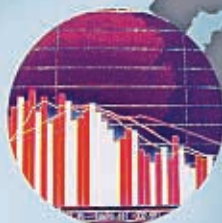


# 2002

## INTERIM REPORT



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

## CORPORATE INFORMATION

### Board of directors

Mr. Lai Sai Sang (*Chairman*) \*  
 Mr. Hon Ming Kong \*  
 Mr. Zhang Dachun \*  
 Mr. Lee Yu Leung \*  
 Mr. Wong Tik Tung #  
 Mr. Lam Kwok Cheong #  
 Mr. Ip Ying Chuen #

\* *Executive director*

# *Independent non-executive director*

### Registered office

Ugland House  
 P.O. Box 309  
 George Town  
 Grand Cayman  
 Cayman Islands  
 British West Indies

### Head office and principal place of business in Hong Kong

13/F., Hing Yip Centre  
 37 Beech Street, Tai Kok Tsui  
 Kowloon, Hong Kong  
 Tel : (852) 2407-3333  
 Fax : (852) 2380-6607

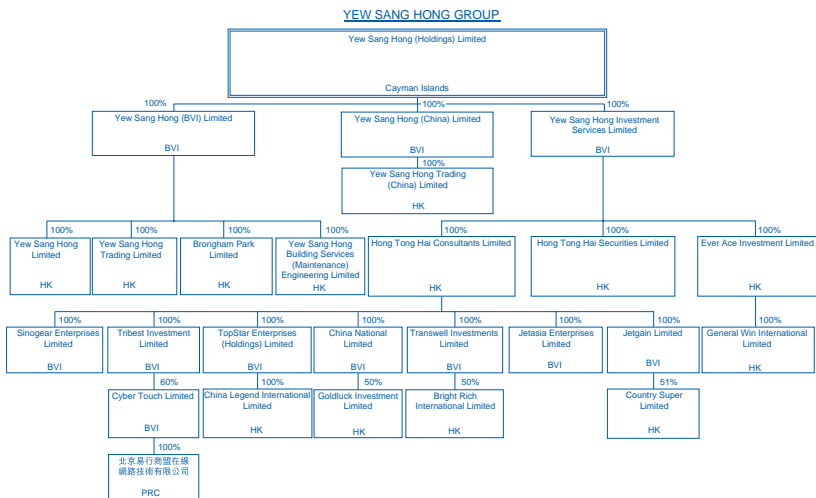
### Company secretary

Mr. Lai Yau Hong, Thomson

### Audit committee

Mr. Lam Kwok Cheong  
 Mr. Wong Tik Tung

## GROUP STRUCTURE





## CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Yew Sang Hong (Holdings) Limited (the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2002 (the "Period").

In spite of local stagnant economy, the Group's electrical engineering business was able to record a profit of over HK\$8.8 million, an overwhelming result comparing to the corresponding period of last year. As mentioned in the annual report of the Company for the year ended 31 March 2002, the Group faced much pressure in its opportunity of business under recession of global economy after the "911" incident and the sluggishness of the Hong Kong economy caused by chronic deflation, depressed consumption and record-high unemployment rate. In particular, the changes in the recent housing policies of the Hong Kong government were, as a whole, quite negative to the building services industry. There was also a general shrinkage in the overall volume of building projects put to the market, those offered by the public sector in particular, during the Period. Although the Group attempted to seek potential investments regarding acquisitions of suppliers of electrical equipment and materials or other building installation services such as fire service installation and air-conditioning installation, the Group has not been able to identify any target which could meet its investment requirements in this respect.

In view of the deteriorating market condition in the electrical engineering industry after the Listing, the Group has been pursuing a diversification strategy to expand its business portfolio. In 2002, the Company appointed three new executive directors, namely Mr. Zhang Dachun, Mr. Hon Ming Kong and Mr. Lee Yu Leung, who have extensive experience in financial services businesses and making investments in the PRC. Mr. Zhang Dachun has about 30 years of experience in shipping industry and business management. He was Vice-President of COSCO Group Limited, Executive Vice-Chairman and President of COSCO (Hong Kong) Group Limited,

Chairman of COSCO (Hong Kong) Shipping Company Limited, Vice-Chairman of both COSCO Pacific Limited and COSCO International Holdings Limited, Director and Chief Executive of COSCO (U.K.) Company Limited and President of China Merchants Holdings (International) Ltd. Mr. Hon Ming Kong has over 12 years of experience in shipping industry and making investments in the PRC. He has been a director and a substantial shareholder of a listed company in Hong Kong which has been primarily engaged in freight forwarding and vessel operating common carrier services, container depots operation and logistic management services, technology and information system services, finance and management services and securities trading. Mr. Lee Yu Leung has more than 22 years of experience in the investment services industry and has taken up directorship with certain reputable local securities firms. He is a former member of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as well as a former council member of the Stock Exchange. Taking the advantage of the expertise and the business network, particularly, in the PRC, of the new directors, the Group concluded the investments in a variety of businesses in the PRC and established certain wholly-owned subsidiaries with an objective to engage in financial services and investment service businesses.

