

## Chairman's Statement

### RESULT FOR THE YEAR

The consolidated turnover for the year ended 31st March, 2001 of the Company and its subsidiaries (the "Group") was HK\$1,781,341,000. Despite the decrease in turnover for the year by HK\$260,607,000 when compare with the record turnover of HK\$2,041,948,000 last year, the Group was able to achieve an improved pre-tax profit of HK\$43,077,000. This represents an increase of HK\$3,020,000 when compare with last year.

### DIVIDENDS

The Board of Directors recommends the payment of a final dividend of HK1.4 cents per share (2000 – HK2.8 cents as adjusted) which, subject to shareholders' approval at the forthcoming Annual General Meeting, will be payable on or about 19th September, 2001 to the shareholders whose names appear on the register of members at the close of business on 17th August, 2001.

This final dividend together with an interim dividend of HK1.6 cents (2000 – nil) per share declared and paid produce a total dividend of HK3 cents for the year.

### REVIEW OF OPERATION

Despite difficult economic situation in the HKSAR, the Group was able to achieve an improved profit margin for the year as a result of the Group's effort in cost control and efficiency enhancement. Effective cashflow management has kept the Group's interest burden at a very low level. In fact the Group was able to achieve zero bank borrowings as of 31st March, 2001.

In addition to sound financial management, quality and safety management are also major contributors to the Group's success. As a result of effective quality management, quality workmanship was achieved at first hand and costs were therefore reduced. Moreover, performance in these respects will enhance the Group's chance of tendering for future government contracts. The Group's efforts in quality and safety were also evidence by the winning of the following awards during the year:

- (i) the 2000 Hong Kong Awards for Industry – Industry and Trade Department Quality Award;
- (ii) the Silver Award for Building Sites (Public Sector) of the Safety Award Scheme for the Construction Industry;
- (iii) Award for Merit for Building Sites (Public Sector) of the Safety Award Scheme for the Construction Industry;
- (iv) Safety Team Award for Merit for Building Sites (Public Sector) of the Safety Award Scheme for the Construction Industry; and
- (v) Works Bureau Considerate Contractors Site Award Scheme 2000.

Apart from quality and safety, the Group is also very concerned about environmental protection. Active participation in the Wastewise Scheme promoted by the Environmental Protection Department has resulted in the Group being the first contractor to be awarded with the Wastewise Logo in June 2001.

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During the year the Group successfully completed five contracts with a total original contract value of HK\$967 million. The contracts completed were:

- (i) Regional Term Contract N3 & N4;
- (ii) Design and Construction of Maintenance Depot at Siu Ho Wan in Lantau Island;
- (iii) Construction of Tuen Mun Polyclinic at Tuen Mun Hospital;
- (iv) Workshop Conversion & Fitting-out Works for Implementing the New Technical Curriculum in Prevocational & Technical Schools; and
- (v) Development of Pokfulam Training Centre Complex Chinese Cuisine Training Institute Phase 1.

A new contract of HK\$470 million, the Construction of Tseung Kwan O Area 73A Phase 2, was awarded during the year. Subsequent to 31st March, 2001, two contracts with a total value of HK\$147 million were awarded. The contracts are Relocation of Tang Shiu Kin Hospital A&E Department to Ruttonjee Hospital and District Term Contract for the Maintenance and the Vacant Flat Refurbishment for Tsing Yi District 2001/2003 with contract values of HK\$101 million and HK\$46 million respectively.

The Company's wholly owned subsidiary, Yau Lee Wah Concrete Precast Products Company Limited ("Yau Lee Wah"), continue to support the Group's business with the production of high quality precast products for construction use in Hong Kong. A number of new products such as Precast Bathroom and Light Weight Cladding Wall have been launched to suit the Hong Kong construction environment and to improve the quality of buildings.

VHSoft Technologies Company Limited ("VHSoft"), which is a wholly owned subsidiary set up to develop IT applications in the construction industry, has been progressing according to expectation. Total expenditure incurred so far was in accordance with the budget. A building material trading website has been launched in Shanghai. Marketing for the web based project management tools earned a lot of positive feed backs and commends from the industry. We trust the target of generating income from the 2001/2002 financial year will be met.

### PROSPECTS

Due to the slowing down of the public housing program of the Hong Kong Housing Authority and private sector developments, the construction industry has been facing a very difficult time. Therefore it will be difficult for the Group to maintain the growth of the past two years by relying on construction business alone. In order to minimize the effect of the industry downturn, the Group will continue its efforts in cost control, efficiency improvement in construction by using in house developed information technologies and quality maintenance to maintain our competitiveness in the construction industry. The Group will also continue to explore long term investment opportunities which can generate long term cashflow and other revenue sources by capitalising on Yau Lee Wah's new products and VHSoft's new technologies.

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Subsequent to the financial year end, on 3rd May, 2001, the Group has entered into a sale and purchase agreement to purchase a piece of land in Causeway Bay for HK\$275 million. The details of the agreement have already been set out in the circular to shareholder dated 31st May, 2001. The Group intends to build a composite building of retail and office spaces and hold the building as a long term investment. The Board believes, with the low interest environment, it is a good opportunity to acquire assets for long term income yield.

With the prospect of the PRC being admitted in the WTO and the development of the Great West being pushed by the PRC Government, we believe there will be more opportunities available in Mainland China for building contractors and building materials and components traders. The Group, with its ample experience, diversified precast products and advanced technologies, will explore opportunities in these areas with caution and will consider participation in suitable projects when available.

### CONSOLIDATION OF SHARES

Pursuant to an ordinary resolution of the shareholders passed in the special general meeting held on 17th October, 2000, every four issued and unissued shares of HK\$0.05 each were consolidated into one share of HK\$0.20 each (the "Consolidated Shares") on 18th October, 2000. As a result, the 1,770,984,402 ordinary shares in issue before the share consolidation were consolidated to 442,746,100 Consolidated Shares. The Consolidated Shares rank pari passu in all respect with each other.

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st March, 2001, the Company purchased 1,796,500 shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for a total consideration of HK\$614,169 including transaction costs of HK\$5,646. All the shares purchased have been cancelled.

### CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the code of best practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year under review.

By Order of the Board

**Wong Ip Kuen**

*Chairman*

Hong Kong, 17th July, 2001