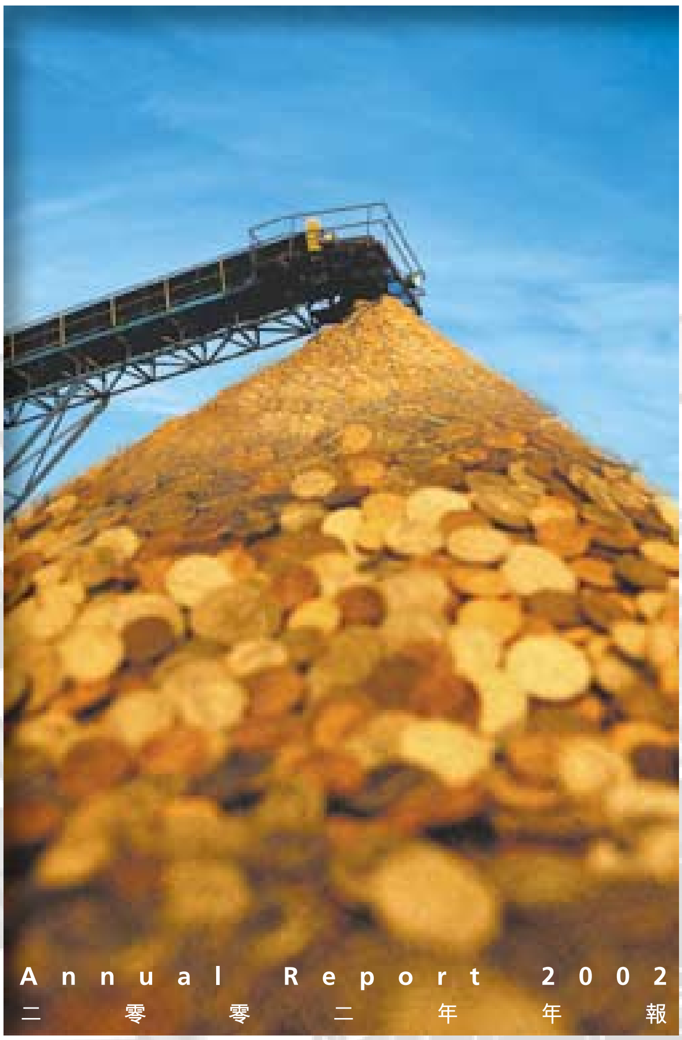
Yew Sang Hong (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

耀 生 行 (集 團) 有 限 公 司

(於開曼群島註冊成立之有限公司)



Annual Report 2002

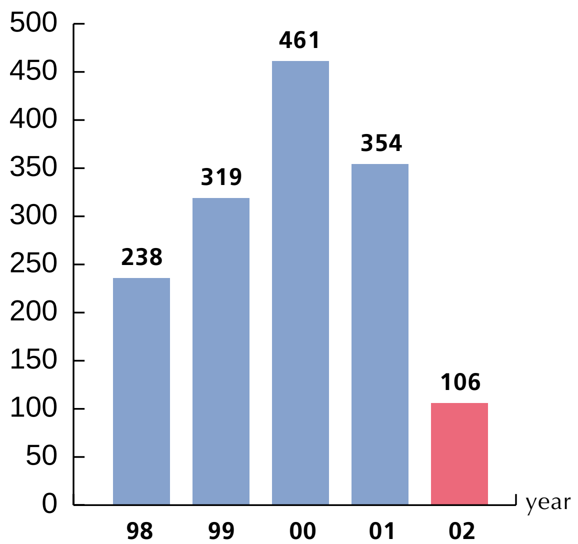
二零零二年年報

Contents

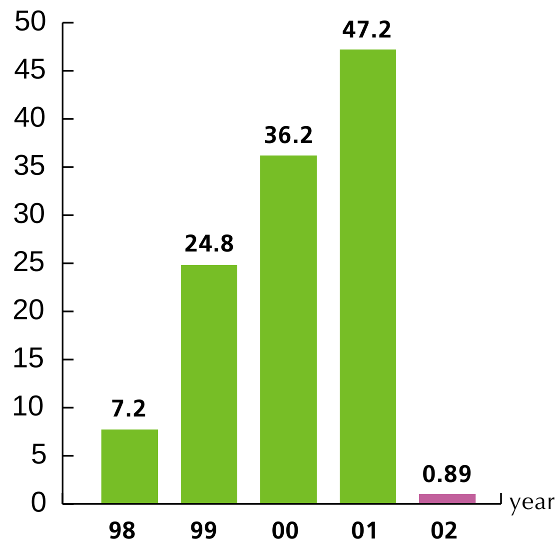
FINANCIAL HIGHLIGHTS

	Years ended 31st March,			
	2002	2001	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Turnover				
Contracting business	**65,145**		407,845	282,689
Trading business	**41,072**	79,594	53,401	36,547
Total	**106,217**	354,444	461,246	319,236
Profitability				
Operating profit	**2,862**	58,248	45,590	31,252
Profit attributable to Shareholders	**885**	47,195	36,231	24,834
Net Worth				
Shareholders' funds	**105,784**	80,657	45,694	29,615
Consolidated net borrowings	**6,367**	7,416	28,830	27,580
Per share				
Basic earnings per share (cents)	**0.5**	28	21	15
Shareholders' fund per share (cents)	**0.5**	47	27	17
Gearing Ratio (%)	**4**	6	11	12
Interest cover (no. of times)	**18**	70	34	17
Creditor turnover period (number of days)	**164**	31	27	26
Debtor turnover period (number of days)	**164**	54	62	83
Inventory turnover period (number of days)	**30**	29	55	47
Current ratio	**3.32**	2.66	1.24	1.13
Quick ratio	**3.20**	1.40	0.33	0.34
Bad debt/Turnover (%)	**—**	0.47	0.70	0.76

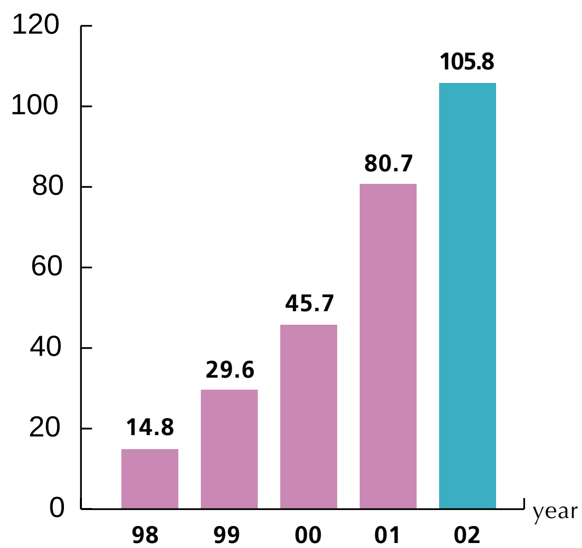
Turnover
(HK$Million)



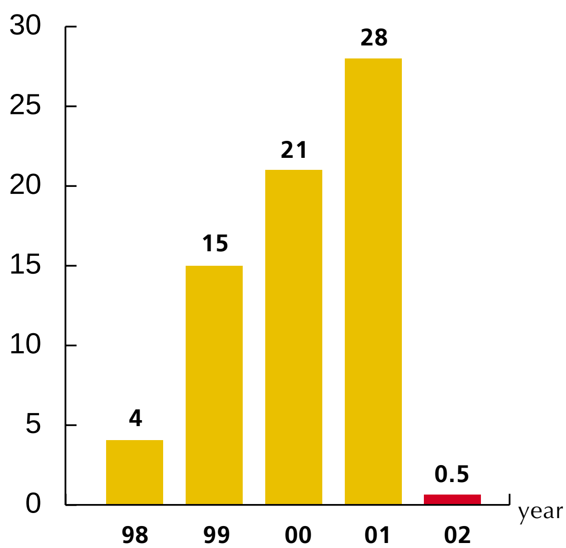
Profit attributable to shareholders
(HK$Million)



Shareholders' funds
(HK$Million)



Basic earnings per share
(HK Cents)



Corporate Information

BOARD OF DIRECTORS

Mr. Lai Sai Sang *(Chairman & Executive Director)*
Ms. Leung Sau Che, Jennifer *(Executive Director)*
Mr. Chuk Wai Chun, Winston *(Executive Director)*
Mr. Lee Yu Leung *(Executive Director)*
Mr. Hon Ming Kong *(Executive Director)*
Mr. Zhang Dachun *(Executive Director)*
Mr. Ip Ying Chuen
(Independent Non-executive Director)
Mr. Lau Chun-Kay
(Independent Non-executive Director)
Mr. Lam Kwok Cheong
(Independent Non-executive Director)
Mr. Wong Tik Tung
(Independent Non-executive Director)

COMPANY SECRETARY

Mr. Lai Yau Hong, Thomson

AUDIT COMMITTEE

Mr. Lam Kwok Cheong
Mr. Wong Tik Tung

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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

