



INTERIM REPORT 2001



Yew Sang Hong (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

CORPORATE INFORMATION

Board of directors

Mr. Lai Sai Sang (*Chairman*) *
 Ms. Leung Sau Che, Jennifer *
 Mr. Chuk Wai Chun, Winston *
 Mr. Yung Kin Sing, Thomas *
 Mr. Ip Ying Chuen #
 Mr. Lau Chun-Kay #

* *Executive director*

Independent non-executive director

Company secretary

Mr. Woo Hoi Ling, Francise

Audit committee

Mr. Ip Ying Chuen
 Mr. Lau Chun Kay

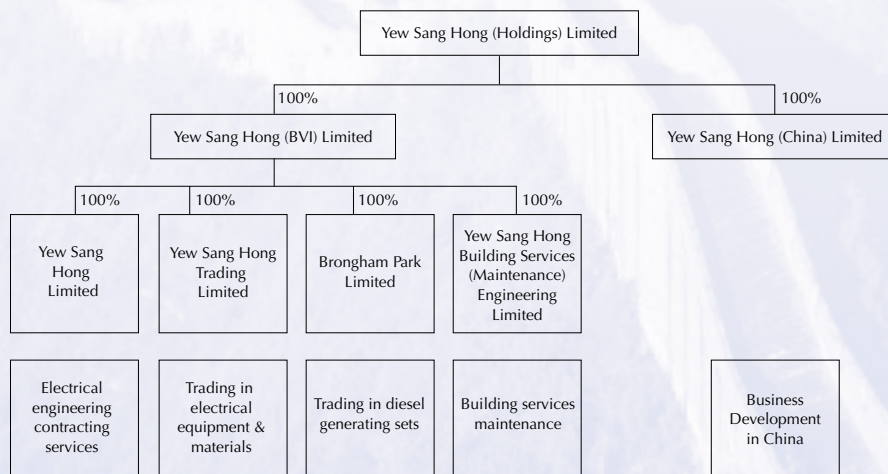
Registered office

Ugland House
 P.O. Box 309
 George Town
 Grand Cayman
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Head office and principal place of business in Hong Kong

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GROUP STRUCTURE



CHAIRMAN'S STATEMENT

On behalf of the board of directors ("Board") of Yew Sang Hong (Holdings) Limited ("Company"), I am honored to present the interim report of the Company and its subsidiaries ("Group") for the six months ended 30 September 2001 ("Period"). The consolidated results and consolidated cash flow statement of the Group for the Period, and the consolidated balance sheet of the Group as at 30 September 2001, all of which are condensed and unaudited, along with selected explanatory notes, are set out on this report. The audit committee of the Company has already reviewed the interim report and the condensed financial statements for the Period.

Highlights

After the Company's successful listing on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 3 May 2001, the Group had paid dedicated effort in realizing the corporate missions of being a total solution provider in the building system, emerging from the Group's existing niche of a leading electrical engineering contractor.

During the Period under review, Hong Kong's economy experienced a different sort of economic slowdown caused by internal structural adjustments coupled with the weakening global economy. Worse still on 24 September 2001, Hong Kong Housing Authority decided to suspend the sale of Home Ownership Scheme flats until 30 June 2002, which was quite negative to the building services industry as a whole because this would reduce public works opportunities in the future. Being one of the members in the industry which had already been difficult during the Period, the Group could not escape from facing such adverse operating environments in the immediate future. Thus, in order to help relieving the difficult situations and its previous reliance on business in the public sector, the Group will instead improve its efficiency and competitiveness through streamlining, further integration and business diversification; and refocus its position on exploring business in the private sectors.

With the increase in the share capital through public offer and placing of 30,000,000 new shares and the substantial repayment of bank loans during the Period, the Group's operation was mainly financed by shareholders' equity. Though the Group's performance was only marginally profitable during the Period, a healthy financial position was maintained with liquid assets held as fixed deposits and cash amounted to approximately HK\$91.5 million as at 30 September 2001, representing about 62% of the total assets of the Group, or cash assets per share of approximately HK\$0.46. Net assets value per share was about HK\$0.53 as at 30 September 2001.

The recent accession of China to the World Trade Organization ("WTO") poses new opportunities in the Mainland. In order to grasp such opportunities in China's on-going booming economy, the Group has set up a new subsidiary company called Yew Sang Hong (China) Limited ("YSHC") in July 2001 to engage in ventures now being developed in China. I believe that YSHC will help the Group locating new potentials there. Further, I opine that business opportunities are everywhere and identification of those in connection with old and aged building maintenance projects around Hong Kong has been delegated to the Group's another new subsidiary company, Yew Sang Hong Building Services (Maintenance) Engineering Limited, formed in June 2001. The Group anticipates that maintenance activities will be a stable business.

