Park Phase 1 and 2	March 2009	March 2010	7
Total			355

Summary of Contracts

Building construction, renovation and maintenance segment *(Continued)*

Contracts secured in prior year and in progress during the year ended 31 March 2010

Contracts	Commencement date	Contract value HK\$'million	Estimated remaining works as at 31 March 2010 HK\$'million
Construction of Choi Wan Road Development Site 3B Phase 1	April 2007	551	48
Design and Construction of Redevelopment of Lo Wu Correctional Institution	April 2007	1,228	82
District Term Contract for the Maintenance and the Vacant Flat Refurbishment for Ma On Shan and Shatin North District (2007/2010)	May 2007	156	7
Construction of the Podium of the Marina Bay Sands Integrated Resort from Basement 4 to Level L5 in Singapore	June 2008	1,026	207
Ma On Shan Area 86B	August 2008	799	370
Marina Bay Sands Integrated Resort Podium-Wide Post-Fixed Column/Beam Facings in Singapore	March 2009	111	26
District Term Contract for the Maintenance and Vacant Flat Refurbishment for Property Service Administration Unit/Kowloon West & Hong Kong (2009/2012)	April 2009	97	65

Summary of Contracts

Building construction, renovation and maintenance segment *(Continued)*

Contracts secured in prior year and in progress during the year ended 31 March 2010 *(Continued)*

Contracts	Commencement date	Contract value HK\$'million	Estimated remaining works as at 31 March 2010 HK\$'million
District Term Contract for the Maintenance and Vacant Flat Refurbishment for Property Service Administration Unit/Kowloon East (2009/2012)	April 2009	150	100
District Term Contract for the Maintenance and Vacant Flat Refurbishment for Property Service Administration Unit/Kwai Chung & Tsuen Wan (2009/2012)	May 2009	156	108
Total		4,274	1,013

Contracts secured in current year and in progress during the year ended 31 March 2010

Contracts	Commencement date	Contract value HK\$'million	Estimated remaining works as at 31 March 2010 HK\$'million
Construction of Public Rental Housing at Shek Kip Mei Estate Phase 2	June 2009	542	443
Redevelopment of Lower Ngau Tau Kok Estate Phase 1	July 2009	1,242	1,168
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	261

Summary of Contracts

Building construction, renovation and maintenance segment *(Continued)*

Contracts secured in current year and in progress during the year ended 31 March 2010 *(Continued)*

Contracts	Commencement date	Contract value HK\$'million	Estimated remaining works as at 31 March 2010 HK\$'million
Hamilton Scotts Road Condominium Development Package S02 – Structural Works, Plumbing and Sanitary Works in Singapore	January 2010	122	106
Demolition of Kowloon Bay Flatted Factory and Construction of Hoarding for Public Housing Development at Tung Tau Cottage Area East	January 2010	22	17
Term Contracts 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	April 2010	360	360
Total		2,636	2,355
Contracts in hand as at 31 March 2010		6,910	3,368

Contract secured subsequent to the year end and up to 30 June 2010

Contract	Commencement date	Contract value HK\$'million
Maintenance, Improvement and Vacant Flat Refurbishment for Ma On Shan, Shatin (North) and Tseung Kwan O (1) District 2010/2013	May 2010	235

Summary of Contracts

Building construction, renovation and maintenance segment *(Continued)*

Contract secured by a jointly controlled entity in current year and in progress during the year ended 31 March 2010

Contract	Commencement date	Contract value HK\$'million	Estimated remaining works as at 31 March 2010 HK\$'million
The Integrated Contract for Construction of Public Rental Housing Development at Kai Tak Site 1B at Kowloon (60% effective interest by the Group)	November 2009	2,896	2,823

Contract secured by a jointly controlled entity in prior year and in progress during the year ended 31 March 2010

Contract	Commencement date	Contract value HK\$'million	Estimated remaining works as at 31 March 2010 HK\$'million
Design and Construction of Prince of Wales Hospital – Extension Block at Shatin (50% effective interest by the Group)	April 2007	1,654	5

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2010

Contracts	Commencement date	Completion date	Contract value HK\$'million
Nam Sang Wai, Sha Po & Kam Tin Sewage Pumping Stations	March 2006	February 2010	45
City of Dreams in Cotai, Macau	July 2007	April 2009	636
Development of Po Leung Kuk Choi Kai Yau School at 6 Caldecott Road	April 2008	August 2009	49
Others			456
Total			1,186

Summary of Contracts

Electrical and mechanical installation segment *(Continued)*

Contracts secured in prior year and in progress during the year ended 31 March 2010

Contracts	Commencement date	Contract value HK\$'million	Estimated remaining works as at 31 March 2010 HK\$'million
Guangzhou Huangsha the Riverside Project	May 2005	101	14
Electrical Term Maintenance Contract (Kwai Tsing, Tsuen Wan, Island Region) 2007/2010 Housing Authority Estates, Areas & Buildings	April 2007	97	1
Electrical Term Maintenance Contract (Kowloon East Region) 2007/2010 Housing Authority Estates, Areas & Buildings	April 2007	95	1
Redevelopment of Lo Wu Correctional Institution (Electrical Installation)	April 2007	113	44
Redevelopment of Lo Wu Correctional Institution (HVAC Installation)	April 2007	61	25
Redevelopment of Lo Wu Correctional Institution (Fire Services Installation)	April 2007	34	5
Regency Park, Guanlan, Shenzhen Phase 1 E&M Works	June 2007	31	4
Shanghai IFC Boiler System	June 2007	34	12
Construction of Public Housing Development at ex-Chai Wan Estate	July 2007	28	1

Summary of Contracts

Electrical and mechanical installation segment *(Continued)*

Contracts secured in prior year and in progress during the year ended 31 March 2010 *(Continued)*

Contracts	Commencement date	Contract value HK\$'million	Estimated remaining works as at 31 March 2010 HK\$'million
Housing Authority Electrical Installation for Construction of Redevelopment of Shatin Pass Estate	August 2007	25	5
Electrical & MVAC Installation for The Proposed GIC/Public Carpark & Residential Development (Phase 2) at TSWTL No.24 Area 33 Tin Shui Wai N.T.	November 2007	51	15
Shanghai IFC North Tower – Electrical Installation	December 2007	124	105
Shanghai IFC North Tower – HVAC Installation	December 2007	114	97
Maintenance Services for Central Plants at West Rail Line, East Rail Line, Airport and Tung Chung Line	May 2008	78	38
Guangzhou Taikoo Hui HVAC System Supply and Installation	June 2008	231	196
Others		752	71
Total		1,969	634

Summary of Contracts

Electrical and mechanical installation segment *(Continued)*

Contracts secured in current year and in progress during the year ended 31 March 2010

Contracts	Commencement date	Contract value HK\$'million	Estimated remaining works as at 31 March 2010 HK\$'million
Residential Development at Ap Lei Chau Inland Lot No. 129 – Plumbing System	April 2009	72	42
Construction of Public Rental Housing at Shek Kip Mei Estate Phase 5	July 2009	57	57
Fitting-out Works to Building & Lands & Other Properties for which The Architectural Services Department is Responsible (HK Island & Outlying Island)	July 2009	107	103
Sewage Interception Scheme in Kowloon City	July 2009	72	70
Tai Wai Maintenance Centre Property Development Phase 3 at STTL No.529	July 2009	56	56
The Proposed Residential Development at Ma On Shan Area 77, STTL No.548	August 2009	53	53
The Proposed Residential Development at Hung Shui Kiu, Lot No.2064 in DD121	August 2009	32	32
The Construction of Second Secondary School at Development near Choi Wan Road & Jordan Valley	November 2009	37	37
New Academic Building, Institute for Advanced Study and Residential Accommodation for the Institute for Advanced Study for the Hong Kong University of Science and Technology	December 2009	55	55
Galaxy Resort & Casino in Cotai City Macau	January 2010	356	222
Others		594	384
Total		1,491	1,111
Contracts in hand as at 31 March 2010		3,460	1,745

Summary of Contracts

Electrical and mechanical installation segment *(Continued)*

Contracts secured subsequent to the year end and up to 30 June 2010

Contracts	Commencement date	Contract value HK\$'million
Construction of Public Rental Housing Development at Kai Tak Site 1B	April 2010	246
Wong Tai Sin Temple Abbot Hall in Wong Tai Sin	April 2010	18
Refurbishment of Hydrofoil Platform Nos. 1, 2 and 5 at Macau Ferry Terminal	April 2010	3
Replacement of Air-Conditioning Equipment at New Territories North Regional Police Headquarters, Tai Po	April 2010	2
Harbour Centre Office Floor (Upgrading Work inside Pipe Ducts) Harbour Centre No. 25 Harbour Road Wanchai, Hong Kong	April 2010	1
Refurbishment of Plant Rooms and Vent Shafts at Stations of Island Line	May 2010	17
Routine Maintenance of Water Cooled Central Plant Air-Conditioning System at Chelsea Court	May 2010	2
Total		289

Biographical Details of Directors and Senior Management

Executive directors

Mr. Wong Ip Kuen

aged 74, 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 46, 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 Engineering Company Limited ("REC") as well as Chief Executive Officer of VHSOFT Technologies Company Limited. He is responsible for formulating the Group's overall strategic planning and business development as well as investment strategy and internal management system.

Mr. Wong holds a Bachelor Degree in Civil Engineering at the University of Southampton, Master Degree in Foundation Engineering at the University of Birmingham, Master Degree in Business Administration at the Chinese University of Hong Kong and Bachelor Degree in Religious Studies at Holy Spirit Seminary College of Theology & Philosophy. He is a Fellow of the Chartered Institute of Building and the Institute of Civil Engineers (United Kingdom). In 2009, he was conferred the Honorary Fellow by Vocational Training Council and Honorary Fellow by the University of Central Lancashire in recognition of his contributions. With his passion, he has been taking an active role in the Hong Kong construction industry for more than several decades. He has been leading the development of precast construction technologies, construction materials production, green building design and sustainable construction as well as I.T. construction project management system.