PRINCIPAL BANKERS

Citibank N.A
30th Floor, Tower One
The Gateway
25 Canton Road
Tsimshatsui
Kowloon

Bank of China (Hong Kong) Limited
Unit G1, Nan Fung Commercial Centre
Wang Kwun Road
Kowloon Bay
Kowloon
Hong Kong

Standard Chartered Bank
13th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International
(Cayman) Limited
Butterfield House, Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1901-5,
19th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong

STOCK CODE

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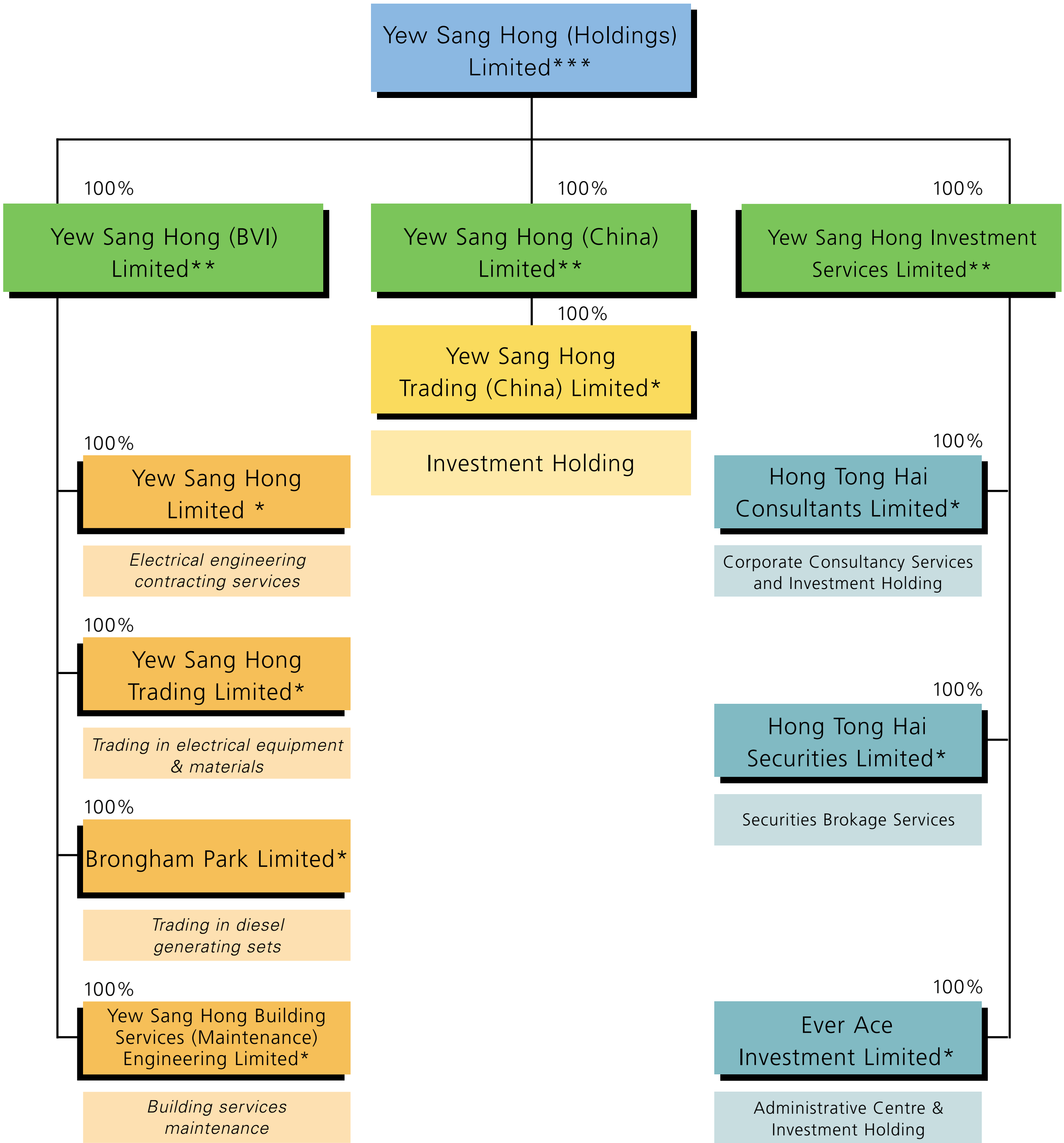
The corporate structure and principal business activities of the principle members of the Group are set out below:



* *incorporated in Hong Kong*

** *incorporated in the British Virgin Islands (investment holding)*

*** *incorporated in the Cayman Islands (listed company)*

(Group Structure as at 29th July 2002)

Financial Summary

RESULTS

	For the year ended 31 March				
	2002	2001	2000	1999	1998
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**106,217**	354,444	461,246	319,236	238,782
Profit before taxation	**2,669**	56,952	44,257	29,376	8,558
Taxation	**(1,784)**	(8,149)	(7,401)	(4,227)	(1,575)
	885	48,803	36,856	25,149	6,983
Minority interest	**—**	(1,608)	(625)	(315)	228
Net profit for the year	**885**	47,195	36,231	24,834	7,211
Earnings per share *(HK cents)*					
Basic	**0.5**	27.8	21.31	14.61	4.24

ASSETS AND LIABILITIES

	At 31 March				
	2002	2001	2000	1999	1998
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**155,180**	128,759	252,108	234,178	133,454
Total liabilities	**(49,396)**	(48,102)	(205,788)	(204,194)	(118,603)
	105,784	80,657	46,320	29,984	14,851
Minority interests	**—**	—	(626)	(369)	(51)
Shareholders' funds	**105,784**	80,657	45,694	29,615	14,800

Notes:

(1) The results, assets and liabilities for each of the five years ended 31 March 2002 have been prepared on a combined basis as if the group structure immediately after the corporation reorganisation had been in existence since 1 April 1997.

(2) The financial data for the results of the Group for the three years ended 31 March 2000 and the financial data for the assets and liabilities of the Group as at 31 March 1998, 1999 and 2000 were extracted from the prospectus of the Company dated 11 April 2001.

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company (the "Annual General Meeting") will be held at Unit 3616, 36/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong at 11:00 a.m. on Friday, 23 August 2002 for the following purposes:

1. To receive and consider the audited consolidated financial statements and the Reports of the Directors and Auditors for the year ended 31 March, 2002.

2. To re-elect directors and to fix their remuneration.

3. To appoint auditors and to authorise the board of directors to fix their remuneration.

4. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

Ordinary Resolutions

(A) "**THAT** the directors of the Company be and are hereby granted an unconditional general mandate to repurchase issued shares in the capital of the Company in accordance with all applicable laws and subject to the following conditions:

(a) such mandate shall not extend beyond the Relevant Period (as defined in sub-paragraph (c) below);

(b) the aggregate nominal amount of the shares of the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the directors of the Company pursuant to this resolution shall not exceed 10% of the aggregate nominal amount of the shares of the Company in issue at the date of passing of this resolution; and

(c) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in a general meeting."

(B) "**THAT** the directors of the Company be and are hereby granted an unconditional general mandate to issue, and allot and deal with additional shares in the capital of the Company or securities convertible into shares, and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:

(a) such mandate shall not extend beyond the Relevant Period (as defined in sub-paragraph (c) below) save that the directors may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(b) the aggregate nominal amount of the shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors, otherwise than pursuant to a Rights Issue (as defined in sub-paragraph (c) below) or pursuant to the grant or exercise of options issued under any share option scheme adopted by the Company for the grant or issue to employees of the Company and/or any of its subsidiaries and/or associated companies of options to subscribe for or rights to acquire shares of the Company, or pursuant to any scrip dividend or other similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the articles of association of the Company or with the consent of the Company in general meeting, shall not exceed 20% of the aggregate nominal amount of the shares of the Company in issue at the date of passing of this resolution; and

(c) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in a general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company or any class thereof of members on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of , or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong)."

(C) "**THAT** the general mandate granted to the directors of the Company to issue and dispose of additional shares pursuant to Ordinary Resolution 4(B) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution 4(A) set out in the notice convening this meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution."

By Order of the Board
Thomson Lai
Company Secretary

Hong Kong, 30 July 2002

Notes:

(1) A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

(2) In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's principal place of business at 13/F., Hing Yip Centre, 37 Beech Street, Tai Kok Tsui, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).

(3) The Register of Members will be closed from 20 August 2002 to 23 August 2002 (both dates inclusive) during which period no transfer of shares will be registered.

On behalf of the Board of Directors of Yew Sang Hong (Holdings) Limited, I am pleased to present the Annual Report 2002 of Yew Sang Hong (Holdings) Limited, the second report since the first listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 May 2001.

The financial year ended 31 March 2002 ("Financial Year") posed the Group an unfavourable challenge, interrupting somewhat the performance of the Group's business. 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. 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 to which the Group is relevant. The Financial Year also saw a general shrinkage in the overall volume of building projects put to the market, those offered by the public sector in particular.

