



# **CHEVALIER INTERNATIONAL HOLDINGS LIMITED**

**(Incorporated in Bermuda with limited liability)**

**INTERIM REPORT 2001-2002**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30th September, 2001

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September,</b>	
		<b>2001</b>	2000
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>1,640,845</b>	1,821,976
Cost of sales		<b>(1,351,551)</b>	(1,492,925)
Gross profit		<b>289,294</b>	329,051
Other revenue		<b>25,080</b>	31,212
Distribution costs		<b>(119,959)</b>	(120,024)
Administrative expenses		<b>(50,252)</b>	(47,232)
Other operating expenses		<b>(19,728)</b>	(19,751)
Profit from operations	3	<b>124,435</b>	173,256
Finance costs		<b>(28,684)</b>	(46,822)
Share of results of associates		<b>8,550</b>	(4,586)
Share of results of jointly controlled entities		<b>(5,086)</b>	(3)
Profit before taxation		<b>99,215</b>	121,845
Taxation	4	<b>(20,976)</b>	(30,834)
Profit after taxation		<b>78,239</b>	91,011
Minority interests		<b>(3,209)</b>	(7,294)
Net profit for the period		<b>75,030</b>	83,717
Interim dividend	5	<b>24,618</b>	29,172
Earnings per share	6		
Basic		<b>6.1 cents</b>	7.18 cents
Diluted		<b>6.07 cents</b>	7.08 cents
Interim dividend per share		<b>2.0 cents</b>	2.5 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30th September, 2001

		<b>Unaudited</b>	(Restated)
		<b>30th September,</b>	Audited
		<b>2001</b>	31st March,
	<i>Note</i>	<b>HK\$'000</b>	2001
			<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Investment properties		<b>384,352</b>	377,904
Property, plant & equipment	7	<b>1,001,150</b>	953,008
Properties under development		<b>5,880</b>	35,552
Interests in associates		<b>85,690</b>	79,029
Interests in jointly controlled entities		<b>50,385</b>	9,716
Investments in securities		<b>27,112</b>	5,780
Pledged deposits		<b>63,552</b>	63,000
Club debenture		<b>1,869</b>	1,869
Goodwill		<b>7,546</b>	—
		<hr/> <b>1,627,536</b>	<hr/> 1,525,858
<b>CURRENT ASSETS</b>			
Inventories		<b>221,884</b>	244,532
Properties for sale		<b>1,142,397</b>	1,161,638
Debtors, deposits and prepayments	8	<b>1,108,383</b>	1,040,749
Amount due from associates		<b>3,171</b>	902
Amount due from jointly controlled entities		<b>36,321</b>	35,187
Amount due from customers for contract works		<b>113,756</b>	84,688
Investments in securities		<b>81,570</b>	48,809
Cash and bank balances		<b>612,036</b>	705,242
		<hr/> <b>3,319,518</b>	<hr/> 3,321,747
<b>CURRENT LIABILITIES</b>			
Creditors, deposits and accruals	9	<b>792,480</b>	883,058
Construction costs payable		<b>172,674</b>	176,248
Amount due to associates		<b>121</b>	79
Amount due to jointly controlled entities		<b>19,037</b>	19,032
Amount due to customers for contract works		<b>43,135</b>	5,688
Bills payable		<b>67,337</b>	120,264
Obligation under finance lease, due within 1 year		<b>14</b>	45
Deferred income		<b>174,060</b>	111,846
Provision for taxation		<b>40,284</b>	31,128
Bank loans, due within 1 year		<b>225,645</b>	110,325
Other loans, due within 1 year		<b>22,000</b>	3,382
Short-term bank loans and overdrafts		<b>331,745</b>	255,032
		<hr/> <b>1,888,532</b>	<hr/> 1,716,127
<b>NET CURRENT ASSETS</b>		<hr/> <b>1,430,986</b>	<hr/> 1,605,620