Despite the current unfavourable factors all around, I believe that with its dedication, the Group would ultimately be benefited from the aforementioned business missions and corporate development plans which will lead the Group towards the right directions and sustain its future growth.

Acknowledgement

I would like to take this opportunity to express my deepest gratitude to our shareholders for their unflinching support throughout the Period. I also wish to thank our members of the Board, staff, our business associates and our customers for their loyalty and guidance all along.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The unaudited consolidated profits attributable to shareholders for the six month ended 30 September 2001 amounted to approximately HK\$1,756,000 (2000: HK\$29,881,000), a decrease of about 94% from that of the last corresponding period. The directors declared not to pay any interim dividend in respect of the financial year ended 31 March 2002 (Year ended 31 March 2001: Nil).

Turnover for the Period was approximately HK\$39,810,000 (2000: HK\$242,392,000), down about 84% when compared with last corresponding period. During the Period, the on-going negative restructuring of the Hong Kong economy, the already difficult construction market coupled with the recent change of the Hong Kong Government's housing policies, which were quite unfavourable to the industry relevant to the Group, had substantially reduced new project tendering opportunities for the Group. Together with delay in commencement of certain new projects, all these factors were combined to cause a large drop in the Group's turnover.

Electrical Engineering Contracting Business

During the Period, the Group mainly continued its outstanding work in progress brought forward at the start of the Period. While most of such engineering projects were close to completion or already reached at their "Defect Liability Period", some of the new projects had been delayed to commence until after July 2001. As a result, the aggregate volume of works completed for certification was largely reduced during the Period, when compared with those in last period.

New projects such as the PSPS project at Tin Shui Wa - III Area Lot 28, Yuen Long with contract sum approximately HK\$80 million, the Term Maintenance Contract (Region North I) with contract sum about HK\$50 million, the delayed projects at Tung Chung Area 31 Phase 3 with contract sum about HK\$59.5 million and at Kwai Chung Estate Phase 7 with contract sum approximately HK\$25.8 million had already been commenced but at their early stages during the Period. Their contribution to the Group's engineering contracting revenue amounting to HK\$9.6 million had not been recognized and excluded in the interim results because their individual aggregate revenue, under the Group's current accounting policy adopted, did not reach the 25% threshold by the end of the Period. The Group's turnover for the Period would have increased to about HK\$49.4 million if their revenue had been taken into account. Revenue from some of these projects would probably be recognized in the second half of the financial year ended 31 March 2002.

During the Period, most of the engineering contracting revenue recognized in the unaudited consolidated results came from the more active projects at Tin Shui Wai Area 102 Phase 2, Tin Shui Wai Area 102 Phase 3, the PSPS Development at Tseung Kwan O Town Lot No.62 Area 65A Sai Kung and Lei Cheung Uk Estate.

The revised government's housing policies negative to the industry had further intensified the competition within the industry during the Period and, in particular, cutthroat tendering prices which were downward spiraling. As such, the Group's engineering division had been quite difficult in obtaining projects by way of tendering with reasonable returns.

New Contracts

Despite those unfavourable factors in the industry, the Group's wholly own subsidiary, Yew Sang Hong Limited ("YSH"), had still been awarded the following new electrical installation, rewiring and maintenance contracts since the start of the Period and up to the date of this report:—

Project	Description	Project Implementation Period		approximate contract value HK\$million	client/ employer
		From	To		
Term Maintenance Contract (Region North I) 2001/2004	Electrical Installation	Apr 2001	Mar 2004	50.0	HKHA
Tai Yuen Estate Maintenance Works	Electrical & CABD/SMATV/CCTV Installation	Jul 2001	June 2004	2.0	HKHA
Mei Lam Estate	Rewiring of Electrical Installation	Aug 2001	Nov 2002	16.2	HKHA
Tung Chung Area 31 Phase 3	Electrical & Room Cooler Installation	Jul 2001	Oct 2003	59.5	HKHA
Lower Wong Tai Sin (1) Estate	Electrical Maintenance	Jul 2001	Nov 2003	1.0	HKHA
Cheung Shan Estate	Electrical Maintenance	Jul 2001	Nov 2004	2.0	HKHA
Lei Cheng Uk Estate	Electrical Maintenance	Dec 2001	Nov 2004	1.8	HKHA
Tai Hang Tung Estate	Electrical Maintenance	Dec 2001	Nov 2004	1.6	HKHA
MTR Tseung Kwan O Extension Indoors & Trackside Works	Signaling System Installation	Nov 2001	June 2002	5.1	Siemens
			Sub-total	139.2	
Other new projects (These projects are subject to formal notification or confirmation by relevant clients)					
Tung Chung Area 31 Phase 5	Electrical Installation	NA	NA	40.7	HKHA
Repluse Bay Garden Block 1-6	Rewiring of Rising Main	NA	NA	1.5	An owners' corporation
			Sub-total	42.2	
			Total	181.4	

It is expected that the margin of these new projects would be narrowed down when compared to those of the Group's previous projects. However, consolidation in the Group's continuous internal vertical integrating process might help balancing part of those negative factors in terms of profitability.

