

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

1. GENERAL, CORPORATE REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Yew Sang Hong (Holdings) Limited ("the Company") was incorporated in the Cayman Islands on 2 January 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The Company is an investment holding company. Its subsidiaries are principally engaged in electrical engineering contracting and trading of electrical equipment and materials. Its shares have been listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 3 May 2001.

Pursuant to a corporate reorganisation ("Corporate Reorganisation") in preparation for the listing of the Company's shares on the Stock Exchange, details of which are set out under the section headed "Corporate Reorganisation" in the appendix V of the prospectus of the Company dated 11 April 2001, the Company became the holding company of the companies comprising the group (collectively referred as "the Group") on 3 April 2001.

The consolidated income statements include the results of operations of the Company and its subsidiaries as if the group structure resulting from the Corporate Reorganisation executed on 3 April 2001 had been in existence throughout the year ended 31 March 2001 or since the date of incorporation of the respective group companies where this is a shorter period. The consolidated balance sheet as at 31 March 2001 have been prepared to present the assets and liabilities of the Group as at that date as if the group structure resulting from the Corporate Reorganisation had been in existence as at 31 March 2001.

All significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation. The adoption of these new and revised SSAPs has no effect on the results for the current or prior accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue

Revenue on installation contracts is recognised using the percentage of completion method by reference to the value of work carried out during the year.

Sales of goods are recognised when goods are delivered and title has been passed.

Dividend income is recognised when the Group's right to receive dividends has been established.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary. Negative goodwill, which represents the excess over the purchase consideration of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary.

Goodwill arising on acquisition is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisition is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Upon the disposal of an investment in a subsidiary, the remaining balance of goodwill (positive and negative) attributable to the subsidiary is included in the determination of profit or loss on disposal.

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FOR THE YEAR ENDED 31 MARCH 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment, using the straight line method, over their estimated useful lives which are as follows:

Leasehold improvements	20% per annum
Furniture and fixtures	25% per annum
Other equipment	25% per annum
Motor vehicles	25% per annum

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Installation contracts

When the outcome of installation contract can be estimated reliably, contract revenue and costs are recognised in the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys on work performed.

When the outcome of installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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FOR THE YEAR ENDED 31 MARCH 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Operating leases

Rentals under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Retirement benefits cost

Contributions payable to the Group's defined contribution retirement benefits schemes are charged as an expense as they fall due.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange ruling on dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

4. TURNOVER

Turnover represents the aggregate of the value of contract work carried out and the sales of goods during the year, and is analysed as follows:

	2002	2001
	HK\$'000	HK\$'000
Electrical engineering contracting	65,145	274,850
Sale of goods	41,072	79,594
	106,217	354,444

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions as follows:

— Electrical engineering contracting

— Sale of electrical goods

	Electrical engineering contracting	Sale of electrical goods	Eliminations	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
<i>For the year ended 31 March 2002</i>				
TURNOVER				
External sales	65,145	41,072	—	106,217
Inter-segment sales	<u>—</u>	<u>7,165</u>	<u>(7,165)</u>	<u>—</u>
Total turnover	<u><u>65,145</u></u>	<u><u>48,237</u></u>	<u><u>(7,165)</u></u>	<u><u>106,217</u></u>
Inter-segment sales are charged at prevailing market rates.				
RESULTS				
Segment result	<u><u>(1,011)</u></u>	<u><u>2,133</u></u>	<u><u>—</u></u>	1,122
Other operating income				3,176
Unallocated expenses				<u>(1,436)</u>
Profit from operations				2,862
Finance costs				<u>(193)</u>
Profit before taxation				2,669
Taxation				<u>(1,784)</u>
Net profit for the year				<u><u>885</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting	Sale of electrical goods	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2002				
ASSETS				
Segment assets	41,917	20,686	—	62,603
Unallocated corporate assets				92,577
Consolidated total assets				<u>155,180</u>
LIABILITIES				
Segment liabilities	31,784	10,062	—	41,846
Unallocated corporate liabilities				7,550
Consolidated total liabilities				<u>49,396</u>
OTHER INFORMATION				
Additions of property, plant and equipment	282	582		
Depreciation	217	188		
For the year ended 31 March 2001				
TURNOVER				
External sales	274,850	79,594	—	354,444
Inter-segment sales	—	54,712	(54,712)	—
Total turnover	<u>274,850</u>	<u>134,306</u>	<u>(54,712)</u>	<u>354,444</u>
Inter-segment sales are charged at prevailing market rates.				
RESULTS				
Segment result	<u>24,964</u>	<u>29,355</u>	<u>(198)</u>	54,121
Other operating income				4,250
Unallocated expenses				(123)
Profit from operations				58,248
Finance costs				(1,296)
Profit before taxation				56,952
Taxation				(8,149)
Profit before minority interests				48,803
Minority interests				(1,608)
Net profit for the year				<u>47,195</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

