

## RESULT FOR THE YEAR

The turnover for the year ended 31st March 2002 of the Group was HK\$773,413,000 compared to HK\$1,781,341,000 in 2001. The profit before tax has also decreased to HK\$10,337,000 from HK\$43,077,000 in 2001. The declines in profit and turnover were mainly caused by the significantly intensified competition and declining tender prices for public contract as a result of the contraction of the construction market since 2000.

## DIVIDENDS

The Board of Directors does not recommend the payment of a final dividend (2001: HK1.4 cents per share) for the year ended 31st March 2002.

## REVIEW OF OPERATION

### Construction

During the year under review, the Group has successfully completed four contracts with a total contract value of HK\$2,811 million. The contracts completed are Development of Cheung Sha Wan West Phase 1, Development of Cheung Sha Wan West Phase 2, Development at Po Lam Road Phase 4 and Design and Construction of Government Quarters at Fanling Area 28A.

Although the business environment in Hong Kong was difficult in both the economy in general and the construction industry, the Group was able to secure five contracts with a total contract value of HK\$1,806 million. As a result the total value of contracts in hand as of 31st March 2002 was HK\$2,276 million. Subsequent to 31st March 2002 the Group has secured a 3 year Term Contract for the Design and Construction of Fitting-out works to Building and Lands (Kowloon and New Territories – Western Region) with an estimated value of HK\$550 million.

The Group believes that Quality, Safety and Environmental Management are the keys to maintain the Group's competitiveness in difficult time. Therefore the Group has never compromised in these areas despite the fall in tender prices. In fact, effective quality management has resulted in quality workmanship hence reduced costs for remedial works. Moreover, performance in these respects will enhance the Group's chance of tendering for future government contracts. The Group's efforts were also evidenced by the winning of the following awards by Yau Lee Construction Company Limited ("Yau Lee Construction") during the year:

- (i) two Certificates of Appreciation presented by the Hong Kong Housing Authority in recognition of the commendable performance in the construction of Fanling Area 49A Phase 1 and the Housing Development of Po Lam Road Phase 4;

- (ii) a Certificate of Appreciation presented by the Hong Kong Housing Authority in recognition of the commendable site safety performance in the construction of Cheung Sha Wan West Phase 2;
- (iii) a Certificate of Merit from the Hong Kong Eco- Business Awards – Green Construction Contractor (Tseung Kwan O Area 73A Phase 2);
- (iv) the Bronze Award from the Occupational Safety and Health Council for Good House Keeping Plan (Relocation of Tang Siu Kin Hospital A&E Department to Ruttonjee Hospital);
- (v) two Certificates of Merit from the Occupational Safety and Health Council for Good House Keeping Plan (Tseung Kwan O Area 73A Phase 2 and Tung Chung Area 31 Phase 3);
- (vi) the Silver Award for the Safety Team for Building Sites of the 2001 Construction Industry Safety Award (Tung Chung Area 31 Phase 3);
- (vii) an Award of Merit for Safety Team for Building Site for the 2001 Construction Industry Safety Award Scheme (Tseung Kwan O Area 73A Phase 2);
- (viii) three Awards for Merit for Building Sites for the 2001 Construction Industry Safety Award Scheme (Relocation of Tang Siu Kin Hospital A&E Department to Ruttonjee Hospital, Tung Chung Area 31 Phase 3 and Tseung Kwan O Area 73A Phase 2).

Apart from the above awards, the Group's active participation in the waste reduction and proactive environmental protection measures has resulted in the Group being one of the first contractors to be awarded with the "Gold" Wastewise Logo in June 2001 and the ISO14000 certification in October 2001.

### **Building Components Trading and Manufacturing**

The rapid contraction of the construction market has also adversely affected the Group's prefabricated building components business which is operated under a wholly owned subsidiary, Yau Lee Wah Concrete Precast Products Limited ("Yau Lee Wah"). Contribution from Yau Lee Wah's operation has therefore decreased sharply. However new products developed were well received by our clients and successfully launched and installed at the Tseung Kwan O Area 73A Phase 2 project. A number of new products to suit different usages have been developed and introduced to the market with encouraging responses.

## Property Development

The Group purchased a combined site for development at 23-45 Sharp Street East and 11-13 Yiu Wah Street in Causeway Bay during the year at a total consideration of HK\$299,800,000. The development site area is approximately 10,500 square feet and will be built into a 26-storey building with gross floor area of approximately 155,000 square feet. The development work has been progressing smoothly and is expected to be completed in the third quarter of 2003. Marketing activities for the development will begin at about one year before the expected completion of the development. The Group's present intention is to hold the property as a long term investment for rental returns.

## Information Technology

The Group's wholly owned subsidiary, VHSoft Technologies Company Limited, which specialised in construction IT services started to generate revenue in Hong Kong and in the Mainland during the year. Promotional activities in various cities in the Mainland have also received encouraging feedback. The web based construction project management platform, VHBuild, has secured a number of projects in Hong Kong and in the Mainland. The Group has offices in Beijing, Shanghai, Nanjing and Shenzhen to support IT development and marketing activities.

## OUTLOOK

As the market condition becomes stabilised and with the Government's commitment to accelerate public construction projects to stimulate the economy, the Group foresees a slightly better operating condition in the coming year. Yau Lee Construction will continue to participate in the tendering of government building and maintenance contracts and at the same time keep an eye on opportunities available in the private sector. Yau Lee Wah will try to capitalise on its new products with a view to increase revenue sources. However, as the market is not likely to bounce back to the level two years ago, efforts on cost control will be tightened to maintain the Group's competitiveness. In fact the Group has set out targets for cost savings including salary reduction for different operation units to follow.

With its ample experience in the construction industry, innovative products and technology development, the Group believes it is able to face the challenge in this difficult business environment and capture the limited opportunities available.

## PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31st March 2002.

### CODE OF BEST PRACTICE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules.

By Order of the Board

**Wong Ip Kuen**

*Chairman*

Hong Kong, 16th July 2002