Mr. Wong is appointed as the President of the Hong Kong Construction Association and the President of International Federation of Asia and West Pacific Contractors' Associations. He also serves as a government appointed Member of Construction Industry Council, the Director of Hong Kong Green Building Council, the Member of the Occupational Safety and Health Council, the Member of the Land and Development Advisory Committee and the Member of MPF Industry Schemes Committee.

Mr. Wong has been appointed as an Adjunct Professor in the Department of Civil Engineering in the University of Hong Kong for a term starting in September 2010 and Adjunct Professor in the Department of Building and Real Estate of the Hong Kong Polytechnic University as well as the Chairman of Divisional Advisory Committee for Division of Building Science and Technology of City University of Hong Kong. He was awarded the "2001 Hong Kong Outstanding Young Digi Persons Award" and the "Bauhinia Cup Outstanding Entrepreneur Award 2002" presented by the Hong Kong Polytechnic University.

Mr. 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 has been appointed as Justice of the Peace (JP) by the Government of the HKSAR.

Biographical Details of Directors and Senior Management

Ms. Wong Wai Man

aged 44, joined the Group in 2003 and was promoted as a Director of the Group in 2008. 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 66, 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 49, 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. Mr. Sun was appointed as a Director of the Company in 1994 and is responsible for the Group's business management and development in mainland China.

Mr. Tsang Chiu Kwan (appointed on 1 May 2010)

aged 63, joined REC (previously known as Ryoden Engineering Company Limited) from 1988 to 2007 and re-joined in July 2008. REC became a wholly owned subsidiary of the Company since 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 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 Limited, and currently President of The Hong Kong Electrical & Mechanical Contractors' Association, and was a member of the 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.

Biographical Details of Directors and Senior Management

Independent non-executive directors

Mr. Chan, Bernard Charnwut

aged 45, 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 59, 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 Securities Association Limited. 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 64, 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 and Gold Lotus Medal of Honor by the Macau SAR Government 2010. He is also listed in "The Marquis Who's Who in the World" and "The International Who's Who of Professionals".

Senior management[#]

Mr. Cheung Woon Yin, Deputy General Manager

aged 58, 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.

Biographical Details of Directors and Senior Management

Mr. Ho Sui Man, Chief Financial Officer and Company Secretary

aged 38, joined the Group in 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 at 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.

Mr. So Ho Man, Chief Quantity Surveyor

aged 45, joined the Group in 2010. Mr. So is a Professional Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors, a Member of The Chartered Institute of Building, a Member of The Hong Kong Institute of Construction Managers and also a Registered Professional Surveyor (Quantity Surveying). He holds a Bachelor of Science Honours Degree in Quantity Surveying of The University of Greenwich (UK), a Master Degree in Business Administration (Construction and Real Estate) of The University of Reading (UK) and a Postgraduate Diploma in Project Management of The Collage of Estate Management (UK). He has over 20 years of experience in quantity surveying and is responsible for contractual matters of Yau Lee Construction.

Ms. Tang Wai Chun, Chief Quantity Surveyor

aged 53, 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 over 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 – 2010 respectively. She is responsible for quantity surveying management, contract and disputes resolution advisory of Yau Lee Construction.

In alphabetical order

Site management

Contract Managers[#]

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

Project Managers[#]

- Ho Chi Man
- Lam Lap Wa
- Lee Shiu Ming
- Ngan Siu Tak
- Wu Yuk Cheung

Biographical Details of Directors and Senior Management

Head office management

Department Heads[#]

- | | |
|--------------------|---|
| • Cheung Man Ching | Legal Advisor |
| • Fung Tak Ming | Building Services Department |
| • Kwan Man Ho | Machinery and Logistics Department |
| • Lam Chan Sing | Health and Safety Department |
| • Lum Lai Kuen | Human Resources and Administration Department |
| • Wong Ko Yin | Research and Development Department |
| • Wong Sik Yan | Information Technology Department |
| • Yu Chi Kin | Quality Department |
| • Yu Kwok Yan | Tender and Purchase Department |

Subsidiaries management

InnoVision Architects & Engineers Limited

- | | |
|-----------------|--------------------|
| • Fung Shuk Mei | Assistant Director |
|-----------------|--------------------|

Ming Hop Company Limited[#]

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

REC Engineering Company Limited[#]

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

VHSoft Technologies Company Limited

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

Yau Lee Building Construction and Decoration Company Limited

- | | |
|--------------|------------------|
| • Ho Chi Fai | Project Director |
|--------------|------------------|

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

- | | |
|-----------------|---------------------|
| • Goh Hock Chai | Director |
| • Wong Ming Tak | Commercial Director |

Yau Lee Curtain Wall and Steel Works Limited

- | | |
|-----------------|---------|
| • Chan Tsan Han | Manager |
|-----------------|---------|

Yau Lee Wah Concrete Precast Products Limited

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

[#] In alphabetical order

Report of the Directors

The Directors submit their report together with the audited financial statements of the Company and the Group for the year ended 31 March 2010.

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, renovation, maintenance and fitting-out projects, building materials trading and property investment and development. In addition, the Group is engaged in other activities which mainly include computer software development and architectural and engineering services.

An analysis of the Group's performance for the year by business segments is 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 35.

In the Board meeting held on 14 July 2010, the directors recommend the payment of a final dividend of HK1.28 cents (2009: HK0.97 cents) per share, totalling approximately HK\$5,607,000 (2009: HK\$4,249,000) for the year ended 31 March 2010.

Reserves

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

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$3,825,000 (2009: HK\$312,000).

Property, plant and equipment

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

Investment properties

Details of the principal properties held for investment purposes are set out on page 113 of this annual report.

Report of the Directors

Distributable reserves

At 31 March 2010, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK\$1,005,091,000 (2009: HK\$1,004,796,000).

Share capital

Details of the share capital of the Company are set out in Note 33 to the financial statements.

Pre-emptive rights

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

Five year financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 114.

Purchase, sale or redemption of shares

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold the Company's listed securities for the year ended 31 March 2010.

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 2010, 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)

Report of the Directors

Maximum entitlement of each participant	:	Shall not exceed 25% of the aggregate number of shares subject to the Share Option Scheme at the time of the proposed grant of that option
Period within which the securities must be taken up under an option	:	One year after the date of grant and no later than ten years from the date of adoption of the Share Option Scheme
Minimum period for which an option must be held before it can be exercised	:	Not applicable
Period within which payments/calls/loan must be made/repaid	:	Not applicable
Basis of determining the exercise price	:	Details are set out in Note 33 to the financial statements
The remaining life of the share option scheme	:	The scheme remains in force for a period of 10 years until 16 October 2010

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
 Mr. So Yau Chi
 Mr. Sun Chun Wai
 Mr. Tsang Chiu Kwan (appointed on 1 May 2010)

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 Ip Kuen, Mr. Tsang Chiu Kwan, Mr. Wu King Cheong and Dr. Yeung Tsun Man, Eric retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Report of the Directors

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 2010, 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.

Report of the Directors

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 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 2010, 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	15%
– the largest supplier	4%

Sales

– five largest customers	65%
– the largest customer	24%

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 2010, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") are disclosed in Note 39 to the financial statements.

Report of the Directors

Continuing obligations under Chapter 13 of the Listing Rules

Banking facility with covenant relating to specific performance of the controlling shareholder

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

On 14 May 2010, a wholly-owned subsidiary of the Company was granted a term loan facility of up to HK\$475,000,000 to be repaid in one lump sum 36 months after the date of the loan agreement or 31 December 2012, whichever shall be the earlier. The facility is for purpose of refinancing the subsidiary's existing indebtedness and financing or refinancing its property development project.

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

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 28 to 32.

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, 14 July 2010

Corporate Governance Report

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 17 to 19 of this report. Mr. Tsang Chiu Kwan was appointed as an Executive Director on 1 May 2010 and up to the date of this report there are six Executive Directors.

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, major acquisitions and disposals, 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.

Corporate Governance Report

During the year, four board meetings were held. The attendance of the Directors at the meetings of the Board and its respective committees is as follows:

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

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.

During the year, the Audit Committee held two meetings 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 auditor. The record of attendance of the members is listed above.

Corporate Governance Report

Remuneration committee

The Remuneration Committee was established in April 2005 and is chaired by Mr. Chan, Bernard Charnwut. The Remuneration Committee is responsible for the approval of remuneration packages (including non-monetary benefits, retirement benefits and share option scheme) for all Executive Directors and senior management and advising on the remuneration of Independent Non-Executive Directors. The Remuneration Committee met once during the year ended 31 March 2010 and the record of attendance of the members is listed on page 29. 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 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 2010, PricewaterhouseCoopers provided the following services to the Group:

	2010 HK\$'000	2009 HK\$'000
Audit services	3,268	3,082
Transaction related services	545	720
Taxation services	225	263
	4,038	4,065

Corporate Governance Report

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 keeping 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 2010, 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 on pages 33 to 34 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 2010, including financial, operational and compliance controls as well as the Group's 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 2010.

Corporate Governance Report

Compliance with Listing Rules

In the opinion of the Directors, the Company has complied with the requirements of the Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2010 except for the Code provision A.2.1 which requires the roles of chairman and chief executive officer be separated and not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. However, the roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Wong Ip Kuen. The current structure will enable the Company to make and facilitate the implementation of decisions promptly and efficiently.

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 provide good opportunities for shareholders to air their views and ask directors and management questions regarding the Company. 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.

Information relating to the Company's financial results, corporate details, notifiable transactions and major events are disseminated through publication of interim and annual report, announcements, circulars, press release and newsletters. These publication can also be obtained from the Company's website (www.yaulee.com).

The Company is offering options to the shareholders to receive corporate communication of the Company by electronic means or in printed form. The Board believes that electronic means of communication will increase the efficiency in communication between the Company and the shareholders. The Company will review and improve the disclosure of information and effectiveness of communication with shareholders and the public from time to time.

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 AGM will also be taken by poll. A poll results announcement will be made by the Company after the AGM in accordance with Rule 13.39(5) of the Listing Rules.

Independent Auditor's Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

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 35 to 112, which comprise the consolidated and Company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, 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.