As at 30 September 2001, the Group's commitments in respect of electrical engineering contracts on hand with an aggregate incomplete contract value of approximately HK\$257 million, extending to November 2004. If including those contracts successfully tenders (subject to confirmation) after the Period end and up to the date of this report, the Group's commitments in incomplete contract value will increase to approximately HK\$308 million, also extending to November 2004.

Electrical And Component Trading Business

During the Period, the trading divisions of the Group were also hit by the weakening economic conditions of Hong Kong and the difficult atmosphere in the industry. The demand for electrical products were shrinking due to reduced volume of works in the building industry. The expected growth of the trading business was, therefore, restrained and the market prices of some of the product lines had also been dropping. As those new projects of the Group's engineering contracting business had not yet been in full swing stages during the Period, the contribution of the internal vertical integration process in terms of control of material supply and pricing had not been fully felt. However, the proportion of the sales of one component product with comparative higher margin had increased, lifting up the overall margin of the trading business.

During the Period, product distributorship rights were obtained from Italy in respect of two innovative and high technology products, including optical fibre cables, hazardous-free cables, flame-retardant power cables and various types of lighting fitting. Marketing of these new products had not been commenced as the trading division had to test their performances and obtain their certifications from the relevant authority.

Placing And Public Offer Of New Shares

New Issue of 30,000,000 Shares

For the purpose of listing of the shares of the Company in The Stock Exchange of Hong Kong Limited on 3 May 2001, the Company successfully raised net proceeds, which were updated to approximately HK\$24.2 million, through the placing of 20,000,000 new shares and the public offer of 10,000,000 new shares ("Share Issue").

Use of Proceeds

During the Period, the Group has so far utilized a total of approximately HK\$1.1 million from the net proceeds of the Share Issue, including about HK\$0.1 million applied towards the expansion of the trading business and its development in the Mainland China in addition to approximately HK\$1 million used as general working capital. The remaining proceeds from the Share Issue are now being placed on short-term deposits with financial institutions.

Financial Review & Analysis

With the increase in the equity share capital, the Group's financial position, including the working capital, had positively been strengthened and its indebtedness had also been lowered as at 30 September 2001.

Indebtedness

As at 30 September 2001, the Group had outstanding short-term bank borrowings of approximately HK\$288,000 and the gearing ratio, calculated at total debts divided by total assets, was approximately 0.2% (2000: 7.6%).

Liquidity

The Group's total current assets and liabilities were approximately HK\$147,067,000 and HK\$41,802,000 respectively as at 30 September 2001 when the current ratio was about 3.5 times. As at 30 September 2001, the Group's aggregate cash and fixed deposits amounted to about HK\$91,525,000, representing approximately 62% of the total asset value of the Group, and the quick ratio was, therefore, about 2.2 times. At the end of the Period, the Group's available banking facilities in aggregate were approximately HK\$134,512,000 whilst the utilized and unused banking facilities amounted to approximately HK\$1,819,000 and HK\$132,693,000 respectively.

As at 30 September 2001, the Group has approximately internal available funding of approximately HK\$193.8 million, net of those fixed deposits about HK\$30.4 million that have lien with financial institutions.

Return on Equity

With the shareholders' fund of approximately HK\$106,655,000 as at 30 September 2001 and the profit attributable to shareholders of approximately HK\$1,756,000 for the six months period ended 30 September 2001, the Group's return on equity was about 3.3% for the Period on an annualized basis.

Foreign Exchange Management

The purchases of the Group's trading business is exposed to foreign currency fluctuations as such purchases are to be settled in foreign currencies such as Euro, British Pound, Japanese Yen, US Dollars, etc. The Group closely monitors its foreign currency exposure and hedges such exposure through the use of forward foreign exchange contracts when appropriate. As at 30 September 2001, the outstanding forward foreign exchange contracts to buy was approximately GBP 0.1 million of various rates.

Pledge of Assets

As at 30 September 2001, aggregate banking facilities granted to the Group by certain financial institutions were secured by the Group's fixed deposits amounted to approximately HK\$30.4 million.

