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# Board of Directors and Corporate Information

## DIRECTORS

Wong Ip Kuen (*Chairman*)  
Wong Tin Cheung (*Vice Chairman*)  
Sun Chun Wai  
So Yau Chi  
Dr. Yeung Tsun Man, Eric\*  
Wu King Cheong\*  
Chan, Bernard Charnwut\*

\* *Independent Non-executive Director*

## 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>

## COMPANY SECRETARY

Chui Man Lung, Everett

## PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited  
BNP Paribas  
UFJ Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited

## AUDITORS

PricewaterhouseCoopers

## SOLICITORS

Denton Wilde Sapte  
Gallant Y. T. Ho & Co

## HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Computer Share Hong Kong Investor Services Ltd  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## 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;

## Notice of Annual General Meeting

- (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.

## Notice of Annual 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, 16th 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.

## RESULT FOR THE YEAR

The turnover for the year ended 31st March 2002 of the Group was HK\$773,413,000 compared to HK\$1,781,341,000 in 2001. The profit before tax has also decreased to HK\$10,337,000 from HK\$43,077,000 in 2001. The declines 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 maintain 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 evidenced 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 in 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 with the Government's commitment to accelerate public construction projects to stimulate the economy, the Group foresees a slightly better operating condition 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 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 technology development, the Group believes it is able to face the challenge in this difficult business environment and capture the limited opportunities available.

## 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.

By Order of the Board

**Wong Ip Kuen**

*Chairman*

Hong Kong, 16th July 2002

## FINANCIAL REVIEW

Despite the difficult operating environment, the Group achieved a continuous growth in Gross Profit Margin of 15.2% for the year ended 31st March 2002 compared with 9.3% last year. This was the result of stringent cost control measures imposed since 2000.

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 a 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 decreased to HK\$225,566,000 from HK\$372,058,000 as a result of the cash applied to the acquisition of the property for development at Causeway Bay. In addition, the Group's total banking facilities, including both short-and long-term financing, amounted 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.

## HUMAN RESOURCES

At 31st March 2002, the Group employed approximately 500 people in Hong Kong and approximately 300 people in the Mainland.

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, provident funds, annual leave employer sponsored trainings and others.

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

## Summary of Contracts

### Contracts completed during the year ended 31st March 2002

	<b>Commencement date</b>	<b>Completion date</b> <i>HK\$ million</i>	<b>Original contract value</b> <i>HK\$ million</i>
Development of Cheung Sha Wan West Phase 2	November 1998	June 2001	752
Development at Po Lam Road Phase 4	January 1999	June 2001	804
Development of Cheung Sha Wan West Phase 1	December 1998	August 2001	860
Design and Construction of Government Quarters at Fanling Area 28A, N.T.	October 1999	February 2002	395
Total			<u>2,811</u>

### Contracts secured in prior year and in progress during the year ended 31st March 2002

	<b>Commencement date</b>	<b>Original contract value</b> <i>HK\$ million</i>	<b>Estimated remaining works as at 31st March 2002</b> <i>HK\$ million</i>
Development at Tseung Kwan O Area 73A	August 2000	<u>470</u>	<u>258</u>
Total		<u>470</u>	<u>258</u>

## Summary of Contracts

Contracts secured in current year and in progress during the year ended 31st March 2002

	Commencement date	Original contract value <i>HK\$ million</i>	Estimated remaining works as at 31st March 2002 <i>HK\$ million</i>
Relocation of Tang Siu Kin Hospital A&E Department to Ruttonjee Hospital	May 2001	101	53
Development of Tung Chung Area 31 Phase 3	July 2001	675	619
Maintenance and the vacant flats Refurbishment of Tsing Yi District 2001/2003	July 2001	46	32
Conversion and Extension to existing schools – Group 2 under School Improvement Programme Phase IV Package 1	September 2001	139	127
Redevelopment of Kwai Chung Estate Phase 3	March 2002	845	838
Total		<u>1,806</u>	<u>1,669</u>

### EXECUTIVE DIRECTORS

#### Mr. Wong Ip Kuen

aged 66, is the Chairman of the Company. Mr. Wong has over 50 years of experience of in the building construction industry of Hong Kong. He is responsible for the overall development and management of the Group.

#### Mr. Wong Tin Cheung

aged 38, is the Vice Chairman of the Company, CEO of VHSoft and the Managing Director of Yau Lee Construction. Mr. Wong joined the Group in 1988 and was appointed as a Director of the Company in 1991. He is responsible for assisting the Chairman in the overall development and management of the Group with special focus on technology research and development. He holds a Bachelor degree in Civil Engineering, a Master degree in Foundation Engineering and a Master Degree in Business Administration. He is a Council Member and the Honorary Secretary of the Hong Kong Construction Association. He also serves as the Vice Chairman of the Building Committee, the Chairman of IT Working Group and the Chairman of Maintenance Subcommittee of the Hong Kong Construction Association. He is a member of the Registered Contractors' Disciplinary Board, a member of the Building Sub-Committee of the Land and Building Advisory Committee of Buildings Department, a member of the Construction Advisory Board Contracts Committee of Works Bureau and a member of the Task Force Electronic Tendering Building Sub-Group of Works Bureau. He also serves the Nanjing University as a Concurrent Professor of Multimedia Computer Technology and a member of the Board of Trustee of Department of Computer Science and Technology. He is a Co-supervisor of PhD Candidates and an Adjunct Professor in the Department of Building and Real Estate of the Hong Kong Polytechnic University. He is a member of the Departmental Advisory Committee, Department of Building and Construction and the Honorary Chairman of the Advisory Committee (Industry) of Cooperative Education Centre of the City University of Hong Kong. He was awarded the Hong Kong Young Outstanding Digi Person by the Hong Kong Junior Chamber in 2001.

#### Mr. Sun Chun Wai

aged 41, joined the Group in 1992 and was appointed as a Director of the Company in 1994. Mr. Sun is also the General Manager of Yau Lee Wah since 1997. He has extensive experience in established joint ventures in the Mainland and is responsible for the Group's business development. He holds a Bachelor of Science degree.

#### Mr. So Yau Chi

aged 58, joined the Group in 1994 as the General Manager of Yau Lee Construction and was appointed as a Director of the Group in 1996. He is responsible for the overall management of Yau Lee Construction. Before joining the Group, he worked in the Housing Department for over 17 years and held the post of Senior Structural Engineer before he left. Mr. So is a Fellow of the Institution of Structural Engineers in the United Kingdom and was the Vice President of the Hong Kong Institution of Engineers for the 1994/95 sessions.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### **Dr. Yeung Tsun Man, Eric**

aged 56, has been a Non-executive Director of the Company since 1993. Dr. Yeung is Vice President of Perfekta Enterprises Limited, a toy manufacturing company. He holds directorship in companies in Hong Kong, Macau, China, United States and Australia, which are engaged in businesses ranging from trading, hotels, mining and agriculture. He is a National Committee Member of The Chinese People's Political Consultative Conference, an Executive Committee Council Member of the Hong Kong Management Association, the Chairman of Macau Productivity and Technology Transfer Centre, Member of World Presidents' Organisation and Chief Executives' Organisation, Member of the Macau Special Administrative Region (SAR) Preparatory Committee Economic Sub-Committee. He was awarded the Medal of Merit by the Macau Government in 1994, Commander of the Order of Merit by the Government of Portugal in 1998 & the Medal of Professional Merit by the Macau SAR Government 2001. He is also listed in "The Marquis Who's Who in The World" and "The International Who's Who of Professionals".

#### **Mr. Wu King Cheong**

aged 51, has been appointed as a Non-executive Director of the Company since 1994. Mr. Wu is a Councillor of the Legislative Council of the HKSAR (Financial Services Constituency), Councillor of the Eastern District Council of the HKSAR, Standing Committee Member of the Chinese General Chamber of Commerce, Member of Environmental Campaign Committee, a Member of Lord Wilson Heritage Trust – Board of Trustees, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Honorary Permanent President of the Hong Kong Stockbrokers Association. He is also an Executive Director of Lee Cheong Gold Dealers Limited.

#### **Mr. Chan, Bernard Charnwut**

aged 37, was appointed as a Non-executive Director of the Company in 2000. A graduate of Pomona College in California, U.S.A., he holds the positions of Deputy Managing Director of Asia Financial Group and Executive Director of Asia Insurance and Asia Commercial Bank. While he is a Councillor of the Legislative Council of the Hong Kong Special Administrative Region, he also serves as the Chairman of the Standing Committee on Disciplined Services Salaries and Conditions of Service; a Director of The Hong Kong Mortgage Corporation Ltd. and a Council Member of Lingnan University. He is also a member of the Mandatory Provident Fund Schemes Advisory Committee, the Process Review Panel of Securities & Futures Commission, the Hong Kong Government's Business Advisory Group, the Hong Kong Sports Development Board, the Fight Crime Committee, the Elderly Commission and the Committee on Financial Assistance for Family Members of Those Who Sacrifice Their Lives to Save Others. In addition, he serves as the Chairperson of The Hong Kong Council of Social Service and the Vice Chairperson of Community Investment & Inclusion Fund Committee.

### SENIOR MANAGEMENT

**Mr. Cheung Woon Yin**, *Deputy General Manager*

aged 49, joined the Group in 1986 as a Contract Manager and was promoted to his present post in 1996. He has over 29 years of experience in the construction industry. He holds a higher certificate in Construction Technology and is a licentiate of the Chartered Institute of Building.