**CONDENSED CONSOLIDATED BALANCE SHEET** *(Continued)*

As at 30th September, 2001

		(Restated) Audited 31st March, 2001 HK\$'000
	<b>Unaudited 30th September, 2001</b>	
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT LIABILITIES</b>		
Bank loans	<b>464,160</b>	605,964
Other loans	—	18,840
	<b>464,160</b>	624,804
<b>MINORITY INTERESTS</b>		
	<b>326,950</b>	325,411
	<b>2,267,412</b>	2,181,263
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>307,726</b>	307,726
Reserves	<b>1,891,986</b>	1,830,455
Proposed dividends	<b>67,700</b>	43,082
	<b>2,267,412</b>	2,181,263

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**

For the six months ended 30th September, 2001

		(Restated)	
		Unaudited	
		Six months ended	
		30th September,	
		2001	2000
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit for the period		<b>75,030</b>	83,717
Prior year adjustment	<i>1(d)</i>	—	(23,873)
Net profit for the period (2000: as restated)		<b>75,030</b>	59,844
Release on disposal of revaluated property		<b>(741)</b>	—
Release of goodwill previously eliminated against capital reserve on dissolution of a subsidiary		<b>792</b>	—
Exchange gain arising on translation of overseas operations		<b>11,068</b>	353
Goodwill arising on acquisition of additional interests in subsidiaries and associates eliminated directly against reserve		—	(175)
Total recognised gains		<b>86,149</b>	60,022

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30th September, 2001

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash (outflow) inflow from operating activities	<b>(18,630)</b>	85,086
Returns on investments and servicing of finance		
Dividends paid	—	(41)
Dividends received from associates	—	1,710
Dividends paid to minority shareholders of subsidiaries	<b>(1,832)</b>	(400)
Dividends received from investments in securities	<b>807</b>	538
Interest received	<b>13,590</b>	20,925
Interest paid	<b>(32,838)</b>	(51,096)
Finance lease charges	<b>(1)</b>	(7)
Net cash outflow from returns on investments and servicing of finance	<b>(20,274)</b>	(28,371)
Taxation		
Profits tax paid	<b>(17,283)</b>	(17,279)
Profits tax refunded	<b>5,674</b>	2,484
Net tax paid	<b>(11,609)</b>	(14,795)
Investing activities		
Purchase of property, plant and equipment	<b>(43,440)</b>	(120,673)
Additions to properties under development	<b>(35)</b>	(10,672)
Disposal of property, plant and equipment	<b>1,410</b>	223
Purchase of additional interest in subsidiaries	<b>(169)</b>	(1,954)
Purchase of additional interest in associates	<b>(633)</b>	(543)
Purchase of interest in jointly controlled entities	<b>(58,880)</b>	—
Advance to associates	<b>(255)</b>	(4,881)
Repayments by jointly controlled entities	<b>5,706</b>	2,730
Increase in pledged deposits	<b>(552)</b>	—
Net cash outflow from investing activities	<b>(96,848)</b>	(135,770)
Net cash outflow before financing	<b>(147,361)</b>	(93,850)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT** *(Continued)*

For the six months ended 30th September, 2001

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financing		
New bank and other loans	<b>173,800</b>	226,400
Repayment of bank and other loans	<b>(154,359)</b>	(169,414)
Contribution by minority shareholders of subsidiaries	<b>1,076</b>	8
Issue of new shares	—	708
Share issue expenses	—	(2)
(Repayments of) /additions to finance lease obligations	<b>(31)</b>	117
	<hr/> <b>20,486</b>	<hr/> 57,817
Net cash inflow from financing		
	<b>20,486</b>	57,817
Net decrease in cash and cash equivalents	<b>(126,875)</b>	(36,033)
Cash and cash equivalents at the beginning of the period	<b>459,610</b>	293,399
Effect of changes in foreign exchange rates	<b>4,112</b>	(1,418)
	<hr/> <b>336,847</b>	<hr/> 255,948
Cash and cash equivalents at the end of the period		
	<b>336,847</b>	255,948
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<b>612,036</b>	694,298
Short-term bank loans and overdrafts	<b>(275,189)</b>	(438,350)
	<hr/> <b>336,847</b>	<hr/> 255,948

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September, 2001

### 1 Significant accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

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. Adoption of these Standards resulted in a number of changes in group accounting policies which are set out below:—

#### (a) Proposed dividends

In accordance with SSAP 9 (revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of shareholders’ funds on the face of the balance sheet.