	Electrical engineering contracting	Sale of electrical goods	Eliminations	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
As at 31 March 2001				
ASSETS				
Segment assets	91,793	19,169	(198)	110,764
Unallocated corporate assets				<u>17,995</u>
Consolidated total assets				<u><u>128,759</u></u>
LIABILITIES				
Segment liabilities	25,752	11,090	—	36,842
Unallocated corporate liabilities				<u>11,260</u>
Consolidated total liabilities				<u><u>48,102</u></u>
OTHER INFORMATION				
Additions of property, plant and equipment	402	151		
Depreciation	215	90		

(b) Geographical segments

All the Group's operations and segment assets during the two years ended 31 March 2002 were in Hong Kong.

6. OTHER OPERATING INCOME

	2002	2001
	<u>HK\$'000</u>	<u>HK\$'000</u>
Other operating income includes:		
Interest income	2,873	3,338
Sundry income	215	524
Exchange gain	88	388
	<u>3,176</u>	<u>4,250</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

7. PROFIT FROM OPERATIONS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	422	620
Bad debts written off	—	1,414
Depreciation of property, plant and equipment		
Owned assets	358	305
Assets under finance leases	47	—
Exchange losses	—	1,879
Loss on disposal of property, plant and equipment	13	—
Operating lease rentals in respect of rented premises	945	1,328
Loss on disposal of other investments	—	330
Allowance for bad debts	236	242
Staff costs:		
Directors' remuneration (<i>Note 8</i>)		
— fees	189	—
— other emoluments	6,446	5,499
	6,635	5,499
Staff costs excluding directors' remuneration	10,523	9,272
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	488	426
and after crediting:		
Rental income under operating leases less outgoings	—	114

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

8. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

	<u>2002</u> <i>HK\$'000</i>	<u>2001</u> <i>HK\$'000</i>
Fees:		
Executive directors	—	—
Independent non-executive directors	<u>189</u>	—
	<u>189</u>	—
Other emoluments for executive directors:		
Salaries and other benefits	<u>5,435</u>	5,356
Contributions to retirement benefits scheme	<u>241</u>	143
Performance related incentive payment	<u>770</u>	—
	<u>6,446</u>	5,499
	<u>6,635</u>	<u>5,499</u>

The emoluments of the directors were within the following bands:

	<u>2002</u> Number of directors	<u>2001</u> Number of directors
Nil to HK\$1,000,000	<u>8</u>	3
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	—
HK\$2,000,001 to HK\$2,500,000	<u>—</u>	1
HK\$3,000,001 to HK\$3,500,000	<u>1</u>	—
	<u>10</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

8. DIRECTORS' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, four (2001: four) were directors of the Company whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining highest paid individual were as follows:

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and benefits	546	754
Contributions to retirement benefits scheme	27	10
	<u>573</u>	<u>764</u>

9. FINANCE COSTS

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings and overdrafts wholly repayable within five years	145	797
Interest on obligations under finance leases	14	29
Bank charges	34	470
	<u>193</u>	<u>1,296</u>

10. TAXATION

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	356	3,279
Underprovision in prior years	1,428	4,870
	<u>1,784</u>	<u>8,149</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

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11. DIVIDENDS

No dividend has been paid or declared by the Company during the year.

The directors do not recommend the payment of a final dividend.

Interim dividends amounting to HK\$14,380,000 were paid in 2001 before the Corporate Reorganisation by the subsidiaries to their then shareholders.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>885</u>	<u>47,195</u>
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	197,945	170,000
Effect of dilutive potential ordinary shares		
Options	<u>194</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>198,139</u>	<u>170,000</u>

The weighted average number of ordinary shares for the purposes of basic earnings per share has been based on number of the shares that would be in issue on the assumption that the Corporate Reorganisation had been completed on 1 April 2000.