In May 2002, the Company announced the placing of 23,800,000 new shares at HK\$5.13 per share to independent investors. The net proceeds of the placing amounted to approximately HK\$118 million.

Given the poor economic atmosphere and the present housing policy of the Hong Kong government, the Directors believe that the local building services industry would remain difficult in the coming year. The Directors expect that the volume of new works, offered by the public sector in particular, will be quite limited and tough competition will continue within the industry which, together with the shrinkage in demand, will put pressure on the prices of electrical products. Notwithstanding the poor market condition in the housing industry, the Group will continue to undertake its electrical engineering contracting business and refocus such business in the private sector.



To reduce the Group's reliance in the building sector of Hong Kong, the Directors have been implementing the corporate strategy of diversification of its business portfolio and exploration of business opportunity in the PRC market.

On 2 May 2002, the Company entered into a letter of intent for formation of a joint venture ("JV") with 深圳市一輝實業有限公司 ("深圳一輝"), which is expected to be principally engaged in consultancy and advisory services in construction engineering and equipment and materials trading business in the PRC. Subsequently, a formal JV agreement has been entered into in December 2002.

The Company also announced in June 2002 the formation of a joint venture, 大公信用信息服務有限公司 being formed with 大公國際資信評估有限公司 in the PRC. The joint venture provides various types of credit information services to local and overseas institutional investors, financial institutions, regulatory authorities, government departments and economic research houses.

On 18 July 2002, an indirect subsidiary of the Company acquired 60% stake in Cyber Touch Limited, which owns 100% interest in 北京易行商盟在線網絡技術有限公司 ("北京易行"), principally engaged in the manufacture and sale of computer software and network products. On 5 August 2002, an indirect subsidiary of the Company entered into a letter of intent in relation to the investment in not more than 24.9% interest in a PRC company, which is engaged in investment management services.

In Hong Kong, the Company also established certain companies to engage in corporate and business consultancy, direct investments and securities businesses in April 2002. With regard to the securities business, Hong Tong Hai Securities Limited (“HTH”), a wholly-owned subsidiary of the Company, purchased a Stock Exchange trading right, obtained a dealer licence in August 2002 and commenced business in September 2002. The Board expects that the new directors will continue to capture business opportunities for the Group including its financial services businesses.

### **Acknowledgement**

I would like to take this opportunity to express my deepest gratitude to our shareholders for their unfailing 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.

## **INTERIM DIVIDEND**

The Directors of the Company have resolved not to declare any interim dividend for six months ended 30 September 2002 (2001: Nil).

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **Review of Operations**

The unaudited consolidated loss attributable to shareholders for the Period amounted approximately HK\$10,519,000 whereas profit attributable to shareholders of HK\$1,756,000 was made for the same period in 2001. Turnover of the Period was HK\$108,659,000, representing an increase of 172.9% compared with last corresponding period.



## Electrical Engineering Contracting Business

During the Period, the Group mainly continued its outstanding work in progress brought forward at the beginning of the Period.

Rewiring of Lei Cheng Uk Estate and MTR's Tseung Kwan O Extension in Signaling System Installation were completed during the Period under review. The Group also completed an electrical installation project for a printing factory in Dongguan, Guangdong, the PRC. It is believed to be a stepping stone of the Group to increase its PRC exposure for tendering similar mainland projects in the future. The Group has managed to secure new contracts as shown below:

### *New Contracts*

Project	Description	Approx. Contract Value (HK\$ million)
Tin Shui Wai Area 102 phase 3 Completion Contract	Electrical installation	3.3
School Improvement Programme Final Phase Package 1 Group 1	Electrical installation	8.7
School Improvement Programme Final Phase Package 4 Group 1	Electrical installation	5.4
School Improvement Programme Final Phase Package 6 Group 1	Electrical installation	6.9
School Improvement Programme Final Phase Package 1 Group 2	Electrical installation	1.8
	Total	26.1

As at 30 September 2002, the Group's electrical engineering contracts on hand amounted approximately HK\$184 million in total, comprising HK\$139.1 million for public housing contracts, approximately HK\$22.8 million for private contracts and HK\$22.1 million for maintenance projects.