Despite various unfavourable economic factors and pressures in the industry, the Group managed to control the operating costs at the minimum levels; and, in the interests of our shareholders, the Group endeavoured to maintain profits, though marginal, for the Financial Year.

For the Financial Year, the Group's turnover fell by about 70% to approximately HK$106,217,000 (2001: HK$354,444,000) and the Group's profit attributable to shareholders was also down by about 98% to approximately HK$885,000 (2001: HK$47,195,000), when comparing with those of last year. The Board has declared not to pay any dividend for the Financial Year (2001: Nil)

BUSINESS REVIEW

As mentioned in last year's annual report, the Group has laid down several objectives including the strengthening of its capital base and the increase in exposure for building business partnership in the future. By way of new issue of 30,000,000 shares through public offer and private placing on 3 May 2001, the Group's equity capital had been substantially strengthened. As a result, the Group's operations were mainly financed by shareholders' funds during the Financial Year,

To realize its objectives as a comprehensive building services provider during the financial year, the Group endeavored to grasp any business opportunity in the markets. In November 2001, as one of the Group's diversification plan, the trading division had also secured another distributorship right from a manufacturer in Singapore in respect of a comprehensive range of high quality unplasticised polyvinyl chloride (uPVC) pipeline system with pipes and fittings for building drainage business. This is a brand new building line that the Group adheres to its diversification plan. I believe that the Group will be benefited from the sale of such new lines in the coming financial years. Active marketing of these new products has already been commenced towards the end of the Financial Year.

In view of the decreasing opportunity in the public sector, the Group had been refocusing its business direction through the development of its core-business in the private sector. In November 2001, the Group's engineering division has obtained a signaling system installation at MTR's Tseung Kwan O Extension with contract value of about HK$5.1 million, a project offered by a private client. Contacts of various kinds with private enterprises and organizations such as property developers, utility companies, traffic corporations as well as educational institutions have been actively made during the past year and a number of such private enterprises have already placed our Group on their lists of contractors, heralding the Group's increased opportunity of corporation with such private enterprises in the coming future.

To further reduce the Group's reliance on new building projects and to capitalize on the increasingly stringent Government Safety Regulations, the Group has established in June 2001 a new company, Yew Sang Hong Building Services (Maintenance) Engineering Ltd., emphasizing on one stop maintenance services to old and aged buildings in Hong Kong.

In July 2001, the Group set up a wholly-owned subsidiary, namely Yew Sang Hong (China) Limited "YSH (China)", as a vehicle to accelerate the Group's business development in PRC. YSH (China) has so far established re-export trading of some PRC-made industrial items as well as consumer goods first to Australia, and then to other overseas countries such as Italy, England, Japan, etc. YSH (China) continues seeking other potential cooperations with enterprises or manufacturers in PRC.

The Group has dedicated to expand its core business cross border to the PRC. In March 2002, the Groups' engineering team had successfully negotiated a new electrical installation for a 500,000 sq.ft. printing factory project in Dongguan, Guangdong, the PRC with contract sum of approximately HK$5,100,000. This would act as a stepping stone for the Group to increase its PRC connection and exposure and to readily tender for other similar projects in the Mainland, China.

During the Financial Year, the Group attempted to seek investment potentials regarding acquisitions of suppliers of electrical equipment and materials or other building installation services such as fire service installation and air-conditioning installation. However, the Group has not yet identified any target that meets its investment requirements. On the other hand, the Group's application for the HKHA's approval as a supplier of the Automated Refuse Collection System (ARCS) is still under review by the Authority. Plans will be developed once the approved is obtained.

Subsequent to the interim report of the Group for the six months ended 30 September 2001, the Company has completed a number of transactions.

On 2 May 2002, the Company entered into a letter of intent with 深圳市一輝實業有限公司(“深圳一輝”), an independent PRC party, relating to the formation of a joint venture company in the PRC. The joint venture company 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.

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 of the Company at a placing price of HK$5.13 per share to independent investors.

In accordance with the corporate strategy of the Company as mentioned in the interim report of the Company, the Directors have always been exploring investment opportunities in the PRC for the Group. To diversify the business portfolio of the Group, the Company has established certain companies to engage in corporate and business consultancy and securities businesses.

In anticipation of the upsurge of investment activities in the capital market of the PRC after the accession of the PRC into the World Trade Organisation, an indirect wholly-owned subsidiary of the Company on 27 June 2002 has entered into certain agreements with 大公國際資信評估有限公司 (Dagong International Credit Rating Company Limited) ("Dagong International") in relation to the formation of 大公信用信息服務有限公司 (Dagong Credit Information Service Co., Ltd.) ("Dagong Credit"), a joint venture company in the PRC. The joint venture is being established and 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.

Subsequent to the above transactions, an indirect subsidiary of the Company also entered into a sale and purchase agreement dated 18 July 2002 in relation to the acquisition of 60% of the issued share capital in a company incorporated in the British Virgin Islands. The principal asset of the company is its 100% interest in a company incorporated in the PRC which is principally engaged in the provision of information technology services to enterprises including financial institutions in the PRC.

OUTLOOK

During the past few months, the United States economy has shown signs of recovery in terms of increased confidence in consumption, stable interest rates, improved enterprises earnings, etc. In Hong Kong, the economy sees new wave of consumption from increased travelers boom from the Mainland China commencing on Labour Day. The on-going booming economy of the PRC with the injection of its capital into Hong Kong might help alleviating the sluggishness of the Hong Kong economy. Coupled with the recent increased activity in the property market and the augmentation in volume of turnover in the securities market in Hong Kong, it is believed that the deflationary economy has been stabilized, despite the latest record high unemployment rate reported at 7% in March 2002.

As already mentioned, the Group has reshaped its corporate directions and placed more emphasis on the business development of private sector in Hong Kong and of those opportunities in the PRC.

The Directors have always been exploring investment opportunities in the PRC for the Group with an objective to capture any business potential arising as a result of the growing economy of the PRC.

In connection to further diversify the business portfolio of the Group, the Company has established certain companies to engage in corporate and business consultancy and securities business. Furthermore, the Group has already entered into an agreement to acquire a Stock Exchange trading right and has applied for a dealer licence that is expected to be approved and granted in due course.

In anticipation of the upsurge of investment activities in the capital market of the PRC after the accession of the PRC into the World Trade Organisation and taking advantage of the reputation and expertise of Dagong International in the credit rating industry of the PRC, the Directors believe that the formation of Dagong Credit, a joint venture company with Dagong International, represents an excellent opportunity for the Company to invest in a unique business with vast market potential.

ACKNOWLEGEMENT

I would like to take this opportunity to present my deepest gratitude to our shareholders for their unfailing support throughout the year. I also wish to thank our staff, our business associates and our customers for their loyalty and guidance all along. The Group will strive to maximize its profitability and returns to shareholders through improvement in efficiency and competitiveness and is heading for a fruitful and prosperous future.

On behalf of the Board,
Lai Sai Sang
Chairman

Hong Kong, 30 July, 2002

REVIEW OF OPERATIONS

The audited consolidated turnover of the Group was approximately HK$106,217,000 for the year ended 31 March 2002 ("Year"), a drop about 70% from last year's of approximately HK$354,444,000. The audited consolidated profit attributable to shareholders for the year ended 31 March 2002 was approximately HK$885,000, a decrease of about 98% when compared with last year's figure of about HK$47,195,000.

During the Year, the on-going deflationary adjustments of the Hong Kong economy followed by the downturn of the world economy as well as the structural change of the Hong Kong Government's housing policies, which was quite negative to the already difficult building services industry, had substantially reduced new business opportunities available to those in the industry as well as to the Group. Both engineering contracting business and trading of electrical equipment and components business had as such faced great pressure in seeking business during the Year. Due to the delay in handover of certain project sites to the Group by the main contractors and poor weather conditions prevalent during the Year, works commencement of few new projects of the Group had been delayed for several months. Meanwhile, other new lines of business such as old and aged building services maintenance and environmental engineering services business have just commenced, as a result, the Group could not escape a substantial drop in its turnover for the Year. Albeit large drop in its turnover, the Group managed to maintain a positive result for the Year, much attributable to the cost control measures adopted during the Year.

Turnover by line of business

During the Year, the Group' turnover electrical engineering contracting business and trading of electrical equipment and materials were approximately HK$65,000,000 and HK$ 41,000,000 respectively, or about 61% and 39% of the total Group turnover respectively. The turnover mix continued shifting from the former to the latter, much because of the large drop in the turnover of the former business. This further reflected the difficulties in the industry and the change of government's housing policies that affected the Group's core engineering contracting business during the Year.

Turnover by customer type

As a result of the Group's refocusing its business in the private sector, the turnover in the private sector recorded about 43% of the Group's overall turnover for the Year, whilst those from public sector was about 57%. The increase in the engineering contracting business was quite attributable to such shifting, particularly the turnover about HK$28 million solely contributed from the PSPS project at Tin Shui Wai offered by private client with contract sum of about HK$80 million. The drop in the availability in public project might be another attributable reason.

