



YAU LEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2003

The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2003 together with comparative figures for the year ended 31st March 2002 as follows:–

For the year ended 31st March 2003

(Amounts expressed in Hong Kong dollars)

	<i>Note</i>	2003 HK\$'000	2002 HK\$'000
Turnover	<i>1</i>	933,992	773,413
Cost of sales		(820,805)	(656,010)
Gross profit		113,187	117,403
Other revenues		2,545	6,508
Administrative expenses		(102,194)	(113,647)
Other operating (expenses)/income, net		(644)	3,952
Operating profit	<i>2</i>	12,894	14,216
Finance costs		(6,278)	(4,688)
Provision for impairment of patents, trademarks and development costs		(13,298)	–
Provision for impairment of interests in associated companies		(10,080)	–
Share of profit of associated companies		3,641	809
(Loss)/profit before taxation		(13,121)	10,337
Taxation	<i>3</i>	(5,595)	(3,379)
(Loss)/profit after taxation		(18,716)	6,958

Minority interests		<u>(260)</u>	<u>(503)</u>
(Loss)/profit attributable to shareholders		<u>(18,976)</u>	<u>6,455</u>
Dividend		<u>—</u>	<u>—</u>
(Loss)/earnings per share	4	<u>(4.30) cents</u>	<u>1.46 cents</u>

Notes:

1. Turnover

The Group's turnover and operating profit/(loss) for the year were derived principally from the contracting of building contracts, maintenance and fitting out projects in Hong Kong SAR.

	2003		2002	
	Turnover	Operating	Turnover	Operating
	HK\$'000	profit/(loss)	HK\$'000	profit/(loss)
		HK\$'000		HK\$'000
Contracting of building construction, maintenance and fitting out projects	913,198	31,062	744,469	40,144
Others	20,794	(18,168)	28,944	(25,928)
	<u>933,992</u>	<u>12,894</u>	<u>773,413</u>	<u>14,216</u>

2. Operating profit

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

	2003	2002
	HK\$'000	HK\$'000
Depreciation		
– Owned assets	24,256	23,755
– Lease fixed assets	764	1,280
	<u>25,020</u>	<u>25,035</u>
Operating lease rental of		
– Land and buildings	4,417	5,087
– Other equipment	13,616	13,743
	<u>18,033</u>	<u>18,830</u>
Cost of inventories	49,982	43,544
Provision for doubtful debts	645	1,674
Write-off of doubtful debts	119	259
Provision for other investments	247	2,161
Write-off of obsolete inventories	548	—

Auditors' remuneration	960	988
Unrealised losses on short-term investments	1,073	1,571
Loss/(gain) on disposal of fixed assets	413	(22)
Exchange gain, net	(148)	(160)

3. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2003 HK\$'000	2002 HK\$'000
Company and subsidiaries		
Provision for Hong Kong profits tax in respect of the estimated assessable profit for the year at 16% (2002: 16%)	5,694	8,353
Over provisions in prior years	(24)	(2,741)
Reversal of deferred taxation	(102)	(2,644)
	5,568	2,968
Share of taxation attributable to associated companies	27	411
	5,595	3,379

4. (Loss)/earnings per share

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$18,976,000 (2002: profit of HK\$6,455,000) and on the weighted average of 440,949,600 (2002: 440,949,600) 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.

RESULT OF THE YEAR

The Group's turnover for the year ended 31st March 2003 was HK\$933,992,000 compared to HK\$773,413,000 in 2002. The operating profit has decreased by 9% from HK\$14,216,000 in 2002 to HK\$12,894,000 this year. The decline in operating profit is mainly caused by intensive competition as well as declining tender price as a result of the contraction of the construction market in general and the continuing decline in the number of construction projects from the public sector. However, owing to the effective measures such as stringent cost control, efficiency and quality enhancement and total co-operation and commitment of staff members, the operating profit margin has decreased by only 0.4%. However one-off provisions for certain interests in associated companies which include a 25% interest in a property project in the Mainland China, information technology research and development costs and application costs for several patent rights totaling HK\$23,378,000 have caused the Group to suffer a net loss of HK\$18,976,000 (2002: profit of HK\$6,455,000).

DIVIDENDS

The Board of Directors does not recommend the payment of a final dividend for the year ended 31st March 2003 (2002: Nil).

REVIEW OF OPERATION

Construction

During the year under review, the Group has successfully completed two contracts with a total value of HK\$571 million. The contract completed are Development at Tseung Kwan O Area 73A and the Transfer of Emergency Room of Tang Shiu Kin Hospital to Ruttonjee Hospital.

