



YAU LEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2002

The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2002 together with comparative figures for the year ended 31st March, 2001 are as follows:–

For the year ended 31st March, 2002

(Amounts expressed in Hong Kong dollars)

	<i>Note</i>	2002 \$'000	2001 \$'000
TURNOVER	<i>1</i>	773,413	1,781,341
COST OF SALES		(656,010)	<u>(1,616,336)</u>
GROSS PROFIT		117,403	165,005
ADMINISTRATIVE EXPENSES		(113,647)	(125,150)
OTHER INCOME, NET		10,460	<u>5,933</u>
OPERATING PROFIT	<i>2</i>	14,216	45,788
FINANCE COSTS		(4,688)	<u>(1,591)</u>
PROFIT BEFORE SHARE OF PROFIT (LOSS) OF ASSOCIATED COMPANIES AND TAXATION		9,528	44,197
SHARE OF PROFIT (LOSS) OF ASSOCIATED COMPANIES, NET		809	<u>(1,120)</u>
PROFIT BEFORE TAXATION		10,337	<u>43,077</u>
TAXATION			
Company and subsidiaries		(2,968)	(9,696)
Associated companies		(411)	<u>(635)</u>
	<i>3</i>	(3,379)	<u>(10,331)</u>
PROFIT AFTER TAXATION		6,958	32,746
MINORITY INTERESTS		(503)	<u>(592)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		6,455	<u>32,154</u>
DIVIDENDS		–	<u>(13,257)</u>
EARNINGS PER SHARE	<i>4</i>	1.46 cents	<u>7.28 cents</u>

A separate statement of recognised gains and losses is not presented because there were no recognised gains or losses other than the net profit for the year.

Notes:

1. Turnover

The Group's Turnover and gross profits for the year were derived principally from the contracting of building contracts, maintenance and decoration projects in Hong Kong SAR.

	2002		2001	
	Turnover	Gross Profit	Turnover	Gross Profit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracting of building construction, maintenance and decoration projects	744,469	111,075	1,713,508	142,673
Others	28,944	6,328	67,833	22,332
	<u>773,413</u>	<u>117,403</u>	<u>1,781,341</u>	<u>165,005</u>

2. Profit from Operations

Operating profit is stated after charging (crediting) the following:

	2002	2001
	\$'000	\$'000
Depreciation		
– Owned assets	23,755	20,208
– Assets held under finance lease contracts	1,280	4,439
	<u>25,035</u>	<u>24,647</u>
Less: Amount recorded as construction costs	(8,780)	(10,950)
	<u>16,255</u>	<u>13,697</u>
Staff costs (excluding Directors)	151,585	184,807
Less: Amount recorded as construction costs	(107,596)	(138,040)
	<u>43,989</u>	<u>46,767</u>
Amortisation of development costs	1,195	287
Amortisation of patents and trademarks	35	–
Operating lease rental of		
– Land and buildings	5,087	4,169
– Other equipment	13,743	31,043
	<u>18,830</u>	<u>35,212</u>
Less: Amount recorded as construction costs	(13,793)	(30,464)
	<u>5,037</u>	<u>4,748</u>

3. Taxation

	2002	2001
	\$'000	\$'000
Company and subsidiaries		
Provision for Hong Kong profits tax in respect of the estimated assessable profit for the year at 16% (2001 – 16%)	8,353	10,779
(Over)-Under provisions in prior years	(2,741)	867
Provision for deferred tax	(2,644)	(1,950)
	2,968	9,696
Share of taxation attributable to:		
Associated companies	411	635
	3,379	10,331

4. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$6,455,000 (2001: \$32,154,000) and on the weighted average of 440,949,600 (2001: 441,976,994) shares in issue during the year.

Diluted earnings per share is not presented as there are no dilutive potential shares for the options granted under the Company's share option scheme.

The earnings per share of 2001 is restated as 7.28 cents due to correction of the calculation of weighted average numbers of shares.

RESULT FOR THE YEAR

The turnover for the year ended 31st March 2002 of the Group was HK\$773,413,000 as compared to HK\$1,781,341,000 in 2001. The profit before tax has also decreased to 10,337,000 from HK\$43,077,000 in 2001. The decline in profit and turnover were mainly caused by the significantly intensified competition and declining tender prices for public contract as a result of the contraction of the construction market since 2000.

DIVIDENDS

The Board of Directors does not recommend the payment of a final dividend (2001 – HK1.4 cents per share) for the year ended 31st March, 2002.

