

# CHEVALIER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2001.

Note	Unaudited Six months ended 30th September		2000
	2001 HK\$'000	2000 HK\$'000	
Turnover	2	245,687	569,710
Cost of sales		(243,658)	(581,547)
Gross profit (loss)		2,029	(11,837)
Other revenue		4,119	1,733
Administrative expenses		(7,211)	(8,584)
Other operating expenses		(204)	(353)
Loss from operations	3	(1,267)	(19,041)
Finance costs		(611)	(471)
Share of results of associates		963	403
Share of results of jointly controlled entities		(238)	(453)
Loss before taxation		(1,153)	(19,562)
Taxation	4	(228)	(248)
Loss before minority interest		(1,381)	(19,810)
Minority interest		(1)	54
Net loss for the period		(1,382)	(19,756)
Interim dividend		—	—
Loss per share Basic	5	(0.55 cent)	(8.63 cents)

### CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2001.

	Unaudited 30th September 2001 HK\$'000	Audited 31st March 2001 HK\$'000
Non-current assets		
Property, plant and equipment	16,619	19,318
Interests in associates	6,524	6,790
Interests in jointly controlled entities	9,451	9,688
	32,594	35,796
Current assets		
Amounts due from customers for contract work	214,887	175,084
Inventories	4,638	5,340
Debtors, deposits and prepayments	460,389	606,308
Retention money receivable	193,858	188,575
Tax refundable	75	75
Cash and bank balances	6,065	19,570
	879,912	994,952
Current liabilities		
Amounts due to customers for contract work	184,102	199,584
Creditors, deposits and accruals	461,984	557,333
Bill payable	—	114
Retention money payable	176,939	178,674
Obligations under finance leases		
— due within one year	240	359
Secured short-term bank loans	28,000	32,000
Bank overdraft	—	2
	851,265	968,066
Net current assets	28,647	26,886
Non-current liability		
Obligations under finance leases		
— due after one year	—	60
Minority interest	366	365
	60,875	62,257
Capital and reserves		
Share capital	9	24,900
Reserves	10	35,975
	60,875	62,257

### NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2001.

#### 1. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The condensed 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, 2001 in accordance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25").

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new/ revised accounting policies.

SSAP 14 (Revised) "Leases" prescribes the accounting treatment and disclosures requirements in relation to finance and operating leases. The adoption of SSAP 14 (Revised) by the Group does not have any impact on these interim financial statements except that certain comparative figures and disclosure in Note 8 has been adjusted and extended to conform with current period's presentation.

Adoption of SSAP 26 "Segment reporting" has resulted in re-specification of some reportable segments which were presented in accordance with the disclosure requirements of the Listing Rules in the prior year. Segment disclosures for the six months ended 30th September, 2000 have been amended so that they are presented on a consistent basis.

#### 2. SEGMENT INFORMATION

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

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated Period ended 2001/9/30 HK\$'000
<b>TURNOVER</b>			
External sales	198,532	47,155	245,687
Total turnover	198,532	47,155	245,687
<b>RESULT</b>			
Segment result	148	(605)	(457)
Unallocated corporate expenses			(1,277)
Interest income			467
Loss from operation			(1,267)
Interest expenses			(611)
Share of results of associates	963		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.

Turnover and segment information for the six months ended 30th September, 2000.

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated Period ended 2000/9/30 HK\$'000
<b>TURNOVER</b>			
External sales	479,466	90,244	569,710
Total turnover	479,466	90,244	569,710
<b>RESULT</b>			
Segment result	(825)	(18,312)	(19,137)
Unallocated corporate expenses			(985)
Interest income			1,081
Loss from operation			(19,041)
Interest expenses			(471)
Share of results of associates	403		403
Share of results of jointly controlled entities	(311)	(142)	(453)
Loss before taxation			(19,562)
Taxation			(248)
Loss after taxation			(19,810)

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

#### 3. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	Six months ended 30th September 2001 HK\$'000	2000 HK\$'000
Depreciation:		
Owned assets	2,374	3,116
Assets held under finance leases	61	76
Less: Amount capitalised to Contract Work	(1,850)	(2,610)
	585	582
Operating lease charges:		
Premises	1,404	1,825
Plant & machinery	47,499	64,192
Less: Amount capitalised to Contract Work	(47,543)	(64,305)
	1,360	1,712
Staff costs, including directors' emoluments	47,019	71,053
Less: Amount capitalised to Contract Work	(33,000)	(54,162)
	14,019	16,891

#### 4. TAXATION

	Six months ended 30th September 2001 HK\$'000	2000 HK\$'000
Hong Kong Profits tax:		
The Company and subsidiaries	—	—
Associates	229	248
Jointly controlled entities	(1)	—
	228	248

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

#### 5. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$1,382,000 (2000: loss of HK\$19,756,000) and on 249,000,000 (2000: 229,000,000) shares in issue during the period.

Diluted loss per share is not presented as the exercise price of the outstanding share options is higher than the fair value per share and accordingly the computation of diluted loss per share does not assume their exercise.

#### 6. DEBTORS, DEPOSITS AND PREPAYMENTS

The ageing analysis of trade debtors is as follows:

	Balance at 30th September 2001 HK\$'000	Balance at 31st March 2001 HK\$'000
0 — 60 days	44,566	152,321
61 — 90 days	2,187	727
> 90 days	156,620	163,061
	203,373	316,109

Interim application for progress payments on construction contracts are normally on a monthly basis and settled within one month.

#### 7. CREDITORS, DEPOSITS AND ACCRUALS

The ageing analysis of trade creditors is as follows:

	Balance at 30th September 2001 HK\$'000	Balance at 31st March 2001 HK\$'000
0 — 60 days	55,546	109,458
61 — 90 days	246	8,293
> 90 days	68,262	43,093
	124,054	160,844

#### 8. OBLIGATIONS UNDER FINANCE LEASES

Finance lease liabilities — minimum lease payments:

	30th September 2001 HK\$'000	31st March 2001 HK\$'000
Within one year	294	440
In the second year	—	73
Future finance charges on finance leases	294	513
	(54)	(94)
Present value of finance lease liabilities	240	419
The present value of finance lease liabilities is as follows:		
Within one year	240	359
In the second year	—	60
	240	419

#### 9. SHARE CAPITAL

There was no movement during the period under review.

#### 10. RESERVES

	Share Premium HK\$'000	Capital reserve HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
The Group				
At 1st April, 2001	1,856	56,942	(21,441)	37,357
Net loss for the six months ended 30th September, 2001	—	—	(1,382)	(1,382)
At 30th September, 2001	1,856	56,942	(22,823)	35,975

#### INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30th September, 2001 (2000: Nil).

### BUSINESS REVIEW

For the six months ended 30th September, 2001, the Group operated under an extremely tough environment in light of the continued downturn in local property and construction sectors. However, the Group continued its efforts in improving operation efficiency and implementing stringent cost control measures. As a result, the Group's unaudited consolidated net loss for the six months ended 30th September, 2001 significantly reduced to HK\$1.38 million compared with a loss of HK\$19.76 million last year. A loss per share also reduced from HK8.63 cents per share in last year to HK0.55 cent for the period.

As at 30th September, 2001, the gross and outstanding value of construction contracts of the Group on hand amounted to approximately HK\$2,100 million and HK\$236 million respectively. Whereas the gross and outstanding value of civil engineering contracts of the Group on hand amounted to HK\$580 million and HK\$273 million respectively.

During the period under review, all construction and civil engineering projects of the Group on hand were progressed on schedule with details as shown below:

#### Construction Projects

	Target Completion Date
1. Jockey Club School of Chinese Medicine Building at Hong Kong Baptist University	Late 2001
2. Home-Ownership Estate at King Shan Court, Phase II at Hammer Hill Road, Kowloon	Early 2002
3. The Professional Complex Development at The Hong Kong Polytechnic University	Early 2002

Two construction projects, namely, Public Housing Estate at Tin Shui Wai Area 105, Phase 1 and Home-Ownership Estate at Tin Shui Wai Area 110, Phase 2 were completed subsequent to the period end.

#### Civil Engineering Projects

	Target Completion Date
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 I	Early 2002
3. Maintenance and Repairs to Seawalls, Piers and Other Port Works (2000-2001)	Early 2002
4. Jordan Road Reclamation Phase III and Remaining Engineering Works	Late 2002

During the period, Yue Xiu Concrete Company Limited, an associated company of the Group, continued to contribute stable return to the Group.

### FINANCIAL REVIEW

As at 30th September, 2001, the total credit facilities available to the Group amounted to HK\$91 million and the undrawn balance stood at HK\$63 million. Cash available to the Group as at 30th September, 2001 amounted to approximately HK\$6 million.

### PROSPECTS

The US technology-driven boom in 2000 followed by the downturn of the consumers confidence in the US have adversely affected the economy of most of the Asian countries as they are all positioned at the other end of the supply chain. The Hong Kong economy, like its Asian neighbours, is heavily dependent on external trade for growth. Hong Kong exports already recorded decline in the first ten months of the year and, as a result, unemployment has been rising steadily. The high unemployment rate is no longer restricted to the workers but is also spreading to professionals and skilled labourers. Against such situation, consumers and investors confidence has not helped very much by the low interest rate. Local property market, therefore, continued to stagnate and consequently dragged down the construction industry.

In an attempt to stabilise the property market, the government has imposed a ten-month moratorium on the sale of subsidised housing in September 2001. The Group believes that those measures taken by the government will have some stabilizing effects on the private sector residential market. However, clouded by the economic uncertainties, the Group anticipates that the construction industry is not likely to rebound in the near term despite recent active trading in the property sales.

During the period, the Group continued to reduce its operating cost and implement prudent policy in selecting sub-contractors and closely monitoring their qualities of works. Looking forward, the Group is well prepared to face the challenges ahead.

### EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2001, the Group employed approximately 310 full time staff. Total staff costs amounted to HK\$47 million for the period. The remuneration policy is 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 employee 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"), comprising Messrs TING Hok Shou, Dennis and SUN Kai Dah, George, shall meet at least twice in a year. The 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, 2001.

### CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the guidelines of the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the period from 1st April, 2001 to 30th September, 2001.

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

All the financial and other related information of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website at <http://www.hkex.com.hk> in due course.

### APPRECIATION

On behalf of the Board, I would like to express our gratitude to our shareholders for their support and to our staff for their dedication and contribution during the period.

By Order of the Board  
CHOW Yei Ching  
Chairman

Hong Kong, 18th December, 2001

Websites: <http://www.chevalier.com>  
<http://www.irasia.com/listco/hk/chevaliercon>