



INTERIM REPORT

2011



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

Stock Code: 0406

CORPORATE INFORMATION

Board of 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
 Dr. Yeung Tsun Man, Eric

Registered Office

Clarendon House
 Church Street
 Hamilton HM11
 Bermuda

Head Office and Principal Place of Business

10th Floor, Tower 1
 Enterprise Square
 9 Sheung Yuet Road
 Kowloon Bay
 Kowloon
 Hong Kong

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

Company Secretary

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

HIGHLIGHTS

The Group's turnover for the period was HK\$1,551,440,000.

Net attributable profit for the period increased from HK\$4,868,000 in 2009 to HK\$10,103,000.

Cash and bank balances was approximately HK\$386,630,000.

Total net assets was approximately HK\$1,311,167,000.

Total indebtedness (including bank borrowings and obligations under finance leases) of the Group were approximately HK\$702,636,000, representing approximately 53.6% of the total shareholders' equity.

Basic and diluted earnings per share was approximately HK2.44 cents.

INTERIM RESULTS

The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2010 were as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2010

	Note	Six months ended 30 September	
		2010 HK\$'000	2009 HK\$'000
Revenue	4	1,551,440	1,645,870
Cost of sales	6	(1,482,392)	(1,545,344)
Gross profit		69,048	100,526
Other income and gains	5	36,002	28,777
Distribution costs	6	(5,915)	(4,205)
Administrative expenses	6	(89,135)	(106,168)
Other operating expenses	6	(4,387)	(2,616)
Operating profit		5,613	16,314
Finance costs	7	(3,350)	(2,730)
Share of profit/(loss) of jointly controlled entities		10,869	(1,552)
Share of loss of an associate		(17)	(147)
Profit before income tax		13,115	11,885
Income tax expense	8	(3,012)	(7,017)
Profit for the period		10,103	4,868
Attributable to:			
Equity holders of the Company		10,697	4,868
Non-controlling interests		(594)	–
		10,103	4,868
Interim dividend	9	–	–
Earnings per share (basic and diluted)	10	2.44 cents	1.11 cents

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
Profit for the period	10,103	4,868
Other comprehensive income:		
Currency translation differences	3,221	2,158
Total comprehensive income for the period	13,324	7,026
Total comprehensive income attributable to:		
– equity holders of the Company	13,918	7,026
– non-controlling interests	(594)	–
	13,324	7,026

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2010

	Note	30 September 2010 HK\$'000	31 March 2010 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	173,012	128,666
Investment properties	11	334,033	299,370
Leasehold land and land use right	11	454,401	455,713
Intangible assets		19,375	19,902
Goodwill		15,905	15,905
Interests in associates		1,525	1,542
Interests in jointly controlled entities		7,674	1,132
Deferred income tax assets		17,911	9,011
Other non-current assets		37,640	41,423
		1,061,476	972,664
Current assets			
Cash and bank balances	12	386,630	566,630
Trade debtors, net	13	449,598	422,952
Prepayments, deposits and other receivables		259,188	192,830
Inventories		31,884	33,797
Prepaid income tax		819	634
Due from customers on construction contracts		483,046	374,077
Financial assets at fair value through profit or loss		43,976	–
Derivative financial assets	14	716	499
Due from associates		8,703	8,653
Due from jointly controlled entities		36,167	59,740
		1,700,727	1,659,812
Total assets		2,762,203	2,632,476
EQUITY			
Share capital	15	87,611	87,611
Other reserves		423,262	420,041
Retained profits			
Proposed final dividends		–	5,607
Others		800,294	789,597
Attributable to equity holders		1,311,167	1,302,856
Non-controlling interests		–	594
Total equity		1,311,167	1,303,450

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2010

	Note	30 September 2010 HK\$'000	31 March 2010 HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	16	356,747	315,206
Deferred income tax liabilities		15,908	11,527
Retention payables		13,270	19,788
		385,925	346,521
Current liabilities			
Short-term bank loans	16	338,364	195,000
Current portion of long-term borrowings	16	7,525	6,743
Derivative financial liabilities	14	427	284
Payables to suppliers and subcontractors	17	213,326	258,940
Accruals, retention payables and other liabilities		191,812	172,937
Income tax payable		19,564	19,052
Obligation in respect of jointly controlled entities		6,779	9,066
Due to customers on construction contracts		277,314	310,483
Due to a jointly controlled entity		10,000	10,000
		1,065,111	982,505
Total liabilities		1,451,036	1,329,026
Total equity and liabilities		2,762,203	2,632,476
Net current assets		635,616	677,307
Total assets less current liabilities		1,697,092	1,649,971