**Ms. Tang Wai Chun**, *Chief Quantity Surveyor*

aged 45, joined the Group in 1993. Ms Tang is a Professional Member of Royal Institution of Chartered Surveyors, Professional Associate of Hong Kong Institute of Surveyors, Member of the Chartered Institute of Arbitrators and Registered Professional Surveyor (QS). She is also a Certified General Contractor in the United States. She holds a Bachelor degree in Quantity Surveying. She has 23 years of experience in quantity surveying, project management and subcontracting business in civil, building, maintenance & repair and fitting-out works in Hong Kong, the United Kingdom, Central America and the United States. She is responsible for quantity surveying management and contract administration of Yau Lee Construction's projects.

**Mr. Chui Man Lung Everett**, *Financial Controller and Company Secretary*

aged 38, joined the Group in 1995. Mr. Chui is a Fellow of the Association of Chartered Certified Accountants and of the Hong Kong Society of Accountants. He has 16 years of experience in auditing, accounting and financial management. He holds a Bachelor degree in Business Economic and Accounting. He is responsible for all corporate finance, accounting and company secretarial matters of the Group.

**Mr. Pang Tak Him**, *General Manager – Building Renovation Division*

aged 49, joined the Group in 1988 and was promoted to his present post in 2002. He has 29 years of experience in the construction industry. He holds a Higher Certificate in Construction Engineering. He is responsible for overall administrative and supervision of the project design & supervisory teams of Building Renovation Division.

**Mr. Chan Sau Kai**, *Chief Quantity Surveyor*

aged 55, joined the Group in 2000. Ms Chan is a Professional Member of Royal Institution of Chartered Surveyors. He has 33 years of experience in quantity surveying. He is responsible for contractual matters of Yau Lee Construction.

## Biographical Details of Directors and Senior Management

### Site Management

#### Contract Managers\*

- Cheung Yu Wai
- Lam Wai Chung
- Lau Wai Foo
- Wong Kwok Keung

#### Project Managers\*

- Lam Lap Wa
- Man Tin Hung

#### Head Office Management – Department Heads\*

- |                    |                                   |
|--------------------|-----------------------------------|
| • Ho Chi Man       | Training Department               |
| • Ko Hwee Sau Chun | Administration Department         |
| • Kwan Man Ho      | Materials Control Department      |
| • Kwong Yuk Fong   | Information Technology Department |
| • Lam Chan Sing    | Health & Safety Department        |
| • Lee Shiu Ming    | Design Department                 |
| • Leung Sau Lin    | Finance Department                |
| • Wong Ming Tak    | Tender Department                 |
| • Yu Chi Kin       | Quality Department                |

### Subsidiaries Management

#### *VHSoft Technologies Company Limited*

- |                       |                         |
|-----------------------|-------------------------|
| • Mak Yiu Kau, Hubert | Chief Operating Officer |
|-----------------------|-------------------------|

#### *Yau Lee Wah Concrete Precast Products Company Limited*

- |                  |                           |
|------------------|---------------------------|
| • Wong Chi Leung | Assistant General Manager |
|------------------|---------------------------|

#### *Ming Hop Company Limited\**

- |                 |                           |
|-----------------|---------------------------|
| • Ng Hak Ming   | Contract Manager          |
| • Wong Lai Ying | Assistant General Manager |

\* *In alphabetical order*



The Directors submit their report together with the audited accounts of Yau Lee Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31st March 2002.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are contracting of building construction, plumbing, maintenance and decoration projects in Hong Kong. In addition, the Group is engaged in other activities which include the manufacture and supply of building materials and the development of a property.

The Group’s turnover and gross profit for the year ended 31st March 2002, which were derived principally from the contracting of building construction, plumbing, maintenance and decoration projects carried out in Hong Kong, are as follows:

	<b>Turnover</b> <i>HK\$’000</i>	<b>Contribution to Group’s results</b> <i>HK\$’000</i>
Contracting of building construction, plumbing, maintenance and decoration projects	744,469	111,075
Others	28,944	6,328
	<u>773,413</u>	<u>117,403</u>

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 27.

The Directors do not recommend the payment of a dividend.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 25 to the accounts.

## DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK\$1,061,000.

### **FIXED ASSETS**

Details of movements in fixed assets of the Group are set out in Note 10 to the accounts.

### **SUBSIDIARIES**

Particulars of the Group's principal subsidiaries as at 31st March 2002 are set out in Note 15 to the accounts.

### **ASSOCIATED COMPANIES**

Particulars of the Group's principal associated companies as at 31st March 2002 are set out in Note 16 to the accounts.

### **SHARE CAPITAL AND SHARE PREMIUM**

Details of the movements in share capital and share premium of the Group and the Company are set out in Notes 24 and 25 respectively to the accounts.

### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the law in Bermuda.

### **FIVE YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 76.

### **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.

### SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company has the following share option schemes (as described in the paragraph below) under which the Company may grant options to Directors and employees of the Group to subscribe for shares in the Company. Details of the share option schemes are set out in Note 24(a) to the accounts.

On 25th August 1997, pursuant to the 1991 Share Option Scheme, the Directors were granted options to subscribe for a total of 28,000,000 shares of HK\$0.05 each in the Company at the subscription price of HK\$0.2219 per share. As a result of the consolidation of shares on 17th October 2000, the number of shares that may be subscribed in respect of the outstanding options under the 1991 Share Option Scheme were adjusted to 7,000,000 shares of HK\$0.2 each at the subscription price of HK\$0.8876 per share. The above Directors have not exercised any of their options during the year and the 1991 Share Option Scheme lapsed on 4th August 2001.

Save as otherwise disclosed in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

On 17th October 2000, the Company adopted a new share option scheme (the "2000 Share Option Scheme") which replaced the 1991 Share Option Scheme mentioned above. Upon the adoption of the 2000 Share Option Scheme, no further options will be granted under the 1991 Share Option Scheme but in all other respects, the provisions of the 1991 Share Option Scheme shall remain in full force and effect in respect of options which have been granted prior to the adoption of the 2000 Share Option Scheme and which shall continue to be exercisable in accordance with their terms of issue. As at 31st March 2002, no share options were granted under the 2000 Share Option Scheme.

## SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Summary of details of the 2000 Share Option Scheme:

Participants	:	Full-time employees (including executive Directors of the Company or any of its subsidiaries)
Total number of ordinary shares of the Company available for issue and the percentage of the issued share capital that it represents as at the date of annual report	:	44,094,960 ordinary shares (10% of the issued share capital of the Company)
Maximum entitlement of each participant	:	Shall not exceed 25% of the aggregate number of shares subject to the 2000 Share Option Scheme at the time of the proposed grant of that option
Period within which the securities must be taken up under an option	:	One year after the date of grant and no later than ten years from the date of adoption of the 2000 Share Option Scheme
Minimum period for which an option must be held before it can be exercised	:	Not applicable
Period within which payments/calls/loan must be made/repaid	:	Not applicable
Basis of determining the exercise price	:	80% of the average closing price of the Company's ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited (the "SEHK") for the five business days immediately preceding the date of offer or the nominal value of the shares, whichever is higher.
The remaining life of the share option scheme	:	The scheme remains in force for a period of 10 years until 16th October 2010.

## SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

In addition, VHSOFT Technologies Company Limited ("VHSOFT"), a wholly owned subsidiary of the Group, adopted a share option scheme on 17th October 2000 (the "VHSOFT Share Option Scheme"). Under the VHSOFT Share Option Scheme, the Board of Directors of the Company may, at their absolute discretion, offer to any director or employee of VHSOFT options to subscribe for shares in VHSOFT in accordance with the terms of the VHSOFT Share Option Scheme. As at 31st March 2002, no share options were granted under the VHSOFT Share Option Scheme.

Summary of details of the VHSOFT Share Option Scheme:

Participants	: Directors and full-time employees of VHSOFT
Total number of ordinary shares of VHSOFT available for issue	: 50,000,000 ordinary shares (10% of the issued share capital of VHSOFT)
Maximum entitlement of each participant	: Shall not exceed 25% of the aggregate number of shares subject to the VHSOFT Share Option Scheme at the time of the proposed grant of that option
Period within which the securities must be taken up under an option	: No later than five years from the date of adoption of the VHSOFT Share Option Scheme
Minimum period for which an option must be held before it can be exercised	: Not applicable
Period within which payments/calls/loan must be made/repaid	: Not applicable
Basis of determining the exercise price	: Not less than the nominal value of the shares of VHSOFT
The remaining life of the share option scheme	: The scheme remains in force for a period of five years until 16th October 2005 or expires on the date on which application for the initial public offering of the shares of VHSOFT on an international recognised stock exchange is submitted, whichever is earlier.

## SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

The SEHK has introduced a number of changes to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") on share option schemes. These new rules came into effect on 1st September 2001. Any option to be granted under the Share Option Scheme shall be subject to the new rules which include, inter alia, the following:

- (i) The maximum number of shares issuable upon the exercise of the options granted to each eligible participant, except Directors, chief executive, substantial shareholders and their respective associates, within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting.
- (ii) The exercise price of the share options is determined by the Directors, but may not be less than the higher of (1) the closing price of the Company's shares as stated in the SEHK's daily quotations sheet on the date of grant; and (2) the average closing price of the Company's shares as stated in the SEHK's daily quotations sheets for the 5 business days immediately preceding the date of grant;
- (iii) The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the date of approval of the schemes. Options lapsed in accordance with the terms of the schemes will not be counted for the purpose of calculating the 10% limit. Any further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting; and
- (iv) The total number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who is proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS

The Directors during the year were:

### Executive Directors

Mr. Wong Ip Kuen (*Chairman*)  
Mr. Wong Tin Cheung (*Vice Chairman*)  
Mr. Sun Chun Wai  
Mr. So Yau Chi

In accordance with the Company's bye-laws, Mr. Wong Tin Cheung and Mr. Sun Chun Wai retire by rotation and being eligible, offer themselves for re-election.