## Electrical & Component Trading Business

The performance of the Group's trading division was satisfactory. This reflects the internal vertical integration process in terms of control of material supply and pricing. Currently, the Group possesses distribution rights of a number of products for the following major brands of electrical equipment and materials:

<b>Brand</b>	<b>Origin of Manufactures</b>	<b>Products</b>
Togami	Japan	Thermal overload relays switchgears contactors
Benedikt & Jager	Austria	Thermal overload relays, push buttons, main switches and Rotary cam switches
Asahi	Japan	Insulated busbar busducts
Toyokuni	Japan	Branchmatic cable systems
Carlo Gavazzi	Europe	Electronic controls & monitoring systems
Garre	Denmark	Current transformers
Rupam	India	Brass cable glands & cable accessories
Axis	India	Copper cable lugs, earthing systems & accessories
Polywater	U.S.A	Cable pulling lubricant





## Financial Review & Analysis

### *Financing*

#### 1. Placing of New Shares

On 21 May 2002, the Company entered into a conditional placing and underwriting agreement with two independent placing agents for the placing of 23,800,000 new shares at a placing of HK\$5.13 per placing share to independent investors. The placing has been completed on 19 June 2002. The net proceeds of the placing were amounted to approximately HK\$118 million, of which up to approximately HK\$50 million was retained for the business operation of a new joint venture company to be established in the PRC and the remaining balance of approximately HK\$68 million was retained for the future operation of a new securities firm established by the Company in Hong Kong.

#### 2. Use of Proceeds

As at 31 March 2002, out of the net proceeds HK\$24.2 million from the shares issued during the New Listing, the Group had already utilized approximately HK\$1.5 million. On 16 December 2002, the Company announced that, in view of the uncertainties in respect of the future prospects of the electrical contracting business, the Board has taken a prudent approach that it will not be in the interests of the Company to expand electrical engineering and trading business at this stage by applying the full amount of the IPO proceeds in according with the intended way of usage as stated in the prospectus of the Company. Out of the approximately HK\$24.2 million IPO proceeds, the unused portion approximately HK\$22.7 million will be allocated into two parts, (i) approximately HK\$1.0 million for developing trading business of electrical equipment and materials in the PRC which has not been used up to 30 September 2002 and (ii) approximately HK\$21.7 million for working capital purpose, in particular, for general overheads of the Group.

### ***Liquidity, Financial Resources and Gearing***

The Group's total current assets and liabilities were approximately HK\$191,092,000 and HK\$58,961,000 respectively as at 30 September 2002 when the current ratio was about 3.24 times. As at 30 September 2002, the Group's aggregate cash amounted to HK\$82,460,000 whilst combining with short-term guarantee fund investment of approximately HK\$26,227,000, which totalled HK\$108,687,000, representing approximately 57% of total current assets. The Directors believe that the Group has adequate fund for business operation and maintains a high liquidity. The reason for a strong financial position mainly comes from the placing of new shares during the Period approximately HK\$118,000,000.

During the Period, the Group's financial position was healthy, principally financed by its equity capital. As shown in the Group's consolidated balance sheet as at 30 September 2002, the consolidated shareholders funds amounted to approximately HK\$213,764,000; whereas the Group's total borrowings was about HK\$361,000 only which mainly comprised of short-term bank loans, overdraft and finance leases. The bank borrowing principally comprised of loans in Japanese Yen on a floating rate basis.

As at 30 September 2002, the gearing ratio, defined as the total debts over total assets, was approximately 0.13% (31 March 2002: 4.2%). The favourable improvement in the ratio reflected the Group's increase in its equity capital and the reduction in the amount of its net borrowings at the end of the Period.

With strong working capital, less banking facilities offered by financial institutes were utilized during the Period. As a result, the Group financial costs in loan and overdraft interests payment were substantially decreased to only about HK\$7,000 for the Period, a drop of about 95% comparing to HK\$154,000 for the last year.



### **Major Investments**

#### **1. Acquisition of 北京易行**

An indirect wholly-owned subsidiary of the Company acquired 60% stake of Cyber Touch Limited for a consideration of HK\$18 million in July 2002. The principal asset of Cyber Touch Limited is 100% interest in 北京易行 which is engaged in manufacture and sales of computer software and network products. Through the alliance with Bank of Communication in China, 北京易行 will launch “太平洋易行聯名卡” which provides financial, tour reservation and travel insurance services. The Directors believe that it is an excellent opportunity to broaden 北京易行 network in the PRC.

#### **2. Other Investments**

During the Period, the Group has invested in two associated companies which are engaged in mobile phone trading business in the PRC and trading of pharmaceutical products respectively. Total investment in the two companies amounted to approximately HK\$7 million. The Directors are optimistic to the prospects of both businesses which are at their initial investment stage.

### **Foreign Exchange Management**

The Group's purchases from overseas suppliers are always subject to foreign currency fluctuations. The Group monitors the risks in foreign exchange by way of placing forward foreign exchange contracts. Basically, the Group has not changed of its foreign exchange management policy since the listing of the Company's shares on the Stock Exchange. During the Period, such risks were comparatively lessened because of the reduced overseas purchases caused by shrinkage in trading business activities during the Period. As at 30 September 2002, the Group had no outstanding forward foreign exchange contracts on hand.

## **Contingent Liabilities and Capital commitments**

As at 30 September 2002, the Group had capital commitment of approximately HK\$18,620,000, which is related to the formation of a joint venture in the PRC.

The Group has contingent liabilities in respect of a corporate guarantee executed in favour of a bank for its banking facilities granted to an associated company to the extent of HK\$25,000,000. None of the facilities were utilized by the associated company as at 30 September 2002.

