

# CHEVALIER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2003

### RESULTS

The Directors of Chevalier Construction Holdings Limited ("the Company") announce that the audited consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31st March, 2003, together with the comparative figures for the previous year, are summarized as follows:

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	2	225,498	526,927
Cost of sales		(182,487)	(505,940)
Gross profit		43,011	20,987
Other revenue		1,808	4,596
Administrative expenses		(25,964)	(18,160)
Other operating expenses		(812)	(909)
Profit from operations	3	18,043	6,514
Finance costs		(15)	(820)
Share of results of an associate		1,946	2,098
Share of results of jointly controlled entities		(743)	(416)
Profit before taxation		19,231	7,376
Taxation	4	(11,627)	(526)
Profit before minority interest		7,604	6,850
Minority interest		(186)	(127)
Net profit for the year		7,418	6,723
Dividends		—	—
Earnings per share			
Basic and diluted	5	2.98 cents	2.7 cents

Notes:

1. **ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**  
In the current year, the Group has adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. The adoption of these standards has resulted in a change in the format of presentation of cash flow statements and the introduction of the statement of changes in equity.

The adoption of these new and revised standards has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

(a) **Cash flow statements**

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest paid and interest and dividend received, which were previously presented under a separate heading, are classified as operating and investing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

(b) **Employee benefits**

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. As the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any significant impact on the financial statements.

### 2. TURNOVER

Turnover and segment information for the year ended 31st March, 2003 is presented below:

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated Total HK\$'000
Turnover			
External sales	81,615	143,883	225,498
Result			
Segment result	52,355	(34,275)	18,080
Unallocated corporate expenses			(1,504)
Interest income			1,038
Unrealised gain on other investment			429
Profit from operations			18,043
Interest expenses			(15)
Share of results of an associate			1,946
Share of results of jointly controlled entities	(199)	(544)	(743)
Profit before taxation			19,231
Taxation			(11,627)
Profit before minority interest			7,604

All activities of the Group were carried out in Hong Kong and all assets were located in Hong Kong.

Turnover and segment information for the year ended 31st March, 2002 is presented below:

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated Total HK\$'000
Turnover			
External sales	397,598	129,329	526,927
Result			
Segment result	28,346	(19,708)	8,638
Unallocated corporate expenses			(2,873)
Interest income			749
Profit from operations			6,514
Interest expenses			(820)
Share of results of an associate			2,098
Share of results of jointly controlled entities	(396)	(20)	(416)
Profit before taxation			7,376
Taxation			(526)
Profit before minority interest			6,850

All activities of the Group were carried out in Hong Kong and all assets were located in Hong Kong.

### 3. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation:		
Owned assets	1,981	4,221
Assets held under finance leases	16	122
Less: Amount capitalised to contract work	(1,192)	(3,134)
	805	1,209
Operating lease charges:		
Premises	2,308	2,739
Plant and machinery	45,748	69,784
Less: Amount capitalised to contract work	(45,748)	(69,859)
	2,308	2,664
Staff costs, including directors' emoluments	48,121	81,864
Less: Amount capitalised to contract work	(29,225)	(54,343)
	18,896	27,521

### 4. TAXATION

	2003 HK\$'000	2002 HK\$'000
Provision for Hong Kong Profits Tax:		
The Company and subsidiaries		
Current year's provision	10,731	—
Deferred tax	527	—
	11,258	—
Associate	369	528
Jointly controlled entities	—	(2)
	11,627	526

Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits less available tax relief for tax losses brought forward of each individual company comprising the Group. No provision had been made in the prior year as the assessable profit was wholly absorbed by tax losses brought forward.

### 5. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$7,418,000 (2002: HK\$6,723,000) and on 249,000,000 (2002: 249,000,000) shares in issue during the year.

The computation of diluted earnings per share for 2002 was not assumed the exercise of the share options outstanding during the year since their exercise price was higher than the fair value per share.

All share options lapsed in the year 2001.

### DIVIDEND

The Board of Directors does not recommend the payment of any final dividend for the year (2002: Nil). As no interim dividend was paid during the year (2002: Nil), no dividend will be paid for the entire year (2002: Nil).

### MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2003, the Group continued to operate under an extremely tough environment due to the continued slowdown in the local property market. In spite of a significant decrease in turnover, the Group recorded an operating profit of HK\$18 million (2002: HK\$6.5 million). Profit attributable to shareholders was HK\$7.4 million (2002: HK\$6.7 million) and earnings per share was HK2.98 cents (2002: HK2.7 cents).