REVIEW OF OPERATION

Construction

During the year under review, the Group has successfully completed four contracts with a total contract value of HK\$2,811 million. The contracts completed are Development of Cheung Sha Wan West Phase 1, Development of Cheung Sha Wan West Phase 2, Development at Po Lam Road Phase 4 and Design and Construction of Government Quarters at Fanling Area 28A.

Although the business environment in Hong Kong was difficult in both the economy in general and the construction industry the Group was able to secure five contracts with a total contract value of HK\$1,806 million. As a result the total value of contracts in hand as of 31st March, 2002 was HK\$2,276 million. Subsequent to 31st March, 2002 the Group has secured a 3 year Term Contract for the Design and Construction of Fitting-out works to Building and Lands (Kowloon and New Territories – Western Region) with an estimated value of HK\$550 million.

The Group believes that Quality, Safety and Environmental Management are the keys to remain the Group's competitiveness in difficult time. Therefore the group has never compromised in these areas despite the fall in tender prices. In fact, effective quality management has resulted in quality workmanship hence reduced costs for remedial works. Moreover, performance in these respects will enhance the Group's chance of tendering for future government contracts. The Group's efforts were also evidence by the winning of the following awards by Yau Lee Construction Company Limited ("Yau Lee Construction") during the year:

- (i) two Certificates of Appreciation presented by the Hong Kong Housing Authority in recognition of the commendable performance in the construction of Fanling Area 49A Phase 1 and the Housing Development of Po Lam Road Phase 4;
- (ii) a Certificate of Appreciation presented by the Hong Kong Housing Authority in recognition of the commendable site safety performance in the construction of Cheung Sha Wan West Phase 2;
- (iii) a Certificate of Merit from the Hong Kong Eco - Business Awards – Green Construction Contractor (Tseung Kwan O Area 73A Phase 2);
- (iv) the Bronze Award from the Occupational Safety and Health Council for Good House Keeping Plan (Relocation of Tang Siu Kin Hospital A&E Department to Ruttonjee Hospital);
- (v) two Certificates of Merit from the Occupational Safety and Health Council for Good House Keeping Plan (Tseung Kwan O Area 73A Phase 2 and Tung Chung Area 31 Phase 3);
- (vi) the Silver Award for the Safety Team for Building Sites of the 2001 Construction Industry Safety Award (Tung Chung Area 31 Phase 3)
- (vii) an Award of Merit for Safety Team for Building Site for the 2001 Construction Industry Safety Award Scheme (Tseung Kwan O Area 73A Phase 2)
- (viii) three Awards for Merit for Building Sites for the 2001 Construction Industry Safety Award Scheme (Relocation of Tang Siu Kin Hospital A&E Department to Ruttonjee Hospital, Tung Chung Area 31 Phase 3 and Tseung Kwan O Area 73A Phase 2)

Apart from the above awards, the Group's active participation in the waste reduction and proactive environmental protection measures has resulted in the Group being one of the first contractors to be awarded with the "Gold" Wastewise Logo in June 2001 and the ISO14000 certification in October 2001.

Building Components Trading and Manufacturing

The rapid contraction of the construction market has also adversely affected the Group's prefabricated building components business which is operated under a wholly owned subsidiary, Yau Lee Wah Concrete Precast Products Limited ("Yau Lee Wah"). Contribution from Yau Lee Wah's operation has therefore decreased sharply. However new products developed were well received by our clients and successfully launched and installed at the Tseung Kwan O Area 73A Phase 2 project. A number of new products to suit different usages have been developed and introduced to the market with encouraging responses.

Property Development

The Group purchased a combined site for development at 23-45 Sharp Street East and 11-13 Yiu Wah Street in Causeway Bay during the year at a total consideration of HK\$299,800,000. The development site area is approximately 10,500 square feet and will be built into a 26-storey building with gross floor area of approximately 155,000 square feet. The development work has been progressing smoothly and is expected to be completed in the third quarter of 2003. Marketing activities for the development will begin at about one year before the expected completion of the development. The Group's present intention is to hold the property as a long term investment for rental returns.

Information Technology

The Group's wholly owned subsidiary, VHSoft Technologies Company Limited, which specialised in construction IT services started to generate revenue in Hong Kong and in the Mainland during the year. Promotional activities various cities in the Mainland have also received encouraging feedback. The web based construction project management platform, VHBuild, has secured a number of projects in Hong Kong and in the Mainland. The Group has offices in Beijing, Shanghai, Nanjing and Shenzhen to support IT development and marketing activities.