## **Charge of Assets**

As at 30 September 2002, the Group had pledged fixed deposits of approximately HK\$53,985,000 to banks to secure general banking facilities granted to the Group.

## **Prospects**

In November 2002, the housing policy in Hong Kong was revamped in a bid to revive local sluggish property market. The Government has ceased Home Ownership Scheme as well as development projects under Housing Authority and Housing Society. The decline in the volume of new public housing works has lured contractors who previously were active in the public sector to begin competing in the private sector. This will in turn result in a deeper cut in the contract price. As part of the corporate diversification plans, the Group has been diverting its core business towards maintenance activities which will provide a steady stream of revenue. Target segments include property developers, estate management companies, public utilities, hotels, schools and educational institutions.

On the other hand, the Group is seeking business ventures in residential building and material supply in the PRC. As a total solution building service provider, the Group has been vertically integrated into distribution of electrical products which are re-exported from the PRC to Australia, Italy and Japan. The Group is looking into opportunities for extension of distribution rights in the PRC.



New lines of businesses are in their initial development and investment stages. In December 2002 and according to the letter of intent dated 2 May 2002, the Company has entered into a JV agreement with 深圳一輝 for the formation of the JV company in Shenzhen. It is in line with corporate strategy to expand core business to the PRC market. Meanwhile, the Group and 大公國際資信評估有限公司 are arranging the formation of 大公信用信息服務有限公司.

In addition, the Company also has a 50:50 joint venture engaged in mobile phone trading business. New models are manufactured in Korea with special features supporting colour display up to 65,000 pixels. First batch of over 9,000 sets were delivered before December 2002 for testing and processing, which will then be sold in the PRC market. Further, 北京易行 serves its 16 million members through the website of “www.helptrip.com.cn” (the “Helptrip”). Leveraging on the combined client base, 北京易行 will cooperate with Bank of Communication in China to jointly launch a “太平洋易行聯名卡” in early 2003. Apart from comprehensive financial services, the card also provides hotel reservation, ticket reservation, tour booking and travel insurance services. This will increase the use of “Helptrip” services to a certain extent.

In view of the solid fundamentals of the Hong Kong economy and the Directors' belief that Hong Kong will continue to serve as one of the Asian pillars in the global stock market, the Directors have been holding a positive view on the securities market in Hong Kong and believe that the Hong Kong stock market will remain attractive to different types of investors in the long term. The Directors believe that, similar to other countries, the securities market and the economy of Hong Kong are cyclical in nature. As the Directors consider that the securities industry in Hong Kong will continue to be very competitive, the Directors believe that it is important for the Group to have the capability to provide a wide range of services in order to maintain a competitive edge in the market.

In December 2002 the Board also resolved to put forward a proposal (the "Proposal") for the approval of the shareholders other than YSH Investments Limited and Highworth Venture Limited ("Independent Shareholders") at the Extraordinary General Meeting of the shareholders. Under the Proposal, the Company will commence to engage in investing in securities via HTH which has been established for engaging in stockbroking and related securities businesses. The Group has already commenced its stockbroking business in September 2002.

It is expected that upon the granting of the approval from the Independent Shareholders, HTH will have more flexibility in its stockbroking business by undertaking placing and underwriting of securities, if opportunities arise. It is also the intention of the Group not to engage in active proprietary trading activities in securities and the Group will only make investment in securities for long-term investment purposes with the prior approval of the board of HTH after careful evaluation of the underlying companies' fundamentals, price performance and liquidity of the securities.

As the economy is still undergoing structural adjustments, the Board intends to adopt a cautious approach to the business outlook. We believe that diversification and integration are effective measures in weathering current economic doldrums.



## **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 as set out in Appendix 14 of the Listing Rules during the Period.

### **Review of Interim Results**

The interim financial report of the Group for the six months ended 30 September 2002 has not been audited, but has been reviewed by the Audit Committee of the Board and the Company's auditors, Messrs. Deloitte Touche Tohmatsu.

### **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 Committee are to review and supervise the Group's financial reporting process and internal control system. The meeting of the Committee was held on 23 December 2002. The Committee has already reviewed the interim report and the condensed financial statements for the Period.

### **Board Members' and Executive Directorate's Interests in Shares of the Company and its Associated Corporation**

As at 30 September 2002, the interests of the directors in shares of the Company and its subsidiaries within the meaning of the Securities (Disclosure of Interests) Ordinance (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**

<b>Name of director</b>	<i>Notes</i>	<b>Nature of interest</b>	<b>Number of ordinary shares held</b>
Mr. Lai Sai Sang	1	Corporate	76,324,000
Mr. Hon Ming Kong	2	Corporate	56,000,000

*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%).

*Note 2.* These shares are owned by Highworth Venture Limited, a company incorporated in BVI. Highworth Venture Limited is wholly owned by Mr. Hon Ming Kong (100%).