Independent Auditor's Report

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 2010 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, 14 July 2010

Consolidated Income Statement

For the year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Revenue	5	3,462,014	3,413,878
Cost of sales	7	(3,230,375)	(3,184,371)
Gross profit		231,639	229,507
Other income and gains	6	55,479	22,140
Administrative expenses	7	(209,084)	(197,968)
Other operating expenses	7	(3,905)	(9,785)
Operating profit		74,129	43,894
Finance costs	9	(4,035)	(9,481)
Share of (loss)/profit of associates	20	(362)	111
Share of loss of jointly controlled entities	21	(912)	(18,186)
Profit before income tax		68,820	16,338
Income tax expense	10	(12,485)	(5,715)
Profit for the year		56,335	10,623
Attributable to:			
Equity holders of the Company	11	56,337	10,652
Minority interests		(2)	(29)
		56,335	10,623
Dividends	12	5,607	4,249
Earnings per share (basic and diluted)	13	12.86 cents	2.42 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 HK\$'000	2009 HK\$'000
Profit for the year	56,335	10,623
Other comprehensive income:		
Currency translation differences	3,217	(455)
Total comprehensive income for the year	59,552	10,168
Attributable to:		
Equity holders of the Company	59,554	10,197
Minority interests	(2)	(29)
	59,552	10,168

Balance Sheets

As at 31 March 2010

	Notes	2010		2009	
		Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	128,666	–	110,380	–
Investment properties	16	299,370	–	24,727	–
Leasehold land and land use right	17	455,713	–	34,732	–
Intangible assets	18	19,902	–	20,228	–
Goodwill	18	15,905	–	15,905	–
Subsidiaries	19	–	491,615	–	491,615
Associates	20	1,542	–	1,929	–
Jointly controlled entities	21	1,132	–	7,987	–
Deferred income tax assets	31	9,011	–	689	–
Other non-current assets	22	41,423	–	20,494	–
		972,664	491,615	237,071	491,615
Current assets					
Cash and bank balances	24	566,630	17,713	888,492	42,636
Trade debtors, net	25(a)	422,952	–	577,658	–
Prepayments, deposits and other receivables	23, 25(b)	192,830	290	137,731	349
Inventories	26	33,797	–	21,350	–
Prepaid income tax		634	–	530	–
Due from customers on construction contracts	27	374,077	–	327,353	–
Financial assets at fair value through profit or loss	28	–	–	15,147	9,854
Derivative financial assets	29	499	–	–	–
Due from associates, net	20	8,653	1,043	8,774	1,028
Due from subsidiaries	19	–	1,069,205	–	1,061,159
Due from jointly controlled entities	21	59,740	138	14,988	–
		1,659,812	1,088,389	1,992,023	1,115,026
Total assets		2,632,476	1,580,004	2,229,094	1,606,641
EQUITY					
Share capital	33	87,611	87,611	87,611	87,611
Other reserves	34	420,041	414,135	416,824	414,135
Retained profits					
Proposed final dividends	34	5,607	5,607	4,249	4,249
Others	34	789,597	999,484	738,867	1,000,547
Attributable to equity holders		1,302,856	1,506,837	1,247,551	1,506,542
Minority interests		594	–	596	–
Total equity		1,303,450	1,506,837	1,248,147	1,506,542

Balance Sheets

As at 31 March 2010

	Notes	2010		2009	
		Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
LIABILITIES					
Non-current liabilities					
Long-term borrowings	30	315,206	–	17,721	–
Deferred income tax liabilities	31	11,527	–	7,522	–
Retention payables		19,788	–	9,349	–
		346,521	–	34,592	–
Current liabilities					
Short-term bank loans	30	195,000	–	50,000	–
Current portion of long-term borrowings	30	6,743	–	5,176	–
Derivative financial liabilities	29	284	–	839	174
Payables to suppliers and subcontractors	32	258,940	–	299,914	–
Accruals, retention payables and other liabilities		172,937	1,126	198,430	907
Income tax payable		19,052	–	12,053	–
Obligation in respect of jointly controlled entities	21	9,066	–	–	–
Due to customers on construction contracts	27	310,483	–	376,912	–
Due to subsidiaries	19	–	72,041	–	99,018
Due to jointly controlled entities	21	10,000	–	3,031	–
		982,505	73,167	946,355	100,099
Total liabilities		1,329,026	73,167	980,947	100,099
Total equity and liabilities		2,632,476	1,580,004	2,229,094	1,606,641
Net current assets		677,307	1,015,222	1,045,668	1,014,927
Total assets less current liabilities		1,649,971	1,506,837	1,282,739	1,506,542

Wong Ip Kuen
Director

Wong Tin Cheung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Currency translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	
As at 1 April 2009	87,611	413,776	359	2,689	743,116	1,247,551	596	1,248,147
Comprehensive income:								
Profit/(loss) for the year	-	-	-	-	56,337	56,337	(2)	56,335
Other comprehensive income:								
Currency translation differences	-	-	-	3,217	-	3,217	-	3,217
2009 final dividend	-	-	-	-	(4,249)	(4,249)	-	(4,249)
As at 31 March 2010	87,611	413,776	359	5,906	795,204	1,302,856	594	1,303,450
As at 1 April 2008	88,190	415,430	359	3,144	776,559	1,283,682	625	1,284,307
Comprehensive income:								
Profit/(loss) for the year	-	-	-	-	10,652	10,652	(29)	10,623
Other comprehensive income:								
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

Consolidated Cash Flow Statement

For the year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Cash flows from operating activities			
Net cash (used in)/from operations	35(a)	(41,202)	133,142
Hong Kong profits tax paid		(6,874)	(8,307)
Net cash (used in)/from operating activities		(48,076)	124,835
Cash flows from investing activities			
Purchase of property, plant and equipment		(35,526)	(38,763)
Prepayments and deposits of property, plant and equipment		(35,754)	–
Purchase of investment properties		(232,800)	(28,953)
Purchase of leasehold land and land use right		(422,560)	–
Realised gain on derivative financial assets/liabilities		839	2,882
Realised gain on financial assets at fair value through profit or loss		242	–
Net cash settlements on derivative financial assets/liabilities and financial assets at fair value through profit or loss		12,296	(10,957)
Proceeds from disposal of property, plant and equipment		5,020	729
Cash inflow from acquisition of REC Engineering Company Limited (“REC”)		–	15,335
Additions of intangible assets		(730)	–
Dividends received from a jointly controlled entity		–	553
Dividends received from an associate		–	190
Dividends received from investments		78	334
Interest received		7,932	9,952
Net cash used in investing activities		(700,963)	(48,698)
Cash flows from financing activities	35(b)		
Repayment of long-term bank loans		(1,356)	(285)
Repayment of short-term bank loans		–	(108,800)
Drawdown of long-term bank loans		295,000	18,883
Drawdown of short-term bank loans		145,000	–
Decrease in restricted deposits		8,163	17,086
Capital element of finance lease payments		(6,305)	(5,840)
Repurchase of shares		–	(2,233)
Interest paid		(1,608)	(2,970)
Dividends paid		(4,249)	(44,095)
Interest element of finance lease payments		(132)	(137)
Net cash from/(used in) financing activities		434,513	(128,391)
Decrease in cash and cash equivalents		(314,526)	(52,254)
Cash and cash equivalents at beginning of year		736,778	788,831
Exchange gain on cash and cash equivalents		827	201
Cash and cash equivalents at end of year		423,079	736,778
Analysis of cash and cash equivalents	24(b)		
Cash and bank balances		369,903	475,502
Time deposits		53,176	261,276
		423,079	736,778

Notes to the Financial Statements

1 General information

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

The Company is a limited liability company incorporated in Bermuda on 25 June 1991. The address of its registered office is Clarendon House, 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 14 July 2010.

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. 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.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 below.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(i) *Revised standard, amendment to standard and new standard that are effective in the year*

The Group has adopted the following revised standard, amendment to standard and new standard which are relevant to the Group's operations, and mandatory for the financial year ended 31 March 2010:

HKAS 1 (Revised), "Presentation of Financial Statements". The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements. Comparative information has been presented so that it is also in conformity with the revised standard.

HKFRS 7 Amendment, "Financial Instruments – Disclosures". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

HKFRS 8, "Operating Segments". This standard replaces HKAS 14, "Segment reporting" and requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(ii) *Revised standard and amendments to standards effective in the year but not relevant or have no impact on financial statements*

The following revised standard and amendments to published standards are mandatory for the financial year ended 31 March 2010 but they are not relevant to the Group's operations or have no impact on financial statements:

HKAS 23 (Revised)	Borrowing Costs
HKAS 1 Amendment	Presentation of Financial Statements
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 19 Amendment	Employee Benefits
HKAS 23 Amendment	Borrowing Costs
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 28 Amendment	Investments in Associates
HKAS 31 Amendment	Interests in Joint Ventures
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payment

Notes to the Financial Statements

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 2010, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 1 Amendment	Presentation of Financial Statements	1 January 2010
HKAS 17 Amendment	Leases	1 January 2010
HKAS 18 Amendment	Revenue	1 January 2010
HKAS 38 Amendment	Intangible Assets	1 July 2009
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement – Eligible hedged items	1 July 2009
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions	1 January 2010
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009 and 1 January 2010
HKFRS 8 Amendment	Operating Segments	1 January 2010
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

Notes to the Financial Statements

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 to 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 2010 but are not relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HKAS 32 Amendment	Classification of Right Issues	1 February 2010
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters	1 January 2010
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1 July 2009

(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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(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(l)). 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.

Notes to the Financial Statements

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 obligations 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(l)). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

(iv) Jointly controlled entities

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(iv) Jointly controlled entities (Continued)

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

The Group's share of the net liabilities of jointly controlled entities will be recognised only to the extent that the Group has incurred legal or constructive obligations to make payments on behalf of the jointly controlled entities.

(c) Investment properties

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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(d) Property, plant and equipment

Buildings comprise mainly factories and offices. All 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(l)).