In adjusting prior year’s figure, shareholders’ funds as at 31st March, 2001 was restated and increased by HK\$43.082 millions representing the proposed final dividend for the year ended 31st March, 2001.

#### (b) Leases

SSAP 14 (Revised) “Leases”, prescribes the accounting policies and disclosure 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 have been adjusted and extended to conform with current period’s presentation.

#### (c) Segment reporting

Adoption of SSAP 26 “Segment reporting” has resulted in a 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.



**1 Significant accounting policies** (*Continued*)

**(d) Goodwill/negative goodwill**

Goodwill represents the excess of purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the acquired subsidiaries, associates or jointly controlled entities. Negative goodwill represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of subsidiaries, associates or jointly controlled entities over the purchase consideration.

In adopting SSAP 30 "Business combinations", the Group has elected not to restate goodwill/negative goodwill previously eliminated against/(credited to) reserves. Goodwill arising on acquisitions prior to 1st April, 2001 is held in reserve and will be charged to the income statement at the time of disposal of the relevant subsidiaries, associates or jointly controlled entities, or at such time as further impairment losses are identified in accordance with SSAP 31 "Impairment of Assets". Negative goodwill arising on acquisitions prior to 1st April, 2001 is held in reserve and will be credited to income at the time of disposal of the relevant subsidiaries, associates or jointly controlled entities.

Goodwill arising on acquisitions of subsidiaries, associates or jointly controlled entities on or after 1st April, 2001 is now recognised as an asset and is amortised on a straight-line basis over its estimated useful life. Any impairment loss identified is recognised as an expense immediately. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

As a result of this change, the Group has adjusted the prior year's reserve and retained profits for the impairment loss identified resulting in a decrease in profit for the six months ended 30th September, 2001 by HK\$157,000 and retained profits at 30th September 2001 by HK\$23,873,000 and an increase in capital reserve at 30th September, 2001 by the same amount.

## 2. Segment Information

An analysis of the Group's turnover and contribution to operating profit by business segments and geographical segments are as follows:

### (a) *By business segments*

*For the six months ended 30th September, 2001*

	Lifts and escalators, air-conditioning systems, electrical and mechanical systems and environmental engineering equipment HK\$000	Supply and installation of building materials and equipment HK\$000	Sales, servicing and leasing of motor vehicles HK\$000	Property investment and development HK\$000	Voice and data communication equipment and services, system integrated IT solutions and sales of business machines HK\$000	Trading of general merchandises HK\$000	Insurance business HK\$000	Hotel operation HK\$000	Others HK\$000	Elimination HK\$000	Group Total by segment HK\$000
<b>Turnover</b>											
External Sales	622,579	134,598	172,354	54,946	396,849	60,721	142,863	29,930	26,005	—	1,640,845
Inter-segment sales	964	1,924	—	22,452	—	—	17,653	—	4,145	(47,138)	—
Total Turnover	<u>623,543</u>	<u>136,522</u>	<u>172,354</u>	<u>77,398</u>	<u>396,849</u>	<u>60,721</u>	<u>160,516</u>	<u>29,930</u>	<u>30,150</u>	<u>(47,138)</u>	<u>1,640,845</u>
<b>Results</b>											
Segment Results	<u>51,505</u>	<u>29,868</u>	<u>4,364</u>	<u>31,484</u>	<u>(4,745)</u>	<u>(979)</u>	<u>303</u>	<u>(5,469)</u>	<u>8,937</u>		115,268
Unallocated corporate expenses											(3,932)
Operating Profits											111,336
Interest Income											12,292
Dividend Income											807
Profit from operations											124,435
Interest expenses											(28,684)
Share of results of associates	(27)			5,514	2,941				122		8,550
Share of results of jointly controlled entities				(14)					(5,072)		(5,086)
Profit before taxation											99,215
Taxation											(20,976)
Profit after taxation											78,239
Minority Interests											(3,209)
Net profit for the period											<u>75,030</u>

2. Segment Information (Continued)

(a) By business segments (Continued)

For the six months ended 30th September, 2000

	Lifts and escalators, air-conditioning systems, electrical and mechanical systems and environmental engineering equipment HK\$000	Supply and installation of building materials and equipment HK\$000	Sales, servicing and leasing of motor vehicles HK\$000	Property investment and development HK\$000	Voice and data communication equipment and services, system integrated IT solutions and sales and servicing of business machines HK\$000	Trading of general merchandises HK\$000	Insurance business HK\$000	Hotel operation HK\$000	Others HK\$000	Elimination HK\$000	Group Total by segment HK\$000
<b>Turnover</b>											
External Sales	770,859	137,310	200,110	28,928	534,415	54,894	11,511	22,625	61,324	—	1,821,976
Inter-segment sales	776	—	—	31,247	2,612	—	10,802	—	1,713	(47,150)	—
Total Turnover	<u>771,635</u>	<u>137,310</u>	<u>200,110</u>	<u>60,175</u>	<u>537,027</u>	<u>54,894</u>	<u>22,313</u>	<u>22,625</u>	<u>63,037</u>	<u>(47,150)</u>	<u>1,821,976</u>
<b>Results</b>											
Segment Results	<u>90,989</u>	<u>34,872</u>	<u>4,442</u>	<u>31,825</u>	<u>21,538</u>	<u>(2,728)</u>	<u>711</u>	<u>(906)</u>	<u>(25,158)</u>		155,585
Unallocated corporate expenses											(2,442)
Operating Profits											153,143
Interest Income											19,685
Dividend Income											428
Profit from operations											173,256
Interest expenses											(46,822)
Share of results of associates				10	3,008				(7,604)		(4,586)
Share of results of jointly controlled entities				(4)						1	(3)
Profit before taxation											121,845
Taxation											(30,834)
Profit after taxation											91,011
Minority Interest											(7,294)
Net profit for the period											<u>83,717</u>

## 2. Segment Information (Continued)

### (b) By geographical segments

	Six months ended 30 September,			
	<i>HK\$'Million</i>			
	Turnover		Contribution to operating profit/(loss) after finance costs	
	2001	2000	2001	2000
Hong Kong	1,071	1,216	65	90
The People's Republic of China	189	165	4	9
Canada	183	212	7	5
Singapore	71	97	16	18
U.S.A.	42	44	—	—
Thailand	65	86	5	5
Others	19	1	(1)	(1)
	<u>1,640</u>	<u>1,821</u>	<u>96</u>	<u>126</u>

## 3. Profit from operations

Profit from operations is stated after charging the followings:

	Six months ended 30th September,	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cost of inventories recognized as expenses	572,402	663,211
Depreciation on property, plant and equipment	24,960	24,483
Staff costs including directors' emolument	234,255	232,362
Less: Amount capitalised to contract work	(10,341)	(8,230)
	<u>223,914</u>	<u>224,132</u>
Operating lease payments in respect of leasing of Premises	17,635	15,761
Plant and equipment	296	187
	<u>17,931</u>	<u>15,948</u>

**4. Taxation**

Hong Kong profits tax has been provided for at the rate of 16% (2000: 16%) on the estimated assessable profits for the period. Provision for overseas taxation is calculated based on the applicable local legislation on the estimated assessable profits of the individual company concerned.

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
The Company and subsidiaries		
Hong Kong	<b>15,252</b>	22,828
Overseas	<b>5,170</b>	7,431
Associates		
Hong Kong	<b>556</b>	575
Jointly controlled entities		
Hong Kong ( <i>Note</i> )	<b>(2)</b>	—
	<b><u>20,976</u></b>	<u>30,834</u>

*Note:* Being taxation over-provided in previous year.

**5. Interim dividend**

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
HK\$0.02 per share on 1,230,904,366 shares (2000: HK\$0.025 per share on 1,166,866,152 shares)	<b><u>24,618</u></b>	<u>29,172</u>

**6. Earnings per share**

The calculation of basic and diluted earnings per share is based on the following data :

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Earnings for the purpose of basic earnings per share	<b>75,030</b>	83,717
Effect of dilutive potential ordinary shares :		
Adjustment to the share of results of a subsidiary based on dilution of its earnings per share	<b>—</b>	(51)
Earnings for the purpose of diluted earnings per share	<b><u>75,030</u></b>	<u>83,666</u>

**6. Earnings per share (Continued)**

	<b>Number of Ordinary Shares</b>	Number of Ordinary Shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>1,230,904,366</b>	1,165,936,360
Effect of dilutive potential ordinary shares:		
Share options	<u><b>4,912,807</b></u>	<u>14,661,417</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><b>1,235,817,173</b></u>	<u>1,180,597,777</u>

**7. Property, plant and equipment**

For the six months ended 30th September, 2001, the Group acquired property, plant and equipment of HK\$16,406,000 and disposal of property, plant and equipment of HK\$ 11,554,000. In addition, hotel property under development of \$ 56,867,000 was completed during the current period.

**8. Debtors, deposits and prepayments**

Included in debtors, deposits and prepayments are trade debtors and the ageing analysis is as follows:

	<b>Balance at 30th September, 2001 HK\$'000</b>	Balance at 31st March, 2001 HK\$'000
0-60 days	<b>551,555</b>	578,204
61-90 days	<b>37,329</b>	34,553
Over 90 days	<u><b>121,405</b></u>	<u>93,474</u>
	<u><b>710,289</b></u>	<u>706,231</u>

**9. Creditors, deposits and accruals**

Included in creditors, deposits and accruals are trade creditors and the ageing analysis is as follows:

	<b>Balance at 30th September, 2001 HK\$'000</b>	Balance at 31st March, 2001 HK\$'000
0-60 days	<b>325,364</b>	338,211
61-90 days	<b>8,467</b>	8,931
Over 90 days	<u><b>22,458</b></u>	<u>17,052</u>
	<u><b>356,289</b></u>	<u>364,194</u>

**10. Share Capital**

There was no movement during the period under review.

**11. Reserves**

Reserve movements during the six month ended 30th September, 2001 are as follows:

	Share Premium HK\$'000	Capital Reserve HK\$'000	Capital Redemption Reserve HK\$'000	Property Investment Properties HK\$'000	Revaluation Reserve Properties For Own Use HK\$'000	Exchange Fluctuation Reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000
Balance at 31st March, 2001 as previously reported	370,196	267,884	7,526	46,710	98,604	(21,671)	1,061,206	1,830,455
Prior year adjustments:								
Retrospective recognition of impairment loss of goodwill held in reserve		23,873					(23,873)	—
Effect of adopting SSAP 9 (Revised)							43,082	43,082
Balance at 31st March, 2001 as repeated	370,196	291,757	7,526	46,710	98,604	(21,671)	1,080,415	1,873,537
Released on disposal of revaluated property				(741)				(741)
Release of goodwill written off against capital reserve upon dissolution of a subsidiary		792						792
Transfer from property revaluation reserve to retained profits upon disposal of property					(158)		158	—
Exchange gain on translation of financial statements of foreign subsidiaries						11,068		11,068
Net profit for the period							75,030	75,030
Balance at 30th September, 2001	<u>370,196</u>	<u>292,549</u>	<u>7,526</u>	<u>45,969</u>	<u>98,446</u>	<u>(10,603)</u>	<u>1,155,603</u>	<u>1,959,686</u>
Reserves	370,196	292,549	7,526	45,969	98,446	(10,603)	1,087,903	1,891,986
Proposed Dividends							67,700	67,700

**12. Commitments and contingent liabilities**

As at 30th September, 2001, the Group had the following contingent liabilities and commitments:

- The Company had contingent liabilities in respect of counter-indemnities given to bankers and insurance institutions for their guarantees amounting to approximately HK\$294,500,000 (31st March, 2001: HK\$309,700,000) issued in respect of the Group's performance for maintenance and remedial work for Private Sector Participation Scheme projects completed by the Group.
- The Company issued guarantees for banking facilities utilised and performance bonds extended to its subsidiaries and associates amounting to HK\$816,843,000 (31st March, 2001: HK\$889,302,000) and HK\$419,350,000 (31st March, 2001: HK\$429,620,000).
- The Group had future minimum lease payments under non-cancellable operating leases as follows:—

	<b>30th September, 2001 HK\$'000</b>	31st March, 2001 HK'000
Leases which expire:		
Within one year	<b>22,722</b>	23,644
In the second to fifth years inclusive	<b>11,451</b>	12,770
	<u><b>34,173</b></u>	<u>36,414</u>

**13. Comparative figures**

Certain comparative figures have been reclassified in order to conform with the presentation of current period.