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FOR THE YEAR ENDED 31 MARCH 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP					
COST					
At 1 April 2001	294	954	1,682	—	2,930
Additions	180	187	246	548	1,161
Disposals	—	—	(13)	—	(13)
	474	1,141	1,915	548	4,078
DEPRECIATION					
At 1 April 2001	95	682	1,356	—	2,133
Provided for the year	65	129	164	47	405
	160	811	1,520	47	2,538
NET BOOK VALUES					
At 31 March 2002	314	330	395	501	1,540
At 31 March 2001	199	272	326	—	797

The net book value of motor vehicles of HK\$501,000 (2001: nil) as at balance sheet date includes an amount of HK\$203,754 (2001: nil) in respect of assets held under finance leases.

The Company did not have any property, plant and equipment during the year and at the balance sheet date.

14. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares	14,796	—

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries at the time they became members of the Group under the Corporate Reorganisation less pre-acquisition dividend received.

Particulars of the Company's subsidiaries at 31 March 2002 are set out in note 36.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

15. INVENTORIES

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finished goods	<u>5,481</u>	<u>6,016</u>

The inventories are stated at cost.

16. AMOUNTS DUE FROM (DUE TO) CUSTOMERS FOR CONTRACT WORK

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus net profits recognised	408,974	360,238
Less: Progress billings	<u>(409,222)</u>	<u>(353,921)</u>
	<u>(248)</u>	<u>6,317</u>

Comprising:

Amounts receivable on contract work	3,294	6,358
Amounts payable on contract work	<u>(3,542)</u>	<u>(41)</u>
	<u>(248)</u>	<u>6,317</u>

17. PROGRESS PAYMENTS RECEIVABLE

The aged analysis of progress payments receivable is as follows:

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	14,316	13,601
31 — 60 days	2,397	346
61 — 90 days	909	15
91 — 180 days	1,650	3,526
More than 180 days	<u>3,594</u>	<u>—</u>
	<u>22,866</u>	<u>17,488</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

18. RETENTION MONEY RECEIVABLE

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Retention money receivable	12,950	14,868
Less: Amount receivable within one year included in current assets	7,841	9,474
	<hr/>	<hr/>
Amount receivable after one year	5,109	5,394
	<hr/> <hr/>	<hr/> <hr/>

The amount represents retention money in respect of the progress payments receivable on the contract work.

19. ACCOUNTS RECEIVABLE

The credit period allowed by the Group to its customers is normally 90 days.

The aged analysis of accounts receivable is as follows:

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	5,600	2,974
31 to 60 days	1,359	798
61 to 90 days	2,839	1,814
91 to 180 days	1,619	308
More than 180 days	2,202	664
	<hr/>	<hr/>
	13,619	6,558
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20. RETENTION MONEY PAYABLE

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Retention money payable	7,813	7,780
Less: Amount payable within one year included in current liabilities	3,273	2,899
	<hr/>	<hr/>
Amount payable after one year	4,540	4,881
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The amount represents retention money payable to subcontractors on the contract work.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

21. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

Included in accounts payable, other payables and accrued charges are trade creditors amounting to HK\$10,272,000 (2001: HK\$11,189,000). The aged analysis of trade creditors is as follows:

	2002	2001
	HK\$'000	HK\$'000
0 to 30 days	6,337	4,518
31 to 60 days	787	2,421
61 to 90 days	1,796	2,543
91 to 180 days	1,253	1,395
More than 180 days	99	312
	10,272	11,189

22. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest free and repayable on demand.

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum		Present value of	
	lease payments		minimum lease payments	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	78	—	65	—
More than one year but not exceeding two years	78	—	72	—
More than two years but not exceeding five years	20	—	19	—
	176	—	156	—
Less: Future finance charges	(20)	—	—	—
Present value of lease obligations	156	—	156	—
Less: Amount due to settlement within one year			65	—
Amount due for settlement after one year			91	—

NOTES TO THE FINANCIAL STATEMENTS

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24. BORROWINGS

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdraft	6,079	2,589
Bank loans	288	4,827
	<u>6,367</u>	<u>7,416</u>
Secured	—	4,977
Unsecured	6,367	2,439
	<u>6,367</u>	<u>7,416</u>

25. SHARE CAPITAL

Shares of HK\$0.1 each

Authorised:

	<u>Number of</u>	<u>Amount</u>
	<u>shares</u>	<u><i>HK\$'000</i></u>
Balance on incorporation and as at 31 March 2001	3,500,000	350
Increase of share capital (<i>note</i>)	996,500,000	99,650
Balance as at 31 March 2002	<u>1,000,000,000</u>	<u>100,000</u>

Note: Pursuant to the sole shareholder's resolution passed on 3 April 2001, the authorised share capital of the Company was increased from HK\$350,000 to HK\$100,000,000 by the creation of 996,500,000 additional shares of HK\$0.1 each.