Electrical Engineering Contracting Business

During the Year, the Group continued its outstanding work in progress brought forward from last year. While most of such engineering projects were close to completion or already reached at their "Defect Liability Period", some of the new projects were delayed to commence. The limited overall volume of public projects available to tendering and price competition in the market had greatly affected the Group's opportunity in taking up new projects with reasonable returns. The volume of combined works was much reduced due to the limited number of new projects available to the Group's engineering division during the Year. Thus, when compared with works completed and certified last year, the aggregate sales in engineering contracting business were largely reduced during the Year.

During the Year, those active projects that contributed to the Group's audited engineering turnover included those certified sales from the works in the PSPS project at Tin Shui Wai - 111 Area Lot 28, Yuen Long with contract sum about HK$80 million, Tin Shui Wai Area 102 Phase 3 with contract sum about HK$66.8 million, Tin Shui Wai Area 102 Phase 2 with contract sum about HK$68.7 million, the PSPS Project at Tseung Kwan O Town Lot NO. 62 Area 65A with contact sum about HK$73.3 million, the rewiring project at Lei Cheung Uk with contract sum about HK$10.7 million, etc.

The followings highlight those certified turnover contributed by project recognized over HK$2 million for the Year under the Group's accounting policy is summarized below:—

Project located at	**Approximate Contract Sum$ (Reference)** *HK$ million*	**Approximate Certified Turnover Recongised during the Year** *HK$ million*
PSPS Project at Tseung Kwan O Town Lot NO. 62 Area 65A	73.3	3.9
PSPS project at Tin Shui Wai - 111 Area Lot 28, Yuen Long	80.0	28.1
Tin Shui Wai Area 102 Phase 3	66.8	5.1
Tin Shui Wai Area 102 Phase 2	68.7	2.4
Lei Cheung Uk Rewiring	10.7	8.9
MTR's Tseung Kwan O Extension Signaling System Installation	5.4	2.3
Sub-total		50.7
Others		14.4
Total Electrical Engineering Contracting Turnover		65.1

Other new projects commenced during the Year with contract value over HK5 million were those at Tung Chung Area 31 Phase 3 with contract sum about HK$59.5 million, at Kwai Chung Estate Phase 7 with contract sum about HK$25.8 million, at Tung Chung Area 31 Phase 5 with contract sum about HK$40.7 million, the Term Maintenance Contract (Region North 1) with contract sum about HK$50 million, the signaling system installation project at MTR Tseung Kwan O Extension with contract sum of about HK$5.4 million, the rewiring project at Mei Lam Estate with contract sum about HK$17.2 million etc. Except the first two projects, which were delayed in commencement, others were in smooth progress with completion according to schedules during the Year.

The gross margin of the electrical engineering contracting business was about 12% for the Year, a drop by 10% when compared with 22% reported last year. The decrease reflected the difficulty of the building services industry and the downward spiraling prices in tendering during the Year, despite costs control measures already applied in material prices and utilization. Another reason was that during the Year, most of the projects were newly commenced in their early stages with the result that the applications of Group's internal materials in such projects were not much, when compared to last year. Thus, different from last year, the merits of Group's continuing vertical integration process had not been fully entertained during the Year.

During the Year, the gross margin of the Group's electrical engineering contracting business was pushed down to about 12% from last year's 22%, reflecting the low atmosphere in the industry and prevalent strong tendering competition in the markets. Other contributing factors included the followings:—

(a) Comparatively less turnover contribution from those projects which approached their completion or near completion stages;

(b) Commencement of new projects with comparatively lower gross margin;

(c) Unfavourable variances in actual costs slightly over estimated costs for some projects

Given the decreased turnover for the Year and the lapse of the "Defect Liability Period" for some of the Group's old projects, the amount of retention money held by clients dropped to approximately HK$13 million (2001: HK$15 million), a favourable change by about 13%.

New Works

Despite unfavourable market conditions, the Group's engineering division had taken up a number of new projects in respect of new electrical installation, rewiring and maintenance contracts during the Year. Works on most of these new projects had already been started during the Year.

It is expected that because of price competition during tendering process, the margin of these new projects would be narrowed when compared to those of the Group's previous projects. It is anticipated that the Group's on-going internal vertical integrating process might help relieving part of those negative factors.

As mentioned in the earlier section of this Report, the Group's engineering business had been following the Group's general business direction to stride across the border from Hong Kong to the PRC. In March 2002, the Group's engineering division had successfully obtained a new electrical installation project at Dongguan, the PRC with value at approximately HK$5,100,000. Further negotiation with parties from PRC for more similar projects has now been undertaken.

As at 31 March 2002, the Group's commitments in respect of electrical engineering contracts on hand with an aggregate incomplete contract value was approximately HK$200 million, extending to November 2004. If including those contracts successfully tenders (subject to confirmation) after the Year end and up to the date of this report, the Group's commitments in incomplete contract value will increase to about HK$300 million, also extending to November 2004.

Electrical Equipment and Material Trading Business

The sluggishness of the Hong Kong economy and the poor atmosphere in the industry posed the Group's trading divisions in difficulties during the Year. As a result of the substantial reduced volume of works in the building industry, the public sector works in particular, and coupled with the decrease in the number of new projects taken up by the Group's engineering division, the Group's trading teams experienced a general shrinkage in the demand for their electrical products. In addition, those new trading lines such as lighting products had to pass some standard safety testing and to obtain governmental bodies' approval to be listed on their product lists. Sales of such lighting lines had not yet started until after the Year end. Thus, the performance of the Group's trading business, particularly the generator set division, was largely affected. The expected growth of the Group's trading business had been retarded for the first time since the financial year ended 31 March 1998. Turnover of the generator set division was decreased by about 67.8% to about HK$15,384,000 for the Year (2001: HK$47,752,000); whilst turnover of the electrical components division dropped to about HK$25,688,000 for the Year (2001: HK$31,842,000), or approximately down19.4%.

Owing to depressed economic conditions and decrease in the volume of building projects in the Hong Kong markets, the number of new trading clients was quite limited and the selling prices of some of the product lines had been dropping slightly during the Year, which had somewhat affected the Group's trading margin. Favourably, the proportion of the sales of one component product with comparative higher margin increased during the Year, balancing some of the negative effects. The gross margin of the overall trading divisions was therefore maintained at approximately the level of those of last year.

As a result of the comparatively decrease in the volume of sale of generator sets of the trading division, the product mix in the trading turnover slightly changed during the Year. The share in the trading turnover of generator set dropped to about 67.8%; HK$15,384,000; whereas the turnover of other components increased their combined share to around 54.8%.

The following is a breakdown of the Group's trading business by principal product brands for the Year, with comparative figures for the previous year:—

	% of total trading turnover	
	2002	2001
Brand		
Benedikt & Jager	**1.0%**	0.8%
Hanni	**11.9%**	13.6%
Schrack	**22.9%**	15.1%
Togami	**1.9%**	2.0%
TOYO-Branch	**0.6%**	0.4%
Vinidex	**1.2%**	0.5%
VirboPower	**37%**	59.3%
Others	**23.5%**	8.3%
Total	**100.0%**	100.0%

Same as previous year, the Group continued its delivery policy of distributing goods to its customers in that most of the goods were delivered immediately to customers' project sites once they were received from the Group's suppliers. Purchase orders were usually placed to suppliers in advance but the Group would not request suppliers' delivery unless sales to the Group's customer were confirmed. As far as possible, the Group's policy was to shift the risks of holding inventory to suppliers. Whilst there was no large change in the absolute amount of inventory, the inventory turnover rate increased from last year's 37 days to 40 days for the Year.

FINANCIAL REVIEW & ANALYSIS

Financing

New Issue of 30,000,000 shares

On 3 May 2001, the Company successfully obtained a listing of its shares in The Stock Exchange of Hong Kong Limited and simultaneously raised new capital by way of placing of 20,000,000 new shares and public offering of 10,000,000 new shares ("Share Issue"). Proceeds from the Share Issue, after expenses, amounted to approximately HK$24.2 million.

Use of Proceeds

Out of the net proceeds HK$24.2 million from the Share Issue, the Group had already utilized approximately HK$1.5 million. The following is a summary of the use of proceeds during the Year:—

Proposed Application of Proceeds as disclosed in the Company's Prospectus dated 11 April 2001	**Amount Proposed Approximate** *HK$'000*	**Amount utilized Appxomiate** *HK$'000*	**Balance Approximate** *HK$'000*
Potential investments in or acquisitions of suppliers of electrical equipment and Materials	9,000	Nil	9,000
Developing other types of building services installation	5,000	Nil	5,000
Potential tendering for electrical engineering works	5,000	Nil	5,000
Developing trading business of electrical equipment and materials in the PRC	4,000	470	3,530
Carrying out testing of various electrical equipment and materials for compliance certification from the HKHA	1,000	Nil	1,000
General working capital	1,000	1,000	Nil
Total	25,000	1,470	23,530

(Note: Final figures of the net proceeds of the Share Issue was about HK$24.2, slightly less than the initial estimate figure of about HK$25 million)

Liquidity, Financial Resources and Gearing

As at 31 March 2002, the Group has cash and cash equivalents of HK$91,872,000, an increase of HK$24,761,000 over the last year. The increase mainly comes from the placing of new share and public offering on 3 May 2001. The Directors believe that the Group has adequate fund for business operations and maintain a highly liquidity.