### Independent Non-executive Directors

Dr. Yeung Tsun Man, Eric  
Mr. Wu King Cheong  
Mr. Chan Bernard Charnwut

Dr. Yeung Tsun Man, Eric and Mr. Wu King Cheong were appointed for a two-year term expiring on 31st March 2004. As for Mr. Chan Bernard Charnwut, he was also appointed for a two-year term expiring on 4th June 2004.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS

As at 31st March 2002, the following Director had or was deemed to have interests under the provisions of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance") in the Company or any of its associated companies thereof (within the meaning of the SDI Ordinance) of which the Company and the SEHK had to be notified pursuant to Section 28 of the SDI Ordinance (including interests which the director is deemed or taken to have under Section 31 or Part I of the Schedule of the SDI Ordinance) and which were required to be entered into the register kept by the Company pursuant to Section 29 of the SDI Ordinance:

Director	Company	Number of shares interested
Mr. Wong Ip Kuen	Yau Lee Holdings Limited	225,233,599

The 225,233,599 shares of the Company referred to above are registered in the name of All Fine Investment Company Limited. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Holdings Company Limited, which owns the entire issued share capital of All Fine Investment Company Limited, both of which are companies incorporated in the Cook Islands. Mr. Wong Ip Kuen is a director of both All Fine Holdings Company Limited and All Fine Investment Company Limited.

During the year ended 31st March 2002, no right to subscribe for equity of the Company was exercised by any of the Directors or chief executive of the Company or the spouses or children under 18 years of age of such Directors and chief executive.

Save as otherwise disclosed in this report, none of the Directors or chief executive or their associated companies had any other interests (whether beneficial or non-beneficial) in the share capital of the Company or any other associated companies as defined in the SDI Ordinance as at 31st March 2002.

## SUBSTANTIAL SHAREHOLDERS

As at 31st March 2002, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than the director's interests as disclosed above.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.



## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

### Purchases

– the largest supplier	5.68%
– five largest suppliers	17.05%

### Sales

– the largest customer	63.28%
– five largest customers	97.28%

None of the Directors, their associates, or any shareholder (which to the best knowledge of the Directors owns more than 5% of the Company's share capital) had any interests in the major suppliers or customers noted above.

## COMPLIANCE WITH CODE OF BEST PRACTICE OF THE LISTING RULES

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

## AUDITORS

The financial statements in respect of financial years ended 31st March 2000 and 2001 were audited by Arthur Andersen & Co.

Pursuant to the combination of Arthur Andersen & Co with PricewaterhouseCoopers, the financial statements for the year ended 31st March 2002 have been audited by PricewaterhouseCoopers. A resolution to re-appoint PricewaterhouseCoopers as auditors will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Wong Ip Kuen**

*Chairman*

Hong Kong,  
16th July 2002

## AUDITORS' REPORT TO THE SHAREHOLDERS OF YAU LEE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the accounts on pages 27 to 75 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong,  
16th July 2002

## Consolidated Profit and Loss Account

For the year ended 31st March 2002 (Amounts expressed in Hong Kong dollars)

	Note	2002 \$'000	2001 \$'000
TURNOVER	2	773,413	1,781,341
COST OF SALES		(656,010)	(1,616,336)
GROSS PROFIT		117,403	165,005
ADMINISTRATIVE EXPENSES		(113,647)	(125,150)
OTHER INCOME, NET		10,460	5,933
OPERATING PROFIT	3	14,216	45,788
FINANCE COSTS	5	(4,688)	(1,591)
PROFIT BEFORE SHARE OF PROFIT (LOSS) OF ASSOCIATED COMPANIES AND TAXATION		9,528	44,197
SHARE OF PROFIT (LOSS) OF ASSOCIATED COMPANIES, NET		809	(1,120)
PROFIT BEFORE TAXATION		10,337	43,077
TAXATION			
Company and subsidiaries		(2,968)	(9,696)
Associated companies		(411)	(635)
	6	(3,379)	(10,331)
PROFIT AFTER TAXATION		6,958	32,746
MINORITY INTERESTS		(503)	(592)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	7	6,455	32,154
DIVIDENDS	8	–	(13,257)
EARNINGS PER SHARE	9	1.46 cents	7.28 cents

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.

## Balance Sheets

As at 31st March 2002 (Amounts expressed in Hong Kong dollars)

		2002		As restated 2001	
	Note	Group \$'000	Company \$'000	Group \$'000	Company \$'000
<b>Non-current assets</b>					
Fixed assets, net	10	165,918	–	180,613	–
Property under development	11	329,977	–	–	–
Development costs, net	12	6,433	–	3,751	–
Patents and trademarks, net	13	3,610	–	1,238	–
Loans to subsidiaries	29 (b)	–	88,150	–	88,150
Long-term trade debtors	21	17,515	–	26,850	–
Loans to employees	14	3,417	–	4,556	–
Interests in subsidiaries	15	–	276,075	–	276,075
Interests in associated companies	16	37,175	486	41,499	548
Other investments	17	5,731	5,461	2,431	–
		<u>569,776</u>	<u>370,172</u>	<u>260,938</u>	<u>364,773</u>
<b>Current assets</b>					
Cash and bank balances		16,341	503	57,065	563
Time deposits		5,809	1,883	74,558	2,399
Restricted deposits	18	128,327	4,540	133,795	10,000
Trade debtors, net	19	143,282	–	220,227	–
Inventories	20	8,475	–	9,887	–
Prepayments, deposits and other receivables	14	21,127	1,172	26,965	316
Prepaid tax		474	–	452	–
Due from customers on construction contracts	21	215,282	–	184,801	–
Short-term investments		3,370	–	4,694	–
Due from subsidiaries	29 (a)	–	375,510	–	361,086
Due from related parties	29 (a)	29	29	27	27
		<u>542,516</u>	<u>383,637</u>	<u>712,471</u>	<u>374,391</u>

## Balance Sheets

As at 31st March 2002 (Amounts expressed in Hong Kong dollars)

		2002		As restated 2001	
	Note	Group \$'000	Company \$'000	Group \$'000	Company \$'000
<b>Current liabilities</b>					
Bank overdrafts – secured		18,412	–	–	–
Short-term bank loans – secured		132,500	–	–	–
Payable to suppliers and subcontractors	22	66,480	–	143,067	–
Accruals, retentions payable and other liabilities		83,675	137	94,106	142
Taxation payable		4,910	418	10,252	358
Due to customers on construction contracts	21	5,698	–	84,749	–
Current portion of finance lease obligations	23	3,881	–	6,919	–
Due to subsidiaries	29 (a)	–	97,614	–	82,897
Due to related parties	29 (a)	1,394	–	1,320	–
		<u>316,950</u>	<u>98,169</u>	<u>340,413</u>	<u>83,397</u>
Net current assets		<u>225,566</u>	<u>285,468</u>	<u>372,058</u>	<u>290,994</u>
Total assets less current liabilities		<u>795,342</u>	<u>655,640</u>	<u>632,996</u>	<u>655,767</u>

## Balance Sheets

As at 31st March 2002 (Amounts expressed in Hong Kong dollars)

	Note	2002		As restated 2001	
		Group \$'000	Company \$'000	Group \$'000	Company \$'000
<b>Non-current liabilities</b>					
Long-term liabilities	23	165,002	–	797	–
Deferred taxation	6	7,750	–	10,394	–
		172,752	–	11,191	–
Minority interests		5,579	–	5,076	–
		<b>617,011</b>	<b>655,640</b>	<b>616,729</b>	<b>655,767</b>
<b>Financed by:</b>					
Share capital	24	88,190	88,190	88,190	88,190
Reserves	25	415,789	415,789	415,789	415,789
Retained profits	25				
Proposed final dividend		–	–	6,173	6,173
Other		113,032	151,661	106,577	145,615
Shareholders' equity		<b>617,011</b>	<b>655,640</b>	<b>616,729</b>	<b>655,767</b>

Approved by the Board of Directors on 16th July 2002 and signed on behalf of the Board by

\_\_\_\_\_  
**Wong Ip Kuen**  
*Director*

\_\_\_\_\_  
**Wong Tin Cheung**  
*Director*

# Consolidated Cash Flow Statement

For the year ended 31st March 2002 (Amounts expressed in Hong Kong dollars)