Although the business environment in Hong Kong was difficult, the Group was able to secure four contracts with a total contract value of HK\$1,215 million through competitive tenders prices achieved by successful cost control and efficiency enhancement. As a result, the total value of contracts in hand as of 31st March 2003 was HK\$3,115 million, an increase of HK\$800 million from 31st March 2002. Subsequent to 31st March 2003, the Group further secured two contracts with total value of HK\$610 million.

As a result of the decline in construction industry and the pressure of the Government to reduce its budget deficit, the number of both private and public developments have decreased substantially and the competition has intensified. The Group believes that productivity and competitiveness enhancement, quality, safety and environmental management are the keys to survive and success in this difficult time. Despite the continuous drop in tender prices, the Group's ability to effectively control the costs through new and improved construction methods, application of information technologies, efficiency enhancement and uncompromising quality and safety controls have resulted in the Group's subsidiary Yau Lee Construction Company Limited's ("Yau Lee Construction") success in acquiring of various contracts and awards during the year. This is evidence of the Group's effort being recognised by the industries and will improve the prospect of the Group's future acquisition of government contracts.

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

1. the "Silver Award" for the Building Sites (Public Sector)" for the **"Safety Award Scheme for the Construction Industry"** (Tung Chung Area 31 Phase 3)
2. a "Certificate of Merit for the Building Sites (Public Sector)" for the **"Safety Award Scheme for the Construction Industry"** (Redevelopment of Kwai Chung Estate Phase 3)
3. three Awards for "Safety Teams" and "Safety Workers" for the **"Safety Award Scheme for the Construction Industry"** (Redevelopment of Kwai Chung Estate Phase 3, Conversion and Extension to existing schools – Group 2 under School Improvement Programme Phase IV Package I and the Development of 33 Sharp Street East)
4. the "Considerate Contractors Site Award" for the **"Considerate Contractors Site Award Scheme"** (Relocation of Tang Siu Kin Hospital A&E Department of Ruttonjee Hospital and the Development of 33 Sharp Street East)

5. a “Merit Award for Best Safe Working Cycle Site” in the **“Safety Working Cycle Competition”** (Tung Chung Area 31 Phase 3)
6. a “Merit Award for Best Foreman/Supervisor” in the **“Safety Working Cycle Competition”** (Tung Chung Area 31 Phase 3)
7. the “Bronze Award for Best Project Manager/Site Agent” in the **“Safety Working Cycle Competition”** (Tung Chung Area 31 Phase 3)
8. the “Bronze Award for Best Hazard Identification Activity Team (E&M)” in the **“Safety Working Cycle Competition”** (Tung Chung Area 31 Phase 3)
9. the “Bronze Award for Presentation” in the **“Safety Working Cycle Competition”** (Tung Chung Area 31 Phase 3)
10. the “Outstanding Contractor – District Term Contract – Gold Award” in the **“Excellent Estate Maintenance Services Award 2002”** (District Term Contract for the Maintenance and the Vacant Flat Refurbishment)
11. the “Outstanding Supervisor” and “Outstanding Worker” award in the **“Excellent Estate Maintenance Services Award 2002”** (District Term Contract for the Maintenance and the Vacant Flat Refurbishment)

Apart from the above awards, the Group’s ISO9002: 2000 certification by HKQAA in August 2003, included “Building Design” and “Renovation Design”, which will become a great asset to our tendering of design and build contracts in the future.

Building Components Trading and Manufacturing

The continuous downturn of the market has also adversely affected the Group’s prefabricated building components business. However, the Group’s wholly owned subsidiary, Yau Lee Wah Concrete Precast Products Limited (“Yau Lee Wah”) has successfully obtained several contracts with an estimated total value of HK\$100 million, which ensure that there will be adequate volume of work for the coming year. In the coming future, Yau Lee Wah will explore new markets and new businesses. Yau Lee Wah has developed a new metal formwork business line and has planned to participate in several construction products exhibitions in North America, Europe and Japan to further introduce its products to overseas market. Besides, Yau Lee Wah has obtained ISO9001: 2000 certification and implemented Total Quality Management to increase its competitiveness through production process improvement, cost control and management optimization.

Property Development

The Group purchased a combined site for development at Sharp Street East and Yiu Wah Street in Causeway Bay in 2001 with a total consideration of HK\$299,800,000. The development site area is approximately 10,500 square feet and will be built into a 27-storey commercial building, tentatively named “33 Sharp Street East”, with gross floor area of approximately 156,000 square feet. The development work has been progressing smoothly and at its final stage. It is expected to be completed by the end of the third quarter of 2003. Marketing activities for the leasing of units has begun in the second quarter of

2003. The second stage of marketing activities will begin before the issue of the occupation permit. The estimated total investment for the whole development is approximately HK\$500 million. Based on the current market rental level, the property is expected to generate a constant stream of rental income to the Group.