**(ii) Subsidiary - Yew Sang Hong Limited**

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

<b>Name of director</b>	<b>Number of non-voting deferred shares</b>
Mr. Lai Sai Sang	1,252,399 shares of HK\$10.00 each

**(iii) Subsidiary - Yew Sang Hong Trading Limited**

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

<b>Name of director</b>	<b>Number of non-voting deferred shares</b>
Mr. Lai Sai Sang	1 share of HK\$1.00





#### (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:

<b>Name of director</b>	<i>Note</i>	<b>Number of non-voting deferred shares</b>
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 and will expire in April 2010.

As at 30 September 2002, the number of shares in respect of which options has been granted under the Scheme was 11,000,000 representing 4.915% of the shares of the Company in issue at the date.

Details of personal interests of the directors in the share option to subscribe for shares in the Company are disclosed as below:

Option type	Outstanding at 1 April 2002	Number of share options			Outstanding at 30 September 2002
		Granted during the period	Lapsed during the period	Exercised during the period	
<i>Directors:</i>					
Mr. Lee Yu Leung	2002A	2,000,000	—	—	2,000,000
Mr. Zhang dachun	2002D	—	2,000,000	—	2,000,000
Mr. Hon Ming Kong	2002F	—	2,000,000	—	2,000,000
<i>Employees</i>					
	2002A	2,000,000	—	—	2,000,000
	2002B	500,000	—	—	500,000
	2002C	—	500,000	—	500,000
	2002E	—	2,000,000	—	2,000,000
Total		<u>4,500,000</u>	<u>6,500,000</u>	<u>—</u>	<u>11,000,000</u>

The fair value of the options granted up to the Period totalled approximately HK\$26,602,284. The following significant assumptions were used to derive the fair values using the Black-scholes option pricing model:

1. an expected volatility of 102.44%;
2. no annual dividend; and
3. the Hong Kong Exchange Fund Notes rates ranging from 4.78% to 5.49% and based on the estimated expected life of 5 years.

No charge is recognised in the income statement in respect of the value of options granted in the Period.



Details of specific categories of options are as follows:

Option Type	Date of grant	Exercise Period	Exercise price per share HK\$	Closing price immediately before the date of grant HK\$
2002A	1 February 2002	8 August 2002 — 8 August 2007	1.4944	1.520
2002A	1 February 2002	1 September 2002 — 1 September 2007	1.4944	1.520
2002B	1 March 2002	2 September 2002 — 2 September 2007	2.8750	2.825
2002C	2 April 2002	3 October 2002 — 3 October 2007	3.0550	3.025
2002D	8 April 2002	9 October 2002 — 9 October 2007	3.3000	2.950
2002E	3 May 2002	3 November 2002 — 3 November 2007	4.6200	4.650
2002F	14 May 2002	14 November 2002 — 14 November 2007	4.9600	4.950

## Termination of existing share option scheme and adoption of new share option scheme

To be in line with the updated requirements of the Listing Rules in relation to share option schemes and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants, the Board proposes to terminate the existing Scheme, which was adopted by the Company on 3 April 2001, and to adopt a new share option scheme incorporating the requirements of the new Chapter 17 of the Listing Rules. A summary of the principal terms of the new share option scheme will be set out in the circular to be despatched to the shareholders.

Save as disclosed above, 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 2002, 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	76,324,000	34%*
Highworth Venture Limited	56,000,000	25%*

\* 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**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Period.

## **Employees and Remuneration Policy**

As at 30 September 2002, the total number of staff in the Group mainly employed in Hong Kong was over 80 (2001: 47). 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.

## **Change of Directors**

Ms. Leung Sau Che, Jennifer and Mr. Chuk Wai Chun, Winston retired during the last annual general meeting but did not offer themselves for re-election for the position of executive directors of the Company and Mr. Lau Chun Kay retired during the last annual general meeting but did not offer himself for re-election for the position of independent non-executive director of the Company.

The Board would like to express its gratitude to their valuable contribution to the Company during their tenure of service.

On behalf of the Board

**Lai Sai Sang**

*Chairman*

Hong Kong, 30 December 2002

**CONDENSED CONSOLIDATED INCOME STATEMENT***For the six months ended 30 September 2002*

	Notes	Six months ended 30 September	
		2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Turnover		108,659	39,810
Cost of sales		<u>(90,321)</u>	<u>(26,920)</u>
Gross profit		18,338	12,890
Other operating income		2,903	1,909
Selling expenses		(467)	(465)
Administrative expenses		<u>(28,986)</u>	<u>(11,602)</u>
(Loss) profit from operations	3	<u>(8,212)</u>	2,732
Finance costs		(7)	(154)
Share of results of associates		<u>(257)</u>	<u>—</u>
(Loss) profit before taxation		<u>(8,476)</u>	2,578
Taxation	4	<u>(2,047)</u>	<u>(822)</u>
(Loss) profit before minority interests		<u>(10,523)</u>	1,756
Minority interests		<u>4</u>	<u>—</u>
Net (loss) profit for the Period		<u><u>(10,519)</u></u>	<u><u>1,756</u></u>
(Loss) earnings per share	6	<u><u>(4.8) cents</u></u>	<u><u>0.90 cents</u></u>



## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2002

	Notes	30 September 2002 HK\$'000 (unaudited)	31 March 2002 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment	7	10,902	1,540
Goodwill	8	25,256	—
Intangible asset	9	2,380	—
Interests in associates	10	6,743	—
Other long term investments	11	5,000	—
Retention money receivable		4,559	5,109
Deposits for long term investments	12	29,100	—
Other assets	13	2,200	—
		<u>86,140</u>	<u>6,649</u>
Current assets			
Inventories		5,298	5,481
Amounts due from customers for contract works		9,327	3,294
Progress payments receivable	14	17,863	22,866
Retention money receivable		9,082	7,841
Accounts receivable	15	13,414	13,619
Loan receivables	16	9,000	—
Other investments	17	26,227	—
Deposit for investment	18	12,000	—
Prepayments, deposits and other assets		6,372	3,509
Tax recoverable		49	49
Pledged deposits	19	53,985	—
Bank balances and cash		28,475	91,872
		<u>191,092</u>	<u>148,531</u>

	Notes	30 September 2002 HK\$'000 (unaudited)	31 March 2002 HK\$'000 (audited)
Current liabilities			
Amounts due to customers for contract works		1,857	3,542
Retention money payable		3,036	3,273
Accounts payable, other payables and accrued charges	20	43,798	30,157
Amounts due to associates		1,926	—
Amount due to a director		56	56
Bills payable		5,528	899
Taxation payable		2,455	406
Obligations under finance leases		68	65
Borrowings		237	6,367
		<u>58,961</u>	<u>44,765</u>
Net current assets		<u>132,131</u>	<u>103,766</u>
Total assets less current liabilities		<u>218,271</u>	<u>110,415</u>
Minority interests		<u>486</u>	<u>—</u>
Non-current liabilities			
Obligations under finance leases		56	91
Retention money payable		3,965	4,540
		<u>4,021</u>	<u>4,631</u>
Net assets		<u><u>213,764</u></u>	<u><u>105,784</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		22,380	20,000
Reserves		191,384	85,784
Shareholders' funds		<u><u>213,764</u></u>	<u><u>105,784</u></u>





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2002

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2001	—	—	—	1,848	65,285	67,133
Shares issued						
at a premium	3,000	27,000	—	—	—	30,000
Share issuing expenses	—	(5,758)	—	—	—	(5,758)
Capitalisation issue of shares	17,000	(17,000)	—	—	—	—
Arising from a corporate reorganisation for listing of the Company's shares on The Stock Exchange of Hong Kong Limited	—	—	13,524	—	—	13,524
Net profit for the Period	—	—	—	—	1,756	1,756
At 30 September 2001	20,000	4,242	13,524	1,848	67,041	106,655
Net loss for the Period	—	—	—	—	(871)	(871)
At 31 March 2002	20,000	4,242	13,524	1,848	66,170	105,784
Shares issued						
at a premium	2,380	119,714	—	—	—	122,094
Share issuing expenses	—	(3,595)	—	—	—	(3,595)
Net loss for the Period	—	—	—	—	(10,519)	(10,519)
At 30 September 2002	<u>22,380</u>	<u>120,361</u>	<u>13,524</u>	<u>1,848</u>	<u>55,651</u>	<u>213,764</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2002*

	<b>Six months ended 30 September</b>	
	<b>2002</b>	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<b>(3,844)</b>	8,094
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<b>(172,380)</b>	21,905
NET CASH FROM FINANCING	<b>118,901</b>	19,703
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(57,323)</b>	49,702
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>85,793</b>	11,471
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b>28,470</b>	61,173
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b>28,475</b>	61,173
Bank overdrafts	<b>(5)</b>	—
	<b>28,470</b>	61,173



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 September 2002*

### 1. Basis of Presentation and Accounting Policies

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The condensed financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2002, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs:

SSAP 1 (Revised)	Presentation of Financial Statements
SSAP 11 (Revised)	Foreign Currency Translation
SSAP 15 (Revised)	Cash Flow Statements
SSAP 34	Employee Benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 1. **Basis of Presentation and Accounting Policies** *(Continued)*

Following the acquisition of investments in associates and other investments, the Group has also adopted the following policies:

### **Interests in associates**

The condensed consolidated income statement includes the Group's share of the post-acquisition results of its associates for the Period. In the condensed consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates on acquisition, less any identified impairment loss.

### **Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, all securities are measured at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.



## 2. Segment Information

For management purposes, the Group is currently organised into two operating divisions — electrical engineering contracting and sale of electrical goods. These divisions are the basis on which the Group reports its primary segment information.