	Note	2002 \$'000	As restated 2001 \$'000
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(a)	<b>(60,492)</b>	187,010
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received		<b>1,386</b>	1,501
Dividends paid		<b>(6,173)</b>	(19,481)
Interest paid on overdrafts and short-term bank loans		<b>(4,654)</b>	(6,299)
Interest element of finance lease contract payments		<b>(349)</b>	(671)
Interest paid on long-term bank loan for property under development		<b>(3,450)</b>	–
Interest received		<b>6,235</b>	14,907
Net cash outflow from returns on investments and servicing of finance		<b>(7,005)</b>	(10,043)
TAXATION			
Hong Kong profits tax paid		<b>(10,976)</b>	(1,831)
INVESTING ACTIVITIES			
Payment for property under development		<b>(326,527)</b>	–
Addition of development costs		<b>(3,877)</b>	(2,507)
Addition of patents and trademarks		<b>(2,407)</b>	(1,238)
Purchase of fixed assets		<b>(11,240)</b>	(20,714)
Payment for other investments		<b>(5,461)</b>	–
Payment for short-term investments		<b>(3,233)</b>	(8,437)
Proceeds from disposal of short-term investments		<b>3,276</b>	–
Proceeds from disposal of fixed assets		<b>1,403</b>	1,852
Net cash outflow from investing activities		<b>(348,066)</b>	(31,044)
Net cash (outflow) inflow before financing activities		<b>(426,539)</b>	144,092
FINANCING ACTIVITIES			
Addition of long-term bank loan for property under development		<b>164,900</b>	–
Addition of short-term bank loans		<b>132,500</b>	–
Repayment of short-term bank loans		–	(103,500)
Decrease in restricted deposits		<b>5,468</b>	7,750
Repayment under finance lease contracts		<b>(4,214)</b>	(12,014)
Repurchase of shares		–	(614)
Advances from minority shareholders, net		–	344
Net cash inflow (outflow) from financing activities	(b)	<b>298,654</b>	(108,034)
(Decrease) Increase in cash and cash equivalents		<b>(127,885)</b>	36,058
Cash and cash equivalents, beginning of year		<b>131,623</b>	95,565
Cash and cash equivalents, end of year		<b>3,738</b>	131,623
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Time deposits		<b>5,809</b>	74,558
Cash and bank balances		<b>16,341</b>	57,065
Bank overdrafts – secured		<b>(18,412)</b>	–
		<b>3,738</b>	131,623

# Consolidated Cash Flow Statement

For the year ended 31st March 2002 (Amounts expressed in Hong Kong dollars)

	2002 \$'000	2001 \$'000
<b>(a) RECONCILIATION OF PROFIT BEFORE SHARE OF PROFIT (LOSS) OF ASSOCIATED COMPANIES AND TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES</b>		
Profit before share of profit (loss) of associated companies and taxation	9,528	44,197
Interest income	(6,235)	(14,907)
Dividend income	(273)	–
(Gain) Loss on disposal of fixed assets	(22)	5,560
Interest expense on overdrafts and short-term bank loans	4,654	6,299
Interest element of finance lease contract payments	349	671
Amortisation of development costs	1,195	287
Amortisation of patents and trademarks	35	–
Depreciation	25,035	24,647
Write-back of provision for doubtful debts	(3,824)	–
Write-off of obsolete inventory	–	585
Provision for doubtful debts	1,674	2,000
Write-off of doubtful debts	259	–
Unrealised losses on short-term investments	1,571	1,154
Realised (gains) losses on short-term investments	(290)	2,589
Provision for impairment in value of other investments	2,161	–
Changes in non-cash working capital balances:		
Decrease (Increase) in long-term trade debtors	9,335	(293)
Decrease (Increase) in loans to employees	1,061	(305)
Decrease in trade debtors	78,836	99,177
Decrease in inventories	1,412	5,196
Decrease in prepayments, deposits and other receivables	5,916	4,925
(Increase) Decrease in gross amount due from customers on construction contracts	(30,481)	54,496
Increase in amounts due from related parties	(2)	(5)
Decrease in amounts due from associated companies	2,697	7,092
(Decrease) Increase in payable to suppliers and subcontractors	(76,587)	19,172
(Decrease) Increase in accruals, retention payable and other liabilities	(10,431)	6,860
Decrease in gross amount due to customers on construction contracts	(79,051)	(82,715)
Increase in amounts due to related parties	74	74
Increase in amounts due to associated companies	912	254
<b>NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES</b>	<b>(60,492)</b>	<b>187,010</b>



# Consolidated Cash Flow Statement

For the year ended 31st March 2002 (Amounts expressed in Hong Kong dollars)

## (b) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2002							As restated 2001	
	Share capital \$'000	Share premium \$'000	Minority interests \$'000	Finance lease obligations \$'000	Long-term bank loans \$'000	Short-term bank loans \$'000	Restricted deposits \$'000	Total \$'000	Total \$'000
Balance, beginning of year	88,190	415,430	5,076	7,716	-	-	(133,795)	382,617	480,049
Net cash (outflow) inflow from financing activities	-	-	-	(4,214)	164,900	132,500	5,468	298,654	(107,779)
Share of profit by minority shareholders	-	-	503	-	-	-	-	503	592
Inception of finance lease obligations	-	-	-	481	-	-	-	481	9,755
Balance, end of year	88,190	415,430	5,579	3,983	164,900	132,500	(128,327)	682,255	382,617

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (1) PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of presentation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, short-term investments are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by HKSA which are effective for the current accounting period:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The accounting policies below have adopted these new standards.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (1) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (b) Group accounting

#### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Subsidiaries are those entities in which the Group controls. Control is normally evidenced when the Group has the power to govern the financial and operating policies of the subsidiary so as to benefit from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (1) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (b) Group accounting *(Continued)*

#### (ii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend income.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

#### (iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (1) PRINCIPAL ACCOUNTING POLICIES (Continued)

### (c) Fixed assets

#### (i) Properties under construction

Properties under construction are stated at cost. No depreciation is provided until the properties are completed and available for use.

#### (ii) Other fixed assets

Other fixed assets, comprising leasehold improvements, plant and machinery, furniture, fixtures and office equipment, motor vehicles, motor launch, and land and building are stated at cost less accumulated depreciation and accumulated impairment losses.

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Plant and machinery	10%
Furniture, fixtures and office equipment	25%
Motor vehicles	25%
Motor launch	10%
Land and buildings in Hong Kong held under medium-term lease	2%
Leasehold improvements	25%

#### (iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in properties under construction, other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss.

The gain or loss on disposal of a fixed asset other than property under development is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (1) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (d) Property under development

Property under development is investment in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for investment purposes. The property is carried at cost which includes development and construction expenditures incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, the property is transferred to investment property at cost less accumulated impairment losses. No depreciation is provided until the property is completed and available for use.

### (e) Assets under leases

#### (i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

#### (ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

## (1) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (f) Intangibles

#### (i) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associated company at the date of acquisition and is amortised using the straight-line method over its estimated useful life of five to fifteen years.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss immediately.

For acquisitions prior to 1st January 2001, negative goodwill has been restated. This change in accounting policy has been applied retrospectively and the amortisation of the restated negative goodwill has been recognised as a prior year adjustment to opening retained earnings in accordance with SSAP 2. The comparative accounts for 2001 have been restated to conform to the changed policy. As detailed in Note 25, the opening retained earnings for 2001 have been increased by approximately \$369,000 which is the amount of the adjustment in respect of amortisation of the restated negative goodwill relating to periods prior to 2001.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (1) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (f) Intangibles *(Continued)*

#### (ii) *Patents and trademarks*

Patents and trademarks represent amounts paid or payable in respect of the application for patents and trademarks for construction related software and website hosting services. The amounts are capitalised in the balance sheet and are amortised over seven years. Patents and trademarks are not revalued as there is no active market for these assets.

#### (iii) *Research and development costs*

Research costs are expended as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than five years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

#### (iv) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.



# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (1) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (g) Investments in securities

#### (i) *Short-term investments*

Short-term investments are listed shares carried at fair value in the balance sheet. Any unrealised holding gain and loss on short-term investments is recognised in the profit and loss account in the period when it arises.

Upon disposal or transfer of short-term investments, any profit or loss thereon is accounted for in the profit and loss account.

#### (ii) *Other investments*

Other investments intended to be held on a continuing basis are included in the balance sheet at cost less any provision for impairment in value.

The carrying amounts of other investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amounts are reduced and the reduction is recognised as an expense in the profit and loss account unless there is evidence that the decline is temporary.

Provisions against the carrying value of other investments are reversed to the profit and loss account when circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Upon disposal or transfer of other investments, any profit and loss thereon is accounted for in the profit and loss account.

## (1) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (h) Inventories

Inventories comprise building materials and equipment for sale and are stated at the lower of cost and net realisable value.

Cost, calculated on the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (i) Construction contracts in progress

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the stage of completion is measured by reference to contract revenue certified to date as a percentage of total contract value and the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (1) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (j) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

### (k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

### (l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (1) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (n) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

### (o) Revenue recognition

#### (i) Contract revenue

To the extent that the outcome of the contract can be estimated reliably, revenue from construction contracts is recognised using the percentage of completion method, measured by reference to the percentage of revenue certified to date to estimated total contract value. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

#### (ii) Sale of building materials

Sale of building materials is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.

#### (iii) Interest income

Interest income from bank deposits is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

#### (iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

## (1) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (q) Retirement benefit costs

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting of the Group's contributions.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

### (r) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude investments in securities and investment properties. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets (Notes 12 and 13), fixed assets (Note 10) and property under development (Note 11).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

### (s) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 25, this change has resulted in an increase in opening retained earnings at 1st April 2001 by approximately \$6,173,000 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 31st March 2001 although not declared until after the balance sheet date. The comparatives have been affected in a similar way.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (2) TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in contracting of building construction, plumbing, maintenance and decoration projects. Revenues recognised during the year are as follows:

	2002 \$'000	2001 \$'000
Turnover		
Contracting of building construction, plumbing, maintenance and decoration projects	744,469	1,713,508
Others	28,944	67,833
	<u>773,413</u>	<u>1,781,341</u>
Other revenues		
Dividend income on listed short-term investments	273	–
Interest income	6,235	14,907
	<u>6,508</u>	<u>14,907</u>
Total revenues	<u>779,921</u>	<u>1,796,248</u>

### Primary reporting format – business segments

The Group is organised into two main business segments:

- Construction – Contracting of building construction, plumbing, maintenance and decoration projects
- Property development – Development of a property in Hong Kong

Other operations of the Group mainly comprise investment holding and the manufacture and supply of building materials, neither of which are of a sufficient size to be reported separately.

