



YAU LEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 406)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2004

The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2004 together with comparative figures for the year ended 31st March 2003 as follows:–

For the year ended 31st March 2004

(Amounts expressed in Hong Kong dollars)

	Note	2004 HK\$'000	As restated 2003 HK\$'000
Turnover	2	1,069,158	933,992
Cost of sales		(963,313)	(820,805)
Gross profit		105,845	113,187
Other revenues		1,896	2,545
Administrative expenses		(100,943)	(102,194)
Other operating income/(expenses), net		2,642	(644)
Operating profit	3	9,440	12,894
Finance costs		(8,808)	(6,278)
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		71	3,641
Profit/(loss) before taxation		703	(13,121)
Taxation	4	(1,491)	(4,541)
Loss after taxation		(788)	(17,662)
Minority interests		779	(260)
Loss attributable to shareholders		(9)	(17,922)
Dividend	5	(4,409)	–
Loss per share	6	(0.002) cents	(4.06) cents

Notes:

1. Basis of preparation and accounting policies

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31st March 2003 except the Group has changed its accounting policy with respect to deferred taxation following the adoption of SSAP 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

As a result of the retrospective application of SSAP 12 (revised), opening retained profits of the Group at 1st April 2003 and 2002 have been increased by approximately HK\$166,000 and reduced by HK\$888,000 respectively, which represent the unrecognised net deferred tax assets and liabilities respectively. The loss attributable to shareholders for the year ended 31st March 2003 has been reduced by approximately HK\$1,054,000.

2. Turnover

The Group's turnover and operating profit for the year were derived principally from the contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong and leasing of a property in Hong Kong.

	2004		2003	
	Turnover	Operating profit	Turnover	Operating profit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracting of building construction, plumbing, maintenance and fitting-out projects	1,047,856	8,546	913,198	31,062
Leasing of a property	241	(1,986)	–	–
Others	21,061	2,880	20,794	(18,168)
	<u>1,069,158</u>	<u>9,440</u>	<u>933,992</u>	<u>12,894</u>

3. Operating profit

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Depreciation		
– Owned assets	22,275	24,256
– Lease fixed assets	683	764
	22,958	25,020
Operating lease rentals of		
– Land and buildings	4,003	4,417
– Other equipment	16,104	13,616
	20,107	18,033
Amortisation of development costs (included in administrative expenses)	599	–
Cost of inventories sold	68,909	49,982
Provision for doubtful debts	–	645
Write-off of doubtful debts	282	119
Provision for impairment in value of other investments	–	247
Write-off of obsolete inventories	–	548
Auditors' remuneration	960	960
Unrealised (gain)/loss on short-term investments	(51)	1,073
Loss on disposal of fixed assets	1,225	413
Gross rental income from an investment property less outgoings	241	–
Realised gain on disposal of short-term investments	(1,727)	–
Gain on disposal of an associated company	(848)	–
Exchange gain, net	(643)	(148)

4. Taxation

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

	2004 <i>HK\$'000</i>	As restated 2003 <i>HK\$'000</i>
Company and subsidiaries		
Provision for Hong Kong profits tax in respect of the estimated assessable profit for the year at 17.5% (2003: 16%)	3,913	7,343
Over provisions in prior years	(711)	(1,673)
Deferred taxation relating to the origination and reversal of temporary difference	(1,729)	(1,797)
Deferred taxation resulting from an increase in tax rate	–	641
	1,473	4,514
Share of taxation attributable to associated companies	18	27
	1,491	4,541

5. Dividend

The Directors recommend the payment of a final dividend at 1 Hong Kong cent (2003: Nil) per ordinary share, totalling HK\$4,409,000, for the year ended 31st March 2004.

6. Loss per share

The calculation of loss per share is based on the Group's loss attributable to shareholders of approximately HK\$9,000 (2003: HK\$17,922,000) and on the weighted average of 440,949,600 (2003: 440,949,600) shares in issue during the year.

Diluted loss per share for the years ended 31st March 2004 and 2003 have not been calculated as no diluting events existed during these years.

RESULT OF THE YEAR

The consolidated turnover of 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 at 1 Hong Kong cent per ordinary 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.

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 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 operation 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 specializes 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.

FINANCIAL REVIEW

For the year ended 31st March 2004, the Group has achieved growth in turnover of 14.5% from HK\$933,992,000 in 2003 to HK\$1,069,158,000 this year in a competitive operating environment of construction market in Hong Kong. However due to intensified competition and cost fluctuation in certain materials, the gross profit ratio has decreased from 12.1% in 2003 to 9.9% in 2004.

At 31st March 2004 the Group's total cash in hand was HK\$183,360,000 (2003: HK\$161,281,000) and bank borrowings increased from HK\$429,647,000 in 2003 to HK\$590,893,000. The increase in bank borrowings was due to additional loan of HK\$97,000,000 drawn for the property development project at 33 Sharp Street East and approximately HK\$64,000,000 additional borrowing required to finance the working capital requirement for the increased number of construction projects in progress. As a result, the Group's net debt (total bank borrowings less total cash in hand) to equity ratio increased slightly to 50.1% (2003: 44.9%). If the property development loan of HK\$307,800,000 is excluded the Group has a net debt of only HK\$99,733,000 (2003: HK\$57,466,000) representing a healthy net debt to equity ratio of 12.3% (2003: 9.6%). As the long term loan for property development is due in August 2004 it is classified as current liabilities, the current ratio (total current assets : total current liabilities) has dropped to 0.9. However subsequent to 31st March 2004, the Group has entered into an arrangement with a bank to refinance the loan with a 5 year term loan. Therefore the Group pro-forma current ratio, after excluding the property development loan of HK\$307,800,000, shall be substantially improved to 1.48.

The short-term and long-term bank borrowings are secured by the Group's investment property, investment in unit trust and certain time deposits. Interest on bank loans are charged at floating rates and the Company monitors interest rate risks continuously and hedges any excessive risk when necessary. The total bank facilities granted to the Group at 31st March 2004 was approximately HK\$748 million (2003: HK\$693 million), of which approximately HK\$601 million had been utilised.

HUMAN RESOURCES

At 31st March 2004, the Group employed approximately 680 employees in Hong Kong and approximately 610 employees in 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 locations of their employments.

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.

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.

AUDIT COMMITTEE

As at 31st March 2004, the members of the audit committee include three independent non-executive directors – Dr. Yeung Tsun Man Eric, Mr. Wu King Cheong and Mr. Chan, Bernard Charnwut. Two meetings have been held during the year. The financial statements for the year ended 31st March 2004 have been reviewed by the audit committee.

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 Stock Exchange's website in due course.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 20th July 2004

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>