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 is tested for impairment annually 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(f) Leasehold land and land use right

Leasehold land and land use right represent non-refundable rental payments for lease of land. The up-front payments are amortised on a straight line basis over the period of the lease. The amortisation of the leasehold land and land use right is capitalised under the relevant assets when the properties on the land are under construction. In all other cases, the amortisation is recognised in the consolidated income statement.

(g) 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.

(h) 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.

(i) 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(i) Financial assets *(Continued)*

(ii) Loans and receivables

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

(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 subsequently 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(n).

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(j) 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.

(k) Inventories

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

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

(l) Impairment of non-financial 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.

(m) Construction contracts in progress

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

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

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

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.

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).

(n) 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.

(o) Cash and cash equivalents

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(p) 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.

(q) 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.

(r) 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.

(s) 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(s) Current and deferred income tax *(Continued)*

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, 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.

(t) 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(u) 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.

(v) 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.

(w) 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(w) Employee benefits *(Continued)*

(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.

(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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(x) Revenue recognition

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

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

(i) Contract revenue

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

(ii) Sale of building materials

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

(iii) Operating lease rental income

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

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(x) Revenue recognition *(Continued)*

(iv) *Interest income*

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

(v) *Dividend income*

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

(y) 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 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".

Notes to the Financial Statements

2 Summary of significant accounting policies *(Continued)*

(y) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of all the Group entities (none of which operate in 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 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.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company (the "Executive Directors") that make strategic decisions.

(aa) 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 and Directors.

Notes to the Financial Statements

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.

All of the Group's financial assets at fair value through profit or loss were realised during the year.

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\$9,000 (2009: HK\$35,000) 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. Although the group companies hold cash and bank balances in currencies other than in their functional currencies, the exposure to foreign currency risk is not significant.

Notes to the Financial Statements

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 and 2010, the Group's borrowings, bank overdraft, obligations under finance lease and cash deposits were mainly denominated in Hong Kong dollars and Singapore dollars.

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

Had interest rates been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK\$3,921,000 (2009: HK\$183,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings, and obligations under finance lease net of interest income on 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.

(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 2010 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.

Notes to the Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at 31 March 2010, the Group held cash and bank deposits of HK\$566,630,000 (2009: HK\$888,492,000) and other liquid assets of HK\$1,093,182,000 (2009: HK\$1,103,531,000) that are expected to readily generate cash inflows for managing liquidity risk.

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 2010				
Short-term bank loans and interest thereon	197,460	-	-	-
Long-term borrowings and interest thereon	11,382	246,918	37,016	40,070
Derivative financial liabilities	284	-	-	-
Payables to suppliers and subcontractors	258,940	-	-	-
Accruals, retention payables and other liabilities	172,937	19,788	-	-
Due to jointly controlled entities	10,000	-	-	-
At 31 March 2009				
Short-term bank loans and interest thereon	50,715	-	-	-
Long-term borrowings and interest thereon	5,880	2,146	5,372	13,577
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	3,031	-	-	-

Notes to the Financial Statements

3 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk *(Continued)*

	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
Company				
At 31 March 2010				
Accruals and other liabilities	1,126	-	-	-
Due to subsidiaries	72,041	-	-	-
<hr/>				
At 31 March 2009				
Derivative financial liabilities	174	-	-	-
Accruals and other liabilities	907	-	-	-
Due to subsidiaries	99,018	-	-	-
<hr/>				

(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.

Notes to the Financial Statements

3 Financial risk management *(Continued)*

(b) Capital risk management *(Continued)*

In 2010, the Group's strategy is to maintain a gearing ratio at a minimal level. The gearing ratios at 31 March 2010 and 2009 were as follows:

	2010 HK\$'000	2009 HK\$'000
Total borrowings (Note 30)	(516,949)	(72,897)
Cash and bank balances (Note 24)	566,630	888,492
Net cash maintained	49,681	815,595
Total equity	1,303,450	1,248,147
Gearing ratio	N/A	N/A

The change in net cash maintained resulted primarily from normal operating and investing activities of the Group which include the acquisitions of leasehold land and land use right (Note 17) and investment properties (Note 16) during the year.

(c) Fair value estimation

The determination of the carrying amounts of the financial instruments of the Group are as follows:

- (i) The fair value of listed investments is based on quoted prices in an active market at the balance sheet date.
- (ii) The fair value of unlisted investments is determined by reference to the market prices of the underlying investments, the current market value of similar investments or the estimated future cash flows generated from the underlying net assets discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the assets.
- (iii) The fair value of long-term borrowings is estimated using the expected future contractual payments discounted at current market interest rates available to the Group for similar financial instruments.
- (iv) The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.
- (v) The fair values of cash and cash deposits, trade receivables, other receivables, deposits, trade payables, other payables, accruals, current borrowings and balances with associates, jointly controlled entities, related companies, minority shareholders and investee companies are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities.

Notes to the Financial Statements

3 Financial risk management *(Continued)*

(c) Fair value estimation *(Continued)*

In 2010, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table represents the Group's financial assets and liabilities measured at fair value:

	Valuation Technique			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
As at 31 March 2010				
Derivative financial assets	499	–	–	499
Derivative financial liabilities	284	–	–	284

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets and liabilities held by the Group is the current bid price. These instruments are included in level 1.

Notes to the Financial Statements

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 (including electrical and mechanical installation). 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.

(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 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.

Notes to the Financial Statements

4 Critical accounting estimates and judgements *(Continued)*

(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, Macau, Singapore 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(l). 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 18(a).

(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.

Notes to the Financial Statements

5 Revenue and segment information

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

	2010 HK\$'000	2009 HK\$'000
Revenue		
Contracting of building construction, plumbing, renovation, maintenance and fitting-out projects	2,183,737	1,953,312
Electrical and mechanical installation	1,232,158	1,328,580
Building materials trading	32,958	122,875
Property investment and development	2,816	782
Others	10,345	8,329
	3,462,014	3,413,878

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

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

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

Notes to the Financial Statements

5 Revenue and segment information *(Continued)*

	Construction HK\$'000	Electrical and mechanical installation HK\$'000	Building materials trading HK\$'000	Property investment and development HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 March 2010						
Total sales	2,197,644	1,422,691	211,489	2,816	29,190	3,863,830
Inter-segment sales	(13,907)	(190,533)	(178,531)	-	(18,845)	(401,816)
External sales	2,183,737	1,232,158	32,958	2,816	10,345	3,462,014
Segment results	15,214	21,922	1,554	41,269	(10,487)	69,472
Unallocated income						4,657
Operating profit						74,129
Finance costs	(2,480)	(198)	(380)	(977)	-	(4,035)
Share of loss of associates	-	(362)	-	-	-	(362)
Share of (loss)/profit of jointly controlled entities	(924)	-	12	-	-	(912)
Profit before income tax						68,820
Income tax expense						(12,485)
Profit for the year						56,335

Notes to the Financial Statements

5 Revenue and segment information *(Continued)*

	Construction HK\$'000	Electrical and mechanical installation HK\$'000	Building materials trading HK\$'000	Property investment and development HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 March 2010						
Segment assets	1,034,067	452,405	366,233	680,619	56,375	2,589,699
Interests in associates	-	1,517	-	-	25	1,542
Interests in jointly controlled entities	-	-	1,132	-	-	1,132
Unallocated assets						40,103
Total assets						2,632,476
Segment liabilities	(590,749)	(358,636)	(43,487)	(318,628)	(3,886)	(1,315,386)
Obligation in respect of jointly controlled entities	(9,066)	-	-	-	-	(9,066)
Unallocated liabilities						(4,574)
Total liabilities						(1,329,026)
Capital expenditure	18,650	5,079	66,250	610,866	99	700,944
Depreciation	12,254	2,277	9,004	-	891	24,426
Amortisation of leasehold land and land use right	173	-	367	291	748	1,579
Amortisation of intangible assets	-	1,056	-	-	-	1,056
Fair value gain on investment properties	-	-	-	39,543	-	39,543
Other non-cash income, net	-	-	202	-	-	202

Notes to the Financial Statements

5 Revenue and segment information *(Continued)*

	Construction HK\$'000	Electrical and mechanical installation HK\$'000	Building materials trading HK\$'000	Property investment and development HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 March 2009						
Total sales	1,986,886	1,366,045	199,395	782	22,444	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	782	8,329	3,413,878
Segment results	45,472	29,803	(26,077)	(4,187)	(5,334)	39,677
Unallocated 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	(10,637)	-	(7,549)	-	-	(18,186)
Profit before income tax						16,338
Income tax expense						(5,715)
Profit for the year						10,623

Notes to the Financial Statements

5 Revenue and segment information (Continued)

	Construction HK\$'000	Electrical and mechanical installation HK\$'000	Building materials trading HK\$'000	Property investment and development HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 March 2009						
Segment assets	1,391,975	470,706	203,625	25,077	55,881	2,147,264
Interests in associates	-	1,879	-	-	50	1,929
Interests in jointly controlled entities	6,858	-	1,129	-	-	7,987
Unallocated assets						71,914
Total assets						2,229,094
Segment liabilities	(515,358)	(398,420)	(31,815)	(19,111)	(6,653)	(971,357)
Unallocated liabilities						(9,590)
Total liabilities						(980,947)
Capital expenditure	29,145	7,935	4,144	28,953	195	70,372
Depreciation	11,326	18,052	1,636	-	907	31,921
Amortisation of leasehold land and land use right	173	-	-	-	748	921
Amortisation of intangible assets	-	879	-	-	-	879
Fair value loss on investment properties	-	-	-	4,413	-	4,413
Other non-cash expenses, net	5,870	-	-	-	352	6,222

Notes to the Financial Statements

6 Other income and gains

	2010 HK\$'000	2009 HK\$'000
Other income		
Dividend income from investments	78	334
Bank interest income	3,018	6,162
Interest income from subcontractors	4,392	3,790
Interest income from a jointly controlled entity	522	–
Management service income from a jointly controlled entity	762	–
Sundry income	5,125	8,487
	13,897	18,773
Other gains		
Gain on disposal of property, plant and equipment, net	459	319
Fair value gain on investment properties	39,543	–
Gain on financial assets at fair value through profit or loss	242	152
Gain on derivative financial assets/liabilities	1,338	2,882
Others	–	14
	41,582	3,367
	55,479	22,140