OUTLOOK

As the market condition becomes stabilised and the Government's commitment to accelerate public construction projects to stimulate the economy, the Group foresee a slightly better operating conditions in the coming year. Yau Lee Construction will continue to participate in the tendering of government building and maintenance contracts and at the same time keep an eye on opportunities available in the private sector. Yau Lee Wah will try to capitalise on its new products with a view to increase revenue sources. However, as the market is not likely to bounce back to the level of two years ago, efforts on cost control will be tightened to maintain the Group's competitiveness. In fact the Group has set out targets for cost savings including salary reduction for different operation units to follow.

With its ample experience in the construction industry, innovative products and technologies development, the Group believes it is able to face the challenge in this difficult business environment and capture the limited opportunities available.

FINANCIAL REVIEW

AT 31st March, 2002 the Group's total cash in hand was HK\$150,477,000 (2001: HK\$265,418,000) and bank borrowings increased from Nil in 2001 to HK\$315,812,000. This was mainly due to a long-term bank loan drawn to finance the acquisition and development of the property at Causeway Bay. As result of this, the Group's net debt (total bank borrowings less total cash in hand) to equity ratio has increased to 26.8% (2001: 0%). If the long-term loan is excluded the Group has a net debt of only HK\$435,000 (2001: Nil).

The current ratio (total current assets: total current liabilities) has also slightly decreased to 1.71 (2001: 2.09) due to the decrease in cash utilised to purchase the property in Causeway Bay. Net current assets has also decreased to HK\$225,566,000 from HK\$372,058,000 as a result. In addition, the Group's total banking facility, including both short and long term financing, amount to HK\$665 Million (2001: HK\$352 Million) of which HK\$348 Million was unutilised at 31st March, 2002 (2001: HK\$352 Million). The banking facilities are secured by time deposits and certain properties owned by the Group. Therefore the Group's overall liquidity remains at a very healthy level.

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, 2002.

CODE OF BEST PRACTICE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules

INFORMATION TO BE PUBLISHED ON THE STOCK EXCHANGE'S WEBSITE

Information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing rules will be published on the Stock Exchange's website in due course.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 17th July, 2002

The full version of this announcement can also be accessed on the following url:

- (i) <http://www.yaulee.com>; and
- (ii) <http://www.irasia.com/listco/hk/yaulee>

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2002 Annual General Meeting of Yau Lee Holdings Limited (the “Company”) will be held on Thursday, 22nd August, 2002 at 10:00 a.m. at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong or the following purposes:–

1. To receive and consider the audited consolidated financial statements and the Reports of the Directors and Auditors for the year ended 31st March, 2002.
2. To re-elect the Directors and to authorise the Board of Directors to fix their remuneration.
3. To re-appoint the Auditors and to authorise the Board of Directors to fix their remuneration.
4. As a special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:–

ORDINARY RESOLUTIONS

(A) THAT:–

there be granted to the Directors of the Company an unconditional general mandate to purchase shares of HK\$0.20 each in the capital of the Company, and that the exercise by the Directors of the Company of all powers of the Company to purchase shares of the Company subject to and in accordance with all applicable laws, and to make or grant offers, agreements and options which might require the exercise of such power be and are hereby generally and unconditionally approved, subject to the following conditions:–

- (a) such mandate shall not extend beyond the Relevant Period;
- (b) the aggregate nominal amount of share capital of the Company to be purchased or agreed conditionally or unconditionally to be purchased by the Directors of the Company during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this resolution; and
- (c) for the purposes of this resolution:–

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:–

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the bye-laws of the Company or any applicable law of Bermuda to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the share holders of the Company in general meeting.

(B) THAT:–

there be granted to the Directors of the Company an unconditional general mandate to issue, allot and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:–

- (a) such mandate shall not extend beyond the Relevant Period save that the Directors of the Company may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (b) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company, other than pursuant to a Rights Issue or the exercise of the share warrants or any share option scheme or with the consent of the Company in general meeting, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution; and
- (c) for the purposes of this resolution:–

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:–

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the bye-laws of the Company or any applicable law of Bermuda to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligation under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, or in any territory outside, Hong Kong).

(C) THAT

conditional upon the passing of Ordinary Resolutions (A) and (B) as set out in the notice of this meeting, the aggregate nominal amount of the shares in the capital of the Company which are purchased by the Company pursuant to and in accordance with Ordinary Resolution (A) aforesaid shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to and in accordance with Ordinary Resolution (B) aforesaid.

6. To transact any other ordinary business of the Company.

By Order of the Board
Chui Man Lung, Everett
Company Secretary

Hong Kong, 17th July, 2002

Notes:–

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy needs not be a member of the Company.
2. In order to be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority, must be deposited at the principal place of business of the Company in Hong Kong at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof.