



CHEVALIER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

CONDENSED CONSOLIDATED INCOME STATEMENT For the six months ended 30th September, 2003

Notes	Unaudited Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Turnover	151,002	87,235
Cost of sales	(142,567)	(79,568)
Gross profit	8,435	7,667
Other revenue	1,568	718
Administrative expenses	(3,352)	(4,332)
Other operating expenses	(1,270)	(327)
Profit from operations	5,381	3,726
Finance costs	—	(14)
Share of results of an associate	588	1,028
Share of results of jointly controlled entities	(2,062)	(363)
Profit before taxation	3,907	4,377
Taxation	(1,450)	(165)
Profit before minority interest	2,457	4,212
Minority interest	(23)	25
Net profit for the period	2,434	4,237
Interim dividends	—	—
Earnings per share Basic	0.98 cents	1.70 cents

NOTES TO CONDENSED FINANCIAL STATEMENTS For the six months ended 30th September, 2003

1. Significant Accounting Policies

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

The accounting policies adopted in these condensed consolidated interim financial statements have been prepared on a basis consistent with the principal accounting policies as stated in the audited financial statements of the Group for the year ended 31st March, 2003, except that the Group has adopted the SSAP 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants, which is effective for accounting periods commencing on or after 1st January, 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this standard has had no material effect on the results for the current or prior accounting periods of the Group and accordingly, no prior period adjustment is required.

2. Segment Information

Turnover and segment information for the six months ended 30th September, 2003.

	Building construction & maintenance HK\$'000	Civil engineering HK\$'000	Consolidated total HK\$'000
TURNOVER			
External sales	56,803	94,199	151,002
RESULT			
Segment results	8,712	(2,817)	5,895
Unallocated corporate expenses			(1,551)
Interest income			1,519
Net unrealised loss on other investment			(482)
Profit from operation			5,381
Share of result of an associate			588
Share of results of jointly controlled entities	14	(2,076)	(2,062)
Profit before taxation			3,907
Taxation			(1,450)
Profit before minority interest			2,457

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

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 operation			3,726
Interest expenses			(14)
Share of result of an associate			1,028
Share of results of jointly controlled entities	(228)	(135)	(363)
Profit before taxation			4,377
Taxation			(165)
Profit before minority interest			4,212

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

3. Profit from Operations

Profit from operations has been arrived at after charging:

	Six months ended 30th September 2003 HK\$'000	2002 HK\$'000
Depreciation on property, plant and equipment	993	1,002
Less: Amount capitalised to contract work	(737)	(593)
	256	409
Operating lease charges:		
Premises	856	1,231
Plant and machinery	35,269	17,365
Less: Amount capitalised to contract work	(35,269)	(17,365)
	856	1,231
Staff costs, including directors' emoluments	17,913	24,713
Less: Amount capitalised to contract work	(11,186)	(13,592)
	6,727	11,121

4. Taxation

	Six months ended 30th September 2003 HK\$'000	2002 HK\$'000
Provision for Hong Kong Profits Tax:		
The Company and subsidiaries	1,347	—
Associate	103	165
Jointly controlled entities	—	—
	1,450	165

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits of each individual company comprising the Group. No provision for Hong Kong Profits Tax in the 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 Per Share

The calculation of the basic earnings per share is based on the net profit for the period of HK\$2,434,000 (2002: HK\$4,237,000) and on 249,000,000 (2002: 249,000,000) shares in issue during the period.

Diluted earnings per share is not presented as there is no outstanding options during the period and the same period of last year.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30th September, 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2003, the Group has maintained a substantial growth in turnover to HK\$151 million representing 73% increase compared with same period last year (2002: HK\$87 million). Operating profit increased to HK\$5.4 million (2002: HK\$3.7 million). However, after sharing results of jointly controlled entities, profit attributable to shareholders was HK\$2.4 million (2002: HK\$4.2 million) and earnings per share was HK0.98 cent (2002: HK1.7 cents).

Despite the difficult market condition especially in the private sector due to the excessive supply in the property market, the Group has successfully bid for several contracts from the HKSAR Government. As of 30th September, 2003, value of building construction and civil engineering contracts on hand for the Group amounted to approximately HK\$385 million and HK\$110 million respectively.

Construction Projects

During the period under review, the Group was awarded the contract by Architectural Services Department 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. It is expected that the project will be completed in late 2004. Upon completion, it will be an important ecological tourist attraction spot in Hong Kong embodying conservation, education and recreation in one place.

A new contract for the construction of a Primary School and a Secondary School in Area 16, Kau Hui, Yuen Long, New Territories was awarded during the period under review. It included the construction of a 8-storey V-shaped primary school building and a L-shaped secondary school building with 30 classrooms and associated facilities respectively. The work was commenced in September, 2003 and is expected to be completed in 2005.

Subsequent to the period under review, another new contract for the construction of a Primary School and a Secondary School in Area 104, Tin Shui Wai, New Territories was added to the order book of the Group. It included the construction of a 8-storey L-shaped primary

school building and a U-shaped secondary school building with 30 classrooms and associated facilities respectively. Construction work was commenced in October, 2003 and is also expected to be completed in 2005.

Construction of Lam Tin Primary School at Kwun Tong was completed in June, 2003.

Civil Engineering Projects

During the period under review, contracts 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 the joint-venture concrete business slowed down when compared with the same period last year due to competition from suppliers.

PROSPECTS

With the outbreak of Severe Acute Respiratory Syndrome, Hong Kong economy has slumped into a recession in the second quarter of 2003. Although there was signs of recovery in the third quarter of 2003, the property market in Hong Kong still remained sluggish especially with ample supply of new flats. Furthermore, the HKSAR government has committed to reduce the fiscal deficit, albeit at a slower pace. These continue to pose a drag on investment spending on building and construction and the rebound in the construction industry is not likely to come about in the near term.

Looking ahead, the Group will continue to adopt its prudent cost control measures to enhance cost-effectiveness and competitiveness and well manage the projects on hand. In addition, the Group will also manage its cash resources cautiously and effectively in order to enhance its return. We certainly believe that with sound professional management and dedicated work force, the Company will be able to meet the turnaround of the construction industry in the future.

SUBSEQUENT EVENT

Proposed Privatisation of the Company

On 31st October, 2003, Chevalier International Holdings Limited ("CIHL") proposed to privatise the Company by way of a scheme of arrangement under section 99 of the Bermuda Companies Act (the "Proposal") at the cancellation price of HK\$0.25 per scheme share (the "Scheme Share(s)"). The making of the Proposal was duly approved by CIHL independent shareholders at the special general meeting of CIHL on 5th December, 2003. Subject to the approval of the scheme shareholders in the Court Meeting and the special general meeting of the Company which is expected to be held in January, 2004, all the Scheme Shares will be cancelled and the Company will become a wholly-owned subsidiary of CIHL. The Company will then apply to The Stock Exchange of Hong Kong Limited ("the Stock Exchange") for the withdrawal of the listing of its shares.

FINANCIAL REVIEW

As at 30th September, 2003, the Group's total net asset amounted to approximately HK\$79 million (HK\$76 million as at 31st March, 2003). The Group's bank and other borrowings was nil (nil as at 31st March, 2003) while cash and deposit at bank amounted to approximately HK\$133 million (HK\$58 million as at 31st March, 2003).

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September, 2003, the Group employed approximately 120 full time staff in Hong Kong. Total staff costs amounted to approximately HK\$18 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 on the Stock Exchange ("the Listing Rules"), comprising Messrs SUN Kai Dah, George and Du Shue Chu, both the Independent Non-Executive Directors of the Company, met twice in the year. During the period, the Audit Committee has reviewed with the 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, 2003.

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, 2003 to 30th September, 2003.

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 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, 18th December, 2003
website: <http://www.chevalier.com>