Issued and fully paid:

	<u>Number of</u>	<u>Amount</u>
	<u>shares</u>	<u><i>HK\$'000</i></u>
Shares issued for cash on incorporation and as at 31 March 2001	1	—
Shares issued in accordance with Corporate Reorganisation (<i>note 1</i>)	999	—
Capitalisation issue of shares	169,999,000	17,000
New issues (<i>note 2</i>)	30,000,000	3,000
	<u>200,000,000</u>	<u>20,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

25. SHARE CAPITAL (Continued)

Issued and fully paid: (Continued)

Notes:

1. On 3 April 2001, as part of the Corporate Reorganisation, the Company issued and allotted 999 shares of HK\$0.1 each, credited as fully paid, in consideration for the acquisition of the entire issued share capital of Yew Sang Hong (BVI) Limited.
2. On 25 April 2001, the Company issued and allotted a total of 30,000,000 new shares of HK\$0.1 each at an offer price of HK\$1 each. The gross proceeds from the new issue of shares were HK\$30,000,000.

The Company intended to use the net proceeds from the new issue of shares as follows:

1. approximately HK\$9 million for potential investments in or acquisition of suppliers of electrical equipment and materials;
2. approximately HK\$5 million for developing other types of building services installation including fire service installation and air-conditioning installation;
3. approximately HK\$5 million as additional capital and/or deposits to be used by the Group in connection with tendering for electrical engineering works;
4. approximately HK\$4 million for developing its business of trading in electrical equipment and materials in the People's Republic of China ("PRC");
5. approximately HK\$1 million for carrying out testing of various electrical equipment and materials which the Group intends to seek authorisation to supply to Hong Kong Housing Authority ("HKHA") and obtaining certification regarding their compliance with the specification requirements of HKHA; and
6. the balance of approximately HK\$1 million for general working capital of the Group.

The share capital shown on the consolidated balance sheet as at 31 March 2001 represented the aggregate share capital of the companies comprising the Group.

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25. SHARE CAPITAL (Continued)

At 31 March 2002, the following options to subscribe for shares of the Company were outstanding under the Company's share option scheme:

<u>Option type</u>	<u>Exercise period</u>	<u>Exercise price per share</u>	<u>Number of options</u>
2002A	8 August 2002 to 8 August 2007	1.4944	2,000,000
2002A	1 September 2002 to 1 September 2007	1.4944	2,000,000
2002B	2 September 2002 to 2 September 2007	2.8750	500,000
			<u>4,500,000</u>

26. RESERVES (DEFICIT)

THE GROUP

	<u>Share premium</u>	<u>Special reserve</u>	<u>Capital reserve</u>	<u>Accumulated profits</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2000	—	—	—	32,470	32,470
Arising from Corporate Reorganisation	—	—	1,848	—	1,848
Net profit for the year	—	—	—	47,195	47,195
Dividends paid	—	—	—	(14,380)	(14,380)
At 31 March 2001	—	—	1,848	65,285	67,133
Share 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)
Net profit for the year	—	—	—	885	885
Arising from Corporate Reorganisation	—	13,524	—	—	13,524
At 31 March 2002	<u>4,242</u>	<u>13,524</u>	<u>1,848</u>	<u>66,170</u>	<u>85,784</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

26. RESERVES (Continued)

THE COMPANY

	Share premium	Contributed surplus	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss for the period from 2 January 2001 to 31 March 2001	—	—	(122)	(122)
At 31 March 2001	—	—	(122)	(122)
Net loss for the year	—	—	(467)	(467)
Share 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)
Pursuant to Corporate Reorganisation	—	80,657	—	80,657
At 31 March 2002	<u>4,242</u>	<u>80,657</u>	<u>(589)</u>	<u>84,310</u>

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the Corporate Reorganisation.

