



YAU LEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

The Board of Directors (the “Directors”) of Yau Lee Holdings Limited (the “Company”) is pleased to announce the **unaudited** results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2002:–

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

		Unaudited Six months ended 30th September,	
		2002 HK\$'000	2001 HK\$'000
	Note		
Turnover	2	384,199	405,333
Cost of sales		(355,495)	(348,713)
Gross profit		48,704	56,620
General and administrative expenses		(45,306)	(49,918)
Other revenue, net		2,206	4,991
Operating profit		5,604	11,693
Finance costs		(2,859)	(1,619)
Profit before share of profit of associated companies and taxation		2,745	10,074
Share of profit of associated companies, net		139	940
Profit before taxation	3	2,884	11,014
Taxation	4		
Company and subsidiaries		(1,754)	(3,580)
Associate companies		–	(319)
Profit after taxation		1,130	7,115
Minority interests		(950)	(971)
Profit attributable to shareholders		180	6,144
Earnings per share	5	0.04 cents	1.39 cents

Notes:

1. Accounting policies

The unaudited interim financial statements are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 – Interim Financial 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, 2002 except for the following new/revised accounting standards which have been adopted for the first time in the preparation of the financial statements:

SSAP 1 (Revised)	:	Presentation of Financial Statements
SSAP 15 (Revised)	:	Cash Flow Statements
SSAP 25 (Revised)	:	Interim Financial Reporting
SSAP 34 (Revised)	:	Employee Benefits

The adoption of the new/revised standards during the period has no material effect on the Group’s results of the current and prior period other than the changes in the format of presentation of consolidated cash flow statement and the consolidated statement of changes in equity. Certain comparative figures have been reclassified to conform with the current period’s presentation.

2. Turnover and segment information

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

	Six months ended	
	30th September,	
	2002	2001
	<i>HK\$’000</i>	<i>HK\$’000</i>
Turnover		
Contracting of building construction, maintenance and decoration projects	375,151	386,996
Sale of building materials	2,752	15,450
Others	6,296	2,887
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	384,199	405,333
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The analyses of the Group's segmental information are as follows:

Primary reporting format – business segments

Six months ended 30th September, 2002					
	Construction	Property development	Others	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
External sales	375,151	–	9,048	–	384,199
Intersegment sales	9,626	–	36,560	(46,186)	–
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Total sales	384,777	–	45,608	(46,186)	384,199
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	3,069	(13)	3,857	–	6,913
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated costs					(1,309)
					<hr/>
Operating profit					5,604
					<hr/>
Six months ended 30th September, 2001					
	Construction	Property development	Others	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
External sales	386,996	–	18,337	–	405,333
Intersegment sales	–	–	7,465	(7,465)	–
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Total sales	386,996	–	25,802	(7,465)	405,333
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Segment results	18,575	–	(4,484)	–	14,091
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Unallocated costs					(2,398)
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Operating profit					11,693
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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 periods ended 30th September, 2002 and 2001.

3. Profit before taxation

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

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Depreciation		
Owned assets	8,596	9,074
Assets held under finance lease contracts	614	608
Amortisation of development costs	828	100
Amortisation of patents and trademarks	25	—
Loss/(Gains) on disposal of fixed assets	80	(26)

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 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. Earnings per share

Earnings per share has been calculated using the unaudited consolidated profit attributable to shareholders for the period of HK\$180,000 (2001: HK\$6,144,000) and of the 440,949,600 shares (2001: 440,949,600 shares) in issue during the period. No diluted earnings per share are disclosed as there are no dilutive events exist at 30th September, 2002 and 30th September, 2001.

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, 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results and operation

The turnover for the six months ended 30th September, 2002 was HK\$384,199,000 (2001: HK\$405,333,000), a decrease of 5.2% from the corresponding period in 2001. The gross profit decreased by 14.0% to HK\$48,704,000 (2001: HK\$56,620,000) while the profit before taxation decreased by 73.8% to HK\$2,884,000 (2001: HK\$11,014,000). The declines in turnover and profit were caused by the continuous contraction of the construction market since 2001, which intensified competition in tenders for construction and maintenance contracts.

To cope with the difficult market, the Group has taken measures to increase our competitiveness such as tightening costs control and improving work efficiencies and quality. As a result of those measures we can remain competitive in the construction market and be able to increase our contracts in hand.

Value of Contracts in hand	HK\$ Million
As at 31st March, 2002	2,276
Secured during the period 1st April, 2002 to 30th September, 2002	594
Completed during the period 1st April, 2002 to 30th September, 2002	(101)
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As at 30th September, 2002	2,769
Secured subsequent to 30th September, 2002	621
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As at the date of this report	<u>3,390</u>

Subsequent to the reporting period, the Group has formed a joint venture with two other parties and submitted a Prequalification Submission for the design and construction of the proposed Central Government Complex and Legislative Council Complex at Tamar. The estimated contract value is approximately HK\$5 Billion.

A number of awards were also received by the Group during the period. The awards cover aspects of safety, quality and technological advancements. These awards serve as the driving force and recognition of the continuous effort of the management and employees of the Group to maintain the highest level of commitment to uphold the standard of the construction industry.

The Group's property under development at Causeway Bay is progressing on schedule and is expected to be ready for occupation by the end of 2003. The development will provide approximately 155,000 square feet of retail and office spaces. The current intention of the Group is to hold the property as a long-term investment property.

Financial Position

At 30th September, 2002, the Group's short-term and long-term bank borrowings are HK\$200 Million (31st March, 2002: HK\$151 Million) and HK\$175 Million (31st March, 2002: HK\$165 Million) respectively while cash in hand was HK\$162 Million (31st March, 2002: HK\$150 Million). These represent a net debt (total bank borrowings less total cash in hand) to equity ratio of 34.5% (31st March, 2002: 26.9%). If long-term debt is excluded the ratio is 6.3% (31st March, 2002: 0.2%). The short-term bank borrowings are secured by certain cash deposit with banks while the long-term borrowings are secured by the Group's property under development. The total bank facilities granted to the Group at 30th September, 2002 was HK\$667 Million.

The increase in bank borrowings was due to the additional working capital requirement for increased number of contracts in hand and the cost incurred for the development of property. All of the Group's borrowings are denominated in Hong Kong Dollars while the cash at banks are either Hong Kong Dollars or US Dollars deposits. As the Group's main business income and expenses are in Hong Kong Dollars there is no material foreign currency exposures. Interest rate hedging instruments are applied to ensure there is adequate protection against interest rate risks.

Outlook

With the Government's commitment to stabilise the economy, we believe a turnaround is in the foreseeable future. The Group shall continue to focus on the construction market while keeping an eye on opportunities for diversifications into other related areas.

While cost control remains as the most important agenda of the Group, no compromise will be made in respect of quality and safety as we committed to be one of the leading players in the construction industry.

DIRECTORS' INTERESTS

As at 30th September, 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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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	230,679,599

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 six months ended 30th September, 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 30th September, 2002.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI 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 directors' interests 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, 2002.

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 (the “Listing Rules”) on the Stock Exchange throughout the period under review.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE IN WEBSITE

A detailed results announcement containing the information in respect of the Group required by paragraph 46(1) to 46(6) of the Listing Rules will be published on the Stock Exchange’s website (www.hkex.com.hk) in due course.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 17th December, 2002

Websites: <http://www.yaulee.com>
<http://www.irasia.com/listco/hk/yaulee>