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Attributable to equity holders of the Company					Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2010	87,611	413,776	359	5,906	795,204	1,302,856	594	1,303,450
Profit/(loss) for the period	-	-	-	-	10,697	10,697	(594)	10,103
Currency translation differences	-	-	-	3,221	-	3,221	-	3,221
Dividend	-	-	-	-	(5,607)	(5,607)	-	(5,607)
As at 30 September 2010	87,611	413,776	359	9,127	800,294	1,311,167	-	1,311,167
As at 1 April 2009	87,611	413,776	359	2,689	743,116	1,247,551	596	1,248,147
Profit for the period	-	-	-	-	4,868	4,868	-	4,868
Currency translation differences	-	-	-	2,158	-	2,158	-	2,158
Dividend	-	-	-	-	(4,249)	(4,249)	-	(4,249)
As at 30 September 2009	87,611	413,776	359	4,847	743,735	1,250,328	596	1,250,924

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2010

	Note	2010 HK\$'000	2009 HK\$'000
Net cash (used in)/from operating activities		(218,228)	61,340
Net cash flows used in investing activities		(139,522)	(496,967)
Net cash flows from financing activities		220,150	230,733
Decrease in cash and cash equivalents		(137,600)	(204,894)
Cash and cash equivalents, beginning of period		423,079	736,778
Cash and cash equivalents, end of period		285,479	531,884
Analysis of cash and cash equivalents	12(b)		
Cash and bank balances		238,150	419,335
Time deposits		47,329	112,549
		285,479	531,884

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

Condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. Condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 29 November 2010.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2010 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with HKFRSs.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new or revised standards, amendments and interpretations to existing standards have been published that are effective for the accounting period of the Group beginning on 1 April 2010:

- HKFRS 3 (Revised), 'Business Combinations'
- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements'
- HKAS 32 (Amendment), 'Classification of Rights Issues'
- HKAS 39 (Amendment), 'Eligible Hedged Items'
- HK(IFRIC) – Int 17, 'Distribution of Non-cash Assets to Owners'
- Improvements to HKFRSs 2008
- Improvements to HKFRSs 2009

The adoption of these new or revised standards, amendments and interpretations to existing standards has no significant impact on the Group's financial statements.

The following new or revised standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:

- HKFRS 9, 'Financial Instruments'
- HKAS 24 (Revised), 'Related Party Disclosures'
- HK(IFRIC) – Int 14 (Amendment), 'Prepayments of a Minimum Funding Requirement'
- HK(IFRIC) – Int 19, 'Extinguishing Financial Liabilities with Equity Instruments'
- Improvements to HKFRSs 2010

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Revenue		
Contracting of building construction, plumbing, renovation, maintenance and fitting-out projects	834,343	1,106,250
Electrical and mechanical installation	693,002	519,626
Building materials trading	19,270	13,892
Property investment and development	755	1,325
Others	4,070	4,777
	1,551,440	1,645,870

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

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Construction HK\$'000	Electrical and mechanical installation HK\$'000	Building materials trading HK\$'000	Property investment and development HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended						
30 September 2010						
Total sales	834,343	731,223	125,363	755	12,749	1,704,433
Inter-segment sales	-	(38,221)	(106,093)	-	(8,679)	(152,993)
External sales	834,343	693,002	19,270	755	4,070	1,551,440
Segment results	(30,158)	12,700	1,651	22,902	(2,349)	4,746
Unallocated income						867
Operating profit						5,613
Finance costs	(1,298)	(252)	(995)	(260)	(545)	(3,350)
Share of profit of jointly controlled entities	10,831	-	38	-	-	10,869
Share of loss of an associate	-	(17)	-	-	-	(17)
Profit before income tax						13,115
Income tax expense						(3,012)
Profit for the period						10,103
Capital expenditure	7,899	876	25,479	35,914	275	70,443
Depreciation	6,762	1,500	11,022	-	508	19,792
Amortisation of leasehold land and land use right	87	-	633	-	592	1,312
Amortisation of intangible assets	-	528	-	-	-	528
Fair value gain on investment properties, net	-	-	-	(25,526)	-	(25,526)
Other non-cash (income)/expenses, net	378	-	(285)	-	545	638
As at 30 September 2010						
Segment assets	1,126,884	423,420	366,196	742,795	44,068	2,703,363
Interests in associates	-	1,500	-	-	25	1,525
Interests in jointly controlled entity	7,674	-	-	-	-	7,674
Unallocated assets						49,641
Total assets						2,762,203