Other Commitments and Contingent Liabilities

The Group had total operating lease commitments amounted to about HK\$887,000 as at 30 September 2001, including about HK\$807,000 payable not later than one year, and about HK\$80,000 payable later than one year and not later than two years.

Saved as mentioned above and in note 17 to the condensed financial statements in the interim report, the Group had no other commitments and contingent liabilities outstanding as at 30 September 2001.

Prospects

The Group expects that the recession in the economy of Hong Kong synchronized with the downturn of the World economy will continue for some period of time ahead and its rebound will hinge upon the development of the United States economy which is still in its adjustment stage. With the structural changes of the Hong Kong economy and Hong Kong Government's recent revised housing policies, which have resulted in drastic slowdown in public housing construction, the Group will face much pressure in the coming future in terms of competitiveness and availability of business opportunities. To reshape its position, the Group will change its focus of the engineering contracting business more on the private sector. Attention is to be drawn on any future commercial opportunities or co-operations with private companies or public utility and transport enterprises.

In trading business, the Group has already applied for admission of those lighting products under the new distributorship rights to the product list of Hong Kong Government. With these new Italian lighting products and cables, the Group has further stridden to provide a more complete range of electrical components in order to attain its objective as an integrated building services provider. Recently, the trading division has also obtained another brand new item's distributorship right from a manufacturer in Singapore who will support the Group with a comprehensive range of quality uPVC (Unplasticised Polyvinyl Chloride) pipeline systems, including pipes and fittings, for drainage purposes. It is anticipated that the Group's trading business will be benefited from such new pipeline products in the coming years. While the Group will take actions to launch cost savings measures, it will continue strengthening its sales force and seeking additional new product lines when opportunities arise. The trading division has also established re-export business of electrical industrial and domestic goods from China to Australia, Italy, Japan and other overseas markets.

Regarding environmental engineering services business, the Group has speeded up the talks with the manufacturer of the Automated Refuse Collection System ("ARCS") in respect of clients and new design specifications.

The directors believe that maintenance activities would be a recurrent business and provide a stable stream of revenue. Thus, the Group has also actively deployed its maintenance team to seek any opportunities to be identified in connection with old and aged building maintenance projects elsewhere in Hong Kong. Action plans such as maintenance proposal will be submitted to property developers, estate management companies, public utilities companies, hotels, schools, educational institutions, etc. to negotiate terms of cooperation. The Group anticipates that the recent accession of China into the World Trade Organization would accelerate the Group's business expansion plan as well as create other opportunities for the Group in the Mainland. To this end, the Group has recently set up a new subsidiary company, Yew Sang Hong (China) Limited, to seek any business ventures in connection with the Mainland. The Group expects that whilst those new lines of business are still in their development stages, the current lines of business, including engineering contracting and trading, will be operated at a lower level in the coming financial year end. Despite those current unfavourable market conditions of various kinds, the directors are still confident to sustain the continued growth of the Group through diversification and integration and to explore any extra opportunity to be derived from Hong Kong Government's latest commitments and measures to re-engineer the Hong Kong economy with long-term infrastructure development projects.

CONDENSED INCOME STATEMENT

	Notes	Six Months Ended	
		30 September 2001 (Consolidated) HK\$'000 (unaudited)	30 September 2000 (Combined) HK\$'000 (audited) (restated)
TURNOVER	5	39,810	242,392
COST OF SALES		<u>(26,920)</u>	<u>(193,941)</u>
GROSS PROFIT		12,890	48,451
OTHER INCOMES	5	1,909	2,380
GENERAL & ADMINISTRATIVE EXPENSE		(11,588)	(9,674)
DISTRIBUTION COSTS		(465)	(1,663)
OTHER OPERATING EXPENSE		<u>(14)</u>	<u>(1,649)</u>
PROFITS FROM OPERATIONS	5	2,732	37,845
FINANCE COSTS	7	<u>(154)</u>	<u>(855)</u>
PROFIT BEFORE TAXATION	6	2,578	36,990
TAXATION	3	<u>(822)</u>	<u>(5,616)</u>
PROFIT AFTER TAXATION		1,756	31,374
MINORITY INTERESTS		<u>—</u>	<u>(1,493)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		1,756	29,881
RETAINED PROFITS, beginning of period		<u>65,285</u>	<u>32,470</u>
RETAINED PROFITS, end of period		<u>67,041</u>	<u>62,351</u>
EARNINGS PER SHARE (HK cents)	8	0.90	17.58

A separate consolidated statement of recognised gains and losses is not presented because there were no recognised gains or losses other than the profit attributable to shareholders

