

The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce that the **unaudited** results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2001:-

**CONSOLIDATED PROFIT AND LOSS ACCOUNTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001**

| | | Unaudited | |
|---|-------------|-------------------------|-----------------|
| | | Six months ended | |
| | | 30th September, | |
| | | 2001 | 2000 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 2 | 405,333 | 927,154 |
| Cost of sales | | (348,713) | (844,770) |
| | | <u>56,620</u> | <u>82,384</u> |
| Gross profit | | | |
| General and administrative expenses | | (49,918) | (52,142) |
| Other revenue, net | | 4,991 | 5,197 |
| | | <u>11,693</u> | <u>35,439</u> |
| Profit from operations | | | |
| Finance costs | | (1,619) | (4,088) |
| | | <u>10,074</u> | <u>31,351</u> |
| Profit before share of profit of associated companies and taxation | | | |
| Share of profit of associated companies, net | | 940 | 388 |
| | | <u>11,014</u> | <u>31,739</u> |
| Profit before taxation | 3 | | |
| Taxation | 4 | | |
| Company and subsidiaries | | (3,580) | (5,439) |
| Associate companies | | (319) | (517) |
| | | <u>7,115</u> | <u>25,783</u> |
| Profit after taxation | | | |
| Minority interest | | (971) | (162) |
| | | <u>6,144</u> | <u>25,621</u> |
| Profit attributable to shareholders | | | |
| Dividends | | - | (7,084) |
| | | <u>6,144</u> | <u>18,537</u> |
| Profit retained for the period | | | |
| Earnings per share | 5 | 1.39 cents | 5.79 cents |

The profit attributable to shareholders represents the recognised gains of the Group for the six months ended 30th September, 2001.

CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER, 2001

| | | Unaudited 30th September, 2001 HK\$'000 | Audited 31st March, 2001 HK\$'000 |
|---|---|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 174,765 | 180,613 |
| Properties under development | 6 | 312,897 | – |
| Development costs | | 4,370 | 3,751 |
| Patents | | 2,518 | 1,238 |
| Long-term trade debtors | | 13,203 | 26,850 |
| Loans to employees | | 4,580 | 4,556 |
| Interest in associates | | 52,858 | 41,499 |
| Other investments | | 9,889 | 2,431 |
| | | <u>575,080</u> | <u>260,938</u> |
| Current assets | | | |
| Inventories | | 12,846 | 9,887 |
| Gross amount due from customers for contract work | | 211,877 | 184,801 |
| Trade debtors, net | 7 | 125,543 | 220,227 |
| Prepaid tax | | 1,280 | 452 |
| Prepayments, deposits and other receivables | | 18,894 | 26,992 |
| Short term investments | | 210 | 4,694 |
| Time deposits, cash and bank balances | | 176,593 | 265,418 |
| Total current assets | | <u>547,243</u> | <u>712,471</u> |
| Current liabilities | | | |
| Payables to suppliers and subcontractors | 8 | 57,133 | 143,067 |
| Dividend payable | | – | 6,173 |
| Provision for taxation | | 11,734 | 10,252 |
| Gross amount due to customers for contract work | | 59,044 | 84,749 |
| Current portion of hire purchase obligations | | 5,881 | 6,919 |
| Accruals, retention payable and other liabilities | | 118,518 | 95,426 |
| Bank loan | | 53,500 | – |
| Bank overdraft | | 45,527 | – |
| Total current liabilities | | <u>351,337</u> | <u>346,586</u> |
| Net current assets | | <u>195,906</u> | <u>365,885</u> |
| Total assets less current liabilities | | <u>770,986</u> | <u>626,823</u> |
| Non-current liabilities | | | |
| Due to minority shareholders, net | | 6,058 | 5,076 |
| Obligations under hire purchase contracts | | | |
| – Repayable after one year | | 81 | 797 |
| Deferred taxation | | 10,647 | 10,394 |
| Bank loan | | 137,500 | – |
| | | <u>154,286</u> | <u>16,267</u> |
| Net assets | | <u>616,700</u> | <u>610,556</u> |
| Capital and reserves | | | |
| Share capital | 9 | 88,190 | 88,190 |
| Share premium | | 415,430 | 415,430 |
| Capital reserve | | 369 | 369 |
| Capital redemption reserve | | 359 | 359 |
| Retained profit | | 112,352 | 106,208 |
| Shareholders' equity | | <u>616,700</u> | <u>610,556</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

| | Unaudited | |
|--|-------------------------|-----------------------|
| | Six months ended | |
| | 30th September, | |
| | 2001 | 2000 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net cash (outflow) inflow from operating activities | (131,597) | 114,131 |
| Net cash outflow from returns on investments and servicing of finance | (3,031) | (9,872) |
| Tax paid | (2,673) | (268) |
| Net cash outflow from investing activities | <u>(185,997)</u> | <u>(16,904)</u> |
| Net cash (outflow) inflow before financing activities | (323,298) | 87,087 |
| Net cash inflow (outflow) from financing activities | <u>135,446</u> | <u>(53,774)</u> |
| (Decrease) Increase in cash and cash equivalents | (187,852) | 33,313 |
| Cash and cash equivalents, beginning of period | <u>265,418</u> | <u>237,110</u> |
| Cash and cash equivalents, end of period | <u>77,566</u> | <u>270,423</u> |

Notes:

1. Accounting Policies

The unaudited financial statements are prepared in accordance with the Hong Kong Statements of Standard Accounting Practice Number 25 – Interim Reporting issued by the Hong Kong Society of Accountants and the accounting principles generally accepted in Hong Kong. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2001.

