

CHEVALIER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2002

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, 2002, together with the comparative figures for the previous year, are summarized as follows:

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	1	526,927	1,226,463
Cost of sales		(505,940)	(1,237,353)
Gross profit (loss)		20,987	(10,890)
Other revenue		4,596	2,874
Administrative expenses		(18,160)	(20,180)
Other operating expenses		(909)	(1,632)
Profit (loss) from operations	2	6,514	(29,828)
Finance costs		(820)	(1,454)
Operating profit (loss) of the Group		5,694	(31,282)
Gain on disposal of interest in an associate		-	2,284
Share of results of associates		2,098	2,314
Share of results of jointly controlled entities		(416)	(518)
Profit (Loss) before taxation		7,376	(27,202)
Taxation	3	(526)	(542)
Profit (Loss) before minority interest		6,850	(27,744)
Minority interest		(127)	87
Net profit (loss) for the year		6,723	(27,657)
Dividends		-	-
Earnings (loss) per share			
Basic	4	2.7 cents	(11.66 cents)

There were no recognised gains or losses other than the net profit (loss) for the year.

Notes:

1. Segment information

Turnover and segment information for the year ended 31st March, 2002.

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated Total HK\$'000
TURNOVER			
External sales	397,598	129,329	526,927
RESULT			
Segment results	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 after taxation			6,850

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

Turnover and segment information for the year ended 31st March, 2001.

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated Total HK\$'000
TURNOVER			
External sales	979,180	247,283	1,226,463
RESULT			
Segment results	(12,734)	(15,396)	(28,130)
Unallocated corporate expenses			(3,209)
Interest income			1,511
Loss from operations			(29,828)
Interest expenses			(1,454)
Gain on disposal of interest in an associate			2,284
Share of results of associates			
Civil engineering		(1,171)	(1,171)
Unallocated			3,485
Share of results of jointly controlled entities	(412)	(106)	(518)
Loss before taxation			(27,202)
Taxation			(542)
Loss after taxation			(27,744)

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

2. Profit (loss) from operations

	2002 HK\$'000	2001 HK\$'000
Profit (Loss) from operations has been arrived at after charging:		
Depreciation:		
Owned assets	4,221	5,789
Assets held under finance leases	122	152
Less: Amount capitalised to contract work	(3,134)	(4,543)
	1,209	1,398
Operating lease charges:		
Premises	2,739	3,414
Plant and machinery	69,784	119,398
Less: Amount capitalised to contract work	(69,859)	(119,555)
	2,664	3,257
Staff costs, including directors' emoluments	81,864	136,438
Less: Amount capitalised to contract work	(54,343)	(99,714)
	27,521	36,724

3. Taxation

	2002 HK\$'000	2001 HK\$'000
Provision for Hong Kong Profits Tax:		
The Company and subsidiaries	-	-
Current year's provision	528	558
Associates	(2)	(16)
Jointly controlled entities	526	542

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

4. Earnings (Loss) per share

The calculation of the basic earnings (loss) per share is based on the net profit for the year of HK\$6,723,000 (2001: net loss of HK\$27,657,000) and on 249,000,000 (2001: weighted average of 237,219,178) shares in issue during the year.

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

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 year.

5. Adoption of Statements of Standard Accounting Practice

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

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 financial statements except that certain comparative figures and disclosure have been adjusted and extended to conform with current year'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 year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

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

DIVIDEND

The Board of Directors does not recommend the payment of any final dividend for the year (2001: Nil). As no interim dividend was paid during the year (2001: Nil), no dividend will be paid for the entire year (2001: Nil).

OVERVIEW

For the year ended 31st March, 2002, the Group continued to operate under an extremely tough environment due to the slowdown in the local property market. The change in the government policy of Home Ownership Scheme also affected the business of the Group. With stringent cost control, effective project management and in spite of a significant decrease in turnover, the Group recorded an operating profit of HK\$6.5 million compared with a loss of HK\$29.8 million last year. Profit attributable to shareholders was HK\$6.7 million (loss of HK\$27.6 million in last year) and earning per share increased to HK2.7 cents (loss of HK11.66 cents in last year).

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2002, the outstanding value of construction contracts and civil engineering contracts of the Group on hand amounted to approximately HK\$79 million and HK\$182 million respectively.