CONDENSED BALANCE SHEET

		30 September 2001 (Consolidated) HK\$'000 (unaudit)	31 March 2001 (Combined) HK\$'000 (audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Equipment	9	<u>1,390</u>	<u>797</u>
CURRENT ASSETS			
Inventories		5,959	6,016
Amounts due from customers for contract work		5,254	6,358
Retention money receivable		14,483	14,868
Accounts receivable, net	10	18,594	24,046
Amount due from a related company	18	5,257	—
Prepayment, deposits & other current assets		5,364	9,118
Tax recoverable		631	445
Pledged deposits		30,352	53,051
Cash & Bank Balances		<u>61,173</u>	<u>14,060</u>
Total current assets		<u>147,067</u>	<u>127,962</u>
CURRENT LIABILITIES			
Accounts payable	11	8,430	11,189
Amounts due to customers for contract work		2,520	41
Retention money payable		7,078	7,780
Bills payable		384	2,029
Provision for taxation		4,546	3,724
Amount due to a related company		—	95
Secured short term bank loans		288	2,388
Unsecured short term bank loans		—	2,439
Accruals and other payables		18,556	15,828
Bank overdrafts		—	2,589
Total current liabilities		<u>41,802</u>	<u>48,102</u>
NET CURRENT ASSETS		<u>105,265</u>	<u>79,860</u>
NET ASSETS		<u>106,655</u>	<u>80,657</u>
CAPITAL AND RESERVES			
Issued and fully paid up capital	13	20,000	13,524
Reserves	14	<u>86,655</u>	<u>67,133</u>
SHAREHOLDERS' EQUITY		<u>106,655</u>	<u>80,657</u>

CONDENSED CASH FLOW STATEMENT

	Six Months Ended	
	30 September 2001 (Consolidated) HK\$'000 (unaudited)	30 September 2000 (Combined) HK\$'000 (audited)
NET CASH INFLOW		
FROM OPERATING ACTIVITIES	6,606	5,709
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	(154)	(855)
Interest received	1,828	1,744
	1,674	889
TAXATION		
Hong Kong profits tax paid	(186)	(67)
INVESTING ACTIVITIES		
Purchase of equipment	(794)	(162)
Purchase of other investments	—	(60,754)
Proceeds from disposal of other investments	—	93,445
	(794)	32,529
NET CASH INFLOW BEFORE FINANCING ACTIVITIES	7,300	39,060
FINANCING ACTIVITIES		
Proceeds from issue of new shares	24,242	—
New short-term bank loans	—	8,353
Repayment of short-term bank loans	(4,539)	(14,991)
	19,703	(6,638)
INCREASE IN CASH AND CASH EQUIVALENTS	27,003	32,422
CASH AND CASH EQUIVALENTS, Beginning of period	64,522	17,322
End of period	91,525	49,744

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 2 January 2001 under the Companies Law (2000 Revision) of the Cayman Islands. Pursuant to a group reorganization scheme in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company became the ultimate holding company of the companies comprising the group (collectively referred as "the Group") on 3 April 2001.

The Group, resulting from the group reorganization referred to above, is regarded as a continuing entity under common control. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group throughout the periods presented.

The comparative results for the six months ended 30 September 2000 have been prepared on combined basis as if the group structure resulting from the aforementioned group reorganization executed on 3 April 2001 had been in existence since 1 April 2000.

The assets and liabilities of the Group as at 31 March 2001, which have been extracted from the Company's Annual Report 2001 dated 27 July 2001 ("Annual Report 2001") for comparative purpose, have been prepared on combined basis as if the Group had been in existence since 1 April 2000.

2. Summary of Significant Accounting Policies

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting". The accounting policies and basis of presentation used in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 31 March 2001 as set out in the Annual Report 2001.

3. Taxation

The Company is exempted from taxation in the Cayman Islands until 2021. Hong Kong profits tax has been provided for the Period at the rate of 16% (2000-16%) on estimated assessable profit arising in or derived from Hong Kong.

No overseas taxation had been provided for the Period as well as the last corresponding period as all the revenues of the Group were derived from Hong Kong. There was no significant unprovided deferred taxation as at 30 September 2001 and 2000.

4. Dividends

The Board has declared not to pay any interim dividend in respect of the financial year ended 31 March 2002 (Year ended 31 March 2001: Nil).