### Secondary reporting format – geographical segments

The Group's operation is primarily conducted in Hong Kong and over 90% of the Group's assets are located in Hong Kong. Therefore, no geographical segment information is presented for the years ended 31st March 2001 and 2002.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (2) TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

### Primary reporting format – business segments

	2002			
	Construction	Property Development	Others	Elimination
	\$'000	\$'000	\$'000	\$'000
External sales	744,469	–	28,944	–
Intersegment sales	14,100	–	43,059	(57,159)
Total sales	758,569	–	72,003	(57,159)
Segment results	32,644	(170)	(14,496)	(60)
Unallocated costs				(3,702)
Operating profit				14,216
Finance costs				(4,688)
Share of profit of associated companies, net				809
Profit before taxation				10,337
Taxation				(3,379)
Profit after taxation				6,958
Minority interests				(503)
Profit attributable to shareholders				6,455
Segment assets	572,497	330,470	155,962	1,058,929
Interests in associated companies				37,175
Unallocated assets				16,188
Total assets				1,112,292
Segment liabilities	(305,645)	(166,222)	(16,819)	(488,686)
Unallocated liabilities				(6,595)
Total liabilities				(495,281)
Capital expenditure	4,342	329,977	13,663	347,982
Depreciation	14,746	–	10,289	25,035
Amortisation charge	–	–	1,230	1,230
Other non-cash expenses	2,927	–	2,738	5,665

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (2) TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

### Primary reporting format – business segments (Continued)

	2001			
	Construction	Property Development	Others	Elimination
	\$'000	\$'000	\$'000	\$'000
External sales	1,713,508	–	67,833	–
Intersegment sales	–	–	81,411	(81,411)
Total sales	<u>1,713,508</u>	<u>–</u>	<u>149,244</u>	<u>(81,411)</u>
Segment results	<u>44,745</u>	<u>–</u>	<u>14,705</u>	<u>(8,022)</u>
Unallocated costs				(5,640)
Operating profit				45,788
Finance costs				(1,591)
Share of loss of associated companies, net				(1,120)
Profit before taxation				43,077
Taxation				(10,331)
Profit after taxation				32,746
Minority interests				(592)
Profit attributable to shareholders				<u>32,154</u>
Segment assets	687,835	5,000	222,133	914,968
Interests in associated companies				41,499
Unallocated assets				16,942
Total assets				<u>973,409</u>
Segment liabilities	(325,765)	(57)	(24,816)	(350,638)
Unallocated liabilities				(6,042)
Total liabilities				<u>(356,680)</u>
Capital expenditure	17,125	–	17,089	34,214
Depreciation	15,267	–	9,380	24,647
Amortisation charge	–	–	287	287
Other non-cash expenses	3,743	–	8,327	<u>12,070</u>



## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (3) OPERATING PROFIT

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

	2002 \$'000	2001 \$'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	<u>(8,780)</u>	<u>(10,950)</u>
	<u>16,255</u>	<u>13,697</u>
Staff costs (excluding Directors)	151,585	184,807
Less: Amount recorded as construction costs	<u>(107,596)</u>	<u>(138,040)</u>
	<u>43,989</u>	<u>46,767</u>
Amortisation of development costs	1,195	287
Amortisation of patents and trademarks	35	–
Cost of inventories	43,544	87,513
Provision for doubtful debts	1,674	2,000
Write-off of doubtful debts	259	–
Provision for impairment in value of other investments	2,161	–
Write-off of obsolete inventory	–	585
Loss on disposal of fixed assets	–	5,560
Auditors' remuneration	988	1,180

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (3) OPERATING PROFIT (Continued)

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

	2002 \$'000	2001 \$'000
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>
Unrealised losses on short-term investments	1,571	1,154
Realised losses on short-term investments	–	2,589
Exchange loss, net	–	182
Gain on disposal of fixed assets	(22)	–
Realised gains on short-term investments	(290)	–
Write-back of provision for doubtful debts	(3,824)	–
Interest income on bank deposits	(6,235)	(14,907)
Dividend income on listed short-term investments	(273)	–
Construction contract revenue	(744,469)	(1,713,508)
Exchange gain, net	<u>(160)</u>	<u>–</u>

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (4) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The aggregate amounts of emoluments paid to Directors of the Company during the year are as follows:

	2002 \$'000	2001 \$'000
Executive Directors:		
Fees	–	–
Salaries	9,301	11,879
Performance-related bonus	1,106	1,580
Contribution to pension schemes	428	440
	<u>10,835</u>	<u>13,899</u>
Independent Non-executive Directors:		
Fees	750	708
	<u>11,585</u>	<u>14,607</u>

The emoluments of the Directors fell within the following bands:

Emolument bands	2002 Number of Directors	2001 Number of Directors
\$Nil – \$1,000,000	3	3
\$1,000,001 – \$1,500,000	1	1
\$1,500,001 – \$2,000,000	1	–
\$2,000,001 – \$2,500,000	1	2
\$5,500,001 – \$6,000,000	1	–
\$8,000,001 – \$8,500,000	–	1

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (4) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### (b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2001: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining two (2001: two) individuals during the year are as follows:

	2002 \$'000	2001 \$'000
Salaries	1,854	1,894
Performance-related bonus	721	1,030
Contribution to pension schemes	86	87
	<u>2,661</u>	<u>3,011</u>

The emoluments fell within the following bands:

Emolument bands	2002 Number of individuals	2001 Number of individuals
\$1,000,001 – \$1,500,000	2	1
\$1,500,001 – \$2,000,000	<u>–</u>	<u>1</u>

## (5) FINANCE COSTS

	2002 \$'000	2001 \$'000
Interest on overdrafts and short-term bank loans	4,654	6,299
Interest on long-term bank loan wholly repayable within five years	3,450	–
Interest element of finance lease contract payments	<u>351</u>	<u>671</u>
Total borrowing costs incurred	8,455	6,970
Less:		
Interest capitalised in property under development	(3,450)	–
Amount recorded as construction costs	<u>(317)</u>	<u>(5,379)</u>
	<u>4,688</u>	<u>1,591</u>

The capitalisation rate applied to funds borrowed generally and used for the development of the property located in Hong Kong (Note 11) is between 3.29% and 5.09% per annum.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (6) TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2002 \$'000	2001 \$'000
Hong Kong profits tax	8,353	10,779
(Over) Under provisions in prior years	(2,741)	867
Reversal of deferred taxation	(2,644)	(1,950)
	<u>2,968</u>	<u>9,696</u>
Share of taxation attributable to:		
Associated companies	<u>411</u>	<u>635</u>
	<u>3,379</u>	<u>10,331</u>

- (b) Movement in deferred taxation comprises:

	2002 \$'000	2001 \$'000
Balance, beginning of year	10,394	12,344
Reversal of net timing differences	(2,644)	(1,950)
	<u>7,750</u>	<u>10,394</u>

- (c) Deferred taxation has been provided in respect of the following:

	2002 \$'000	2001 \$'000
Accelerated depreciation allowance	7,750	8,510
Other timing differences	–	1,884
	<u>7,750</u>	<u>10,394</u>

There was no material unprovided deferred taxation as at 31st March 2002.

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (7) PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately \$6,046,000 (2001: \$17,593,000).

### (8) DIVIDENDS

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Interim, paid, of \$Nil (2001: 1.6 cents) per share	–	7,084
Final, proposed of \$Nil (2001: 1.4 cents) per share	–	6,173
	<hr/>	<hr/>
	–	13,257
	<hr/>	<hr/>

The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st March 2000 and 2001 were approximately \$12,397,000 and \$6,173,000 respectively. Under the Group's new accounting policy as described in Note 1(s), these have been written back against opening reserves as at 1st April 2000 and 2001 in Note 25 and are now charged in the year in which they were proposed.

### (9) EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of \$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.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (10) FIXED ASSETS

(a) Movements in fixed assets of the Group during the year are as follows:

	2002							2001	
	Properties under construction \$'000	Plant and machinery \$'000	Furniture, fixtures and office equipment \$'000	Motor vehicles \$'000	Motor launch \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Total \$'000	Total \$'000
<b>Cost</b>									
Balance, beginning of year	711	138,119	38,138	16,531	1,685	85,073	4,808	285,065	274,642
Additions	–	–	5,414	6,182	–	125	–	11,721	30,469
Inter-category transfer	(711)	–	–	–	–	711	–	–	–
Disposals	–	(768)	(478)	(1,854)	–	(899)	–	(3,999)	(20,046)
Balance, end of year	–	137,351	43,074	20,859	1,685	85,010	4,808	292,787	285,065
<b>Accumulated depreciation</b>									
Balance, beginning of year	–	53,312	21,666	12,720	1,502	10,525	4,727	104,452	92,439
Charge for the year	–	11,036	5,989	5,706	141	2,146	17	25,035	24,647
Written back on disposals	–	(70)	(402)	(1,836)	–	(310)	–	(2,618)	(12,634)
Balance, end of year	–	64,278	27,253	16,590	1,643	12,361	4,744	126,869	104,452
<b>Net book value</b>									
Balance, end of year	–	73,073	15,821	4,269	42	72,649	64	165,918	180,613
Balance, beginning of year	711	84,807	16,472	3,811	183	74,548	81	180,613	182,203

(b) The Group's land and buildings are held in Hong Kong under medium-term leases.

