

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, 2003:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September,</b>	
		<b>2003</b>	2002
			as restated
			(Note 1)
	Note	<b>HK\$'000</b>	HK\$'000
Turnover	2	<b>506,825</b>	384,199
Cost of sales		<b>(465,439)</b>	(335,495)
Gross profit		<b>41,386</b>	48,704
Other revenues		<b>1,038</b>	1,265
General and administrative expenses		<b>(40,102)</b>	(45,306)
Other operating (expenses) income, net		<b>(2,559)</b>	941
Operating (loss) profit		<b>(237)</b>	5,604
Finance costs		<b>(3)</b>	(2,859)
(Loss) Profit before share of result of associated companies and taxation		<b>(240)</b>	2,745
Share of (loss) profit of associated companies		<b>(33)</b>	139
(Loss) Profit before taxation	3	<b>(273)</b>	2,884
Taxation	4		
Company and subsidiaries		<b>(1,895)</b>	(1,227)
(Loss) Profit after taxation		<b>(2,168)</b>	1,657
Minority interest		<b>655</b>	(950)
(Loss) Profit attributable to shareholders		<b>(1,513)</b>	707
(Loss) Earnings per share	5	<b>(0.34 cents)</b>	0.16 cents

**CONSOLIDATED BALANCE SHEET**

AS AT 30TH SEPTEMBER, 2003

	Unaudited 30th September, 2003	As restated 31st March, 2003 (Note 1)
Note	HK\$'000	HK\$'000
Non-current assets		
Fixed assets	<b>144,898</b>	152,169
Property under development	<b>451,094</b>	380,230
Development costs	<b>2,304</b>	2,295
Long-term trade debtors	<b>47,334</b>	39,045
Loans to employees	<b>3,066</b>	3,204
Interest in associated companies	<b>25,677</b>	26,569
Deferred tax assets	<b>603</b>	1,139
Other investments	<b>5,484</b>	5,484
	<b>680,460</b>	610,135
Current assets		
Time deposits, cash and bank balances	<b>15,424</b>	18,573
Restricted deposits	<b>166,466</b>	142,708
Trade debtors	<b>154,217</b>	146,766
Inventories	<b>21,412</b>	8,884
Prepayments, deposits and other receivables	<b>23,135</b>	25,697
Prepaid tax	<b>250</b>	181
Due from customers on construction contracts	<b>290,849</b>	277,570
Short term investments	<b>12,043</b>	12,043
Due from related parties	<b>42</b>	30
Total current assets	<b>683,838</b>	632,452
Current liabilities		
Bank overdrafts, secured	<b>57,314</b>	33,247
Short term bank loans, secured	<b>209,500</b>	185,500
Current portion of long term bank loans, secured	<b>278,900</b>	210,900
Payable to suppliers and subcontractors	<b>116,666</b>	102,503
Accruals, retention payable and other liabilities	<b>68,140</b>	73,934
Taxation payable	<b>5,732</b>	4,316
Due to customers on construction contracts	<b>16,365</b>	16,667
Current portion of finance lease obligations	<b>1,095</b>	1,567
Due to related parties	<b>1,104</b>	1,104
Total current liabilities	<b>754,816</b>	629,738
Net current (liabilities) assets	<b>(70,978)</b>	2,714



	<b>Unaudited 30th September, 2003</b>	As restated 31st March, 2003 (Note 1)
<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Total assets less current liabilities	<b>609,482</b>	612,849
Non-current liabilities		
Long term portion of finance lease obligations	<b>24</b>	188
Deferred tax liabilities	<b>7,558</b>	8,621
Due to minority shareholders	<b>5,212</b>	5,839
	<b>12,794</b>	14,648
Net assets	<b>596,688</b>	598,201
Financed by:		
Capital and reserves		
Share capital	<b>88,190</b>	88,190
Reserves	<b>415,789</b>	415,789
Retained profits	<b>92,709</b>	94,222
Shareholders' equity	<b>596,688</b>	598,201

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Net cash flows used in operating activities	<b>(33,923)</b>	(31,818)
Net cash flows used in investing activities	<b>(55,965)</b>	(16,290)
Net cash flows from financing activities	<b>62,672</b>	32,375
	<hr/>	<hr/>
Decrease in cash and cash equivalents	<b>(27,216)</b>	(15,733)
Cash and cash equivalents, beginning of period	<b>(14,674)</b>	3,738
	<hr/>	<hr/>
Cash and cash equivalents, end of period	<b>(41,890)</b>	(11,995)
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Time deposits	<b>1,129</b>	8,560
Cash and bank balances	<b>14,295</b>	22,614
Bank overdrafts, secured	<b>(57,314)</b>	(43,169)
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	<b>(41,890)</b>	(11,995)
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