### Business segments

	Electrical engineering contracting <i>HK\$'000</i>	Sale of electrical goods <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the six months ended 30 September 2002					
<b>TURNOVER</b>					
External sales	88,949	19,584	126	—	108,659
Inter-segment sales	—	11,097	—	(11,097)	—
Total revenue	<u>88,949</u>	<u>30,681</u>	<u>126</u>	<u>(11,097)</u>	<u>108,659</u>
Inter-segment sales are charged at prevailing market rates					
<b>RESULTS</b>					
Segment results	<u>8,812</u>	<u>1,881</u>	<u>(991)</u>	<u>—</u>	9,702
Interest income					626
Other operating income					143
Unallocated corporate expenses					<u>(18,683)</u>
Loss from operations					(8,212)
Finance costs					(7)
Share of results of associates			(257)		<u>(257)</u>
Loss before taxation					(8,476)
Taxation					<u>(2,047)</u>
Loss before minority interests					(10,523)
Minority interests					<u>4</u>
Net loss for the Period					<u>(10,519)</u>

## 2. Segment Information (Continued)

### Business segments (Continued)

	Electrical engineering contracting HK\$'000	Sale of electrical goods HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2001				
<b>TURNOVER</b>				
External sales	19,086	20,724	—	39,810
Inter-segment sales	—	3,962	(3,962)	—
Total revenue	<u>19,086</u>	<u>24,686</u>	<u>(3,962)</u>	<u>39,810</u>
Inter-segment sales are charged at prevailing market rates				
<b>RESULTS</b>				
Segment results	<u>(1,880)</u>	<u>3,265</u>	<u>—</u>	1,385
Interest income				1,828
Other operating income				81
Unallocated corporate expenses				<u>(562)</u>
Profit from operations				2,732
Finance costs				<u>(154)</u>
Profit before taxation				2,578
Taxation				<u>(822)</u>
Net profit for the Period				<u>1,756</u>



### 3. (Loss) Profit from Operations

	<b>Six months ended 30 September</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Depreciation of plant and equipment	<b>914</b>	201
Amortisation of goodwill included in administrative expenses	<b>356</b>	—
	<u><b>1,270</b></u>	<u>201</u>

### 4. Taxation

The charge represents provision for Hong Kong Profits Tax of the Company and its subsidiaries for the Period. Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the Period.

No provision for People's Republic of China ("PRC") income tax has been made in respect of the Company's PRC subsidiary as the PRC subsidiary incurred a loss during the Period.

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

### 5. Dividends

No dividends were paid during the Period. The directors do not recommend the payment of any interim dividend.

## 6. (Loss) Earnings Per Share

The (loss) earnings per share is calculated based on the loss for the Period amounting HK\$10,519,000 (for the six months ended 30 September 2001: profit of HK\$1,756,000) and the weighted average of 217,297,268 shares (196,065,574 shares for the six months ended 30 September 2001) in issue.

No diluted loss per share has been presented for 2002 as the exercise of share options would result in a decrease in loss per share. There were no dilutive potential ordinary shares in issue during 2001.

## 7. Additions to Property, Plant and Equipment

During the Period, the Group spent approximately HK\$10,276,000 (approximately HK\$794,000 for the six months ended 30 September 2001) on property, plant and equipment.

## 8. Goodwill

	<i>HK\$'000</i>
<b>COST</b>	
Arising on acquisition of a subsidiary during the Period and at 30 September 2002	<u>25,612</u>
<b>AMORTISATION AND IMPAIRMENT</b>	
Charge for the Period and at 30 September 2002	<u>(356)</u>
<b>NET BOOK VALUE</b>	
At 30 September 2002	<u><u>25,256</u></u>
At 31 March 2002	<u><u>—</u></u>

The amortisation period adopted for goodwill is 18 years.

During the Period, the Group acquired a 60% interest in a subsidiary established in the PRC for a consideration of HK\$18,000,000. The subsidiary is engaged in the manufacture and sale of computer software and network products.





## 9. Intangible Asset

During the Period, the Group acquired a trading right in The Stock Exchange of Hong Kong Limited at an amount of HK\$2,380,000 from an independent third party.

## 10. Interests in Associates

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Share of net assets	<u>6,743</u>	<u>—</u>

During the Period, the Group invested in two associates incorporated in Hong Kong. Particulars of the associates are as follows:

Name of associate	Percentage of equity interest held	Principal activities
Goldluck Investment Limited	50%	Mobile phone wholeselling
Bright Rich International Limited	50%	Trading of pharmaceutical products

## 11. Other Long Term Investments

The amount represents the consideration paid by the Group during the Period for the acquisition of a 10% interest in a company incorporated in Hong Kong which makes hotel investment.

## 12. Deposits for Long Term Investments

During the Period, the Group entered into an agreement and a letter of intent with certain PRC parties for the formation of joint venture enterprises in the PRC. Deposits amounting to HK\$29,100,000 have been paid for those intended investments during the Period.