During the Year, the Group's financial position was very healthy, principally financed by its equity capital. As shown in the Group's consolidated balance sheet as at 31 March 2002, the consolidated shareholders' funds amounted to approximately HK$105,784,000; whereas the Group's total borrowings was about HK$6,367,000 which mainly comprised of short-term bank loans and overdraft. The bank borrowing principally comprised of loans in Hong Kong dollars on a flating rate basis.

The gearing ratio, defined as the total debts over total assets, was approximately 4% (2001: 6%). 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 Year.

With strong working capital, the Group had only limited use of the available banking facilities offered by financial institutes during the Year. As a result, the Group financial expenses in loan and overdraft interests payment was substantially decreased to only about HK$193,000 for the Year, a drop of about 85% comparing to HK$1,296,000 for the last year.

As a result of tightening operational cashflow, manipulation of its working capital and additional cash from the Share Issue, the Group managed to accumulate comparatively high level of cash assets during the Year. Following the Group's cessation in its securities investment non-core business upon the listing of the Company's shares on the Stock Exchange, treasury management of the Group's surplus funds had been manipulated to mainly place on non-risky short-term deposits with financial institutions, albeit prevalent low interest rates. As at 31 March 2002, the Group's aggregate cash balances and fixed deposited held with financial institutions amounted to approximately HK$91,872,000. As compared to the total assets of the Group, this amount represented about 59%. Cash assets per share was about HK$0.46. The increase in the cash assets as such placed the Group in an extra strong current assets position during the Year. As at 31 March 2002, the current ratio was about 3.3 times (2001:2.8); whilst the quick ratio was 3.2 times (2001:2.7).

Towards the end of the Year., the Group had already informed its bankers to withdraw all of the old banking facilities for the purpose of negotiation of new lines. As at 31 March 2002, the Group had in principal no secured banking facilities and the financial institutions had also released the Company's corporate guarantee for the cancelled banking facilities. At the end of the Year, all the Group's assets, including those fixed deposits that previously pledge with banks, had not been secured, pledged or claimed to or by financial institutions and they were free from the Group's disposal. The available internal funding of the Group mainly comprised of cash and fixed deposits less short-term bank borrowings and overdraft, which was about HK$85,505,000 as at 31 March 2002 (2001: HK$59,695,000).

Given the reduced consolidated profits attributable to shareholders for the Year and the increase in the Group's shareholders' fund at the end of the Year, the Group's return on equity was about 0.83% for the Year (2001: 58.51%).

Foreign Exchange Management

The Group's purchases from overseas suppliers were always subject to foreign currency fluctuations. The Group monitors the risks in foreign exchange by way of placing forward foreign exchange contracts. It is basically that the Group has no change of its foreign exchange management policy since the listing of the Company's shares on the Stock Exchange. During the Year, such risks were comparatively lessoned because of the reduced overseas purchases caused by shrinkage in trading business activities during the Year. As at 31 March 2002, the Group had no outstanding forward foreign exchange contracts on hand.

Contingent Liabilities and other commitments

As at 31 March 2002, the Group had operating lease commitments of approximately HK$579,000, in which about HK$555,000 is to be payable within one year, and about HK$24,000 payable in the second to fifth year inclusive.

EMPLOYEES

As at 31 March 2002, the Group has a total number of 76 staff. Remuneration is determined by reference to their qualifications and experiences of the staff concerned. Our Group has set up a performance evaluation policy and will award those employees with outstanding performance. One early proof in the granting of stock options pursuant to the share option scheme of the Company to staff of the Group this year as the beginning of a program to attract and retain high level talents. The Group will continue to emphasize on staff training and total quality management to better prepare its staff for the upcoming changes and challenges in the market and industry.

FUTURE PROSPECTS

General

Starting the Year 2002, the world economy has shown signs of upturn from its bottom followed the "911" incident last year. Those recent releases of the economic indicators from the United States, including the latest earnings of enterprises, have been quite positive, showing signs of market recovery, increasing demand and revival of consumer confidence. Interest rates are now stabilized at the bottom. In Hong Kong, the deflationary pressures such as business streamlining, salary cut, layout, etc. continue clouding the economy and every stratum of Hong Kong. Unemployment rate has worsened to surge to its record high recently. Despite such negative factors, the property markets of Hong Kong have shown increasing activities in the first two quarters of 2002. Recently, the influx boom of the Mainland's sight-seekers to Hong Kong has been helping to some extent the already depressed local travel industry, retailing business and consumption in Hong Kong. Some local large enterprises have already prepared to expand its business through large-scale employment fairs.

To the north, the China's economy continues thriving strongly. With China's entry into the World Trade Organization last year, many overseas investors are now preparing to set up business in China, to be quartered in the Mainland's large cities such as Beijing, Shanghai, Guangchow, Shenzhen, etc. Together with the increase in local retail consumption, retailing demand and enhancement in the living standards in China, such new investments in China would as well present much business opportunities in China.

Outlook for the Industry

Given the low economic atmosphere and the present housing policy of the Hong Kong Government, the local building services industry would remain difficult in the coming year. It is expected that the volume of new works, those offered by the public sector in particular, would be quite limited and tough competition continues within the industry, which together with the shrinkage in demand, load pressure, to a certain extent, on the prices of electrical products.

Outlook for the Group

In view of the drastic decrease in the construction of public housing, the Group is expected to face undue pressure in seeking business opportunities in Hong Kong's public sector in the coming year. Despite the recent release in the resale of "Home Ownership Flats" by HKHA, the volume of new works from the public sector was quite limited. As part of its laid down diversification plans, the Group has pragmatically been refocusing it's core-business development towards cooperation with enterprises in the private sector. Potential business with property developers, utility enterprises, transports corporations, educational institutions are the Group's major targets. Meanwhile, the Group's maintenance team under its new wholly owned subsidiary, Yew Sang Hong Building Services (Maintenance) Engineering Limited, has also been active in exploiting building maintenance business in old and aged buildings. The Group has also been active in negotiating with estate management companies, incorporations of homeowners, property companies, etc, in respect of provision of electrical maintenance services to buildings as well as housing estates. It is believed that maintenance would be a stable business and provide regular stream of revenue to the Group.

As a total solution provider, the Group has been realizing its vertical integration plan with the addition to its product range the new distributorship rights of lighting products. Lighting has always been one of the most important elements in electrical systems. Despite low atmosphere in the industry, these new lighting products, originated from Italy, would be quite favourable for the Group in tendering projects offered by private enterprises such as those from utility companies, transport enterprises, university or schools, etc. While the Group continues seeking other new product lines, sale of these new lighting products has already commenced at the start of the coming financial year and the Group believes that it would, to a certain extent, enhance the Group's trading turnover. Following its diversification program, the trading division has first introduced to the Group a non-electrical product. This is a brand new distributorship right of uPVC (Unpasticised Polyvinyl Chloride) pipeline system for building drainage from Singapore, denoting the further expansion of the Group into the building system services.

The Group takes every opportunity in the light of overseas market demand for low-cost electrical industrial and domestic goods manufactured in the PRC. In this connection, the Group has set up another fully owned subsidiary company, Yew Sang Hong Trading (China) Limited, to engage in re-export business of electrical industrial and domestic goods from the PRC to overseas countries such as Australia, Italy, Japan, United Kingdom, etc. Whilst the re-export business operations have been actually commenced after the end of the Year, the Group plans to start seeking potentials in relation to co-operations in respect of manufacturing with license of its electrical product lines in the PRC.

Material Investments

In order to explore investment opportunities in the PRC for the Group with an objective to capture any business potential arising as a result of the growing economy of the PRC and to diversify the business portfolio of the Group, the Company has placed 23,800,000 new shares at a placing price of HK$5.13 per share to independent investors. The net proceeds of the placing are amounted to approximately HK$118 million of which up to approximately HK$50 million has been retained for the business operation of the joint venture company to be established in the PRC with ("深圳一輝") and the remaining balance of approximately HK$68 million has been retained for the future operation of a new securities firm to be established by the Company in Hong Kong.

In June 2002, an indirect wholly-owned subsidiary of the Company has entered into certain agreements with Dagong International to establish Dagong Credit, a joint venture company in the PRC. It is anticipated that the Company is required to invest approximately HK$40 million on its portion, whereas the total investment for the joint venture company will be approximately HK$80 million. Dagong Credit is expected to be principally engaged in the provision of various kinds of credit information services to local and overseas institutional investors, financial institutations, regulatory authorities, government departments and economic research houses. At the date of this report, the Company and Dagong International are in the process of arranging the formation of Dagong Credit.