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Construction HK\$'000	Electrical and mechanical installation HK\$'000	Building materials trading HK\$'000	Property investment and development HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended 30 September 2009						
Total sales	1,111,399	550,296	95,806	1,325	13,021	1,771,847
Inter-segment sales	(5,149)	(30,670)	(81,914)	-	(8,244)	(125,977)
External sales	1,106,250	519,626	13,892	1,325	4,777	1,645,870
Segment results	1,820	12,386	(3,697)	16,946	(10,973)	16,482
Unallocated expenses						(168)
Operating profit						16,314
Finance costs	(2,095)	(9)	(344)	(282)	-	(2,730)
Share of (loss)/profit of jointly controlled entities	(1,914)	362	-	-	-	(1,552)
Share of loss of an associate	-	(147)	-	-	-	(147)
Profit before income tax						11,885
Income tax expense						(7,017)
Profit for the period						4,868
Capital expenditure	7,016	534	1,617	468,939	-	478,106
Depreciation	5,746	1,006	8,007	-	395	15,154
Amortisation of leasehold land and land use right	86	-	-	-	357	443
Amortisation of intangible assets	-	528	-	-	-	528
Fair value gain on investment properties	-	-	-	(21,706)	-	(21,706)
Other non-cash expenses, net	1,795	-	302	-	-	2,097
As at 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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Other income		
Dividend income from investments	–	78
Bank interest income	861	2,358
Interest income from subcontractors	2,810	996
Management service income from a jointly controlled entity	758	–
Sundry income	2,513	2,534
	6,942	5,966
Other gains		
Realised gain on derivative financial assets/liabilities	–	839
Fair value gain on investment properties	26,176	21,706
Unrealised gain on financial assets at fair value through profit or loss	13	71
Realised gain on financial assets at fair value through profit or loss	–	150
Unrealised gain on derivative financial assets	964	45
Gain on disposal of subsidiary companies	1,907	–
	29,060	22,811
	36,002	28,777

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. EXPENSES BY NATURE

Expenses by nature are arrived at after charging the following:

	Six months ended 30 September 2010	2009
	HK\$'000	HK\$'000
Cost of construction	1,183,111	1,275,596
Cost of inventories sold	92,665	77,999
Staff cost (including directors' emoluments)	218,385	205,722
Depreciation		
– Owned property, plant and equipment	18,380	13,824
– Leased property, plant and equipment	1,412	1,330
	19,792	15,154
-----	-----	-----
Operating lease rentals		
– Land and buildings	5,403	4,733
– Other equipment	23,267	32,040
	28,670	36,773
-----	-----	-----
Amortisation of leasehold land and land use right	1,312	443
Less: Capitalised under property, plant and equipment	(852)	–
	460	443
-----	-----	-----
Amortisation of intangible assets	528	528
Auditor's remuneration	1,509	1,414
Loss on disposal of property, plant and equipment, net	41	165
Fair value loss on investment property	650	–
Exchange loss, net	2,763	793
Direct operating expenses arising from investment properties		
– Generate rental income	139	206
– Not generate rental income	130	50
Distribution costs	5,915	4,205
Others	27,071	39,285
Total cost of sales, distribution costs, administrative and other operating expenses	1,581,829	1,658,333

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. FINANCE COSTS

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Interest on overdrafts and short-term bank loans	2,242	459
Interest on long-term bank loans repayable within five years	1,938	457
Interest on long-term bank loans repayable after five years	636	194
Interest element of finance lease payments	217	133
Total borrowing costs incurred	5,033	1,243
Less: Classified under cost of construction Capitalised under property, plant and equipment and investment properties	(984)	(477)
	(2,314)	(367)
	1,735	399
Unrealised loss on financial assets at fair value through profit or loss	936	–
Realised loss on financial assets at fair value through profit or loss	–	118
Unrealised loss on derivative financial liabilities	679	2,213
	3,350	2,730

8. INCOME TAX EXPENSE

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

8. INCOME TAX EXPENSE (CONTINUED)

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

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Overseas tax provision for the period	7,623	7,104
Under-provision of tax in prior years	52	–
Deferred income tax relating to the origination and reversal of temporary differences	(4,663)	(87)
	3,012	7,017

9. DIVIDEND

The Board of Directors does not recommend an interim dividend for the period (2009: Nil).

10. EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of earnings per share is based on:

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Net profit attributable to the equity holders of the Company	10,697	4,868

	Six months ended 30 September	
	2010	2009
Weighted average number of shares in issue during the period	438,053,600	438,053,600

Diluted earnings per share for the six months ended 30 September 2010 and 2009 are not presented as there are no potential dilutive shares during the periods.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. CAPITAL EXPENDITURE

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use right HK\$'000
Net book amount as at 1 April 2010	128,666	299,370	455,713
Additions	61,765	6,364	-
Interest capitalised	1,396	918	-
Fair value gain on investment properties, net	-	25,526	-
Currency translation differences	1,144	1,855	-
Disposals	(167)	-	-
Depreciation/amortisation charge (Note 6)	(19,792)	-	(1,312)
Net book amount as at 30 September 2010	173,012	334,033	454,401
Net book amount as at 1 April 2009	110,380	24,727	34,732
Additions	9,774	104,615	363,350
Interest capitalised	367	-	-
Fair value gain on investment properties	-	21,706	-
Currency translation differences	1,492	1,827	-
Disposals	(1,738)	-	-
Depreciation/amortisation charge (Note 6)	(15,154)	-	(443)
Net book amount as at 30 September 2009	105,121	152,875	397,639

The fair value of the Group's investment properties has been arrived at on the basis of valuations carried out by independent qualified property valuers not connected with the Group.

12. CASH AND BANK BALANCES

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Cash and bank balances	238,150	369,903
Time deposits	47,329	53,176
Restricted deposits (Note a)	101,151	143,551
	386,630	566,630

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. CASH AND BANK BALANCES (CONTINUED)

- (a) Restricted deposits are funds which are pledged against the banking facilities of the Group.
- (b) Cash and cash equivalents include the following for the purpose of the condensed consolidated cash flow statement:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Cash and bank balances	238,150	369,903
Time deposits	47,329	53,176
	285,479	423,079

13. TRADE DEBTORS, NET

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

The trade debtors are due 30 days to 150 days after invoicing depending on the nature of services or products. As at 30 September 2010, trade debtors of HK\$70,540,000 (31 March 2010: HK\$27,107,000) 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:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Overdue by:		
1-30 days	46,629	5,550
31-90 days	9,960	6,182
91-180 days	1,351	1,870
Over 180 days	12,600	13,505
	70,540	27,107

14. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	30 September 2010		31 March 2010	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Foreign currency forward contracts	716	427	499	284

The Group entered into several foreign currency forward contracts to mitigate its exchange rate exposure mainly in Renminbi arising from its operations. These forward contracts expired/will expire during the period from April 2010 to July 2011.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. SHARE CAPITAL

	Number of shares		Amount	
	30 September 2010	31 March 2010	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Ordinary shares of HK\$0.2 each				
Authorised:				
At beginning and end of the period/year	1,000,000,000	1,000,000,000	200,000	200,000
Issued and fully paid:				
At beginning and end of the period/year	438,053,600	438,053,600	87,611	87,611

16. BORROWINGS

The maturity of borrowings are as follows:

	Bank borrowings		Obligations under finance leases	
	30 September 2010 HK\$'000	31 March 2010 HK\$'000	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Within 1 year	339,900	196,392	5,989	5,351
Between 1 and 2 years	66,040	240,851	1,368	2,689
Between 2 and 5 years	259,122	33,789	-	-
After 5 years	30,217	37,877	-	-
	695,279	508,909	7,357	8,040

The borrowings are secured by certain property, plant and equipment, investment properties, leasehold land, restricted deposits and financial assets at fair value through profit or loss of the Group.

17. PAYABLES TO SUPPLIERS AND SUBCONTRACTORS

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

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Current	185,583	218,026
1-30 days	24,255	24,907
31-90 days	2,344	13,870
91-180 days	305	1,564
Over 180 days	839	573
	213,326	258,940

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

18. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

- (a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 30 September 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 liabilities 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 30 September 2010.
- (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 subcontract. 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 30 September 2010.
- (d) The Group has incurred guarantees in respect of performance bonds that amount to approximately HK\$397,468,000 (31 March 2010: HK\$369,382,000) in favour of the Group's customers.
- (e) As at 30 September 2010, the Group has capital expenditure contracted for but not yet incurred in relation to the acquisition of plant and equipment and construction of a hotel in Hong Kong and a factory in Mainland China of approximately HK\$159,434,000 (31 March 2010: HK\$52,082,000).