(c) The properties under construction mainly represent the costs incurred to construct the office building near the semi-precast plant in Shenzhen, Mainland China. Such properties were transferred to land and buildings upon completion of the construction during the year.

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (10) FIXED ASSETS (Continued)

(d) The net book value of fixed assets held under finance lease contracts comprises:

	2002 \$'000	2001 \$'000
Plant and machinery	7,377	8,264
Motor vehicles	1,038	1,045
	<hr/>	<hr/>
Total	<b>8,415</b>	<b>9,309</b>
	<hr/>	<hr/>

### (11) PROPERTY UNDER DEVELOPMENT

	2002 \$'000	2001 \$'000
Property under development held for investment potential, at cost:		
At beginning of year	–	–
Additions	326,527	–
Interest capitalized	3,450	–
	<hr/>	<hr/>
At end of year	<b>329,977</b>	<b>–</b>
	<hr/>	<hr/>

The property under development is held in Hong Kong under a long-term lease and is pledged as collateral for a related bank loan (Note 23).

The Directors are of the opinion that there is no impairment in the value of the property under development as of 31st March 2002.



## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (12) DEVELOPMENT COSTS

	2002 \$'000	2001 \$'000
<b>Cost</b>		
Balance, beginning of year	8,538	6,031
Additions	3,877	2,507
Disposals	(4,500)	–
	<hr/>	<hr/>
Balance, end of year	7,915	8,538
	<hr/>	<hr/>
<b>Accumulated amortisation</b>		
Balance, beginning of year	4,787	4,500
Amortisation for the year	1,195	287
Write-back on disposals	(4,500)	–
	<hr/>	<hr/>
Balance, end of year	1,482	4,787
	<hr/>	<hr/>
<b>Net book value</b>		
Balance, end of year	6,433	3,751
	<hr/>	<hr/>
Balance, beginning of year	3,751	1,531
	<hr/>	<hr/>

Development costs of the Group mainly represent expenditure incurred to develop a unique type of partition for office use and construction related computer software and website hosting services.

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (13) PATENTS AND TRADEMARKS

	2002 \$'000	2001 \$'000
<b>Cost</b>		
Balance, beginning of year	1,238	–
Additions	2,407	1,238
	<hr/>	<hr/>
Balance, end of year	3,645	1,238
	<hr/>	<hr/>
<b>Accumulated amortisation</b>		
Balance, beginning of year	–	–
Amortisation for the year	35	–
	<hr/>	<hr/>
Balance, end of year	35	–
	<hr/>	<hr/>
<b>Net book value</b>		
Balance, end of year	3,610	1,238
	<hr/>	<hr/>
Balance, beginning of year	1,238	–
	<hr/>	<hr/>

Patents and trademarks represent costs incurred to apply for patent and trademark rights in relation to the Group's development of construction related computer software and website hosting services.

### (14) LOANS TO EMPLOYEES

The Group has provided housing loans to certain employees and the loans are secured by second mortgage of the related properties of the employees. The repayment period ranges from two to twelve years with interest at prime rate minus 1 per cent. Amounts due within one year of approximately \$626,000 (2001: \$548,000) are included in prepayments, deposits and other receivables.

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (15) INTERESTS IN SUBSIDIARIES

	2002 \$'000	2001 \$'000
Unlisted shares, at cost	<u>276,075</u>	<u>276,075</u>

The Directors are of the opinion that there is no impairment in the value of interests in subsidiaries as at 31st March 2002.

The following is a list of the principal subsidiaries as at 31st March 2002:

Name	Place of incorporation	Place of operation	Particulars of issued and fully paid share capital	Principal activities	% of issued ordinary share capital held by		
					Company	Subsidiaries	Group
Australian Development Holdings Pty. Limited	Australia	Australia	A\$2	Investment holding	–	100%	100%
Bellaglade Company Limited	Hong Kong	Hong Kong	\$2	Property holding	–	100%	100%
Century Score Investment Limited	Hong Kong	Hong Kong	\$2	Investment in real estate properties	–	100%	100%
Chapman Engineering Consultant Company Limited	Hong Kong	Hong Kong	\$100	Building services engineering consultant	–	60%	60%
Koshen Engineering Limited	Hong Kong	Hong Kong	\$10,000	Provision of design, consulting and project management services	–	100%	60%
Lucky Fame Investment Limited	Hong Kong	Hong Kong	\$2	Investment in real estate properties	–	100%	100%
Ming Hop Company Limited	Hong Kong	Hong Kong	\$500,000	Sourcing of construction materials and execution of plumbing work	–	100%	100%

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (15) INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation	Place of operation	Particulars of issued and fully paid share capital	Principal activities	% of issued ordinary share capital held by		
					Company	Subsidiaries	Group
Nanjing Autocon Technology Company Limited	Mainland China	Mainland China	US\$500,000	Development and sale of construction equipment and computer software	–	100%	100%
Nanjing Nanda VH Software Intelligence Company Limited	Mainland China	Mainland China	Rmb1,500,000	Development and sale of computer software	–	70%	70%
Right Motive Limited	Hong Kong	Hong Kong	\$6,000	Investment holding	–	100%	100%
Solid Star Company Limited	Hong Kong	Hong Kong	\$2	Investment holding	–	100%	100%
SPS Company Limited	Hong Kong	Hong Kong	\$2	Manufacturing and trading	–	100%	100%
Trendplot Investments Limited	Hong Kong	Hong Kong	\$2	Provision of management services	–	100%	100%
VHBuild Company Limited	Hong Kong	Hong Kong	\$2	Provision of website hosting services	–	100%	100%
VHCOME Company Limited	Hong Kong	Hong Kong	\$2	Business to business sale of construction materials	–	100%	100%
VHSoft Company Limited	Hong Kong	Hong Kong	\$5,000,000	Computer software development	–	100%	100%
VHSoft I.P. Company Limited	Hong Kong	Hong Kong	\$2	Patent holding	–	100%	100%
VHSoft Technologies Company Limited	Hong Kong	Hong Kong	\$2	Computer software development	–	100%	100%
Yau Lee Building Construction and Decoration Company Limited	Hong Kong	Hong Kong	\$100,000	Building construction, maintenance and decoration	–	100%	100%

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (15) INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation	Place of operation	Particulars of issued and fully paid share capital	Principal activities	% of issued ordinary share capital held by		
					Company	Subsidiaries	Group
Yau Lee Construction Company Limited	Hong Kong	Hong Kong	\$100,000,000	Building construction	–	100%	100%
Yau Lee Construction Materials & Technology Limited	Hong Kong	Hong Kong	\$2	Sale of building materials and precast products	–	100%	100%
Yau Lee Construction Materials & Technology Limited	The British Virgin Islands	Hong Kong	US\$2	Sale of precast products	–	100%	100%
Yau Lee Environmental Development Limited	Hong Kong	Hong Kong	\$2	Investment holding	–	100%	100%
Yau Lee Equipment Leasing Limited	Hong Kong	Hong Kong	\$2	Investment in real estate properties	–	100%	100%
Yau Lee Investment Limited	The Cook Islands	Hong Kong	US\$100	Investment holding	100%	–	100%
Yau Lee Technology Limited	The British Virgin Islands	Hong Kong	US\$1	Investment holding and trading of construction equipment and development of computer control software	–	100%	100%
Yau Lee Wah Concrete Precast Products Company Limited	Hong Kong	Hong Kong	\$10,000,000	Sale of precast products	–	100%	100%
Yau Lee Wah Concrete Precast Products (Shenzhen) Company Limited	Mainland China	Mainland China	Rmb39,076,066	Manufacture of precast products	–	100%	100%
Yau Sing Building Materials Company Limited	Hong Kong	Hong Kong	\$500,000	Investment holding	–	63%	63%

# Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

## (16) INTERESTS IN ASSOCIATED COMPANIES

	2002		2001	
	Group \$'000	Company \$'000	Group \$'000	Company \$'000
Share of net assets	2,962	–	3,677	–
Amounts due from associated companies	35,391	486	38,088	548
Amounts due to associated companies	(1,178)	–	(266)	–
	<b>37,175</b>	<b>486</b>	<b>41,499</b>	<b>548</b>

(a) The following is a list of the principal associated companies as at 31st March 2002:

Name	Place of incorporation	Place of operation	Particulars of issued and fully paid share capital	Principal activities	Subsidiaries	% of issued ordinary share capital held by associated companies	Group
Bestlink Shipping Limited	Hong Kong	Hong Kong	\$100	Provision of shipping transportation services	–	100%	30%
Bonland Investment Limited	Hong Kong	Hong Kong	\$100	Investment holding	30%	–	30%
Bonjoy Company Limited	Hong Kong	Hong Kong	\$100	Provision of shipping transportation services and investment holding	–	100%	30%
Rich Fame Shipping Limited	Hong Kong	Hong Kong	\$100	Provision of shipping transportation services	–	100%	30%
Shunde Yau Lee Building Components Company Limited ("Shunde Yau Lee") (Note c)	Mainland China	Mainland China	US\$1,707,714	Manufacture of building materials	52.7%	–	33.2%