2. Turnover

The Group's turnover and profits for the six months ended 30th September, 2001 were derived principally from the contracting of building construction, maintenance and decoration projects carried out in Hong Kong.

| | Six months ended 30th September, 2001 | | 2000 | |
|---|--|--------------------------|----------------------|--------------------------|
| | Turnover HK\$'000 | Gross profit HK\$'000 | Turnover HK\$'000 | Gross profit HK\$'000 |
| Contracting of building construction, maintenance and decoration projects | 386,996 | 54,100 | 904,976 | 77,575 |
| Sale of building materials | 15,450 | 2,226 | 21,407 | 4,610 |
| Others | 2,887 | 294 | 771 | 199 |
| | <u>405,333</u> | <u>56,620</u> | <u>927,154</u> | <u>82,384</u> |

3. Profit before taxation

Profit before taxation is arrived at after charging (crediting) the following:

| | Six months ended 30th September, | |
|---|-------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Depreciation | | |
| Owned assets | 9,074 | 10,061 |
| Assets held under finance lease | 608 | 1,803 |
| Amortisation of development costs | 100 | - |
| (Profit) loss on disposal of fixed assets | (26) | 351 |

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Overseas taxation has been calculated on the estimated assessable profit for the period at the rates prevailing in the respective jurisdictions.

5. Earnings per share

Earnings per share has been calculated using the unaudited consolidated profit attributable to shareholders for the period of HK\$6,144,000 (2000: HK\$25,621,000) and of the 440,949,600 shares (2000: 442,746,100 shares). No diluted earnings per share are disclosed as the share options outstanding at 30th September, 2001 and 30th September, 2000 are anti-dilutive.

6. Properties under development

Properties under development which are not due for completion within one year from the balance sheet date are stated at cost less provision for diminution in value or provision for foreseeable losses upon completion of the relevant development projects, if any. Cost of property in the course of development comprises land costs, development and construction costs, attributable interest and other related direct expenses capitalized during the development period. On completion, the properties held under development are transferred to investment properties or land and buildings.

7. Trade debtors, net

Trade debts are due after 21 days to one year depending on the nature of services or products.

The aging analysis of trade debtors at the period end is as follows:

| | 30th September, 2001 | 31st March, 2001 |
|---------------|---------------------------------|-----------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Not yet due | 114,559 | 208,585 |
| Overdue by: | | |
| 0-30 days | 4,918 | 6,471 |
| 31-90 days | 3,102 | 2,130 |
| 91-180 days | 1,445 | 1,293 |
| Over 180 days | 1,519 | 1,748 |
| | <u>125,543</u> | <u>220,227</u> |

8. Payables to suppliers and subcontractors

The aging analysis of payables to suppliers and subcontractors at the period end is as follows:

| | 30th September, 2001 | 31st March, 2001 |
|---------------|---------------------------------|-----------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Not yet due | 52,748 | 132,661 |
| Overdue by: | | |
| 0-30 days | 4,364 | 10,400 |
| 31-90 days | - | 6 |
| 91-180 days | - | - |
| Over 180 days | 21 | - |
| | <u>57,133</u> | <u>143,067</u> |

9. Share capital

There were no movements in the share capital of the Company for the period.

INTERIM DIVIDEND

The Board of Directors of the Company (“ the Directors”) does not recommend the payment of an interim dividend for the six months ended 30th September, 2001 (2000: HK1.6 cents).

REVIEW AND OUTLOOK

The Group recorded a turnover of HK\$405,333,000 for the six months ended 30th September, 2001, as compared to HK\$927,154,000 of the same period last year while the profit before taxation has decreased by 65% from HK\$31,739,000 in 2000 to HK\$11,014,000 this year. The declines in profit and turnover were mainly caused by the significant contraction of the public construction market since 2000. This has resulted in intensified competition that caused continuous drop in tender prices for public contracts.

Despite the difficult market condition, the Group was able to secure four new contracts with a total value of HK\$961 million. However the total value of contracts in hand has dropped to HK\$1,883 million at 30th September, 2001 from HK\$3,281 million at 31st March, 2001.

The significant drop in public construction output has also adversely affected the Group’s pre-fabricated building components business. Being able to foresee the market decline, the Group has, in order to maintain competitiveness, developed and launched new product lines at the beginning of the year. These new products were well received by clients. Apart from targeting the public housing market, the Group has also begun marketing precast products to private housing developers.