During the year, building construction continued to be dampened by a sluggish property market. In order to maintain its competitiveness, the Group reduced its work force substantially and controlled its expenses effectively by streamlining the organisation and internal control procedures. All construction and civil engineering projects of the Group on hand were progressed and completed on schedule with details as shown below:

Construction Projects

During the year, the Group was awarded a construction contract of Lam Tin Primary School in Lam Tin Estate Redevelopment, Kwun Tong. This project commenced in February, 2002 and is targeted for completion in July, 2003. The project includes the construction of thirty classrooms and ancillary facilities.

Other construction contracts were completed with following details:

	Completion Date
1. Jockey Club School of Chinese Medicine Building at Hong Kong Baptist University	July, 2001
2. Home-Ownership Estate at King Shan Court, Phase II at Hammer Hill Road, Kowloon	March, 2002
3. The Professional Complex Development at The Hong Kong Polytechnic University	February, 2002
4. Public Housing Estate at Tin Shui Wai Area 105, Phase 1	August, 2001
5. Home-Ownership Estate at Tin Shui Wai Area 110, Phase 2	September, 2001

Civil Engineering Projects

During the year ended 31st March, 2002, the civil engineering contracts in hand include:

	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 1	Mid 2002
3. Maintenance and Repairs to Seawalls, Piers and Other Port Works (2000-2001)	Mid 2002

4. Jordan Road Reclamation Phase III and Remaining Engineering Works

Late 2002

Other Business

As most of the contracts in supplying concrete were long term, operating profit of Yue Xiu Concrete Company Limited, an associated company of the Group, maintained at a satisfactory level.

FINANCIAL REVIEW

As at 31st March, 2002, the Group's total net asset amounted to approximately HK\$68,980,000 (2001: HK\$62,257,000), an increase of HK\$6,723,000 or 10.8% when compared with 2001.

At the balance sheet date, the Group's bank and other borrowings amounted to HK\$63,000 (2001: HK\$32,421,000). Cash and deposit at bank amounted to HK\$55,875,000 (2001: HK\$19,570,000).

PROSPECTS

The economic repercussions of the September 11 terrorist attacks on the US had seriously affected world trade and global financial markets. The overall economic growth of Hong Kong was inevitably affected by the global economic slowdown and local exports were drastically declined last year. The first quarter of 2002 remained extremely slow with the GDP shrank by 0.9% year-on-year basis. Private consumption expenditure has been largely constrained by climbing unemployment rate and the persistent deflation. It is anticipated that local property market and construction industry will remain sluggish in the near future.

However, increase in property transactions is expected as buyers' confidence gradually returns. The initiatives taken by the HKSAR Government, such as the moratorium on the sale of Home Ownership Scheme flats, flexible land sale policy and the re-organisation of the internal structure, have indicated to the public a clear policy in property market. The policy of the Government will further be strengthened by the implementation of the "responsibility system" in July 2002. Furthermore, following the reduction of local interest rates in eleven times in 2001, mortgage interest rates are at a historically low level and the level of affordability is strongest on record. All these would induce investors to enter the property market and the recent performance of first hand property sales is encouraging.

Despite signs of recovery in the US economy from recession, the Hong Kong economy is beset by various cyclical and structural problems and looks unlikely to benefit from the US recovery in the short term. Looking forward, the Group will strive to enhance efficiency in project management and cost control. The Group will also capitalize on its expertise and experience in the construction industry so as to enhance the value to its shareholders.

EMPLOYEES AND REMUNERATION POLICIES

The Group employed approximately 170 full time staff in Hong Kong as at 31st March, 2002. Total staff costs amounted to HK\$81,864,000 for the year ended 31st March, 2002. 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 employees' share option scheme.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 28th December, 1995 under which Directors are authorised to grant options to full-time employees, including Executive Directors of the Company or its subsidiaries. The scheme will be expired on 27th December, 2005.

The Board considers that it is in the interest of the Company to terminate the existing share option scheme and to adopt a new share option scheme of the Company as pursuant to the amendments to Chapter 17 of the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). An ordinary resolution will be proposed for the termination of the existing share option scheme and the adoption of the said new share option scheme at the forthcoming Annual General Meeting of the Company to be held on 20th September, 2002. A circular setting out the terms and conditions of the share option scheme will be sent to the shareholders as soon as practicable.

AUDIT COMMITTEE

The Audit Committee, which was established pursuant to the requirements of the Listing Rules, comprising Messrs TING Hok Shou, Dennis and SUN Kai Dah, George, both Independent Non-Executive Directors of the Company, met twice in the year. During the meetings, the Committee reviewed the Connected Transactions, interim and annual reports of the Group and discussed with management 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

2001 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 time safely.

By Order of the Board
CHOW Yei Ching
Chairman

Hong Kong, 11th July, 2002

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