The capital reserve represents the contributions made by the then controlling shareholder under the Corporate Reorganisation.

The contributed surplus of the Company represents the difference between the book values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the Corporate Reorganisation.

The Company's reserves available for distribution to shareholders as at 31 March 2002 represent the net balance of share premium, contributed surplus, and accumulated losses of HK\$84,310,000 (2001: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

27. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	2,669	56,952
Depreciation	405	305
Interest income	(2,873)	(3,338)
Interest expense	145	797
Interest on obligations under finance leases	14	29
Allowance for bad debts	236	242
Loss on disposal of property, plant and equipment	13	—
Loss on disposal of other investments	—	330
Decrease in inventories	535	492
Decrease in amounts due from customers for contract work	3,064	27,831
Increase in progress payment receivable	(5,378)	—
Decrease in retention money receivable	1,918	2,235
(Increase) decrease in accounts receivable	(7,297)	56,110
Decrease (increase) in prepayment, deposits and other current assets	5,609	(1,127)
Decrease in amount due from a director	—	90
Decrease in amounts due from related companies	—	14,486
Increase (decrease) in amounts due to customers for contract work	3,501	(485)
Increase (decrease) in retention money payable	33	(1,963)
Increase (decrease) in accounts payable, other payables and accrued charges	3,140	(84,826)
Decrease in amount due to a related company	(95)	(7,547)
Decrease in bills payable	(2,029)	(38,104)
Increase in amount due to a director	56	—
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>3,666</u>	<u>22,509</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Short-term bank loans	Obligations under finance leases
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2000	—	14,991	—
New short term bank loans raised	—	4,827	—
Repayment of short term bank loans	—	(14,991)	—
	<hr/>	<hr/>	<hr/>
At 1 April 2001	—	4,827	—
Net proceeds from issue of shares	24,242	—	—
Inception of finance lease	—	—	200
Repayment of obligations under finance lease	—	—	(44)
Repayment of short term bank loans	—	(4,539)	—
	<hr/>	<hr/>	<hr/>
At 31 March 2002	<u>24,242</u>	<u>288</u>	<u>156</u>

29. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value of HK\$200,000 (2000: nil) at the inception of the finance leases.

30. CONTINGENT LIABILITIES

At 31 March 2002, the Group and the Company had no material contingent liabilities.

At 31 March 2001, the Company had given guarantee to banks in respect of bank facilities utilised by subsidiaries of the Company amounting to HK\$184 million and the Group had outstanding foreign exchange contracts to buy approximately GBPO.3 million at various rates for hedging and speculative purpose. The contract or notional amounts of these contracts indicate the volume of transactions outstanding as at the balance sheet date; they do not represent amounts at risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payment in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2002	2001
	HK\$'000	HK\$'000
Within one year	555	834
In the second to fifth year inclusive	24	302
	579	1,136

Operating lease payments represent rental payable by the Group for its office premises.

The Company had no operating lease commitment at the balance sheet date.

32. PLEDGED OF ASSETS

At 31 March 2002, the Group and the Company had no pledged of assets.

At 31 March 2001, the Group had pledged bank deposits of approximately HK\$53 million to secure certain bank facilities available to the Group.

33. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefits cost charged to income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme. No forfeiture was utilised during the year arising from employees leaving the Group prior to completion of the qualifying service period.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefits scheme available to reduce contributions payable in future years was HK\$18,957 (2001: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

34. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

Name of related party/nature of transactions

		2002	2001
	<i>Notes</i>	<u>HK\$'000</u>	<u>HK\$'000</u>
Major Glory Enterprises Limited	<i>(i)</i>		
— operating lease rental of premises	<i>(v)</i>	906	1,272
PM Engineering Limited	<i>(ii)</i>		
— purchases of goods	<i>(iv)</i>	—	14
— sales of goods	<i>(iv)</i>	—	196
PM Switchboards Pty. Limited	<i>(iii)</i>		
— sales of goods	<i>(iv)</i>	<u>—</u>	<u>9</u>

Notes:

- (i) 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, brother of Mr. Lai Sai Sang.
- (ii) 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.
- (iii) PM Switchboards Pty. Limited is 51% owned by Mr. Lai Sai Sang, director and shareholder of the Company.
- (iv) The pricing of trading goods was determined with reference to the market prices.
- (v) The operating lease payments were determined in accordance with the terms of relevant agreements.