In July 2002, an indirect wholly-owned subsidiary of the Company also entered into a sale and purchase agreement with two indepedent third parties in relation to the acquisition of 60% of the issued share capital in Cyber Touch Limited, a holding company incorporated in the British Virgin Islands, for an aggregate consideration of HK$18 million. The principal asset of the holding company is its 100% interest in 北京易行商盟在線網絡技術有限公司, a company incorporated in the PRC in June 2000 and has been carrying the business of manufacturing and sales of computer software and network products, providing services in technology research and development, consultation, trading and transfer.

Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 31 March 2002 of the Company and its subsidiaries ("the Group").

CORPORATE REORGANISATION

During the year, the Company together with certain companies controlled by a director underwent a corporate organisation ("Corporate Reorganisation") for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the Corporate Reorganisation have been set out in the paragraph headed "Corporate reorganisation" in appendix V of the prospectus of the Company dated 11 April 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the financial statements.

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group for the year ended 31 March 2002 are set out in the consolidated income statement on page 36 of the annual report.

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

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for each of the five years ended 31 March 2002 is set out on page 6 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the authorised, issued and fully paid share capital of the Company during the year are set out in note 25 to the financial statements.

Further issue of shares after balance sheet date was set out in note 35 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The Company's share option scheme was adopted on 3 April 2001 and will expire in April 2010.

Under the terms of the Company's share option scheme, the directors of the Company may, at their discretion, grant options to the employees, including executive directors of the Company and its subsidiaries to subscribe for shares of the Company. Option granted must be taken up within 30 days of the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during such periods commencing six months after the date of acceptance of option, in any event not later than 5 years from the date of grant of the option, as may be determined by the directors of the Company at a price not less than the higher of (i) the nominal value of the shares, and (ii) 80% of the average of the closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the share option scheme and other schemes of the Company shall not exceed, in nominal amount, 10% of the share capital of the Company in issue from time to time, or the maximum number of shares in respect of which options may be granted to any employee may not exceed 25% of the maximum number of shares in respect of which options may be granted under the share option scheme. Any shares alloted and issued on the exercise of option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

As at 31 March 2002, the number of shares in respect of which options had been granted under the share option scheme was 4,500,000, representing 2.25% of the shares of the Company in issue at the date.

The fair value of the options granted in the current year totalled approximately HK$5,093,246. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

1. an expected volatility of 135.69%;

2. no annual dividend; and

3. the following Hong Kong Exchange Fund Notes rates for the option category indicated and based on the estimated expected life indicated:

   a. Director, 5.15%, 5 years; and

   b. Employees, 4.78% and 5.15%, 5 years.

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

SHARE OPTION SCHEME *(Continued)*

A summary of the movements during the year in the Company's share options is as follows:

		Number of share options				
	Option type	**Outstanding at 3 April 2001**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**Outstanding at 31 March 2002**
Director:						
Mr. Lee Yu Leung	2002A	—	2,000,000	—	—	2,000,000
Employees						
	2002A	—	2,000,000	—	—	2,000,000
	2002B	—	500,000	—	—	500,000
Total		—	2,500,000	—	—	2,500,000

Details of specific categories of options are as follows:

Option type	**Date of grant**	**Exercise period**	**Exercise price per share**	**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

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Lai Sai Sang	*(Chairman & Managing Director)*
Ms. Leung Sau Che, Jennifer	
Mr. Chuk Wai Chun, Winston	
Mr. Lee Yu Leung	*(appointed on 1 February 2002)*
Mr. Zhang Dachun	*(appointed on 8 April 2002)*
Mr. Hon Ming Kong	*(appointed on 25 April 2002)*
Mr. Yung Kin Sing, Thomas	*(resigned on 1 February 2002)*

Independent non-executive directors:

Mr. Lau Chun Kay	
Mr. Ip Ying Chuen	*(appointed on 1 September 2001)*
Mr. Wong Tik Tung	*(appointed on 23 January 2002)*
Mr. Lam Kwok Cheong	*(appointed on 1 February 2002)*
Mr. Wong Chi Kit, Peter	*(resigned on 1 September 2001)*

In accordance with Article 116 of the Company's Articles of Association, one-third of the directors except for Mr. Lai Sai Sang are subject to retirement by rotation at annual general meeting of the Company. Messrs. Chuk Wai Chun, Winston, Lau Chun Kay and Ip Ying Chuen retire but do not offer themselves for re-election at the forthcoming annual general meeting. In accordance with Article 98 of the Company's Articles of Association, Messrs. Lee Yu Leung, Zhang Dachun, Hon Ming Kong, Wong Tik Tung and Lam Kwok Cheong retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for terms of three or two years, commencing from 3 April 2001. These contracts will continue thereafter until terminated by either party with three months' prior notice in writing.

Each of the independent non-executive directors was appointed for a period of one or two years commencing on their respective appointment dates.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than those disclosed under "Share Option Scheme" above, the Company had no outstanding convertible securities, options, warrants or similar rights as at 31 March 2002 and there has been no other issue or exercise of any convertible securities, options, warrants or similar rights during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2002, the interests of the directors and their associates 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 the SDI Ordinance, were as follows:

(i) Shares of the Company

		Number of shares held	
Name of director	*Note*	**family interests**	**corporate interests**
Mr. Lai Sai Sang	*(1)*	—	94,000,000
Ms. Leung Sau Che, Jennifer	*(2)*	94,000,000	—

Notes:

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

(2) Ms. Leung Sau Che, Jennifer is the wife of Mr. Lai Sai Sang.

(ii) Shares in subsidiaries

At 31 March 2002, the following directors held interests in the shares of the Group's wholly owned subsidiaries as follows:

Yew Sang Hong Limited	**Number of non-voting deferred shares**
Mr. Lai Sai Sang	1,252,399 shares of HK$10 each
Ms. Leung Sau Che, Jennifer	1 share of HK$10
Yew Sang Hong Trading Limited	
Mr. Lai Sai Sang	1 share of HK$1
Ms. Leung Sau Che, Jennifer	1 share of HK$1
Brongham Park Limited	
Mr. Lai Sai Sang	100,000 shares of HK$10 each

(iii) Options

Details of personal interests of the directors in the share option to subscribe for shares in the Company are disclosed under "Share Option Scheme" above.

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Save as disclosed above, none of the directors had any personal, family, corporate or other interests in shares of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register as at 31 March 2002 maintained under section 29 of the SDI Ordinance, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the issue of shares of the Company pursuant to the Corporate Reorganisation and options granted under the Company's share option scheme mentioned above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than contracts in connection with the Corporate Reorganisation and the transactions as disclosed in note 34 to the financial statements, no other contracts of significance to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors of the Company is interested in any business apart from the Group's business, which compete or is likely to compete either directly or indirectly, with business of the Group.

CONNECTED TRANSACTIONS

The Stock Exchange has granted a conditional waiver to the Company from strict compliance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") on the following recurring connected transactions for each of the three financial years ending 31 March 2004. Pursuant to the waiver, the Company is not required to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval. Details of such connected transactions during the year are as follows:

The Group sold goods comprising mainly of electrical parts and diesel generator sets, amounting to approximately HK$14,087,000, to Hing Yip Electrical Engineering and Supplier Limited ("HYEESL").

HYEESL is 99.9% owned by Mr. Lai Yun Sang, brother of Mr. Lai Sai Sang, director and shareholder of the Company.

The independent non-executive directors have reviewed the Group's sales to HYEESL ("the transactions") and confirmed that:

(i) the transactions have been conducted on normal commercial terms and in the ordinary and usual course of the business of the Group; and are fair and reasonable so far as the shareholders of the Company are concerned;

(ii) the transactions have been carried out on terms no less favourable than terms available from independent third parties;

CONNECTED TRANSACTIONS *(Continued)*

(iii) during the year ended 31 March 2002, sales to HYEESL amounted to approximately HK$14,087,000 which has not exceeded the annual sales to HYEESL in respect of the year concerned as permitted under the said waiver from the Stock Exchange;

(iv) the transactions have been conducted in accordance with the terms and conditions of the relevant supply agreement governing them; and

(v) the disclosure provided herein in respect of the details of the transactions is in compliance with Rule 14.25(1)(A) to (D) of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the register of substantial shareholders required to be maintained under section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respective of the directors of the Company, the Company was not notified of any other interests representing 10% or more of the Company's issued share capital:

Name	Number of shares	Approximate percentage of holding
YSH Investments Limited	94,000,000 *(Note i)*	47%
Mr. Lai Sai Sang	94,000,000 *(Note i)*	47%
Highworth Venture Limited	56,000,000 *(Note ii)*	28%
Mr. Hon Ming Kong	56,000,000 *(Note ii)*	28%

Notes:

(i) Mr. Lai Sai Sang has a 90.4% beneficial interest in YSH Investments Limited and therefore Mr. Lai Sai Sang is deemed to be interest in the 94,000,000 shares held by YSH Investments Limited in accordance with the SDI Ordinance. Therefore, both YSH Investments Limited and Mr. Lai Sai Sang are deemed to have the duplicate interests in the share capital of the Company.