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

18. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Land and buildings		
– Within one year	7,081	6,428
– One year to five years	12,411	12,312
– More than five years	39,598	40,895
	59,090	59,635

19. RELATED PARTY BALANCES

Key management compensation

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

	Six months ended 30 September 2010 HK\$'000	2009 HK\$'000
Salaries and fees	7,286	5,741
Discretionary bonuses	104	–
Pension costs – defined contribution scheme	293	256
	7,683	5,997

20. FUTURE MINIMUM RENTAL RECEIVABLE

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

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Within one year	1,611	1,223
One year to five years	1,662	999
	3,273	2,222

INTERIM DIVIDEND

The Board of Directors of the Company (“the Directors”) does not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results and operation

The Group’s turnover for the six months ended 30 September 2010 was approximately HK\$1,551,440,000 (2009: HK\$1,645,870,000). In late 2009, the Group has commenced a major public construction contract in Hong Kong which contributed its turnover to a jointly controlled entity, instead of the Group’s turnover. Had the Group’s share of turnover of this contract been reported in the Group’s turnover, the Group’s turnover during the period would have increased compared with last period.

The Group recorded a gross profit of approximately HK\$69,048,000 for the period (2009: HK\$100,526,000) as a result of loss incurred from certain construction contract completed during this period. However, the Group has benefited from the fair value gain on investment properties, the tight control on administrative expenses and the share of profit of jointly controlled entities. The Group achieved an improvement in the net attributable profit from HK\$4,868,000 in 2009 to HK\$10,103,000 in the current period.

As at 30 September 2010, the total contract sum of the Group’s contracts in hand (excluding joint venture contract) is approximately HK\$9,373 million, including construction contracts and electrical and mechanical installation contracts. The estimated remaining works (excluding joint venture contract) as at 30 September 2010 was approximately HK\$4,942 million. In the building construction, renovation and maintenance business, six contracts with total contract sum of approximately HK\$767 million were secured during the period including two construction contracts, two renovation and fitting-out contracts in Hong Kong and two contracts in Macau after resumption of Parcel 5 & 6 of Venetian projects. Three contracts with contract sum of approximately HK\$1,935 million and a contract with contract sum of approximately HK\$1,654 million held under a jointly controlled entity were completed during the period. In the electrical and mechanical installation business, contracts secured included a contract of approximately HK\$423 million in China and that of approximately HK\$86 million regarding Venetian projects in Macau.

Subsequent to 30 September 2010, two construction contracts in Singapore with total contract sum of approximately S\$139 million (approximately HK\$819 million) and a construction contract in Hong Kong with contract sum of approximately HK\$317 million were awarded to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Movement of contracts

For the six months ended 30 September 2010 (excluding joint venture contract)

	31 March 2010 HK\$ million	Contracts secured HK\$ million	Contracts completed HK\$ million	30 September 2010 HK\$ million
Building Construction, Renovation and Maintenance	6,910	767	(1,935)	5,742
Electrical and Mechanical Installation	3,460	1,187	(1,016)	3,631
	10,370	1,954	(2,951)	9,373

The above contract value as at 30 September 2010 did not include a contract of HK\$2,896 million under a jointly controlled entity. Such contract was awarded for Construction of Public Rental Housing Development at Kai Tak Site 1B by Yau Lee – Hsin Chong Joint Venture (the “Joint Venture”). 60% of the Joint Venture is owned by Yau Lee Construction Company Limited, a wholly owned subsidiary of the Company.

Financial Position

At 30 September 2010, the Group's total cash in hand was approximately HK\$386,630,000 (31 March 2010: HK\$566,630,000) while total borrowings have increased to approximately HK\$702,636,000 (31 March 2010: HK\$516,949,000) during this period. The reduction in net cash is a result of the timing of construction revenue receipts during the period, the payments of equipment for producing environmental friendly materials and construction costs of our development projects which were partly satisfied by the Group's cash and partly from bank borrowings. The current ratio (total current assets: total current liabilities) has changed from 1.7 as at 31 March 2010 to 1.6 as at 30 September 2010.