Notes to the Financial Statements

7 Expenses by nature

	2010 HK\$'000	2009 HK\$'000
Cost of construction	2,661,830	2,696,166
Cost of inventories sold	160,171	168,459
Depreciation		
Owned property, plant and equipment	21,817	29,243
Leased property, plant and equipment	2,609	2,678
	24,426	31,921
Operating lease rentals of		
Land and buildings	9,305	10,077
Other equipment	63,879	43,072
	73,184	53,149
Staff costs (excluding directors' emoluments) (Note 14)	429,090	374,327
Directors' emoluments (Note 8)	14,822	14,863
Amortisation of leasehold land and land use right	1,579	921
Less: Capitalised under construction in progress	(658)	–
	921	921
Amortisation of intangible assets	1,056	879
Write-off of impaired receivables	455	980
Auditor's remuneration – audit services	3,278	3,092
Fair value loss on investment properties	–	4,413
Exchange loss, net	1,065	1,745
Direct operating expenses arising from investment properties		
– Generate rental income	364	98
– Not generate rental income	65	37
Others	72,637	41,074
Total cost of sales, administrative and other operating expenses	3,443,364	3,392,124

Notes to the Financial Statements

8 Directors' and senior management's emoluments

(a) The remuneration of the Directors for the year ended 31 March 2010 is set out below:

Name	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension	Total HK\$'000
				scheme HK\$'000	
2010					
Mr. Wong Ip Kuen	-	5,550	580	257	6,387
Mr. Wong Tin Cheung	-	2,090	500	97	2,687
Ms. Wong Wai Man	-	1,390	250	65	1,705
Mr. So Yau Chi	-	1,773	235	70	2,078
Mr. Sun Chun Wai	-	870	287	40	1,197
Mr. Chan, Bernard Charnwut	256	-	-	-	256
Mr. Wu King Cheong	256	-	-	-	256
Dr. Yeung Tsun Man, Eric	256	-	-	-	256
	768	11,673	1,852	529	14,822

Name	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension	Total HK\$'000
				scheme 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

Notes to the Financial Statements

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 (2009: three) Directors whose emoluments are reflected in the analysis above. The emoluments paid and payable to the remaining two (2009: two) highest paid individuals during the year were as follows:

	2010 HK\$'000	2009 HK\$'000
Salaries	3,979	2,753
Bonuses	378	378
Retirement benefits	148	116
	4,505	3,247

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
HK\$1,500,001 – HK\$2,000,000	–	2
HK\$2,000,001 – HK\$2,500,000	2	–

- (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.

Notes to the Financial Statements

9 Finance costs

	2010 HK\$'000	2009 HK\$'000
Interest on overdrafts and short-term bank loans	1,656	3,501
Interest on long-term bank loans repayable within five years	2,041	–
Interest on long-term bank loans repayable after five years	379	268
Interest element of finance lease payments	358	311
Total borrowing costs incurred	4,434	4,080
Less: Classified under cost of construction	(1,251)	(973)
Capitalised under construction in progress	(1,443)	–
	1,740	3,107
Loss on financial assets at fair value through profit or loss	118	249
Loss on derivative financial assets/liabilities	2,177	6,125
	4,035	9,481

10 Income tax expense

	2010 HK\$'000	2009 HK\$'000
Hong Kong profits tax provision for the year	74	–
Overseas tax provision for the year	17,107	8,746
Over-provision in prior years	(247)	(1,419)
Deferred income tax relating to the origination and reversal of temporary differences	(4,449)	(1,612)
	12,485	5,715

Hong Kong profits tax was calculated at 16.5% (2009:16.5%) 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.

Notes to the Financial Statements

10 Income tax expense (Continued)

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

	2010 HK\$'000	2009 HK\$'000
Profit before income tax	68,820	16,338
Share of loss of associates and jointly controlled entities, net	1,274	18,075
	70,094	34,413
Calculated at a taxation rate of 16.5% (2009: 16.5%)	11,566	5,678
Effect of different tax rates in other countries	(3,905)	2,157
Income not subject to taxation	(195)	(2,024)
Expenses not deductible for taxation purposes	2,740	500
Temporary differences not recognised	(1,513)	(320)
Tax losses not recognised	19,272	10,937
Tax losses recognised	(11,200)	–
Utilisation of previously unrecognised tax losses	(4,016)	(9,794)
Over-provision in prior years	(247)	(1,419)
Others	(17)	–
Income tax expense	12,485	5,715

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\$4,544,000 (2009: HK\$912,265,000).

12 Dividends

In the Board meeting held on 14 July 2010, the Directors recommended the payment of a final dividend at HK1.28 cents (2009: HK0.97 cents) per share, totalling HK\$5,607,000 (2009: HK\$4,249,000) for the year ended 31 March 2010.

Notes to the Financial Statements

13 Earnings per share (basic and diluted)

The calculation of earnings per share is based on:

	2010 HK\$'000	2009 HK\$'000
Net profit attributable to the equity holders of the Company	56,337	10,652

	2010	2009
Weighted average number of shares in issue during the year	438,053,600	439,363,052

Diluted earnings per share for the years ended 31 March 2010 and 2009 are not presented as there are no potential dilutive shares in issue during the years.

14 Staff costs (excluding directors' emoluments)

	2010 HK\$'000	2009 HK\$'000
Salaries, wages and bonuses	405,794	352,899
Unutilised annual leave	2,909	224
Long service payments and pension costs		
– defined contribution scheme	19,350	17,901
Termination benefits	1,037	3,303
	429,090	374,327

Notes to the Financial Statements

15 Property, plant and equipment

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Group							
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
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)
Currency translation differences	421	(49)	825	21	4	-	1,222
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
Year ended 31 March 2010							
Opening net book values	30,801	491	56,578	11,845	10,665	-	110,380
Additions	-	-	11,789	8,947	10,144	14,704	45,584
Disposals	-	-	(3,490)	(388)	(683)	-	(4,561)
Depreciation	(1,691)	(155)	(12,072)	(5,135)	(5,373)	-	(24,426)
Currency translation differences	-	29	1,563	60	37	-	1,689
Closing net book values	29,110	365	54,368	15,329	14,790	14,704	128,666
At 31 March 2010							
Cost	48,283	6,243	157,769	78,401	43,286	14,704	348,686
Accumulated depreciation	(19,173)	(5,878)	(103,401)	(63,072)	(28,496)	-	(220,020)
Net book values	29,110	365	54,368	15,329	14,790	14,704	128,666

Notes to the Financial Statements

15 Property, plant and equipment *(Continued)*

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Plant and equipment	1,173	550
Motor vehicles	10,873	7,292
	12,046	7,842

- (b) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK\$9,508,000 (2009: HK\$9,796,000) (Notes 30 and 36(d)).

16 Investment properties

	Group	
	2010 HK\$'000	2009 HK\$'000
Beginning of year	24,727	–
Additions	232,800	28,953
Fair value gain/(loss) on investment properties	39,543	(4,413)
Currency translation differences	2,300	187
End of year	299,370	24,727
In Hong Kong, held on		
Leases expiring from 10 to 50 years	270,000	–
Outside Hong Kong, held on		
Leases expiring over 50 years	29,370	24,727
	299,370	24,727

Notes to the Financial Statements

16 Investment properties *(Continued)*

- (a) Investment properties situated in Singapore were valued as at 31 March 2010 by Savills (Singapore) Pte. Ltd., an independent firm of qualified property valuers, for the purpose of inclusion in the Group's annual report.
- (b) Investment properties situated in Hong Kong were valued as at 31 March 2010 by Savills Valuation and Professional Services Limited, 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 (Notes 30 and 36(d)).

17 Leasehold land and land use right

	Group	
	2010 HK\$'000	2009 HK\$'000
Beginning of year	34,732	35,655
Additions	422,560	–
Amortisation	(1,579)	(921)
Currency translation differences	–	(2)
End of year	455,713	34,732
In Hong Kong, held on		
Leases expiring from 10 to 50 years	31,669	32,534
Leases expiring over 50 years	365,025	–
Outside Hong Kong, held on		
Leases expiring from 10 to 50 years	2,142	2,198
Leases expiring over 50 years	56,877	–
	455,713	34,732

On 30 April 2009, the Group acquired the land in No. 77-85 Jervois Street and No. 14A-22 Burd Street, Hong Kong at a consideration of HK\$350,000,000 (excluding transaction expenses). The site is currently under construction to be redeveloped into a hotel building operating under the Holiday Inn Express brand name.

On 24 September 2009, the Group entered into a contract to acquire a land use right in Huizhou, mainland China at a consideration of RMB50,375,000 (approximately HK\$57,244,000) (excluding transaction expenses). The Group is currently building production plants on the land for manufacturing of building materials.

The cost of construction of the above projects has been included under "construction in progress" as disclosed in Note 15.

Notes to the Financial Statements

17 Leasehold land and land use right *(Continued)*

The Group's interests in leasehold land and land use right represent prepaid operating lease payments. Leasehold land and land use right with a net book value of HK\$393,142,000 (2009: HK\$28,885,000) was pledged as security for the Group's banking facilities (Notes 30 and 36(d)).

18 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
Year ended 31 March 2010			
Opening net book value	15,905	20,228	36,133
Additions	–	730	730
Amortisation	–	(1,056)	(1,056)
Closing net book value	15,905	19,902	35,807
At 31 March 2010			
Cost	15,905	21,837	37,742
Accumulated amortisation	–	(1,935)	(1,935)
Net book value	15,905	19,902	35,807

Notes to the Financial Statements

18 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 5% to 6% per annum;
- (ii) growth rate ranging from 1% to 2% 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 substantially relate to the customer relationships held by REC. The Group has entered into agreements to deliver electrical and mechanical engineering services to long term customers, including various government departments and major players in the construction industry, and expect to continue having business with these long-term customers in the future.