	Unaudited Six months ended 30th September, 2003				
	Share capital	Share premiums	Capital redemption reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st April, 2003, as previously stated	88,190	415,430	359	94,056	598,035
Effect of adopting SSAP 12 (revised) (Note 1)	-	-	-	166	166
As at 1st April, 2003, as restated	88,190	415,430	359	94,222	598,201
Loss for the period	-	-	-	(1,513)	(1,513)
As at 30th September, 2003	<u>88,190</u>	<u>415,430</u>	<u>359</u>	<u>92,709</u>	<u>596,688</u>

	Unaudited Six months ended 30th September, 2002				
	Share capital	Share premiums	Capital redemption reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st April, 2002, as previously stated	88,190	415,430	359	113,032	617,011
Effect of adopting SSAP 12 (revised) (Note 1)	-	-	-	(888)	(888)
As at 1st April, 2002, as restated	88,190	415,430	359	112,144	616,123
Profit for the period	-	-	-	707	707
As at 30th September, 2002, as restated	<u>88,190</u>	<u>415,430</u>	<u>359</u>	<u>112,851</u>	<u>616,830</u>

Notes:

## 1. Accounting Policies

The interim accounts have not been audited by the auditors of the Group but have been reviewed by the Group's Audit Committee.

These unaudited consolidated accounts are prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") 25 – "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA"). These accounts should be read in conjunction with the 2003 annual accounts.

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

As a result of the retrospective application of SSAP 12 (revised), the retained profits of the Group as at 1st April, 2002 and 1st April, 2003 were decreased and increased by HK\$888,000 and HK\$166,000 respectively. This change has resulted in an increase in deferred tax assets and an increase in deferred tax liabilities as at 31st March, 2003 by HK\$1,139,000 and HK\$973,000 respectively. Such change in accounting policy has resulted in an increase in profit attributable to shareholders for the six months ended 30th September, 2002 by HK\$527,000.

## 2. Turnover and Segment Information

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

	<b>Six months ended 30th September,</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Turnover		
Contracting of building construction, maintenance and decoration projects	<b>473,378</b>	375,151
Sale of building materials	<b>30,490</b>	2,752
Others	<b>2,957</b>	6,296
	<b>506,825</b>	384,199

The analyses of the Group's segment information are as follows:

*Primary reporting format – business segments*

	2003				Total HK\$'000
	Construction HK\$'000	Property Development HK\$'000	Others HK\$'000	Elimination HK\$'000	
External sales	473,378	–	33,447	–	506,825
Intersegment sales	68,406	–	20,450	(88,856)	–
Total sales	541,784	–	53,897	(88,856)	506,825
Segment results	9,963	(58)	5,313	(14,556)	662
Unallocated costs					(899)
Operating loss					(237)
	2002				
	Construction HK\$'000	Property Development HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
External sales	375,151	–	9,048	–	384,199
Intersegment sales	9,626	–	36,560	(46,186)	–
Total sales	384,777	–	45,608	(46,186)	384,199
Segment results	3,069	(13)	3,857	–	6,913
Unallocated costs					(1,309)
Operating profit					5,604

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.

**3. (Loss) Profit before taxation**

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

	<b>Six months ended 30th September,</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Depreciation		
Owned assets	<b>8,102</b>	8,596
Assets held under finance lease	<b>373</b>	614
Amortisation of development costs	-	828
Amortisation of patents and trademarks	-	25
Loss on disposal of fixed assets	<b>1,894</b>	80

**4. Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. Overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

**5. (Loss)/Earnings per share**

Loss per share has been calculated base on the unaudited consolidated loss attributable to shareholders for the period of HK\$1,513,000 (2002: unaudited consolidated profit of HK\$707,000) and 440,949,600 shares (2002: 440,949,600 shares) in issue during the period. No diluted earnings per share are disclosed as the share options outstanding at 30th September, 2003 and 30th September, 2002 are anti-dilutive.