As mentioned in the 2000/01 Annual Report, the Group has purchased a piece of land in Causeway Bay for development of a commercial property for investment. Subsequent to the publishing of the 2000/01 Annual Report, the Group has also acquired the property adjacent to the original one for HK\$24,800,000 making the total consideration paid for the combined site to HK\$299,800,000. As a result, the site area available for development is enlarged from 8,885 sq.ft. to 10,417 sq.ft. with developable gross floor area of 155,000 sq.ft. The expected time for completion of the development is the end of 2003.

The Group’s wholly owned subsidiary company, VHSOFT Technologies Co. Ltd., which specialises in construction IT services has started to generate revenue. Promotion efforts have received encouraging feedback. We expect the operation will be able to breakeven in year 2002/03.

As the difficult situation of the construction industry is expected to prevail in the foreseeable future, a number of cost control measures have been taken to maintain the Group's competitiveness. From January 2002 employees' salaries will be cut by up to 15% according to their income level and position. Targets for cost savings have also been set for various operating units.

Despite the unfavorable economic conditions the Group did not compromise on its commitment to quality, safety and environment protection. This was evidenced by the winning of various awards in these aspects. Apart from awards, the Group has also obtained the ISO14000 certification in October this year.

Due to current economic condition, the outlook for the second half of this financial year is not optimistic. However the management believes the Group, armed with ample experience and innovative products and technologies, will be able to face the challenges ahead and continue to move forward when opportunities arise.

CONTRACTS IN HAND

The following is a summary of the Group's construction contracts in hand at 30th September, 2001.

| Contracts | Commencement Date | Original Contract Value HK\$'M |
|---|----------------------|--------------------------------------|
| Workshop Conversion and Fitting-out Works for Implementing the New Technical Curriculum in Prevocational and Technical Schools | February 1999 | 57 |
| Design & Construction of Government Quarters at Fanling | October 1999 | 395 |
| Development of Tseung Kwan O Area 73A Phase 2 | September 2000 | 470 |
| Relocation of Tang Shiu Kin Hospital A & E Department to Ruttonjee Hospital At 266 Queen's Road East, Wanchai, Hong Kong | May 2001 | 101 |
| Development of Tung Chung Area 31 Phase 3 | July 2001 | 675 |
| Maintenance and the Vacant Flat Refurbishment for Tsing Yi District 2001/2003 | July 2001 | 46 |
| Conversion and Extension to Existing Schools- Group 2 under School Improvement Programme Phase IV Package 1 | September 2001 | 139 |
| Total value of construction contracts in hand | | 1,883 |

FINANCIAL REVIEW

At 30th September, 2001, the Group's cash in hand was HK\$176,593,000 compared with HK\$265,418,000 at 31st March, 2001, bank borrowings increased from Nil at 31st March, 2001 to HK\$236,527,000 at 30th September, 2001. This was mainly due to the acquisition of a piece of land in Causeway Bay as mentioned above. In financing for such acquisition, a HK\$137,500,000 bank loan was raised during the period as stated under non-current liabilities in the above balance sheet which is expected to be repaid following the completion of this project at the end of 2003.

Taking into account of this acquisition, the Group's liquidity had slightly decreased as evidenced by the current ratio (total current assets: total current liabilities) from 2.06 last year to 1.56 this year. The Group's gearing ratio, calculated on the basis of net bank borrowings (i.e. total bank borrowings and overdraft less time deposits, cash and bank balances) over shareholders' equity had increased from Nil to 9.72%, but remains at a very prudent level. The Group's interest burden was also kept at a very low level. It is mainly due to prudent approach in financial management adopted by the Group. The interest cover [(profit before taxation + interest expenses)/interest expenses] of the Group remained constant at 7.8 times this period as compared to 7.84 times at 31st March, 2001.

DIRECTORS' INTERESTS

As at 30th September, 2001, 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 associated corporations thereof (within the meaning of the SDI Ordinance) of which, the Company and the Stock Exchange of Hong Kong Limited 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 |
|--|--------------------------|-----------------------------|
| Wong Ip Kuen (<i>see note on page 9</i>) | Yau Lee Holdings Limited | 224,785,599 |

During the six months ended 30th September, 2001, no right to subscribe for equity of the Company was exercised by any of the directors or chief executives of the Company or the spouse or children under 18 years of age of such directors and chief executives.

Save as otherwise disclosed in this report, none of the directors or chief executives or their associates had any other interests (whether beneficial or non-beneficial) in the share capital of the Company or any other associated corporations as defined in the SDI Ordinance at 30th September, 2001.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th September, 2001, the following persons (other than the directors or chief executives of the Company) had or were deemed to have interests in the Company under the provisions of the SDI Ordinance which have entered into the register kept by the Company under Section 16(1) of the SDI Ordinance:

| Substantial shareholders | Number of shares interested |
|-------------------------------------|-----------------------------|
| All Fine Investment Company Limited | 224,785,599 |
| All Fine Holdings Company Limited | 224,785,599 |

Note:

The 224,785,599 shares of the Company referred to above were beneficially owned by 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.

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 six months ended 30th September, 2001.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the code of best practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited throughout the period under review.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 13th December, 2001