19 Subsidiaries

	Company	
	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost	326,615	326,615
Advances to subsidiaries	165,000	165,000
	491,615	491,615
Due from subsidiaries	1,069,205	1,061,159
Due to subsidiaries	72,041	99,018

Notes to the Financial Statements

19 Subsidiaries (Continued)

The advances to subsidiaries are unsecured and not repayable within the next twelve months from the balance sheet date. Included in the advances to subsidiaries are an amount of HK\$85,000,000 (2009: HK\$85,000,000) which bears interest at Hong Kong dollar prime rate less 2% per annum and other advances to subsidiaries are interest free. The amounts due from and to subsidiaries are unsecured, interest free, and have no fixed terms of repayment, except for an amount due from a subsidiary of HK\$25,000,000 (2009: Nil) which bears interest at Hong Kong Inter Bank Offer Rate ("HIBOR") plus 1.5% per annum (2009: Nil), and their carrying amounts are not materially different from their fair values.

The following is a list of the principal subsidiaries at 31 March 2010:

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	Hong Kong	HK\$2	Property investment	-	100%	100%
Best Fortune Investment Limited	Hong Kong	HK\$5,000,000	Property investment	-	100%	100%
City Hope Limited	The British Virgin Islands/Hong Kong	US\$10	Property investment	-	90%	90%
First Smart Investment Limited	Hong Kong	HK\$2	Investment holding	-	100%	100%
Grace Top Investment Limited	Hong Kong	HK\$1	Trading of computer software	-	100%	100%
Guangdong Yuean REC Mechanical and Electrical Engineering Company Limited (formerly known as "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%

Notes to the Financial Statements

19 Subsidiaries (Continued)

Name	Place of incorporation/ operation	Particulars of registered/ issued share capital	Principal activities	Percentage of registered/ issued share capital held by		
				Company	Subsidiaries	Group
Million Wealth Enterprises Limited	Hong Kong	HK\$2	Property development	-	100%	100%
Ming Hop Company Limited	Hong Kong	HK\$1,000,000	Trading of construction materials and execution of plumbing work	-	100%	100%
Nanjing Autocon Technology Company Limited	Mainland China	US\$500,000	Development and sale of construction equipment and computer software	-	100%	100%
Nanjing Nanda VH Software Intelligence Company Limited	Mainland China	RMB1,500,000	Development and sale of computer software	-	70%	70%
REC (China) Company Limited	Hong Kong	HK\$13,800,000	Electrical and mechanical engineering services and investment holding	-	100%	100%
REC 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	Hong Kong	HK\$2,000,000	Electrical and mechanical engineering services	-	100%	100%
REC Mechanical and Electrical Engineering (Shanghai) Company Limited (formerly known as Ryoden Mechanical and Electrical Engineering (Shanghai) Company Limited)	Mainland China	US\$10,820,000	Engineering services	-	100%	100%
Right Motive Limited	Hong Kong	HK\$6,000	Property holding	-	100%	100%
Solid Star Company Limited	Hong Kong	HK\$2	Property holding	-	100%	100%

Notes to the Financial Statements

19 Subsidiaries (Continued)

Name	Place of incorporation/ operation	Particulars of registered/ issued share capital	Principal activities	Percentage of registered/ issued share capital held by		
				Company	Subsidiaries	Group
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%
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	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	Investment holding	-	100%	100%
Yau Lee Construction Materials & Technology Limited	Hong Kong	HK\$2	Sale of building materials and precast products	-	100%	100%

Notes to the Financial Statements

19 Subsidiaries (Continued)

Name	Place of incorporation/ operation	Particulars of registered/ issued share capital	Principal activities	Percentage of registered/ issued share capital held by		Group
				Company	Subsidiaries	
Yau Lee Construction Materials Limited	Hong Kong	HK\$1	Trading of building materials	–	100%	100%
Yau Lee Curtain Wall and Steel Works (Singapore) Pte. Ltd.	Singapore	S\$50,000	Curtain wall installation	–	100%	100%
Yau Lee Curtain Wall and Steel Works (Macau) Limited	Macau	MOP100,000	Curtain wall installation	–	100%	100%
Yau Lee Curtain Wall and Steel Works Limited	Hong Kong	HK\$2	Curtain wall installation	–	100%	100%
Yau Lee Development (Singapore) Pte. Ltd.	Singapore	S\$50,000	Property and investment holding	–	100%	100%
Yau Lee Equipment Leasing Limited	Hong Kong	HK\$2	Equipment leasing	–	100%	100%
Yau Lee Hing Materials Manufacturing Limited	Hong Kong	HK\$1	Trading of building materials	–	100%	100%
Yau Lee Innovative Technology 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	Hong Kong	HK\$2	Provision of management services	–	100%	100%
Yau Lee Materials Manufacturing Limited	Hong Kong	HK\$1	Licensing of patent	–	100%	100%
Yau Lee Hing Materials Manufacturing (UAE) Limited (formerly known as Yau Lee Materials Trading (UAE) Limited)	Hong Kong	HK\$1	Trading of building materials	–	100%	100%

Notes to the Financial Statements

19 Subsidiaries (Continued)

Name	Place of incorporation/ operation	Particulars of registered/ issued share capital	Principal activities	Percentage of registered/ issued share capital held by		
				Company	Subsidiaries	Group
Yau Lee 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	Manufacturing 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%
有利興建材(惠州)有限公司	Mainland China	HK\$60,000,000	Manufacturing of building materials	-	100%	100%
有利華建材(惠州)有限公司	Mainland China	HK\$120,000,000	Manufacturing of precast products and building materials	-	100%	100%

20 Associates

	2010		2009	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Beginning of year	1,929	-	39	-
Acquisition of REC	-	-	1,959	-
Share of (loss)/profit	(362)	-	111	-
Dividends received	-	-	(190)	-
(Loss)/gain on disposals	(25)	-	10	-
End of year	1,542	-	1,929	-
Due from associates	21,139	1,043	21,260	1,028
Provision for impairment	(12,486)	-	(12,486)	-
Due from associates, net	8,653	1,043	8,774	1,028

Notes to the Financial Statements

20 Associates (Continued)

- (a) The following are the details of the principal associates at 31 March 2010:

Name	Particulars of issued share capital	Place of incorporation	Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	Profit/(loss) HK\$'000	Interest held
2010							
Yau Lee Development Company Limited ("YLDC") (Note b)	100 ordinary shares of \$1 each	Hong Kong	17,220	(35,437)	-	428	50%
EYE Lighting (Hong Kong) Limited ("Eye Lighting") (Note c)	2,000,000 ordinary shares of \$1 each	Hong Kong	5,017	(1,026)	3,855	(953)	38%
2009							
Yau Lee Development Company Limited (Note b)	100 ordinary shares of \$1 each	Hong Kong	16,720	(35,366)	-	(558)	50%
EYE Lighting (Hong Kong) Limited (Note c)	2,000,000 ordinary shares of \$1 each	Hong Kong	7,614	(2,669)	7,433	291	38%

- (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. The Group did not recognise the profit/(loss) of the associate for the year ended 31 March 2010 and 2009 as the Group's share of the accumulated losses exceeds its investment in YLDC.
- (c) Eye Lighting is 38% owned by REC 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 repayable on demand.

Notes to the Financial Statements

21 Jointly controlled entities

	2010		2009	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Beginning of year	7,987	–	26,170	–
Share of loss	(912)	–	(18,186)	–
Acquisition of REC	–	–	553	–
Disposals	–	–	(553)	–
Distribution of funds	(15,000)	–	–	–
Currency translation reserves	(9)	–	3	–
End of year	(7,934)	–	7,987	–
Jointly controlled entities	1,132	–	7,987	–
Obligation in respect of jointly controlled entities	(9,066)	–	–	–
Due from jointly controlled entities (Note g)	59,740	138	14,988	–
Due to jointly controlled entities (Note g)	(10,000)	–	(3,031)	–

(a) The following is a list of the principal jointly controlled entities at 31 March 2010:

Name	Particulars of registered/ issued share capital	Place of incorporation/ establishment	Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	(Loss)/ profit HK\$'000	Effective interest
2010							
Yau Lee Formglas Limited ("YLFG") (Note b)	HK\$1,000,000	Hong Kong	4,102	(9,719)	–	(581)	51%
Yau Lee Formglas (Macau) Limited ("YLFM") (Note c)	MOP200,000	Macau	14,447	(1,869)	6,639	1,007	51%
Yau Lee Formglas (Shenzhen) Limited ("YLFS") (Note d)	HK\$4,200,000	Mainland China	99	(4,840)	–	(401)	51%
Hsin Chong-Yau Lee Joint Venture (Note e)	N/A	Hong Kong	159,627	(177,244)	1,080,491	(1,335)	50%
Yau Lee-Hsin Chong Joint Venture (Note f)	N/A	Hong Kong	92,307	(92,736)	77,532	(428)	60%
Total			270,582	(286,408)	1,164,662	(1,738)	
The Group's share			144,708	(152,642)	590,151	(912)	

Notes to the Financial Statements

21 Jointly controlled entities (Continued)

(a) (Continued)

Name	Particulars of registered/ issued share capital	Place of incorporation/ establishment	Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	Loss HK\$'000	Effective interest
2009							
Yau Lee Formglas Limited (Note b)	HK\$1,000,000	Hong Kong	9,830	(14,866)	-	(1,895)	51%
Yau Lee Formglas (Macau) Limited (Note c)	MOP200,000	Macau	14,796	(3,206)	7,756	(8,317)	51%
Yau Lee Formglas (Shenzhen) Limited (Note d)	HK\$4,200,000	Mainland China	3,912	(8,252)	9,983	(4,589)	51%
Hsin Chong-Yau Lee Joint Venture (Note e)	N/A	Hong Kong	260,643	(246,927)	325,710	(21,274)	50%
Total			289,181	(273,251)	343,449	(36,075)	
The Group's share			144,876	(136,889)	171,902	(18,186)	

- (b) 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 (c) and (d).
- (c) YLFM is a wholly-owned subsidiary of YLFG, and is principally engaged in construction projects in Macau. The subsidiary was dormant as at 31 March 2010.
- (d) 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 2010.
- (e) Hsin Chong-Yau Lee Joint Venture is an unincorporated joint venture operating in Hong Kong which holds a construction contract with a value of HK\$1,654,000,000.
- (f) Yau Lee-Hsin Chong Joint Venture is an unincorporated joint venture operating in Hong Kong which holds a construction contract with a value of HK\$2,896,000,000.
- (g) The amounts due from/(to) jointly controlled entities of the Group and the Company are unsecured, interest free and repayable on demand, except for amounts due from YLFG, YLFM and YLFS which bear interest at 3% per annum.