5. Segment Information

The Group's turnover and contribution to operating profit/(loss) for the six months ended 30 September 2001, analysed by business segments, were as follows:—

Business Segments	Note	Turnover		Contribution to profits/(loss) from operating activities	
		Six months ended 30 September		Six months ended 30 September	
		2001	2000	2001	2000
		Consolidated	Combined	Consolidated	Combined
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(audited)	(Unaudited)	(audited) (restated)
Electrical engineering contracting		19,086	198,019	(1,880)	24,962
Trading of goods		20,724	44,373	3,265	10,503
	(i)	<u>39,810</u>	<u>242,392</u>	1,385	35,465
Unallocated corporate costs				(562)	—
Other incomes:					
Interest income				1,828	1,744
Rental income				—	98
Realised gain on disposal of other investments				—	1,278
Other (expenses) incomes, net				81	(740)
				<u>1,909</u>	<u>2,380</u>
Profits from operations				<u>2,732</u>	<u>37,845</u>

No geographical analysis is presented as all the turnover and contribution to operating profits/(loss) of the Group's businesses are derived in Hong Kong.

Note (i) Due to the Group's current accounting policy adopted, engineering contracting revenue amounted to approximately HK\$9.6 million, which had been certified, but could not be recognized and excluded in the turnover of interim results for the six months ended 30 September 2001.

6. Profit before taxation

Profit before taxation is determined after (changing)/crediting the following items:—

	Six Months Ended	
	30 September 2001	30 September 2000
	(Consolidated)	(Combined)
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Realised gain on disposal of other investments	—	1,278
Depreciation	(201)	(198)
Unrealised loss on valuation of other investments	—	(1,003)
Other amortisation	(79)	(79)
	<u>(280)</u>	<u>(1002)</u>

7. Finance Costs

	Six Months Ended	
	30 September 2001 (Consolidated) <i>HK\$'000</i> (unaudited)	30 September 2000 (Combined) <i>HK\$'000</i> (audited)
Interests on bank loans, overdrafts and other loans wholly repayable within one year	151	826
Other interests	3	29
	<u>154</u>	<u>855</u>

8. Earnings Per Share

The calculation of the basic earnings per share for the Period is based on the consolidated profit attributable to shareholders of approximately HK\$1,756,000 and assuming weighted average of 196,065,574 ordinary shares in issue throughout the Period; whilst the figure for the last corresponding period ended 30 September 2000 is based on the combined profit attributable to shareholders of about HK\$29,881,000 and assuming 170,000,000 ordinary shares were in issue during that period.

Diluted earnings per share for the periods ended 30 September 2000 and 2001 are not presented because there were no dilutive potential ordinary shares in existence during the periods.

9. Equipment

	2001 (Consolidated) <i>HK\$'000</i> (unaudited)	2000 (Combined) <i>HK\$'000</i> (audited)
Net book value as at 1 April	797	549
Additions	794	162
Depreciation	(201)	(198)
Net book value as at 30 September	<u>1,390</u>	<u>513</u>

10. Accounts Receivable, net

The credit terms range from 30 to 60 days. The aging analysis of accounts receivable is as follows:

	30 September 2001 (Consolidated) <i>HK\$'000</i> (unaudited)	31 March 2001 (Combined) <i>HK\$'000</i> (audited)
0 to 30 days	8,688	16,575
31 to 60 days	1,299	1,144
61 to 90 days	719	1,829
91 to 180 days	2,636	4,076
More than 180 days	5,252	3,893
	<u>18,594</u>	<u>27,517</u>
Less: Provision for doubtful debts	—	(3,471)
	<u>18,594</u>	<u>24,046</u>

11. Accounts Payable

The credit terms range from 30 to 90 days. The aging analysis of accounts payable is as follows:

	30 September 2001 (Consolidated) HK\$'000 (unaudited)	31 March 2001 (Combined) HK\$'000 (audited)
0 to 30 days	3,299	4,518
31 to 60 days	2,504	2,421
61 to 90 days	1,338	2,543
91 to 180 days	999	1,395
More than 180 days	290	312
	<u>8,430</u>	<u>11,189</u>

12. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. During the Period, the Group had the following transactions with related parties:

Name of related party/ Nature of transactions	Note	Six Months Ended	
		30 September 2001 (Consolidated) HK\$'000 (unaudited)	30 September 2000 (Combined) HK\$'000 (audited)
Hing Yip Electrical Engineering and Supplier Limited	(i)		
— purchases of goods		—	14,700
— sales of goods		11,165	23,335
Major Glory Enterprises Limited	(ii)		
— operating lease rental of premises		441	864
PM Engineering Limited	(iii)		
— purchases of goods		—	196

Notes:—

- (i) Hing Yip Electrical Engineering and Supplier Limited ("HYEESL") is 99.9% owned by Mr. Lai Yun Sang, brother of Mr. Lai Sai Sang, director and shareholder of the Company.
- (ii) Major Glory Enterprises Limited is 50.5% owned by Mr. Lai Sai Sang, director and shareholder of the Company; and 49.5% owned by Mr. Lai Yun Sang.
- (iii) PM Engineering Limited is 50% owned by Mr. Lai Sai Sang, director and shareholder of the Company, and 50% owned by Ms. Leung Sau Che, Jennifer, director and shareholder of the Company.