## **INTERIM DIVIDEND**

The Board of Directors has resolved to declare an interim dividend of HK2 cents (2000: HK2.5 cents) per share for the six months ended 30th September, 2001, payable on Wednesday, 16th January, 2002 to shareholders whose names appear on the Register of Members of the Company on Friday, 11th January, 2002.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Wednesday, 9th January, 2002 to Friday, 11th January, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited of 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 8th January, 2002.

## **BUSINESS REVIEW**

As a result of slowdown in the Hong Kong property market, the profitability of the Group's core businesses including lifts and escalators, aluminium windows and curtain walls, electrical and mechanical engineering, and building materials suffered a setback during the six months ended 30th September, 2001. The Group's turnover was HK\$1,641 million, representing a decrease of 9.9% over the same period last year. Profit attributable to shareholders was HK\$75 million, representing a decrease of 10.3% over the same period last year.

Despite the depressed economic situation in Hong Kong, the Group continued its expansion plan. The progress of those businesses with growth potential, such as insurance and pipe rehabilitation, was encouraging. Turnover of the Group's Insurance Division for the six months ended 30th September, 2001 has grown substantially. In order to cope with the future expansion, the paid-up capital of Chevalier Insurance Company Limited, a wholly-owned subsidiary of the Group, has increased from HK\$100 million to HK\$140 million in December 2001.

In June 2001, the Group invested in PRS Rohrsanierung GmbH ("PRS"), a German pipe relining and rehabilitation contracting company, by acquiring 44% interest in PRS. In September 2001, the Group further invested in pipe rehabilitation business in Asia by forming a 55:45 joint-venture company, Chevalier-PRS (Asia) Holdings Limited. These subsidiaries have recently been awarded several contracts in Hong Kong and Singapore. The Group anticipates that this business will have considerable growth in the future.

Contribution from the investment property in both Mainland and Hong Kong increased due to enhanced rental yield from the luxury residential property in Shanghai. The Property Management Division in Hong Kong also maintained a steady growth in both turnover and profit. The Group currently manages 16 estates and buildings in Hong Kong with a portfolio of approximately 20 million square feet.



Qi Shi Hotel - Dongguan, the third medium-class hotel of the Group in the Mainland, was opened in August 2001. The hotel comprises 96 rooms and features various dining, recreation and business facilities. The occupancy rates of another two hotels of the Group in Xinyang and Jiujiang have improved by reaching approximately 70%.

Although the economy in North America is slowing, the Group's automobile business in Canada is showing strong profit growth, especially the Group's Automobile Division in Toronto, Canada selling Honda vehicles.

### **Chevalier iTech Holdings Limited ("CiTL")**

CiTL Group's turnover amounted to HK\$418 million for the six months ended 30th September, 2001, representing a decrease of 27% over the same period last year. An operating loss of HK\$3.25 million, representing a loss of HK0.38 cent per share was recorded. The setback of the results reflects a difficult business environment stemming from the global economic slowdown.

The performance of CiTL's Telecommunication System and Services Division was unsatisfactory. Turnover of Chevalier Shops and mobile phone franchise shops were adversely affected by the slow down in the market demand and keen competition among local network operators, resulting in lower profit margins of both products and services.

Chevalier (Network Solutions) Limited ("CNSL") has established itself as a quality provider of network solution and system integration services in Hong Kong. Since its inception in last year, CNSL has been awarded a number of large-scale contracts of network solutions and systems integration from local enterprises and corporations.

The operating environment of office equipment business remained difficult with dips in capital expenditure of most corporations. However, the After-sale Services Division maintained a stable performance despite the slow down in turnover.

In the face of the decline in consumer spending and severe competition in household products, CiTL Group focused on re-aligning and streamlining the operation of Q-Mart Shops ("Q-Mart") by closing those unprofitable outlets in order to reduce overheads and improve operating efficiency. In the coming year, Q-Mart will continue to pursue rigorous cost control measures, lower inventory levels and offer various value-for-money household goods to customers. It plans to open new stores in strategic locations such as shopping malls of large-scale public housing estates in order to increase market share and widen customer base.