Notes to the Financial Statements

22 Other non-current assets

	Group	
	2010 HK\$'000	2009 HK\$'000
Retention receivables (Note 27)	227,241	203,795
Loans to employees (Note 23)	648	1,060
	227,889	204,855
Less: Current portion of retention receivables (Note 25(a))	(186,420)	(185,139)
Provision for impairment	154	1,131
Current portion of loans to employees (Note 23)	(200)	(353)
	41,423	20,494

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

23 Loans to employees

The Group provides housing loans to certain employees and the loans are secured by second mortgages of the related properties of the employees. The repayment period ranges from two to twelve years with interest at 1% below prime rate. Amounts receivable within one year of HK\$200,000 (2009: HK\$353,000) are included in prepayments, deposits and other receivables. Loans to employees approximate their fair values.

24 Cash and bank balances

	2010		2009	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Cash and bank balances	369,903	7,713	475,502	3,011
Time deposits	53,176	–	261,276	29,625
Restricted deposits (Note a)	143,551	10,000	151,714	10,000
	566,630	17,713	888,492	42,636

Notes to the Financial Statements

24 Cash and bank balances (Continued)

- (a) Restricted deposits are funds which are pledged as security for the banking facilities of the Group (Note 36(a)).
- (b) Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	2010		2009	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Cash and bank balances	369,903	7,713	475,502	3,011
Time deposits	53,176	–	261,276	29,625
	423,079	7,713	736,778	32,636

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

	2010		2009	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Hong Kong dollars	306,305	17,713	488,099	42,614
United States dollars	141,207	–	226,386	22
Renminbi	102,414	–	82,258	–
Macau Patacas	5,528	–	79,446	–
Other currencies	11,176	–	12,303	–
	566,630	17,713	888,492	42,636

- (d) Interest rate of time deposits and restricted deposits ranged from zero to 1.25% (2009: zero to 2.6%) per annum.

Notes to the Financial Statements

25 Trade and other receivables

(a) Trade debtors, net

	2010 HK\$'000	2009 HK\$'000
Trade debtors	248,201	405,300
Retention receivables (Note 22)	186,420	185,139
Provision for impairment	(11,669)	(12,781)
	422,952	577,658

The trade debtors are due 30 days to 150 days after invoicing depending on the nature of services or products. As at 31 March 2010, trade debtors of HK\$27,107,000 (2009: HK\$54,532,000) 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:

	2010 HK\$'000	2009 HK\$'000
Overdue by:		
1 – 30 days	5,550	18,827
31 – 90 days	6,182	9,807
91 – 180 days	1,870	3,156
Over 180 days	13,505	22,742
	27,107	54,532

As at 31 March 2010, trade debtors of HK\$11,669,000 (2009: HK\$12,781,000) were 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 2010.

Notes to the Financial Statements

25 Trade and other receivables (Continued)

(a) Trade debtors, net (Continued)

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

	2010 HK\$'000	2009 HK\$'000
Beginning of year	12,781	40
Acquisition of REC	–	13,288
Reversal of impairment loss	(518)	(540)
Uncollectible amounts written off	(594)	(42)
Currency translation differences	–	35
End of year	11,669	12,781

The Group's trade debtors balances are mainly denominated in the following currencies:

	2010 HK\$'000	2009 HK\$'000
Hong Kong dollars	299,104	318,248
Singapore dollars	82,545	216,260
Macau Patacas	37,056	40,617
Renminbi	4,247	2,533
	422,952	577,658

Notes to the Financial Statements

25 Trade and other receivables *(Continued)*

(b) Prepayments, deposits and other receivables

	2010		2009	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Advances to subcontractors	90,561	–	112,124	–
Prepayments and deposits	88,352	55	24,226	53
Other receivables	13,917	235	1,381	296
	192,830	290	137,731	349

Substantially all of the Group's prepayments, deposits and other receivables are denominated in Hong Kong dollars and United States dollars. Included in advances to subcontractors are amounts of HK\$55,115,000 (2009: HK\$64,492,000) which bear interest ranging from 8.00% to 9.00% (2009: 7.00% to 9.25%) 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 any collateral as security.

26 Inventories

	2010 HK\$'000	2009 HK\$'000
Raw materials, at cost	29,924	16,457
Finished goods, at cost	3,395	3,471
Others, at cost	478	1,422
	33,797	21,350

Notes to the Financial Statements

27 Construction contracts in progress

	2010 HK\$'000	2009 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	12,665,244	10,949,194
Progress billings to date	(12,601,650)	(10,998,753)
	63,594	(49,559)
Included in current assets/(liabilities) are the following:		
Due from customers on construction contracts	374,077	327,353
Due to customers on construction contracts	(310,483)	(376,912)
	63,594	(49,559)

Retention receivables from customers in respect of construction contracts in progress of HK\$227,241,000 (2009: HK\$203,795,000) are classified under other non-current assets and trade debtors, net (Notes 22 and 25(a)).

28 Financial assets at fair value through profit or loss

	2010		2009	
	Group HK\$'000	Company HK\$'000	Group HK\$'000	Company HK\$'000
Equity securities at fair value				
– listed in Hong Kong	–	–	245	–
Money market fund at fair value				
– unlisted	–	–	14,902	9,854
	–	–	15,147	9,854

Notes to the Financial Statements

29 Derivative financial assets/liabilities

	2010				2009			
	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
At fair value								
Hong Kong dollars								
floating swap (Note a)	-	-	-	-	-	644	-	-
Foreign currency forward								
contracts (Note b)	499	284	-	-	-	-	-	-
United states dollars and								
Renminbi performance								
US\$ deposits								
contracts (Note c)	-	-	-	-	-	195	-	174
	499	284	-	-	-	839	-	174

Note:

- (a) 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 expired in September 2009.
- (b) The Group entered into several foreign currency forward contracts to mitigate its exchange rate exposure in Renminbi arising from its China operations. These forward contracts will expire during the period from 1 April 2010 to 31 March 2011.
- (c) The Group entered into two US\$/Renminbi performance scoring US\$ deposits contracts with a 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 received the notional amount upon maturity since the financial instruments were principal protected.

Notes to the Financial Statements

30 Borrowings

	Group	
	2010 HK\$'000	2009 HK\$'000
Non-current		
Obligations under finance lease	2,689	349
Long-term bank loans – secured	312,517	17,372
	315,206	17,721
Current		
Short-term bank loans – secured	195,000	50,000
Current portion of long-term borrowings	6,743	5,176
	201,743	55,176
Total borrowings	516,949	72,897

(a) The maturity of borrowings is as follows:

	Bank borrowings		Obligations under finance lease	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Within 1 year	196,392	51,238	5,351	3,938
Between 1 and 2 years	240,851	1,275	2,689	349
Between 2 and 5 years	33,789	4,066	–	–
After 5 years	37,877	12,031	–	–
	508,909	68,610	8,040	4,287

Notes to the Financial Statements

30 Borrowings (Continued)

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

	2010	2009
	%	%
Short-term bank loans	1.3	1.5
Long-term bank loans	1.4	3.1
Obligations under finance lease	2.9	4.3

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

- (d) The borrowings are mainly denominated in the following currencies:

	2010	2009
	HK\$'000	HK\$'000
Hong Kong dollars	498,040	54,287
Singapore dollars	18,909	18,610
	516,949	72,897

- (e) The bank borrowings are secured by certain property, plant and equipment, investment properties, leasehold land and restricted deposits of the Group (Notes 15, 16, 17, 24 and 36).

Notes to the Financial Statements

30 Borrowings (Continued)

(f) The obligations of finance lease are as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Within one year	5,677	4,090
In the second year	2,739	355
	8,416	4,445
Future finance charges on finance lease	(376)	(158)
Present value of obligations under finance lease	8,040	4,287

31 Deferred income tax

	Group	
	2010 HK\$'000	2009 HK\$'000
Beginning of year	6,833	5,642
Acquisition of REC		
– Deferred income tax assets	–	(679)
– Deferred income tax liabilities	–	3,482
Credited to income statement	(4,449)	(1,612)
Currency translation differences	132	–
End of year	2,516	6,833

Notes to the Financial Statements

31 Deferred income tax (Continued)

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

Deferred income tax (assets)/liabilities in respect of the following:

	Tax losses		Fair value gain of investment properties		Intangible assets		Accelerated depreciation allowance		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	(679)	-	-	-	3,338	-	4,174	5,642	6,833	5,642
Acquisition of REC	-	(679)	-	-	-	3,482	-	-	-	2,803
(Credited)/charged to income statement	(11,200)	-	6,536	-	(174)	(144)	389	(1,468)	(4,449)	(1,612)
Currency translation differences	-	-	17	-	-	-	115	-	132	-
End of year	(11,879)	(679)	6,553	-	3,164	3,338	4,678	4,174	2,516	6,833

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 the balance sheet:

	2010 HK\$'000	2009 HK\$'000
Deferred income tax assets		
Recoverable more than twelve months	(7,209)	(689)
Recoverable within twelve months	(1,802)	-
	(9,011)	(689)
Deferred income tax liabilities		
Payable or settle more than twelve months	9,222	6,018
Payable or settle within twelve months	2,305	1,504
	11,527	7,522

Notes to the Financial Statements

31 Deferred income tax (Continued)

As at 31 March 2010, the Group has unrecognised tax losses of approximately HK\$539,179,000 (2009: HK\$506,025,000) to carry forward against future taxable income.

