

RESULTS OF THE YEAR

The consolidated turnover of Yau Lee Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March 2004 was HK\$1,069,158,000 compared with HK\$933,992,000 in 2003. The gross profit, however, decreased to HK\$105,845,000 (2003: HK\$113,187,000). The decline in gross profit is mainly caused by the continuing decline in the number of construction projects from the public sector which leads to intensive competition as well as declining tender pricing. However, owing to stringent control on administration costs, and no further provision is required for interests in associated companies, development costs and patent costs, the Group achieved a profit before taxation of HK\$703,000 (2003: loss of HK\$13,121,000).

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$0.01 per share (2003: Nil) for the year ended 31st March 2004. Subject to shareholders' approval at the forthcoming Annual General Meeting, the final dividend will be paid on 22nd September 2004 to shareholders whose names appear on the Company's register of members on 20th August 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16th August 2004 to Friday, 20th August 2004, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificate must be lodged with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 13th August 2004.

REVIEW OF OPERATION

Building Construction, Building Renovation and Maintenance

During the year under review, the Group's wholly owned subsidiary, Yau Lee Construction Company Limited ("Yau Lee Construction") has successfully completed five contracts with a total contract value of HK\$910,000,000. The contracts completed are Development of Tung Chung Area 31 Phase 3, District Term Contract for the Maintenance and the Vacant Flats Refurbishment of Tsing Yi District 2001/2003, Conversion and Extension to Existing Schools – Group 2 under School Improvement Programme Phase IV Package 1, Development of Tin Shui Wai Area 102 Phase 3 and Hong Kong International Airport Toilet Improvement Works Phase IV.

Despite the current difficult business environment in Hong Kong, Yau Lee Construction was able to secure seven new contracts with a total contract value of HK\$1,490,000,000 through competitive tender prices achieved by successful cost control and efficiency enhancement. As a result, the total value of contracts in hand as at 31st March 2004 was HK\$3,506,000,000, representing an increase of HK\$391,000,000 from the previous year. These new contracts include two design and build contracts, building renovation and maintenance contracts and hospital renovation and improvement works. Subsequent to 31st March 2004, Yau Lee Construction has further obtained a public housing maintenance contract worth approximately HK\$32,000,000.

Although there are signs of recovery of the Hong Kong economy in the second half of last year, the construction industry is yet to benefit from this recovery. Pressure of the Government to reduce its budget deficit by cutting expenditure and that both private and public development activities remained at low level have intensified competition. The Group believes not only that increasing productivity through application of innovative building methods and information technologies, stringent quality control, efficient safety and environmental management will achieve cost control objectives. These measures will also enable the Group to capture other potential business opportunities when the business environment improves.

Awards received by Yau Lee Construction and its employees during the year:

1. the "Silver Award for Outstanding Contractor under the Building Category" for the **Quality Public Housing Construction & Maintenance Award 2003**.
2. the "Bronze Award for Outstanding Contractor under the District Term Contract Category" for the **Quality Public Housing Construction & Maintenance Award 2003**.
3. the "Outstanding Site Team" and "Outstanding Supervisor" for the **Quality Public Housing Construction & Maintenance Award 2003**.
4. the "Considerate Site Award" for the **Considerate Contractors Site Award Scheme** (Tung Chung Area 31 Phase 2).
5. the "Considerate Site Award" for the **Considerate Contractors Site Award Scheme** (Tung Chung Area 31 Phase 3).
6. the "Site Cleanliness and Tidiness Grand Award – Bronze Award (Non-Public Works)" for the **Considerate Contractors Site Award Scheme** (Tung Chung Area 31 Phase 2).
7. the "Silver Award for Building Sites (Public Sector)" for **Safety Award Scheme for the Construction Industry** (Education Resource Centre Cum Public Transport Interchange at Kowloon Tong).
8. the "Silver Award for Building Sites (Public Sector)" for **Safety Award Scheme for the Construction Industry** (Redevelopment of Kwai Chung Estate Phase 3).
9. the "Bronze Award for Building Sites (Public Sector)" for **Safety Award Scheme for the Construction Industry** (Tung Chung Area 31 Phase 2).
10. the "Bronze Award and two Merit Awards for Safety Team" for **Safety Award Scheme for the Construction Industry** (Education Resource Centre Cum Public Transport Interchange at Kowloon Tong, Redevelopment of Kwai Chung Estate Phase 3 and Tung Chung Area 31 Phase 2).
11. the "Safety Worker Award for Safety Team" for **Safety Award Scheme for the Construction Industry**.

Building Components Trading and Manufacturing

Despite the fact that the construction market has not yet recovered, the Group's prefabricated building components business has been able to achieve business growth through development of new products and expansion into the private sector. The Group's wholly owned subsidiary, Yau Lee Wah Concrete Precast Products Company Limited ("Yau Lee Wah") has successfully obtained contracts with an estimated total value of HK\$140,000,000, including projects from the Government as well as private property developers. In the near future, Yau Lee Wah will continue to explore new markets and businesses, as well as striving for contracts of precast products and other building materials from both public and private sectors.

Property Development

The Group purchased a combined site for development at Sharp Street East and Yiu Wah Street in Causeway Bay in 2001. The development site area is approximately 10,500 square feet and has been built into a 27-storey commercial building, named as "33 Sharp Street East". The project was completed and occupation permit was issued in December 2003. A number of floors have been leased to various restaurants and catering groups which have already started their respective operations in the first and second quarters of 2004. The leases will generate a constant stream of rental income to the Group.

Information Technology

The Group's wholly owned subsidiary, VHSoft Technologies Company Limited ("VHSoft"), has been actively marketing its self-developed software systems in Hong Kong and Mainland China, as well as providing tailor-made project management, tendering system and property management software development services for public and private sectors. VHSoft has obtained over HK\$8,000,000 worth of software development contracts.

Plumbing Works and Building Material Trading

Ming Hop Company Limited ("Ming Hop") of the Group specialises in plumbing works and building materials trading. In addition to providing reliable installation and design services to Yau Lee Construction's projects, Ming Hop has successfully entered the plumbing and drainage maintenance market for private buildings. Going forward, Ming Hop will continue to focus on both streams of business.

OUTLOOK

Although Hong Kong economy has started to improve in the third quarter of 2003, the business environment in the construction industry has remained difficult. Due to the reduction in Government spending to ease the budget deficit, a complete revival of the construction industry is not expected in the near future, and the Group's outlook has also been affected. However, the Group will continue its effort in cost control and productivity enhancement to maintain the Group's competitive advantages on pricing and technology. The above measures are expected to increase the Group's competitiveness in tendering of Government building and maintenance contracts and will sustain the Group's profitability. At the same time, the Group will diversify its precast module and building material businesses to seek opportunities in local, mainland and overseas

markets. The management believes, following the opening of 33 Sharp Street East and its continuous tenanting, together with the Group's solid strength and concrete experience, application of advanced construction techniques and technologies, the objectives of further cost control and increasing competitiveness can be achieved.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31st March 2004.

CODE OF BEST PRACTICE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. (the "Listing Rules").

By order of the Board

Wong Ip Kuen

Chairman

Hong Kong

20th July 2004