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (16) INTERESTS IN ASSOCIATED COMPANIES (Continued)

- (a) The following is a list of the principal associated companies as at 31st March 2002:  
(Continued)

Name	Place of incorporation	Place of operation	Particulars of issued and fully paid share capital	Principal activities	Subsidiaries	% of issued ordinary share capital held by Associated companies	Group
Yau Lee Development Company Limited ("YLDC") (Note b)	Hong Kong	Hong Kong	\$100	Property development	50%	–	50%
Yau Lee Property Development (China) Company Limited	Hong Kong	Hong Kong	\$200	Investment holding	46%	–	46%

- (b) The Company has an indirect interest of 25% in Fuli Building, a residential and commercial property project in Shunde, Mainland China, which was jointly developed by YLDC and a Chinese party.
- (c) One of the subsidiaries of the Group has a 52.7% interest in Shunde Yau Lee. However, the subsidiary can only appoint the same number of members to the Board of Directors of Shunde Yau Lee as the other shareholder. Consequently, the Group does not have control over the operational and financial matters of Shunde Yau Lee. The Directors believe that the Group exercises significant influence over Shunde Yau Lee which is therefore accounted for as an associated company.
- (d) The amounts due from and to associated companies are unsecured, interest-free and have no fixed repayment terms.
- (e) The Directors are of the opinion that there is no impairment in the value of interests in associated companies as at 31st March 2002.

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (17) OTHER INVESTMENTS

	2002		2001	
	Group \$'000	Company \$'000	Group \$'000	Company \$'000
Unlisted shares, at cost	976	–	976	–
Listed shares in Hong Kong, at cost	1,455	–	1,455	–
Guaranteed unit trust fund	5,461	5,461	–	–
	<u>7,892</u>	<u>5,461</u>	<u>2,431</u>	<u>–</u>
Less: Provision for impairment	(2,161)	–	–	–
	<u>5,731</u>	<u>5,461</u>	<u>2,431</u>	<u>–</u>

- (a) The market value of the Group's investment in listed shares in Hong Kong as at 31st March 2002 was approximately \$270,000 (2001: \$404,000).
- (b) In January 1995, one of the subsidiaries of the Group entered into an agreement with Nanjing FEAT Advanced Sciences and Technology Industry Corp. ("Nanjing FEAT") in Mainland China to engage in the development and trading of environmental products. The Group has a 60% interest in Nanjing FEAT and has injected the agreed capital contribution of RMB1,000,000.

The Directors are of the opinion that the Group has no control and does not exercise any influence over the operations of Nanjing FEAT and therefore, the investment is carried at cost. As a result of the recurring losses of Nanjing FEAT, full provision for impairment in the value of this investment has been made in the accounts as of 31st March 2002.

- (c) The Directors are of the opinion that there is no other impairment that is other than temporary in the value of other investments as of 31st March 2002.

### (18) RESTRICTED DEPOSITS

Restricted deposits are funds which are pledged to secure the bank overdrafts and short-term bank loans.



## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (19) TRADE DEBTORS

	2002		2001	
	Group \$'000	Company \$'000	Group \$'000	Company \$'000
Trade debtors	144,956	–	224,051	–
Less: Provision for doubtful debts	(1,674)	–	(3,824)	–
	<u>143,282</u>	<u>–</u>	<u>220,227</u>	<u>–</u>

The trade debtors are due 21 days to one year after invoicing depending on the nature of services or products.

The aging analysis of the trade debtors after provision as at 31st March 2002 is as follows:

	2002		2001	
	Group \$'000	Company \$'000	Group \$'000	Company \$'000
Not yet due	129,842	–	208,585	–
Overdue by:				
0-30 days	3,023	–	6,471	–
31-90 days	3,715	–	2,130	–
91-180 days	3,516	–	1,293	–
over 180 days	3,186	–	1,748	–
	<u>143,282</u>	<u>–</u>	<u>220,227</u>	<u>–</u>

### (20) INVENTORIES

	2002		2001	
	Group \$'000	Company \$'000	Group \$'000	Company \$'000
Raw materials	3,276	–	5,164	–
Finished goods	5,199	–	4,723	–
	<u>8,475</u>	<u>–</u>	<u>9,887</u>	<u>–</u>

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (21) CONSTRUCTION CONTRACTS IN PROGRESS

	2002 \$'000	2001 \$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	8,229,176	8,038,655
Less: Progress billings to date	<u>(8,019,592)</u>	<u>(7,938,603)</u>
	<u>209,584</u>	<u>100,052</u>

- (a) In respect of construction contracts in progress at the balance sheet date, the amount of retentions receivable from customers, recorded under "Long-term trade debtors" and "Trade debtors" as at 31st March 2002, was approximately \$17,515,000 (2001: \$26,850,000) and \$39,474,000 (2001: \$40,136,000) respectively.
- (b) During the year, the Group notified one of its customers that it is considering entering into a mediation process as provided for in the construction contract in an attempt to reach a commercial settlement on outstanding claims made by the Group relating to one of its completed construction contracts. The customer has, however, requested the Group to postpone the mediation process in the hope that a negotiated settlement can be reached. The Board of Directors has indicated that if no further progress is made on the negotiations with the customer within the next three months, the Group will instigate a formal arbitration with the customer in an attempt to reach a satisfactory settlement. The amount of the claims made by the Group under this contract including amounts receivable on contract work is approximately \$143 million, a portion of which is included in "Due from customers on construction contracts" in the consolidated balance sheet as at 31st March 2002 based on an external consultant's evaluation of the likely recoverable amount.

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (22) PAYABLE TO SUPPLIERS AND SUBCONTRACTORS

The aging analysis of the payable to suppliers and subcontractors as at 31st March 2002 is as follows:

	2002		2001	
	Group \$'000	Company \$'000	Group \$'000	Company \$'000
Not yet due	59,558	–	132,661	–
Overdue by:				
0-30 days	6,922	–	10,400	–
31-90 days	–	–	6	–
91-180 days	–	–	–	–
over 180 days	–	–	–	–
	<u>66,480</u>	<u>–</u>	<u>143,067</u>	<u>–</u>

### (23) LONG-TERM LIABILITIES

	2002		2001	
	Group \$'000	Company \$'000	Group \$'000	Company \$'000
Obligations under finance lease contracts				
– Repayable within one year	3,881	–	6,919	–
– Repayable in the second to fifth years	102	–	797	–
	<u>3,983</u>	<u>–</u>	<u>7,716</u>	<u>–</u>
Amounts due within one year included under current liabilities	<u>(3,881)</u>	<u>–</u>	<u>(6,919)</u>	<u>–</u>
	<u>102</u>	<u>–</u>	<u>797</u>	<u>–</u>
Long-term bank loan wholly repayable within five years (Note 11)	<u>164,900</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>165,002</u>	<u>–</u>	<u>797</u>	<u>–</u>

The long-term bank loan is wholly repayable on 31st October 2003. Interest is charged on the outstanding balance at HIBOR plus 1.5 per cent.

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (24) SHARE CAPITAL

	2002 \$'000	2001 \$'000
Authorised:		
1,000,000,000 shares of \$0.2 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
440,949,600 shares of \$0.2 each	<u>88,190</u>	<u>88,190</u>

#### (a) Share Option Schemes

Under the terms of the Share Option Scheme which became effective on 5th August 1991 (the "1991 Share Option Scheme"), the Board of Directors of the Company may, at their absolute discretion, offer to any director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the 1991 Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of the Company, represents 10% of the issued share capital of the Company from time to time. The 1991 Share Option Scheme remains in force for a period of 10 years.

On 25th August 1997, pursuant to the 1991 Share Option Scheme, certain employees and the Directors were granted options to subscribe for a total of 45,940,000 shares of \$0.05 each in the Company at the subscription price of \$0.2219 per share. As a result of the consolidation of shares on 17th October 2000, the number of shares that may be subscribed in respect of the outstanding option under the 1991 Share Option Scheme was adjusted to 11,485,000 shares of \$0.2 each at the subscription price of \$0.8876 per share. No granted options were exercised during the year and the 1991 Share Option Scheme lapsed on 4th August 2001.

On 17th October 2000, the Company adopted a new share option scheme (the "2000 Share Option Scheme") which replaced the 1991 Share Option Scheme. Upon the adoption of the 2000 Share Option Scheme, no further options will be granted under the 1991 Share Option Scheme but in all other respects, the provisions of the 1991 Share Option Scheme shall remain in full force and effect in respect of options which have been granted prior to the adoption of the 2000 Share Option Scheme and which shall continue to be exercisable in accordance with their terms of issue.

## (24) SHARE CAPITAL *(Continued)*

### (a) Share Option Schemes *(Continued)*

Under the 2000 Share Option Scheme, the Board of Directors of the Company may, at their absolute discretion, offer to any director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company. Subject to adjustment as a result of any alteration in the capital structure of the Company, the subscription price is the higher of 80% of the average closing price of the shares of the Company on the Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the option and the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the 2000 Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of the Company, represents 10% of the issued share capital of the Company from time to time. The 2000 Share Option Scheme remains in force for a period of 10 years. As at 31st March 2002, no share options had been granted under the 2000 Share Option Scheme.