### **Chevalier Construction Holdings Limited ("CCHL")**

With its continuous efforts in improving operation efficiency and implementing stringent cost control measures, CCHL Group's unaudited consolidated net loss for the six months ended 30th September, 2001 has significantly reduced to HK\$1.38 million compared with a loss of HK\$19.76 million last year. A loss per share has also been 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 on hand of CCHL Group amounted to approximately HK\$2,100 million and HK\$236 million respectively, whereas the gross and outstanding value of civil engineering contracts on hand amounted to HK\$580 million and HK\$273 million respectively.

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

### **Chevalier Singapore Holdings Limited (“CSHL”)**

For the six months ended 30th September, 2001, the operating profit before tax of CSHL Group was S\$3.8 million, representing a decline of 9.8% over the same period last year. Turnover was reduced by 24.1% to S\$15.3 million over the same period last year mainly as a result of the decrease in both number and value of the lift and escalator installation projects completed during the period. However, CSHL Group managed to achieve a steady growth in revenue from the upgrading, retrofitting, testing and commissioning, servicing and maintenance of lifts and escalators.

### **FINANCIAL REVIEW**

As at 30th September, 2001, the total credit facilities available to the Group amounted to HK\$2,803 million and the undrawn balance stood at HK\$1,692 million. In addition, loans outstanding as at 30th September, 2001 was HK\$1,035 million. Cash available to the Group as at 30th September, 2001 amounted to HK\$676 million.

As at 30th September, 2001, the Group's debt-to-equity ratio, which is calculated on the basis of the ratio of bank-loans outstanding to capital and reserves was 0.46.

### **PROSPECTS**

Following the technology bubble burst in 2000, the global economy has deteriorated (particularly in the US). The September 11 terrorist attacks on the US have further dampened the economic conditions worldwide, aggravating the economy and employment situation in Hong Kong, affecting all types of employees. The Group anticipates that this severe business environment will continue until a rebound in global economy is seen, particularly in the US.

Local interest rates have been reduced to the lowest level for the last 30 years in tandem with the US. This, together with the government's recent suspension on the sale of Home Ownership Scheme (HOS) flats for ten months, has encouraged the users to enter the property market. Recent responses to the sales of new residential units and the public auction of land are encouraging. Moreover, with the Mainland's accession to the World Trade Organization, Hong Kong's leading role as a gateway to the Mainland and as an international metropolitan centre will be enhanced. Numerous business opportunities will emerge in the Mainland, particularly in the area of construction and infrastructure. The Group remains cautiously optimistic about the long-term prospects of Hong Kong's economy.

Looking forward, the Group will continue to reduce its operating costs in order to improve its competitiveness and exploit business opportunities particularly in the Mainland. The Group believes that with our experienced management team, solid financial position and extensive regional network, the Group is well-positioned to face the challenges ahead.

## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 30th September, 2001, the interests of the Directors in the share capital and share options of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or required to be recorded in the register of the Company pursuant to Section 29 of the SDI Ordinance were as follows:

### (a) Interests in the Company

#### (i) Shares

Name of Director	Number of ordinary shares		
	Personal interests	Family interests	Total
CHOW Yei Ching	615,445,993*	—	615,445,993
KUOK Hoi Sang	491,083	—	491,083
FUNG Pak Kwan	456,450	—	456,450
KAN Ka Hon	145,200	—	145,200
TAM Kwok Wing	845,078	162,365	1,007,443
Iain Leonard DALE	42,016	—	42,016

\* Dr CHOW Yei Ching beneficially owned 615,445,993 shares, representing approximately 50% of the issued share capital of the Company. These shares were same as those shares described in “Substantial Shareholder” below.