	2010 HK\$'000	2009 HK\$'000
With no expiry date	484,271	464,840
Expiring not later than one year	3,142	10,470
Expiring later than one year and not later than five years	51,766	30,715
	539,179	506,025

32 Payables to suppliers and subcontractors

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

	2010 HK\$'000	2009 HK\$'000
Current	218,026	283,341
1 – 30 days	24,907	11,004
31 – 90 days	13,870	2,610
91 – 180 days	1,564	746
Over 180 days	573	2,213
	258,940	299,914

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

	2010 HK\$'000	2009 HK\$'000
Hong Kong dollars	224,447	209,143
Renminbi	22,590	6,391
Macau Patacas	8,068	18,559
Singapore dollars	3,376	62,715
Other currencies	459	3,106
	258,940	299,914

Notes to the Financial Statements

33 Share capital

	Number of shares		Amount	
	2010	2009	2010 HK\$'000	2009 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	438,053,600	440,949,600	87,611	88,190
Shares repurchased and cancelled	-	(2,896,000)	-	(579)
	438,053,600	438,053,600	87,611	87,611

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.

Notes to the Financial Statements

33 Share capital (Continued)

Share option scheme (Continued)

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 2010, no share options have been granted under the Share Option Scheme.

34 Other reserves and retained profits

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group					
At 1 April 2009	413,776	359	2,689	743,116	1,159,940
Profit for the year	-	-	-	56,337	56,337
2009 final dividend	-	-	-	(4,249)	(4,249)
Currency translation differences	-	-	3,217	-	3,217
At 31 March 2010	413,776	359	5,906	795,204	1,215,245
Representing:					
2010 final dividends proposed				5,607	
Others				789,597	
At 31 March 2010				795,204	
At 1 April 2008	415,430	359	3,144	776,559	1,195,492
Profit for the year	-	-	-	10,652	10,652
2008 final dividend	-	-	-	(44,095)	(44,095)
Share repurchased	(1,654)	-	-	-	(1,654)
Currency translation differences	-	-	(455)	-	(455)
At 31 March 2009	413,776	359	2,689	743,116	1,159,940
Representing:					
2009 final dividends proposed				4,249	
Others				738,867	
At 31 March 2009				743,116	

Notes to the Financial Statements

34 Other reserves and retained profits *(Continued)*

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company				
At 1 April 2009	413,776	359	1,004,796	1,418,931
Profit attributable to equity holders of the Company	–	–	4,544	4,544
2009 final dividends	–	–	(4,249)	(4,249)
At 31 March 2010	413,776	359	1,005,091	1,419,226
Representing:				
2010 final dividends proposed			5,607	
Others			999,484	
At 31 March 2010			1,005,091	
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 dividends	–	–	(44,095)	(44,095)
Share repurchased	(1,654)	–	–	(1,654)
At 31 March 2009	413,776	359	1,004,796	1,418,931
Representing:				
2009 final dividends proposed			4,249	
Others			1,000,547	
At 31 March 2009			1,004,796	

The entire amounts of retained profits of the Company at 31 March 2010 are distributable.

Notes to the Financial Statements

35 Notes to consolidated cash flow statement

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

	2010 HK\$'000	2009 HK\$'000
Operating profit	74,129	43,894
Interest income	(7,932)	(9,952)
Dividend income from investments	(78)	(334)
Gain on disposal of property, plant and equipment, net	(459)	(319)
Fair value (gain)/loss on investment properties	(39,543)	4,413
Amortisation of intangible assets	1,056	879
Amortisation of leasehold land and land use right	1,579	921
Depreciation	24,426	31,921
Loss/(gain) on disposal of an associate	25	(10)
Gain on derivative financial assets/liabilities	(1,338)	(2,882)
Gain on financial assets at fair value through profit or loss	(242)	(152)
Operating profit before working capital changes	51,623	68,379
(Increase)/decrease in retention receivables	(21,188)	13,348
Decrease in loans to employees	259	258
Decrease/(increase) in trade debtors, net	151,739	(160,070)
(Increase)/decrease in inventories	(12,447)	3,434
(Increase)/decrease in prepayments, deposits and other receivables	(19,345)	44,507
(Increase)/decrease in due from customers on construction contracts	(46,724)	29,102
Decrease/(increase) in due from associates	121	(251)
Increase in due from jointly controlled entities	(48,150)	–
Decrease/(increase) in due from jointly controlled entities	25,367	(5,862)
(Decrease)/increase in payables to suppliers and subcontractors	(40,974)	33,069
(Decrease)/increase in accruals, retention payables and other liabilities	(25,493)	6,953
(Decrease)/increase in due to customers on construction contracts	(66,429)	90,874
Increase in long-term retention payables	10,439	9,349
Decrease in other non-current assets	–	22
Decrease in due from related parties	–	30
Net cash (used in)/from operations	(41,202)	133,142

Notes to the Financial Statements

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

(b) Analysis of changes in financing during the year

	Share capital HK\$'000	Share premium HK\$'000	Minority interests HK\$'000	Obligations under finance lease HK\$'000	Long-term bank loans HK\$'000	Short-term bank loans HK\$'000	Restricted deposits HK\$'000
At 1 April 2009	87,611	413,776	596	4,287	18,610	50,000	(151,714)
Net cash (outflow)/inflow from financing activities	-	-	-	(6,305)	293,644	145,000	8,163
Share of loss by minority shareholders	-	-	(2)	-	-	-	-
Inception of finance lease obligations (Note c)	-	-	-	10,058	-	-	-
Currency translation differences	-	-	-	-	1,655	-	-
At 31 March 2010	87,611	413,776	594	8,040	313,909	195,000	(143,551)
At 1 April 2008	88,190	415,430	625	7,471	-	158,800	(168,800)
Net cash (outflow)/inflow from financing activities	(579)	(1,654)	-	(5,840)	18,598	(108,800)	17,086
Share of loss by minority shareholders	-	-	(29)	-	-	-	-
Inception of finance lease obligations (Note c)	-	-	-	2,656	-	-	-
Currency translation differences	-	-	-	-	12	-	-
At 31 March 2009	87,611	413,776	596	4,287	18,610	50,000	(151,714)

(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\$10,058,000 (2009: HK\$2,656,000).

Notes to the Financial Statements

36 Banking facilities

As at 31 March 2010, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$1,556,869,000 (2009: HK\$1,307,726,000), of which HK\$807,677,000 (2009: HK\$552,884,000) had been utilised. These banking facilities are secured by the following:

- (a) Restricted deposits of HK\$143,551,000 (2009: HK\$151,714,000) (Note 24);
- (b) Guarantees of HK\$1,534,872,000 (2009: HK\$1,293,894,000) given by the Company;
- (c) Trade receivables of certain construction contracts; and
- (d) Property, plant and equipment of HK\$9,508,000 (2009: HK\$9,796,000), investment properties of HK\$299,370,000 (2009: HK\$24,727,000) and leasehold land of HK\$393,142,000 (2009: HK\$28,885,000) (Notes 15, 16 and 17).

Subsequent to year end, the Group has obtained a banking facility of HK\$475,000,000 to finance and refinance its property development project.

37 Commitments and contingent liabilities

The Group had the following outstanding commitments and contingent liabilities:

- (a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 31 March 2010, 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. The Group has raised a counterclaim of approximately HK\$2,800,000 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 2010.

Notes to the Financial Statements

37 Commitments and contingent liabilities *(Continued)*

- (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 connection with a steelwork sub-contract. The Group has raised a counterclaim of approximately HK\$26,700,000 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 2010.
- (d) The Group has provided performance bonds that amounted to approximately HK\$369,382,000 (2009: HK\$467,000,000) in favour of the Group's customers.
- (e) As at 31 March 2010, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of plant and equipment of approximately HK\$52,082,000 (2009: Nil).
- (f) The future aggregate minimum lease rental payable under non-cancellable operating leases is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Land and buildings		
– Within one year	6,428	6,212
– One year to five years	12,312	10,441
– More than five years	40,895	43,489
	59,635	60,142

Notes to the Financial Statements

38 Future minimum rental payments receivable

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

	2010 HK\$'000	2009 HK\$'000
Within one year	1,223	2,115
One year to five years	999	573
	2,222	2,688

39 Related party balances

Key management compensation

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

	2010 HK\$'000	Group 2009 HK\$'000
Salaries and fees	12,441	12,022
Discretionary bonuses	1,852	2,333
Pension costs – defined contribution scheme	529	508
	14,822	14,863

List of Investment Properties

Property	Location and lease term	Existing use	Group's interest
1. 43-45 Tsun Yip Street, Kwun Tong, Kowloon	Kwun Tong Inland Lots Nos. 359 and 360 are each held under a Government Lease for a term which expired on 27 June 1997 and had been extended upon expiry to 30 June 2047.	The property is currently vacant.	100%
2. 18 Chi Kiang Street, To Kwa Wan, Kowloon	Kowloon Inland Lot No. 9673 is held under Conditions of Sale No. 9607 for a term of 75 years commencing on 19 January 1970 renewable for a further term of 75 years.	The property is currently vacant.	100%
3. 40 Prinsep Street, Singapore, 188666	Lot No. 491K Town Subdivision 11 for a term of leasehold 99 years with effect from 1 March 1995	The property is currently leased out.	100%
4. 10 Gopeng Street, #38-26 Icon, Singapore, 078878	Lot No. U2246A Town Subdivision 3 for a term of leasehold 99 years with effect from 29 January 2002	The property is currently leased out.	100%

Five Year Financial Summary

Consolidated Results

For the year ended 31 March 2010

	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
Revenue	1,452,208	2,109,311	1,624,944	3,413,878	3,462,014
Profit before income tax	5,099	66,666	367,279	16,338	68,820
Income tax (expense)/credit	(3,079)	(17,057)	55,078	(5,715)	(12,485)
Minority interests	(53)	181	3	29	2
Profit attributable to shareholders	1,967	49,790	422,360	10,652	56,337

Consolidated assets and liabilities

As at 31 March

Total assets	1,805,697	2,067,814	1,801,176	2,229,094	2,632,476
Total liabilities	(991,365)	(1,201,189)	(516,869)	(980,947)	(1,329,026)
Shareholders' equity	814,332	866,625	1,284,307	1,248,147	1,303,450

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. Accordingly, the result for the year ended 31 March 2008 within the above table includes both continuing and discontinued operations.