(ii) Highworth Venture Limited is wholly-owned by Mr. Hon Ming Kong and therefore Mr. Hon Ming Kong is deemed to be interest in the 56,000,000 shares held by Highworth Venture Limited in accordance with the SDI Ordinance. Therefore, both Highworth Venture Limited and Mr. Hon Ming Kong are deemed to have the duplicate interests in the share capital of the Company.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 March 2002.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for about 54% of the turnover of the Group and the largest customer accounted for about 27% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 52% of its purchases for the year. Purchases from the largest supplier accounted for about 20% of its purchases.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group for the financial year ended 31 March 2002.

RETIREMENT BENEFITS SCHEMES

The Group strictly complies with the Mandatory Provident Fund Ordinance in making mandatory contributions for its staff.

POST BALANCE SHEET EVENT

Details of significant events occurring after the balance sheet date are set out in note 35 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

AUDITORS

During the year, Messrs. Arthur Anderson & Co. who acted as auditors for the Company for the two years ended 31 March 2001, resigned and Messrs. PricewaterhouseCoopers were appointed as auditors for the Company. On 31 December 2001, PricewaterhouseCoopers resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Lai Sai Sang
CHAIRMAN

Hong Kong, 30 July 2002

EXECUTIVE DIRECTORS

Mr. LAI Sai Sang, aged 51, is the Chairman of the Company and is responsible for the overall management of the Group and the strategic planning of its businesses. Mr. Lai has over thirty years' experience in the electrical engineering contracting business in Hong Kong. Mr. Lai had been the Vice President of Hong Kong Electrical Contractors' Association from 1995 to March 2001 and he is now appointed as its Vice-chairman until March 2003. In July 2000, Mr. Lai was appointed as a member of the Appeal Board Panel of the Economic Services Bureau Government Secretariat for a term of 3 years.

Ms. LEUNG Sau Che, Jennifer, aged 47, is an Executive Director of the Company and is responsible for the general administration of the Group. Mrs. Lai has over 20 years' experience in the electrical engineering contracting business in Hong Kong. Mrs. Lai is a director of 3 subsidiaries of the Company. Mrs. Lai is the wife of Mr. Lai Sai Sang.

Mr. CHUK Wai Chun, Winston, aged 43, is an Executive Director of the Company and is responsible for the overall management of the Group's electrical engineering contracting business. Mr. Chuk has over 20 years' experience in the electrical engineering, mechanical engineering and building services engineering contracting businesses in Hong Kong. Mr. Chuk holds a Bachelor of Science degree in Engineering and a Master of Business Administration degree, both from the University of Hong Kong. He is a Registered Professional Engineer in Hong Kong. He is also a member of the Hong Kong Institution of Engineers and the Chartered Institution of Building Services Engineers. He joined the Group in 1990.

Mr. LEE Yu Leung, aged 43, is an Executive Director and is responsible for the Group's overall business development and corporate governance. Mr. Lee has more than 22 years' experience in the investment services business and has taken up directorship with certain reputable market leaders in the securities industry. He is a former member of the Listing Committee as well as a former council member of The Stock Exchange of Hong Kong Limited.

Mr. HON Ming Kong, aged 36, is an Executive Director and is responsible for the Group's business development in the PRC. Mr. Hon has over 12 years of experience in shipping industry. He has been a director and shareholder of a shipping company based in Hong Kong primarily engaging in bulk cargo services, including vessel chartering and operating of cargoes such as coal, iron ore, steel products, alumia and fertilizers. He was responsible for the business development and operation management of such shipping company.

Mr. ZHANG Dachun, aged 57, is an Executive Director and is also responsible for the Group's business development in the PRC. Mr Zhang holds a Master Degree from the University of Wales in the United Kingdom and a professional qualification of Senior Economist in Shipping Management conferred by the Ministry of Communications of the People's Republic of China. Mr. Zhang has taken up certain senior management position as well as directorship in renowned multinational and listed companies in Hong Kong and overseas.

NON-EXECUTIVE DIRECTORS

Mr. LAM Kwok Cheong, aged 48, is an Independent Non-executive Director. Mr. Lam is a holder of Bachelor of Laws degree from the University of Hong Kong and is a member of The Law Society of Hong Kong. He has over 22 years' experience as a Solicitor.

Mr. WONG Tik Tung, aged 45, is an Independent Non-executive Director. Mr. Wong has more than 20 years' experience in the fields of accounting, auditing and financial management and has worked for a number of multinational companies and companies listed on The Stock Exchange of Hong Kong Limited in the senior management as well as directorate level. He is a member of The Association of Chartered Certified Accountants and The Hong Kong Society of Accountants.

Mr. IP Ying Chuen, aged 44, is an Independent Non-executive Director. Mr. Ip has been working in the legal professional since 1979. He is the litigation manager of a firm of solicitors, Messrs. Fok & Johnson responsible for handling with civil and criminal cases.

Mr. LAU Chun-Kay, aged 52, is an Independent Non-executive Director. Mr. Lau is a Registered Professional Engineer in Hong Kong and a Corporate Member of the Hong Kong Institute of Engineers. He holds a Bachelor of Science (Engineering) degree and a Master of Business Administration degree, both from the University of Hong Kong. Mr. Lau is also an non-executive director of Perennial International Ltd., a listed company in Hong Kong. He is also the President of the Hong Kong Electrical Contractors Association and Vice-President of the Hong Kong Federation of Electrical & Mechanical Contractors.

SENIOR MANAGEMENT

Mr. LAI Yau Hong, Thomson, aged 39, is the Secretary of the Company. Mr Lai has more than 13 years of experience in company secretarial duties as well as corporate governance and management fields and has taken up senior management position in a number of multinational conglomerate and local listed companies. He is an associate member of the Taxation Institute of Hong Kong, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.

Mr. CHAN Tak Hing, Kenji, aged 31, is the Accounting Manager of the Group and is responsible for financial and accounting functions of the Group. He has over 6 years experience in auditing, financial control and accounting. Mr. Chan holds a Bachelor of Business Administration degree. He is also a member of the Association of Chartered Certified Accountant, the Hong Kong Society of Accountants and the Taxation Institute of Hong Kong.

Mr. CHIU Tak Pui, aged 41, is an Assistant Manager of a subsidiary of the Company and has over 15 years' experience in the field of electrical engineering in Hong Kong. Mr. Chiu is responsible for overseeing projects undertaken by the Group. Mr. Chiu holds a Bachelor of Engineering (Hons) in Building Services Engineering. He has been with the Group since 1992.

Mr. LI Wing Ho, aged 32, is a Manager of a subsidiary of the Company and is responsible for the overall management administration and operations of a subsidiary of the Group. Mr. Li holds a Bachelor of Science degree in Engineering from San Francisco State University in the United States of America. He is a Chartered Engineer, a member of The Institution of Electrical Engineers, a member of The Hong Kong Institution of Engineers and a member of The Institute of Electrical and Electronics Engineers. Inc.. He joined the Group in 1997.

Mr. KWONG Kwok Lung, aged 39, is the Sales Manager of a subsidiary of the Company. He joined the Group in 1998 and has over twelve years' experience in sales and marketing of electrical equipment and materials in Hong Kong. He holds a Bachelor of Science (Honours) degree in electronic and electrical engineering from the Univerity of Birmingham in the United Kingdom.

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Deloitte Touche Tohmatsu

TO THE MEMBERS OF YEW SANG HONG (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 36 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 30 July 2002

Consolidated Income Statement

For the year ended 31 March 2002

	Notes	2002 HK$'000	2001 HK$'000
Turnover	4	**106,217**	354,444
Cost of sales		**(81,818)**	(273,441)
Gross profit		**24,399**	81,003
Other operating income	6	**3,176**	4,250
Selling expenses		**(938)**	(2,181)
Administrative expenses		**(23,775)**	(24,824)
Profit from operations	7	**2,862**	58,248
Finance costs	9	**(193)**	(1,296)
Profit before taxation		**2,669**	56,952
Taxation	10	**(1,784)**	(8,149)
Profit before minority interests		**885**	48,803
Minority interests		**—**	(1,608)
Net profit for the year		**885**	47,195
Dividends	11	**—**	14,380
Earnings per share	12		
— basic and diluted		**0.5 cents**	27.8 cents

There were no recognised gains and losses other than the net profit for both years.