**6. Trade Debtors**

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:

	<b>30th September,</b>	31st March,
	<b>2003</b>	2003
	<b>HK\$'000</b>	HK\$'000
Not yet due	<b>141,065</b>	130,607
Overdue by:		
0 - 30 days	<b>2,926</b>	7,272
31 - 90 days	<b>1,951</b>	777
91 - 180 days	<b>8,232</b>	551
Over 180 days	<b>43</b>	7,559
	<b>154,217</b>	146,766



## 7. Payable to Suppliers and Subcontractors

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

	<b>30th September, 2003</b>	31st March, 2003
	<b>HK\$'000</b>	HK\$'000
Not yet due	<b>108,406</b>	95,342
Overdue by:		
0 - 30 days	<b>8,203</b>	6,784
31 - 90 days	<b>57</b>	–
91 - 180 days	–	–
Over 180 days	–	377
	<b>116,666</b>	102,503

## 8. Share Capital

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

## INTERIM DIVIDEND

The Directors of the Company does not recommend the payment of an interim dividend for the six months ended 30th September, 2003 (2002: – Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and operation

The consolidated turnover for the six month ended 30th September, 2003 has increased by 31.9% to HK\$506,825,000 when compare with the turnover of HK\$384,199,000 for the same period last year. However due to intense competition in the construction market, the gross profit for the period has decreased from HK\$48,704,000 in 2002 to HK\$41,386,000 this period.

To cope with the difficult market, the Group has devoted extra effort in costs control and was able to reduce the general and administrative expenses by 11.5% to HK\$40,102,000 (2002: HK\$45,306,000). As a result the Group remain competitive in the tendering for construction contracts and was able to secure three new contracts with total value of HK\$615 million during the period.

Value of Contracts in hand	<i>HK\$ Million</i>
As at 31st March, 2003	3,115
Secured during the period from 1st April, 2003 to 30th September, 2003	615
Completed during the period from 1st April, 2003 to 30th September, 2003	(424)
As at 30th September, 2003	3,306
Secured subsequent to 30th September, 2003	87
As at the date of this report	<u>3,393</u>

The property development project at Causeway Bay has been progressing well and the occupation permit has just been issued. With the picking up of the retail market as a result of the increased tourists, the leasing of various units of the property is well received. The Group has already secured tenancies for a substantial portion of floor space designated for food and beverages outlets.

### **Financial Position**

At 30th September, 2003, the Group's total cash in hand was HK\$182 Million (31st March, 2003: HK\$161 Million) and bank borrowings increased from HK\$430 Million in 31st March, 2003 to HK\$546 Million. The increase in bank borrowings was due to the drawdown of the bank loan to finance the property under development and the additional working capital requirement for construction contracts in hand. The Group's net debt (total bank borrowings less total cash in hand) to equity ratio increased to 60.9% (31st March, 2003: 44.9%). If the property development loan is excluded, the Group has a net debt of only HK\$84.9 Million (31st March, 2003: HK\$57.5 Million) representing a net debt to equity ratio of 14.2% (31st March, 2003: 9.6%). The current ratio (total current assets: total current liabilities) has slightly dropped from 1.0 to 0.9 as compared to 31st March, 2003 mainly due to the draw down of the property development loan.

The bank borrowings are secured by the Group's properties, property under development, investments in unit trust and certain time deposits.

## Outlook

Despite recent signs of recovery of the Hong Kong economy, the Government's target to reduce budget deficit continues to have a negative effect to the construction industry. However with proven success in the control over costs and expenses, the Group believes a sustainable business can be maintained. The Group's property under development will become an investment property upon completion and will generate additional income for the Group from financial year 2004/2005.

## DIRECTORS' INTERESTS

At 30th September, 2003, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the company under Section 352 of the SFO or as notified to the company were as follows:

Ordinary shares of HK\$0.2 each in Yau Lee Holdings Limited

Director		Number of shares held	
		Corporate interests	Percentage
Mr. Wong Ip Kuen	Long positions	230,679,599	52.3%

The 230,679,599 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 period ended 30th September, 2003, 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.

At no time during the period was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

### **SUBSTANTIAL SHAREHOLDERS**

At 30th September, 2003, the register of substantial shareholders maintained under Section 336 of the SFO shows that the company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the company's issued share capital, other than those of the directors and chief executives as disclosed above.

### **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, 2003.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Unaudited Interim Financial Statements.

### **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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the period under review.

By order of the Board  
**Wong Ip Kuen**  
*Chairman*

Hong Kong, 18th December, 2003