35. SUBSEQUENT EVENTS

Subsequent to balance sheet date, the following transactions took place:

1. On 2 May 2002, the Group entered into a non-legal binding letter of intent with 深圳市一輝實業有限公司 relating to the formation of a sino-foreign co-operative joint venture company in the PRC for a term of 20 years. The joint venture is expected to be principally engaged in consultancy and advisory services in respect of various construction engineering (including electrical and mechanical engineering) and equipment and materials trading business (including electrical and mechanical engineering equipment and materials) in the PRC. Each party is expected to inject HK\$10,000,000 into the joint venture in the form of registered capital. The formal agreement for the joint venture has to be completed within six months from the date of letter of intent. Otherwise, the letter of intent will lapse.
2. On 21 May 2002, the Company issued 23,800,000 new shares of HK\$0.1 each under private placement to independent investors at a price of HK\$5.13 each for a total cash consideration, before expenses, of HK\$122,094,000. The net proceeds of the placing of shares amounted approximately HK\$118,000,000, of which up to approximately HK\$50,000,000 will be retained for the business operation of the joint venture as mentioned in paragraph 1 above. The remaining balance of approximately HK\$68,000,000 will be retained for the future operation of a new securities firm to be established by the Company in Hong Kong. The new shares issued rank pari passu in all respects with the then existing shares in issue.
3. On 27 June 2002, the Group entered into agreements with Dagong International Credit Rating Company Limited, incorporated in the PRC with limited liability, for the formation of a joint venture company in the PRC for a term of 20 years ("Credit Information Joint Venture"). The Credit Information Joint Venture is expected to be principally engaged in the provision of various kinds of credit information services to local and overseas institutional investors, financial institutions, regulatory authorities, government departments and economic research houses. The registered capital of the Credit Information Joint Venture shall be RMB80,000,000. The Company is required to inject RMB40,000,000 in cash as registered capital within six months from the date of issue of the business licence of the Credit Information Joint Venture which shall fall within one month from the date of submission of the agreements for approval.
4. On 18 July 2002, the Group entered into an agreement to acquire 60% in a company carrying the business of manufacturing and sale of computer software and network products, providing services in technology research and development, consultation, trading and transfer, at a consideration of HK\$18 million. The agreement will be completed subject to due diligence review conducted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

36. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries, all of which are wholly owned at 31 March 2002 are as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital		Principal activities
		Ordinary	Deferred	
Brongham Park Limited	Hong Kong 29 April 1981	HK\$20	HK\$1,000,000	Trading in diesel generating sets
Ever Ace Investment Limited	Hong Kong 15 October 2001	HK\$2	—	Administrative centre and investment holding
Yew Sang Hong (BVI) Limited	British Virgin Islands 22 November 2000	US\$1	—	Investment holding
Yew Sang Hong (China) Limited	British Virgin Islands 30 July 2001	US\$1	—	Investment holding
Yew Sang Hong Trading (China) Limited <i>(Formerly known as "Yew Sang Hong (China) Limited")</i>	Hong Kong 27 March 2002	HK\$2	—	Trading in electrical equipment and materials
Yew Sang Hong Building Services (Maintenance) Engineering Limited	Hong Kong 13 June 2001	HK\$2	—	Building services maintenance
Yew Sang Hong Investment Services Limited	British Virgin Islands 6 March 2002	US\$1	—	Investment holding
Yew Sang Hong Limited	Hong Kong 29 June 1954	HK\$20	HK\$12,524,000	Electrical engineering contracting services
Yew Sang Hong Trading Limited	Hong Kong 9 April 1998	HK\$2	HK\$2	Trading in electrical equipment and materials

Notes:

- All the above companies operate in Hong Kong.
- Other than Yew Sang Hong (BVI) Limited, Yew Sang Hong (China) Limited and Yew Sang Hong Investment Services Limited, which are directly held by the Company, all other companies are indirectly held by the Company.
- The deferred shares are shares whose shareholders are neither entitled to receive notices, attend, vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiaries. The deferred shares are held by the directors of the Company, Mr. Lai Sai Sang and Ms. Leung Sau Che, Jennifer, who have granted options to the Group to acquire these deferred shares at nominal value.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 36 to 64 were approved and authorised for issue by board of directors on 30 July 2002.