As of 31st March, 2003, the outstanding value of contracts of the Group on hand continued to decline as activities in the local property market further depressed regardless of HKSAR Government's contingent measures to stabilise the situation. Value of building construction and civil engineering contracts on hand for the Group amounted to approximately HK\$38 million and HK\$202 million respectively.

#### Construction Projects

Subsequent to the year end, the Group was awarded the contract to build the International Wetland Park in Tin Shui Wai, New Territories. The project included all the associated building service installations, drainage works, utility connection and pavement works of the Park. The Park will offer facility for Hong Kong citizens to observe the wetlands and natural scenery around Mai Po Marshes Nature Reserve and Hau Hoi Wan. It will be an important ecological tourist attraction spot in Hong Kong embodying conservation, education and recreation in one place.

The contract for the construction of Lam Tin Primary School at Kwun Tong was progressed on schedule during the year.

#### Civil Engineering Projects

During the year, the civil engineering contracts of the Group on hand were the Construction of Seawalls and Reclamation at Tseung Kwan O Port Development at Area 137, Stage 2 and Jordan Road Reclamation Phase III and Remaining Engineering Works.

#### Other Business

The performance of our investment in supply of concrete business namely Yue Xiu Concrete Company Limited was steady during the year under review.

### PROSPECTS

The nine-point measures implemented by the government in stabilising local property market last year have only little positive effect. Property prices remain weak, having fallen to another 7.6% quarter-on-quarter in the first quarter of 2003. The stock of over supply will only be digested by the market gradually in the next few years. Against the rising unemployment, weak property market and the outbreak of Severe Acute Respiratory Syndrome in March 2003, homebuyer and investor confidence is undermined. Local property market is expected to remain stagnant with property prices continuing to drift lower. However, the market will benefit from the historic low interest rate and much improved affordability.

The government's policy to reduce the supply of public housing has significantly reduced business opportunities for the Group. Coupled with the absence of large infrastructure projects, the outlook for building construction and civil engineering works remain gloomy in the foreseeable future. In order to tackle these difficult market conditions, the Group will actively look for opportunities in various medium-size non-residential projects such as institutions, communal and government facilities.

Looking forward, the Group will continue to adhere to its stringent cost control measures and enhance efficiency in project management so as to enhance the value to its shareholders.

### FINANCIAL REVIEW

As at 31st March, 2003, the Group's total net asset amounted to approximately HK\$76 million (2002: HK\$69 million), an increase of HK\$7 million or 10.8% when compared with 2002. At the balance sheet date, the Group has no bank and other borrowings (2002: HK\$63,000). Cash and deposit at bank amounted to HK\$58 million (2002: HK\$56 million).

### EMPLOYEES AND REMUNERATION POLICIES

The Group employed approximately 120 full time staff in Hong Kong as at 31st March, 2003. Total staff costs amounted to HK\$48 million for the year ended 31st March, 2003. The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes, retirement schemes and employees' share option scheme.

### SHARE OPTION SCHEMES

A share option scheme adopted by the Company on 28th December, 1995 was terminated and a new share option scheme of the Company ("the New Scheme") was approved by the shareholders of the Company at the 2002 Annual General Meeting held on 20th September, 2002. The New Scheme fully complied with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing Rules"). During the year, no share option was granted, exercised, cancelled or lapsed under the New Scheme. There was no outstanding option under the New Scheme at the beginning and at the end of the year.

### AUDIT COMMITTEE

The Audit Committee, which was established pursuant to the requirements of the Listing Rules, comprising Mr SUN Kai Dah, George, Mr TING Hok Shou, Dennis who retired on 20th September, 2002 and Dr DU Shue Chu who was appointed on 28th November, 2002, the Independent Non-Executive Directors of the Company, met twice in the year. During the meetings, the Audit Committee has reviewed with the Management the Connected Transactions, interim and annual reports of the Group, the accounting principles and practices adopted by the Group, the auditing, internal controls and financial reporting matters.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

### CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied throughout the year with the guidelines for the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

### PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website at <http://www.hkex.com.hk> in due course.

### APPRECIATION

2003 has been a difficult year for Hong Kong, during which the Group has been confronted with many challenges in both economic and social aspects. On behalf of the Board, I would like to take this opportunity to truly thank all staff for their concerted effort which enabled the Group to move through these rough and difficult times smoothly.

By Order of the Board  
CHOW Yei Ching  
Chairman

Hong Kong, 16th July, 2003

website: <http://www.chevalier.com>