In the opinion of the Company's directors, the above related party transactions were conducted in the normal course of business of the Group and on normal commercial terms. Certain banking facilities of the Group were guaranteed by related parties and a director of the Company. Such guarantees have been released after the Company's shares listed on the Stock Exchange.

13. Share Capital

As at 31 March 2001, the amount of the share capital HK\$13,524,000 shown on the combined balance sheet represented the aggregate share capital of the companies comprising the Group. As at 30 September 2001, the share capital of the Company reflected the completion of the group reorganization and the public offer and placing of new issue of shares as follows:—

	Number of shares issued and fully paid '000 (unaudited)	Nominal value of shares issued and fully paid HK\$'000 (unaudited)
As at 1 April 2001	—	—
Shares issued on acquisition of a subsidiary	1	—
Capitalisation of the share premium account	169,999	17,000
New issue on public listing	10,000	1,000
New issue on private placing	20,000	2,000
	<u>200,000</u>	<u>20,000</u>
As at 30 September 2001	<u>200,000</u>	<u>20,000</u>

14. Reserves

	Share Premium HK\$'000 (unaudited)	Capital Reserve HK\$'000 (unaudited)	Retained Profits HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
As at 1 April 2001	—	1,848	65,285	67,133
Arising on group reorganisation	—	13,524	—	13,524
Premium arising from issue of shares	27,000	—	—	27,000
Share issue expenses	(5,758)	—	—	(5,758)
Capitalisation issue of shares	(17,000)	—	—	(17,000)
Profit retained for the Period	—	—	1,756	1,756
	<u>4,242</u>	<u>15,372</u>	<u>67,041</u>	<u>86,655</u>
As at 30 September 2001	<u>4,242</u>	<u>15,372</u>	<u>67,041</u>	<u>86,655</u>

15. Share Option Scheme

Under the terms of the Company's share option scheme adopted on 3 April 2001, the directors of the Company may, at their discretion, grant options to eligible employees, including executive directors of the Company and its subsidiaries to subscribe for shares of the Company. Up to the date of this report, no share options have been granted pursuant to the share option scheme.

16. Banking facilities and pledge of Assets

At 30 September 2001, aggregate banking facilities amounted to approximately HK\$134.5 million (31 March 2001: HK\$184 million) granted to the Group by certain financial institutions were secured by the Group's fixed deposits in the amount of approximately HK\$30.4 million (31 March 2001: HK\$53 million).

17. Commitments and Contingent Liabilities

As at 30 September 2001, the Group had the following commitments:

a. Operating lease commitments

As at 30 September 2001, the Group had total commitments payable in future years under operating leases, as follows:

	30 September 2001 (Consolidated) HK\$'000 (unaudited)
Not later than one year	807
Later than one year and not later than two years	<u>80</u>
	<u><u>887</u></u>

As at 31 March 2001, operating lease commitments amounted to approximately HK\$1,301,000. The amount payable in the next twelve months, analysed according to the period in which the lease expires, is as follows:

	31 March 2001 (Combined) HK\$'000 (audited)
Leases expiring within a period	
— not exceeding one year	165
— more than one year but not exceeding five years	<u>834</u>
	<u><u>999</u></u>

b. Forward foreign exchange contracts and contract commitments

There were outstanding forward foreign exchange contracts to buy approximately GBP 0.1 million (31 March 2001:GBP 0.3 million) at various rates as at 30 September 2001. Electrical engineering contracts on hand with an aggregate incomplete contract value of approximately \$257 million (31 March 2001:HK\$246 million) extending to November 2004.

18. Amount due from a Related Company

This represents the amount within 90 days accounts receivables due from HYEESL in respect of the Group's sales of goods to HYEESL during the Period.

19. Comparative Figures and Approval of Interim Financial Report

Certain comparative figures have been reclassified to conform to the current Period's presentation. The unaudited consolidated financial statements for the Period were approved by the Board on 18 December 2001.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice (“the Code”) as set out in Appendix 14 of the Listing Rules since the listing of the Company on the Stock Exchange on 3 May 2001.

Audit Committee

The Company has set up an Audit Committee (the “Committee”) on 3 April 2001, comprising two independent non-executive directors of the Company with terms of reference prepared based on “A Guide for the formation of an Audit Committee” published by the Hong Kong Society of Accountants. The principal duties of the Audit Committee are to review and supervise the Group’s financial reporting process and internal control system. The meetings of the Committee were held on 26 July 2001 and 23 November 2001. The Committee has already reviewed the interim report and the consolidated financial statements for the Period.

