



CHEVALIER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2002

	Notes	Unaudited	
		Six months ended 30th September, 2002 HK\$'000	2001 HK\$'000
Turnover	2	87,235	245,687
Cost of sales		(79,568)	(243,658)
Gross profit		7,667	2,029
Other revenue		718	4,119
Administrative expenses		(4,332)	(7,211)
Other operating expenses		(327)	(204)
Profit (loss) from operations	3	3,726	(1,267)
Finance costs		(14)	(611)
Share of results of an associate		1,028	963
Share of results of jointly controlled entities		(363)	(238)
Profit (loss) before taxation		4,377	(1,153)
Taxation	4	(165)	(228)
Profit (loss) before minority interest		4,212	(1,381)
Minority interest		25	(1)
Net profit (loss) for the period		4,237	(1,382)
Interim dividend		-	-
Earnings (loss) per share			
Basic	5	1.70 cents	(0.55 cent)

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

1. Significant accounting policies

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25").

The accounting policies adopted in these condensed interim financial statements have been prepared on a basis consistent with the principal accounting policies as stated in the financial statements for the year ended 31st March, 2002, except the following new and revised Statements of Standard Accounting Practice ("SSAP") have been adopted for the first time in the preparation of the current period's condensed financial statements:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 15 (Revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The adoption of the new and revised SSAP by the Group do not have any impact on these financial statements except that certain comparative figures and disclosure have been adjusted to conform with current period's presentation.

2. Segment information

Turnover and segment information for the six months ended 30th September, 2002.

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated total HK\$'000
TURNOVER			
External sales	34,095	53,140	87,235
RESULT			
Segment results	5,325	(1,043)	4,282
Unallocated corporate expenses			(1,274)
Interest income			718
Profit from operations			3,726
Interest expenses			(14)
Share of results of an associate			1,028
Share of results of jointly controlled entities	(228)	(135)	(363)
Profit before taxation			4,377
Taxation			(165)
Profit after taxation			4,212

All activities of the group were carried out in Hong Kong.

Turnover and segment information for the period ended 30th September, 2001.

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated total HK\$'000
TURNOVER			
External sales	198,532	47,155	245,687
RESULT			
Segment results	148	(605)	(457)
Unallocated corporate expenses			(1,277)
Interest income			467
Loss from operations			(1,267)
Interest expenses			(611)
Share of results of an associate			963
Share of results of jointly controlled entities	(232)	(6)	(238)
Loss before taxation			(1,153)
Taxation			(228)
Loss after taxation			(1,381)

All activities of the group were carried out in Hong Kong.

3. Profit (loss) from operations

Profit (Loss) from operations has been arrived at after charging:

	Six months ended 30th September, 2002 HK\$'000	2001 HK\$'000
Depreciation:		
Owned assets	1,002	2,374
Assets held under finance leases	-	61
Less: Amount capitalised to contract work	(593)	(1,850)
	409	585
Operating lease charges:		
Premises	1,231	1,404
Plant and machinery	17,365	47,499
Less: Amount capitalised to contract work	(17,365)	(47,543)
	1,231	1,360
Staff costs, including directors' emoluments	24,713	47,019
Less: Amount capitalised to contract work	(13,592)	(33,000)
	11,121	14,019

4. Taxation

Provision for Hong Kong Profits Tax:

The Company and subsidiaries	
Current year's provision	-
Associate	165
Jointly controlled entities	-
	165

No provision for Hong Kong Profits Tax in the current and prior period had been made as the assessable profit of the Company and its subsidiaries were wholly absorbed by tax losses brought forward.

5. Earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the net profit for the period of HK\$4,237,000 (2001: loss of HK\$1,382,000) and on 249,000,000 (2001: 249,000,000) shares in issue during the period.

Diluted loss per share for 2001 was not presented as the effect of exercise of the share options would be anti-dilutive in respect of the period.