In addition, VHSoft Technologies Company Limited ("VHSoft"), a wholly owned subsidiary of the Group, adopted a share option scheme on 17th October 2000 (the "VHSoft Share Option Scheme"). Under the VHSoft Share Option Scheme, the Board of Directors of the Company may, at their absolute discretion, offer to any Director or employee of VHSoft options to subscribe for shares in VHSoft in accordance with the terms of the VHSoft Share Option Scheme. Subject to adjustment as a result of any alteration in the capital structure of VHSoft, the subscription price is not less than the nominal value of the shares of VHSoft. The maximum number of shares in respect of which options may be granted under the VHSoft Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of VHSoft, represents 10% of the issued share capital of VHSoft from time to time. The VHSoft Share Option Scheme remains in force for a period of 5 years or expires on the date on which an application for the initial public offering of the shares of VHSoft on an internationally recognised stock exchange is submitted, whichever is earlier. As at 31st March 2002, no share options had been granted under the VHSoft Share Option Scheme.

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (25) RESERVES

	Share premium \$'000	Capital reserve (Note a) \$'000	Group Capital redemption reserve \$'000	Retained profits \$'000	Total \$'000
As at 1st April 2001, as previously reported	415,430	369	359	106,208	522,366
Effect of adopting SSAP 9 (Revised) (Note 1(s))	—	—	—	6,173	6,173
Effect of adopting SSAP 30 (Note 1(f))	—	(369)	—	369	—
As at 1st April 2001, as restated	415,430	—	359	112,750	528,539
Profit for the year	—	—	—	6,455	6,455
2001 Final dividend paid (Note 8)	—	—	—	(6,173)	(6,173)
As at 31st March 2002	415,430	—	359	113,032	528,821
Company and subsidiaries	415,430	—	359	107,334	523,123
Associated companies	—	—	—	5,698	5,698
As at 31st March 2002	415,430	—	359	113,032	528,821

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (25) RESERVES (Continued)

	Share premium \$'000	Capital reserve (Note a) \$'000	Group Capital redemption reserve \$'000	Retained profits \$'000	Total \$'000
As at 1st April 2000, as previously reported	415,430	369	–	87,925	503,724
Effect of adopting SSAP 9 (Revised) (Note 1(s))	–	–	–	12,397	12,397
Effect of adopting SSAP 30 (Note 1(f))	–	(369)	–	369	–
As at 1st April 2000, as restated	415,430	–	–	100,691	516,121
Profit for the year	–	–	–	32,154	32,154
Repurchase of shares	–	–	359	(614)	(255)
2000 Final dividend paid (Note 8)	–	–	–	(12,397)	(12,397)
2001 Interim dividend paid (Note 8)	–	–	–	(7,084)	(7,084)
As at 31st March 2001	415,430	–	359	112,750	528,539
Representing:					
2001 Final dividend proposed				6,173	
Other				106,577	
Retained profits as at 31st March 2001				112,750	
Company and subsidiaries	415,430	–	359	107,450	523,239
Associated companies	–	–	–	5,300	5,300
As at 31st March 2001	415,430	–	359	112,750	528,539

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (25) RESERVES (Continued)

- (a) The amount represents negative goodwill arising from the acquisition of an associated company in 1997.
- (b) The entire amount of the retained profits of the Group as at 31st March 2002 is distributable.
- (c) Movements of the retained profits of the Company is as follows:

	Company	
	2002	2001
	\$'000	\$'000
Retained profits		
As at 1st April, as previously reported	145,615	141,893
Effect of adopting SSAP 9 (Revised) (Note 1(s))	6,173	12,397
	<hr/>	<hr/>
As at 1st April, as restated	151,788	154,290
	<hr/>	<hr/>
Profit for the year	6,046	17,593
Repurchase of shares	–	(614)
2001 (2000) Final dividend paid (Note 8)	(6,173)	(12,397)
2001 Interim dividend paid (Note 8)	–	(7,084)
	<hr/>	<hr/>
As at 31st March	151,661	151,788
	<hr/>	<hr/>
Representing:		
2001 Final dividend proposed	–	6,173
Other	151,661	145,615
	<hr/>	<hr/>
Retained profits as at 31st March	151,661	151,788
	<hr/>	<hr/>



## (26) RETIREMENT BENEFIT COSTS

A defined contribution pension scheme was provided to all the employees eligible and employed by the Group in Hong Kong (the “Employees”). The Group was required to make monthly contributions to the scheme at 5% of the Employees’ monthly salary but the Employees were not required to contribute to the scheme. Employees under the defined contribution scheme were entitled to 100% of the employer’s contribution and the accrued interest upon retirement or leaving the Group after completing 10 years of service from the date of joining the Group, or at a scale of between 30% and 90% after completing three to nine years of service from the date of joining the Group.

During the year, no contribution was charged to the consolidated profit and loss account under the defined contribution pension scheme as it has been replaced by the Mandatory Provident Fund Scheme (the “MPF Scheme”) described below. During the year ended 31st March 2001, the amount of contribution charged to the consolidated profit and loss account under the defined contribution pension scheme was \$5,948,000.

Since 1st December 2000, the Group has arranged for its Employees in Hong Kong to join the MPF Scheme. Under the MPF Scheme, the Group and each of the Employees make monthly contributions to the scheme at 5% of the Employees’ earnings as defined under the Mandatory Provident Fund legislation. Both the employer’s and the Employees’ contributions are subject to a cap of monthly earnings of \$20,000. For those Employees with monthly earnings less than \$4,000, the Employees’ contributions are voluntary. In addition to the mandatory contributions, the Group makes monthly voluntary contributions to the scheme at 5% of certain Employees’ earnings in excess of \$20,000.

During the year, the aggregate amount of employer’s contribution made by the Group to the MPF Scheme was approximately \$6,563,000 (2001 – \$2,318,000). The Group’s contributions to the MPF Scheme are charged to the consolidated profit and loss account in the period to which they relate.

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (27) BANKING FACILITIES

As at 31st March 2002, the Group had total banking facilities in respect of overdrafts, short-term bank loans, bank guarantees and trade financing of approximately \$665 million (2001: \$352 million), \$317 million of which (2001: \$Nil) had been utilised. As at 31st March 2002, these banking facilities were secured by:

- (a) time deposits of approximately \$128 million (2001: \$134 million);
- (b) guarantees of approximately \$770 million (2001: \$408 million) given by the Company;
- (c) guaranteed unit trust fund of approximately \$5 million (2001: \$Nil);
- (d) progress billings of certain construction contracts; and
- (e) property under development.

### (28) COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March 2002, 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 31st March 2002, 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 liability would not materially affect the financial position of the Group.
- (b) Commitments under various contracts entered into in the normal course of business to complete construction and other contracts with a total value of approximately \$1,269 million (2001: \$474 million) extending to various dates, the latest being December 2004.
- (c) Guarantees in respect of performance bonds that amount to approximately \$3 million (2001: \$5 million) in favour of the Group's customers.
- (d) Guarantees in respect of lease, hire purchase or instalment loan facilities to third parties that amount to approximately \$9 million (2001: \$9 million) in favour of certain subsidiaries.

## Notes to the Accounts

31st March 2002 (Amounts expressed in Hong Kong dollars)

### (28) COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

- (e) At 31st March 2002, the Group had future aggregate minimum lease payments under non-cancellable operating lease as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>\$'000</b>	<b>\$'000</b>
Land and buildings		
Not later than one year	<b>2,772</b>	3,879
Later than one year and not later than five years	<b>6,466</b>	5,588
Later than five years	<b>44,613</b>	46,037
	<b>53,851</b>	55,504
Other equipment		
Not later than one year	<b>41</b>	46
Later than one year and not later than five years	<b>65</b>	–
	<b>106</b>	46
Total	<b>53,957</b>	55,550

### (29) RELATED PARTY TRANSACTIONS

- (a) The balances due from and to subsidiaries and related parties are unsecured, interest free and have no fixed repayment terms.
- (b) The loans to subsidiaries are unsecured, interest free and not repayable within the next year.

### (30) APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 16th July 2002.

## Five Year Financial Summary

(Amounts expressed in Hong Kong dollars)

### CONSOLIDATED RESULTS

*Year ended 31st March*

	1998 \$'000	1999 \$'000	2000 \$'000	2001 \$'000	2002 \$'000
Turnover	<u>1,620,645</u>	<u>1,875,177</u>	<u>2,041,948</u>	<u>1,781,341</u>	<u>773,413</u>
Profit (Loss) before taxation	21,384	(53,272)	40,057	43,077	<b>10,337</b>
Taxation	(6,410)	4,884	(9,086)	(10,331)	<b>(3,379)</b>
Minority interests	<u>255</u>	<u>(293)</u>	<u>(646)</u>	<u>(592)</u>	<u>(503)</u>
Profit (Loss) attributable to shareholders	<u>15,229</u>	<u>(48,681)</u>	<u>30,325</u>	<u>32,154</u>	<u><b>6,455</b></u>

### CONSOLIDATED ASSETS AND LIABILITIES

*As at 31st March*

	1998 \$'000	1999 \$'000	2000 \$'000	2001 \$'000	2002 \$'000
Total assets	1,360,237	1,162,678	1,117,653	973,409	<b>1,112,292</b>
Total liabilities	<u>(823,037)</u>	<u>(648,303)</u>	<u>(525,380)</u>	<u>(356,680)</u>	<u><b>(495,281)</b></u>
Shareholders' equity	<u>537,200</u>	<u>514,375</u>	<u>592,273</u>	<u>616,729</u>	<u><b>617,011</b></u>