Consolidated Balance Sheet

At 31 March 2002

	Notes	2002 HK$'000	2001 HK$'000
Non-current assets			
Property, plant and equipment	13	**1,540**	797
Retention money receivable	18	**5,109**	5,394
		6,649	6,191
Current assets			
Inventories	15	**5,481**	6,016
Amounts due from customers for contract work	16	**3,294**	6,358
Progress payments receivable	17	**22,866**	17,488
Retention money receivable	18	**7,841**	9,474
Accounts receivable	19	**13,619**	6,558
Prepayments, deposits and other assets		**3,509**	9,118
Taxation recoverable		**49**	445
Pledged deposits	32	**—**	53,051
Bank balances and cash		**91,872**	14,060
		148,531	122,568
Current liabilities			
Amounts due to customers for contract work	16	**3,542**	41
Retention money payable	20	**3,273**	2,899
Accounts payable, other payables and accrued charges	21	**30,157**	27,017
Amounts due to a related company		**—**	95
Bills payable		**899**	2,029
Amount due to a director	22	**56**	—
Taxation payable		**406**	3,724
Obligations under finance leases	23	**65**	—
Borrowings	24	**6,367**	7,416
		44,765	43,221
Net current assets		**103,766**	79,347
Non-current liabilities			
Obligations under finance leases	23	**91**	—
Retention money payable	20	**4,540**	4,881
		4,631	4,881
Total net assets		**105,784**	80,657
Capital and reserves			
Share capital	25	**20,000**	13,524
Reserves	26	**85,784**	67,133
Shareholders' funds		**105,784**	80,657

Lee Yu Leung
DIRECTOR

Zhang Dachun
DIRECTOR

Balance Sheet

AT 31 MARCH 2002

	Notes	2002 HK$'000	2001 HK$'000
Non-current assets			
Investment in subsidiaries	14	**14,796**	—
Current assets			
Prepayments, deposits and other assets		**130**	3,868
Amount due from subsidiaries		**628**	250
Bank balances and cash		**89,533**	—
		90,291	4,118
Current liabilities			
Accrued charges and other payables		**777**	120
Amounts due to a subsidiary		**—**	4,120
		777	4,240
Net current assets (liabilities)		**89,514**	(122)
		104,310	(122)
Capital and reserves			
Share capital	25	**20,000**	—
Reserves (deficit)	26	**84,310**	(122)
Shareholders' funds (deficit)		**104,310**	(122)

Lee Yu Leung
DIRECTOR

Zhang Dachun
DIRECTOR

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2002

	Notes	2002 HK$'000	2001 HK$'000
Net cash inflow from operating activities	27	**3,666**	22,509
Returns on investments and servicing of finance			
Interest received		**2,873**	3,338
Interest paid		**(145)**	(797)
Interest on obligations under finance leases paid		**(14)**	(29)
Net cash inflow from returns on investments and servicing of finance		**2,714**	2,512
Taxation			
Hong Kong Profits Tax paid		**(4,706)**	(7,141)
Investing activities			
Purchase of property, plant and equipment		**(961)**	(553)
Proceeds from disposal of other investments		**—**	86,846
Purchase of other investments		**—**	(46,809)
Release (increase) of pledged deposits		**53,051**	(53,051)
Net cash inflow (outflow) from investing activities		**52,090**	(13,567)
Net cash inflow before financing		**53,764**	4,313
Financing activities	28		
Proceeds on issue of ordinary shares		**24,242**	—
New short term bank loans raised		**—**	4,827
Repayment of short term bank loans		**(4,539)**	(14,991)
Repayment of obligations under finance leases		**(44)**	—
Net cash inflow (outflow) from financing activities		**19,659**	(10,164)
Increase (decrease) in cash and cash equivalents		**73,423**	(5,851)
Cash and cash equivalents at the beginning of the year		**11,471**	17,322
Cash and cash equivalents at the end of the year		**84,894**	11,471
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**91,872**	14,060
Bank overdrafts		**(6,079)**	(2,589)
Bills payable		**(899)**	—
		84,894	11,471

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.

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.

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

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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2002				
TURNOVER				
External sales	65,145	41,072	—	106,217
Inter-segment sales	—	7,165	(7,165)	—
Total turnover	65,145	48,237	(7,165)	106,217

Inter-segment sales are charged at prevailing market rates.

RESULTS				
Segment result	(1,011)	2,133	—	1,122
Other operating income				3,176
Unallocated expenses				(1,436)
Profit from operations				2,862
Finance costs				(193)
Profit before taxation				2,669
Taxation				(1,784)
Net profit for the year				885

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Electrical engineering contracting	Sale of electrical goods	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2002				
ASSETS				
Segment assets	41,917	20,686	—	62,603
Unallocated corporate assets				92,577
Consolidated total assets				155,180
LIABILITIES				
Segment liabilities	31,784	10,062	—	41,846
Unallocated corporate liabilities				7,550
Consolidated total liabilities				49,396
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	274,850	134,306	(54,712)	354,444

Inter-segment sales are charged at prevailing market rates.

	Electrical engineering contracting	Sale of electrical goods	Eliminations	Consolidated
RESULTS				
Segment result	24,964	29,355	(198)	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				47,195

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Electrical engineering contracting	Sale of electrical goods	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2001				
ASSETS				
Segment assets	91,793	19,169	(198)	110,764
Unallocated corporate assets				17,995
Consolidated total assets				128,759
LIABILITIES				
Segment liabilities	25,752	11,090	—	36,842
Unallocated corporate liabilities				11,260
Consolidated total liabilities				48,102
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
	HK$'000	*HK$'000*
Other operating income includes:		
Interest income	**2,873**	3,338
Sundry income	**215**	524
Exchange gain	**88**	388
	3,176	4,250

7. PROFIT FROM OPERATIONS

	2002	2001
	HK$'000	*HK$'000*
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 *(Note 8)*		
— 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

8. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

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

The emoluments of the directors were within the following bands:

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

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:

	2002	2001
	HK$'000	*HK$'000*
Salaries and benefits	**546**	754
Contributions to retirement benefits scheme	**27**	10
	573	764

9. FINANCE COSTS

	2002	2001
	HK$'000	*HK$'000*
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
	193	1,296

10. TAXATION

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

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.

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	**885**	47,195
	'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	**194**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**198,139**	170,000

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.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At 1 April 2001	294	954	1,682	—	2,930
Additions	180	187	246	548	1,161
Disposals	—	—	(13)	—	(13)
At 31 March 2002	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
At 31 March 2002	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
	HK$'000	*HK$'000*
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.

15. INVENTORIES

	2002	2001
	HK$'000	*HK$'000*
Finished goods	**5,481**	6,016

The inventories are stated at cost.

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

	2002	2001
	HK$'000	*HK$'000*
Contract costs incurred plus net profits recognised	**408,974**	360,238
Less: Progress billings	**(409,222)**	(353,921)
	(248)	6,317
Comprising:		
Amounts receivable on contract work	**3,294**	6,358
Amounts payable on contract work	**(3,542)**	(41)
	(248)	6,317

17. PROGRESS PAYMENTS RECEIVABLE

The aged analysis of progress payments receivable is as follows:

	2002	2001
	HK$'000	*HK$'000*
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	**3,594**	—
	22,866	17,488

18. RETENTION MONEY RECEIVABLE

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

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:

	2002	2001
	HK$'000	*HK$'000*
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
	13,619	6,558

20. RETENTION MONEY PAYABLE

	2002	2001
	HK$'000	*HK$'000*
Retention money payable	**7,813**	7,780
Less: Amount payable within one year included in current liabilities	**3,273**	2,899
Amount payable after one year	**4,540**	4,881

The amount represents retention money payable to subcontractors on the contract work.

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 lease payments		**Present value of 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**	—

24. BORROWINGS

	2002	2001
	HK$'000	*HK$'000*
Bank overdraft	**6,079**	2,589
Bank loans	**288**	4,827
	6,367	7,416
Secured	**—**	4,977
Unsecured	**6,367**	2,439
	6,367	7,416

25. SHARE CAPITAL

Shares of HK$0.1 each

Authorised:

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

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:

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

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.

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:

Option type	Exercise period	Exercise price per share	Number of options
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
			4,500,000

26. RESERVES (DEFICIT)

THE GROUP

	Share premium	Special reserve	Capital reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	4,242	13,524	1,848	66,170	85,784

26. RESERVES *(Continued)*

THE COMPANY

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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	4,242	80,657	(589)	84,310

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).

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

	2002	2001
	HK$'000	*HK$'000*
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**	—
Net cash inflow from operating activities	**3,666**	22,509

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Short-term bank loans	Obligations under finance leases
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2000	—	14,991	—
New short term bank loans raised	—	4,827	—
Repayment of short term bank loans	—	(14,991)	—
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)	—
At 31 March 2002	**24,242**	**288**	**156**

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.

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).

34. RELATED PARTY TRANSACTIONS

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

Name of related party/nature of transactions

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

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.

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 Ordinary	Issued and fully paid share capital Deferred	Principal activities
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 *(Formerly known as "Yew Sang Hong (China) Limited")*	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:

1. All the above companies operate in Hong Kong.

2. 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.

3. 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.