Information Technology

In respect of information technology and construction software business, the Group's wholly owned subsidiary, VHSoft Technologies Company Limited ("VHSoft"), has been actively engaged in products development and market development activities. In Hong Kong, VHSoft was awarded the "Certificate of Merit – 2002 Hong Kong Awards for Industry" by the Industry Department and had successfully acquired contracts from Hong Kong Housing Authority. VHSoft's business in Mainland China is progressing well. It has established branches in Shenzhen, Nanjing, Shanghai and Beijing for agency management and support. VHSoft aims to capture the opportunities and expand its market share in the light of China's admission to the WTO and the increasing infrastructure development. At the same time, product development operation has been relocated to Mainland China to lower the cost.

Building Renovation and Maintenance

As the demand of building renovation and maintenance is increasing, the Building Renovation and Maintenance Division of Yau Lee Construction has introduced the Group's technological advanced project management tools and "Simple Partition System" into new projects to improve efficiency and reduce the cost. The type of contracts includes schools, government departments, public estates and public facilities improvement projects, renovation and maintenance works, etc. The division has received "Certificate of Quality Maintenance Contractors" from the Director of Housing and was awarded the "Outstanding Contractor – District Term Contract Award" in September 2002.

Plumbing Works and Building Material Trading

The Group's wholly owned subsidiary, Ming Hop Company Limited ("Ming Hop"), which specialises in plumbing works and building material trading, has upgraded the ISO9002 certificate to ISO 9001:2000 in December 2002 and was awarded the "Gold Award for Building Sites (Sub-contractor)" of the "Safety Award Scheme for the Construction Industry". In the coming year, Ming Hop will try to expand its plumbing work business to the private sector.

OUTLOOK

Due to weak sentiment of the Hong Kong Economy, the difficult business environment in the construction industry and the reduction in Government spending to ease the budget deficit, a complete revival of the construction industry is not expected in the near future. The Group's business prospect is definitely affected. However the Group will continue its efforts in costs control, productivity enhancement to maintain the Group's competitive advantages on technology and pricing. The above measures will 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 business opportunities in local and overseas markets. The management believes, empowered by the Group's solid strength and concrete experience, together with the application of advanced construction techniques and new technologies, the objective of further cost control and increasing competitiveness can be accomplished.

FINANCIAL REVIEW

For the year ended 31st March 2003, the Group has achieved a growth of turnover by 20.8% from HK\$773,413,000 in 2002 to HK\$933,992,000 this year in a competitive operating environment for the construction market in Hong Kong. However due to the decrease in awarded tender price and continuing contraction of construction market in Hong Kong, the gross profit ratio has decreased from 15.2% in 2002 to 12.1% in 2003.

At 31st March 2003, the Group's total cash in hand was HK\$161,281,000 (2002: HK\$150,477,000) and bank borrowings increased from HK\$315,812,000 in 2002 to HK\$429,647,000. The increase in bank borrowings was due to financing requirement of the property development at 33 Sharp Street East and the increased number of construction projects in progress.

The Group's net debt (total bank borrowings less total cash in hand) to equity ratio increased to 44.9% (2002: 26.8%). The increase was mainly due to the drawdown of the bank loan to finance the property under development. If the property development loan is excluded the Group has a net debt of only HK\$57,466,000 (2002: HK\$435,000) representing a net debt to equity ratio of 9.6% (2002: 0.1%). As a result of the reclassification of the long term loan for property development to current liabilities (as the loan is due for renewal within the coming year), the current ratio (total current assets: total current liabilities) has dropped to 1.0 as compared to 1.7 of 2002 and the Group's net current assets decreased from HK\$225,566,000 in 2002 to HK\$2,714,000.

The short-term and long-term bank borrowings are secured by the Group's property under development, investment in unit trust and certain time deposits. The total bank facilities granted to the Group at 31st March 2003 was approximately HK\$693 million (2002: HK\$665 million), of which HK\$432 million (2002: HK\$317 million) had been utilised.

HUMAN RESOURCES

At 31st March 2003, the Group employed approximately 600 employees in Hong Kong and approximately 350 employees in the Mainland China.

Employees in Hong Kong are either paid on a monthly salary basis or daily wages basis. Salaried employees are entitled to benefits according to seniority such as discretionary bonus which are based on their performance, double pay, defined contribution provident funds, annual leave, employer sponsored trainings and others.

Employees in the Mainland China are remunerated according to the prevailing market conditions in the location of their employment.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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”).

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 website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Wong Tin Cheung
Vice Chairman

Hong Kong, 16th July 2003

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 2003 Annual General Meeting of Yau Lee Holdings Limited (the “Company”) will be held on Friday, 22nd August, 2003 at 10:00 a.m. at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong for 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 2003.
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.

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

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

Hong Kong, 16th July 2003

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.