#### (ii) Share options

Name of Director	Date of grant	Period during which options are exercisable	Con- sideration paid for options granted	Exercise price per option	Number of share options	
					Exercised during the period	Outstanding as at 30th September, 2001
			(HK\$)	(HK\$)		
CHOW Yei Ching	17/12/1999	30/06/2000 - 29/06/2003	1	0.488	—	8,450,000
KUOK Hoi Sang	17/12/1999	30/06/2000 - 29/06/2003	1	0.488	—	5,350,000
FUNG Pak Kwan	17/12/1999	30/06/2000 - 29/06/2003	1	0.488	—	5,350,000
KAN Ka Hon	17/12/1999	30/06/2000 - 29/06/2003	1	0.488	—	5,000,000
WONG Kie Ngok, Alexander	17/12/1999	30/06/2000 - 29/06/2003	1	0.488	—	5,000,000
TAM Kwok Wing	17/12/1999	30/06/2000 - 29/06/2003	1	0.488	—	5,000,000

**(b) Interests in Associated Corporations***(i) Shares*

Name of Director	Associated corporations	Number of ordinary shares			Total
		Personal interests	Corporate interests	Family interests	
CHOW Yei Ching	CiTL	34,079,270	432,098,666*	—	466,177,936
	CSHL	4,375,000	80,000,000*	—	84,375,000
	CCHL	41,036,489	89,385,444*	—	130,421,933
KUOK Hoi Sang	CiTL	12,000,000	—	—	12,000,000
	CCHL	1,326,437	—	—	1,326,437
FUNG Pak Kwan	CiTL	12,900,000	—	—	12,900,000
FUNG Wo Shun	CiTL	300,000	—	—	300,000
	CCHL	295,600	—	—	295,600
KAN Ka Hon	CiTL	2,256,000	—	—	2,256,000
TAM Kwok Wing	CiTL	2,000,000	—	52,000	2,052,000
	CCHL	625,796	—	7,142	632,938

\* Dr CHOW Yei Ching had notified CiTL, CSHL and CCHL that, under the SDI Ordinance, he was deemed to be interested in 432,098,666 shares in CiTL, 80,000,000 shares in CSHL and 89,385,444 shares in CCHL which were all held by the Company as Dr Chow beneficially owned 615,445,993 shares, representing approximately 50% of the issued share capital of the Company.

*(ii) Share options*

Name of Director	Associated corporation	Date of grant	Period during which options are exercisable	Con- sideration paid for options granted	Exercise price per option	Number of share options	
						Exercised during the period	Outstanding as at 30th September, 2001
				(HK\$)	(HK\$)		
CHOW Yei Ching	CiTL	17/12/1999	30/06/2000 - 29/06/2003	1	0.464	—	7,000,000
KUOK Hoi Sang	CiTL	17/12/1999	30/06/2000 - 29/06/2003	1	0.464	—	5,000,000
FUNG Pak Kwan	CiTL	17/12/1999	30/06/2000 - 29/06/2003	1	0.464	—	6,550,000
KAN Ka Hon	CiTL	17/12/1999	30/06/2000 - 29/06/2003	1	0.464	—	5,000,000

Save as disclosed above, as at 30th September, 2001, none of the Directors or their spouses or children under the age of 18 years had or were deemed to have any interest in the securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) pursuant to Section 28 of the SDI Ordinance or Section 31 or Part I of the Schedule to the SDI Ordinance.

## **SUBSTANTIAL SHAREHOLDER**

As at 30th September, 2001, the sole substantial shareholder of the Company was Dr CHOW Yei Ching who held 615,445,993 shares, representing approximately 50% of the issued share capital of the Company as recorded in the registers of the Company required to be kept under Section 16(1) of the SDI Ordinance.

Save as disclosed above, none of the Directors is aware of any other person having an interest in shares or right to subscribe for shares, equivalent to 10% or more of the issued share capital of the Company during the period.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30th September, 2001, the Group employed approximately 4,900 full time staff in Hong Kong and overseas. Total staff costs amounted to approximately HK\$224 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 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, comprising Messrs Iain Leonard DALE and WONG Wang Fat, Andrew, shall meet at least twice in a year. 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, 2001.

## **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 to the Listing Rules throughout the period from 1st April, 2001 to 30th September, 2001.

## **APPRECIATION**

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

By Order of the Board

**CHOW Yei Ching**

*Chairman and Managing Director*

Hong Kong, 18th December, 2001