**13. Other Assets**

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
Deposits with:		
Hong Kong Securities Clearing Company Limited	100	—
The Stock Exchange of Hong Kong Limited	100	—
The Securities and Futures Commission of Hong Kong	2,000	—
	<u>2,200</u>	<u>—</u>

**14. Progress Payments Receivable**

The aged analysis of progress payments receivable is as follows:

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
Within 30 days	3,684	14,316
31 - 60 days	7,644	2,397
61 - 90 days	519	909
91 - 180 days	1,286	1,650
More than 180 days	4,730	3,594
	<u>17,863</u>	<u>22,866</u>



## 15. 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:

	<b>30 September</b>	31 March
	<b>2002</b>	2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 to 30 days	<b>4,204</b>	5,600
31 to 60 days	<b>4,068</b>	1,359
61 to 90 days	<b>2,282</b>	2,839
91 to 180 days	<b>425</b>	1,619
More than 180 days	<b>2,435</b>	2,202
	<u><b>13,414</b></u>	<u>13,619</u>

## 16. Loan Receivables

During the Period, the Group made term loans of HK\$9,000,000 to independent third parties to earn interest. The loans are expected to be repaid within the next twelve months in accordance with the respective loan agreements.

## 17. Other Investments

The other investments represent the funds placed with an investment fund manager established in the PRC. Under the terms of the investment fund agreement, the fund manager guarantees a minimum rate of return on the investments of not less than 8% per annum.

## 18. Deposit for Investment

The amount represents the deposit paid to a PRC company in accordance with a letter of intent relating to the investment in not more than 24.9 per cent. of the enlarged equity interest in the PRC company, which was entered into between the PRC company and a subsidiary of the Company. Upon the payment of the deposit, the subsidiary has the right to carry out a financial due diligence review and assessment of the PRC company for the purpose of determining whether to proceed with the investment within six months from the date of the letter of intent.

## 19. Pledged Deposits

The Group had pledged fixed deposits of approximately HK\$53,985,000 to banks to secure general banking facilities granted to the Group and an associate.

## 20. Accounts Payable, Other Payables and Accrued Charges

Included in accounts payable, other payables and accrued charges are trade creditors amounting to HK\$23,968,000 (At 31 March 2002: HK\$10,272,000). The aged analysis of trade creditors is as follows:

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
0 to 30 days	10,776	6,337
31 to 60 days	3,969	787
61 to 90 days	3,702	1,796
91 to 180 days	3,644	1,253
More than 180 days	1,877	99
	<u>23,968</u>	<u>10,272</u>

## 21. Capital Commitment

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
Capital expenditure contracted for but not provided in the condensed financial statements in respect of:		
Investment in a joint venture	<u>18,620</u>	<u>—</u>



## 22. Related Party Transactions

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

Name of related party/ nature of transactions	Notes	Six months ended 30 September	
		2002 HK\$'000	2001 HK\$'000
Major Glory Enterprises Limited	(i)		
— operating lease rental of premises	(iii)	454	441
PM Engineering Limited	(ii)		
— purchases of goods	(iv)	474	—
— sales of goods	(iv)	13	—
		<u>474</u>	<u>—</u>

Notes:—

- (i) Major Glory Enterprises Limited is 50% owned by Mr. Lai Sai Sang, a director and shareholder of the Company; and 50% owned by Mr. Lai Yun Sang, the brother of Mr. Lai Sai Sang.
- (ii) PM Engineering Limited is 50% owned by Ms. Leung Sau Che, Jennifer, the spouse of Mr. Lai Sai Sang.
- (iii) The operating lease payments were determined in accordance with the terms of relevant agreements.
- (iv) The pricing of trading goods was determined with reference to their market prices.

In addition, the Company maintained current accounts with its associates during the Period. The current accounts are secured, interest free and have no repayment terms. The Group also pledged its fixed deposits of approximately HK\$25,000,000 to its banks to secure general banking facilities granted to an associate. None of the banking facilities was utilized as at 30 September 2002.

### 23. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Group entered into a joint venture agreement with an independent third party to form a joint venture enterprise in the PRC, against which a deposit of HK\$10,000,000 has been paid pursuant to the letter of intent entered into on 2 May 2002. The deposit paid has been classified as deposits for long term investments as at 30 September 2002. Under the joint venture agreement, the Group is required to inject a sum of approximately HK\$4,530,000 to the joint venture enterprise for the interest of 49% in that joint venture enterprise. The balance of the deposit paid amounting to approximately HK\$5,470,000 together with interest at an interest rate of 1.75 per cent. annum will be refunded to the Company within 14 days from the date of the business licence of the joint venture enterprise.



## INDEPENDENT REVIEW REPORT

### 德勤 • 關黃陳方會計師行

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**Deloitte  
Touche  
Tohmatsu**

### TO THE BOARD OF DIRECTORS OF YEW SANG HONG (HOLDINGS) LIMITED

#### Introduction

We have been instructed by the directors of the Company to review the interim financial report set out on pages 21 to 37.

#### Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No.25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

#### Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

#### Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2002.

#### Deloitte Touche Tohmatsu

Hong Kong, 30 December 2002