6. Certain comparative figures have been reclassified to conform with current period's presentation.

INTERIM DIVIDEND

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

OVERVIEW

During the six months ended 30th September, 2002, the Group continued to operate under a difficult environment due to the continuing depression in the property and construction sectors. However, with on-going efforts in improving operation efficiency, the financial position of the Group has been improved and recorded an operating profit of HK\$3.7 million compared with a loss of HK\$1.27 million over the same period last year. Earnings per share for the period was HK1.7 cents (loss of HK0.55 cent per share last year).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30th September, 2002, the gross and outstanding value of construction contracts of the Group on hand amounted to approximately HK\$120 million and HK\$64 million respectively whilst the gross and outstanding value of civil engineering contracts of the Group on hand amounted to approximately HK\$620 million and HK\$261 million respectively.

Construction project

A construction contract for Lam Tin Primary School at Kwun Tong with value in excess of HK\$75 million is progressing on schedule and will be completed in mid 2003.

The slowdown in the public housing construction has adversely affected the availability of jobs in the market. In order to widen the source of contracts, the Group has been actively tendering for projects from both private and public sectors which are expected to provide the Group with reasonable return.

Civil engineering projects

During the period ended 30th September, 2002, the civil engineering contracts of the Group on hand include:

1. Construction of Seawalls and Reclamation at Tseung Kwan O Port	
Development at Area 137, Stage 2	Late 2003
2. Remaining Work in Yung Shue Wan Development Engineering Works, Phase 1	Late 2002
3. Jordan Road Reclamation Phase III and Remaining Engineering Works	Early 2003

FINANCIAL REVIEW

As at 30th September, 2002, the Group's total net asset amounted to approximately HK\$73,217,000 (HK\$68,980,000 as at 31st March, 2002).

At the balance sheet date, the Group's bank and other borrowings amounted to HK\$2,000 (HK\$63,000 as at 31st March, 2002). Cash and deposit at bank amounted to HK\$113,252,000 (HK\$55,875,000 as at 31st March, 2002).

Finance costs for the period amounted to HK\$14,000 (HK\$820,000 as at 31st March, 2002).

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, the Group's treasury activities are centralised.

PROSPECTS

Although there are few signs of recovery in the US economy, the improvement in economic activity has not been convincing. Under such difficult circumstances, local economy continues to struggle even though local interest rates follow that of the US which reached its record low over 40 years. Weak labour market, sliding property prices and continuous threat of deflation have adversely affected investor and consumer confidence. The outlook for the Hong Kong economy will mainly depend on the external environment. As the global economy continues to be weak, the chance of turnaround of local economy in the short term is slim.

The effect of the stimulus package for the property market announced by the HKSAR Government in November, 2002 in stabilizing local property market is not certain. However, the suspension of both Home Ownership Scheme and sales of Public Rental Housing Units have obviously indicated the Government's determination to withdraw from local housing market. As a result, the number of flats to be constructed in the public sector will drastically be reduced and competition among local construction companies will inevitably be intensified, thus exerting unprecedented strain on the weak construction industry. The operating environment of local construction industry is expected to be even more difficult and challenging in the coming years.

Going into 2003, we doubt that there will be any real sign of rebound in local economic activity. In anticipation of the continuous slowdown in both construction and civil engineering sector, the Group will continue to enhance its competitiveness through vigorous cost control measures and efficient project management. The Group has been re-shaped in the past few years to cope with the change in the market and the Board is confident that the Group is well-positioned to face future challenges and take advantage of any business opportunities when arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September, 2002, the Group employed approximately 140 full time staff in Hong Kong. Total staff costs amounted to approximately HK\$24.7 million for the period under review. 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.

AUDIT COMMITTEE

The Audit Committee, which was established pursuant to the requirements of the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), comprised Messrs SUN Kai Dah, George, 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. During the period, the Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of unaudited interim financial statements.

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 six months ended 30th September, 2002.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the guidelines for the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period from 1st April, 2002 to 30th September, 2002.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the information of the Company required by paragraphs 46(1) to 46(6) 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

2002 has been a bumpy year for Hong Kong, during which the Group has been confronted by many challenges in both economic and political aspects. On behalf of the Board, I would like to take this opportunity to truly thank all staff for their concerted effort which has enabled the Group to move through these rough and difficult times smoothly.

By Order of the Board
CHOW Yei Ching
Chairman

Hong Kong, 16th December, 2002

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