The short-term and long-term borrowings are secured by the Group's properties, certain time deposits and financial assets at fair value through profit or loss. Interest on bank loans are charged at floating rates and the Group monitors interest rate risks continuously and considers hedging any excessive risk when necessary. The Group has been granted banking facilities of approximately HK\$1,282,566,000 (31 March 2010: HK\$948,067,000) relating to bank loans and overdrafts and approximately HK\$681,432,000 (31 March 2010: HK\$608,802,000) relating to guarantees and trade financing as at 30 September 2010, in which an amount of approximately HK\$702,636,000 (31 March 2010: HK\$516,949,000) and approximately HK\$324,000,000 (31 March 2010: HK\$290,728,000) were utilised respectively. The Group's banking facilities increased mainly because of business expansion and the financing of property development projects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Human Resources

As at 30 September 2010, the Group had approximately 2,650 (31 March 2010: 2,600) employees. There are approximately 1,800 (31 March 2010: 1,900) employees in Hong Kong, Macau and Singapore and 850 (31 March 2010: 700) 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.

Outlook

As a total solution contractor in the market, the Group will capture the opportunities arising from the improved economy of the region. The Group has developed strong expertise and excellent reputation in the building construction and renovation sector and will continue to actively explore both public and private projects in Hong Kong. The Group has also gained strong reputation in the region from its recent work in Macau and Singapore and has secured new contracts in these new markets and will continue the momentum. Together with the strong contract base of the electrical and mechanical engineering business in Hong Kong, Mainland China and Macau, the Group has greatly diversified its businesses geographically and built up a solid foundation for future business growth.

The Group is currently building up its new factory in Huizhou, Mainland China to enhance its production capabilities and develop environmental friendly building materials under Starfon trademark. The enhanced capacity and capabilities will allow the Group to secure more materials supply contracts with better pricing to support the future expansion in our trading business especially in green business.

The Group's property redevelopment projects are all moving ahead in good progress. The Holiday Inn Express Hong Kong SoHo in Sheung Wan is targeted to be launched in 2012 and the Group is aiming at building an environmental friendly hotel to fulfill our corporate social responsibility. The other properties in Tokwawan and Kwun Tong are planned to be redeveloped into residential and commercial premises respectively and the statutory procedures are being gone through. The Group has enjoyed the asset inflation from these properties and upon completion of redevelopment, the Group will maintain a balanced property investment portfolio with stable income source. Overall, the Group's solid foundation and diversified businesses will be a strong driver for business growth in future to enhance shareholders' return.

DIRECTORS' INTERESTS

At 30 September 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 The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Shares of HK\$0.2 each in the Company

Director	Number of shares held	
	Corporate interest	Percentage
Mr. Wong Ip Kuen	238,091,599	54.35%

The shares referred to above are registered in the names of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 7,412,000 shares. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Investment Company Limited and Billion Goal Holdings Limited. All Fine Investment Company Limited and Billion Goal Holdings Limited are incorporated in the Cook Islands and the British Virgin Islands respectively. Mr. Wong Ip Kuen is a director of both All Fine Investment Company Limited and Billion Goal Holdings Limited.

During the period ended 30 September 2010, none of the Directors and chief executives (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

At no time during the period was the Company, its subsidiaries, its associates or its jointly controlled entities a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

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

At 30 September 2010, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, the Company's listed securities for the six months ended 30 September 2010.

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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 the purpose of refinancing the subsidiary's existing indebtedness and financing or refinancing its property development project.

Pursuant to the loan agreement, it shall be an event of default if Mr. Wong Ip Kuen, the controlling shareholder of the Company, and his family, hold directly or indirectly less than 40% of the equity interest and voting shares of the Company. The occurrence of the aforesaid event of default would render all outstanding liabilities and indebtedness of the subsidiary under the loan agreement to become immediately due and payable. As at 30 September 2010 and up to the date of this Report, there is no breach of this covenant.

CORPORATE GOVERNANCE

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality board, better transparency, and effective accountability system in order to enhance shareholders' value. Detailed disclosure of the Company's corporate governance practices is available in the 2010 Annual Report.

COMPLIANCE WITH LISTING RULES

In the opinion of the Directors, the Company has complied with the requirements of the Code as set out in Appendix 14 of the Listing Rules for the period ended 30 September 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 29 November 2010