Board Members’ and Executive Directorate’s Interests in Shares of the Company and its Associated Corporations

As at 30 September 2001, the interests of the directors in shares of the Company and its subsidiaries within the meaning of the SDI Ordinance as recorded in the register maintained by the Company pursuant to section 29 of SDI Ordinance, were as follows:

(i) The Company

Name of director	Note	Nature of interest	Number of ordinary shares held
Mr. Lai Sai Sang	1	Corporate	150,000,000

Note 1. These shares are owned by YSH Investments Limited, a company incorporated in the British Virgin Islands (the “BVI”). YSH Investments Limited is beneficially owned by Mr. Lai Sai Sang (90.4%).

(ii) Subsidiary-Yew Sang Hong Limited

Each of Mr. Lai Sai Sang and Ms. Leung Sau Che, Jennifer have beneficial interests in their personal capacity in the following number of non-voting deferred shares in Yew Sang Hong Limited:

Name of director	Number of non-voting deferred shares
Mr. Lai Sai Sang	1,252,399 shares of HK\$10.00 each
Ms. Leung Sau Che, Jennifer	1 share of HK\$10.00 each

(iii) Subsidiary-Yew Sang Hong Trading Limited

Each of Mr. Lai Sai Sang and Ms. Leung Sau Che, Jennifer have beneficial interests in their personal capacity in the following number of non-voting deferred shares in Yew Sang Hong Trading Limited:

Name of director	Number of non-voting deferred shares
Mr. Lai Sai Sang	1 share of HK\$1.00 each
Ms. Leung Sau Che, Jennifer	1 share of HK\$1.00 each

(iv) Subsidiary-Brongham Park Limited

Mr. Lai Sai Sang has beneficial interests in his personal capacity in the following number of non-voting deferred shares in Brongham Park Limited:

Name of director	<i>Note</i>	Number of non-voting deferred shares
Mr. Lai Sai Sang	1	100,000 shares of HK\$10.00 each

Note 1. Including 1 share held by Ms. Leung Sau Che, Jennifer on trust for Mr. Lai Sai Sang.

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 29 of the SDI Ordinance.

Directors' Rights to Acquire Shares

Pursuant to the terms of a share option scheme (the "Scheme") adopted by the Company on 3 April 2001, the directors may, at their discretion, invite full-time employees of any member of the Group, including any executive directors, to take up options to subscribe for shares of the Company. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 3 May 2001.

Up to the date of this report, no options have been granted to any directors or employees under the Scheme.

Save as disclosed above and other than in connection with the group reorganization in preparation of the Company's initial public offering, at no time during the Period was the Company or any of the companies comprising the Group a party to any arrangement to enable the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Substantial Shareholders' Interests

As at 30 September 2001, according to the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance, the Company had been notified of the following interests, being 10% or more of the issued share capital of the Company:

Name	Number of Issued shares	Percentage holding
YSH Investments Limited	150,000,000	75%*

* The shareholding is duplicated in the directors' interests in shares disclosed above.

Same as disclosed above, the Company had no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance.

Purchase, Sale or Redemption of Shares

The Company's shares were listed on the Main Board of the Stock Exchange on 3 May 2001.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares since that date.

Employees and Remuneration Policy

As at 30 September 2001, the total number of staff in the Group mainly employed in Hong Kong was 47 (2000: 49). Remuneration packages are normally reviewed annually. Apart from salary payments, other staff benefits include Mandatory Provident Fund, medical insurance, annual double pay and commission. Share options might also be granted to eligible employees of the Group. In addition, the Group provides in-house training programmes for all grades of staff.

Change of Auditors

Arthur Andersen & Co notified the Board of the Company to resign their position as auditors of the Company and its subsidiaries with effect on 29 October 2001.

To fill the causal vacancy arising from the resignation of Arthur Andersen & Co., the Board had appointed Messrs. PricewaterhouseCoopers as auditors of the Company effective on 29 October 2001.

Change of Directors

Mr. Ip Ying Chuen was appointed as an independent non-executive director of the Company and Mr. Wong Chi Kit, Peter resigned from the position of independent non-executive director of the Company, both effective from 1 September 2001.

The Board would like to express its gratitude to Mr. Wong Chi Kit, Peter for his valuable contribution to the Company during his tenure of service and welcome Mr. Ip Ying Chuen to join the Board.

On behalf of the Board

Lai Sai Sang

Chairman

Hong Kong, 18 December 2001