



# **CHEVALIER iTECH HOLDINGS LIMITED**

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

**INTERIM REPORT 2001-2002**

**CONDENSED CONSOLIDATED INCOME 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>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>417,933</b>	577,776
Cost of sales		<b>(342,160)</b>	(495,045)
Gross profit		<b>75,773</b>	82,731
Other revenue		<b>7,247</b>	9,499
Distribution costs		<b>(77,644)</b>	(72,726)
Administrative expenses		<b>(4,004)</b>	(5,573)
Other operating expenses		<b>(2,972)</b>	(4,165)
(Loss) profit from operations before finance costs	3	<b>(1,600)</b>	9,766
Finance costs		<b>(214)</b>	(792)
(Loss) profit from operations		<b>(1,814)</b>	8,974
Share of results of associates		<b>2,941</b>	3,008
Profit before taxation		<b>1,127</b>	11,982
Taxation	4	<b>(4,381)</b>	(4,618)
Net (loss) profit for the period		<b>(3,254)</b>	7,364
Interim dividend	5	<b>8,568</b>	8,545
(Loss) earnings per share	6		
Basic		<b>(0.38) cent</b>	0.86 cent
Diluted		<b>(0.38) cent</b>	0.85 cent
Interim dividend per share		<b>1 cent</b>	1 cent

**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>5,310</b>	5,310
Property, plant and equipment	7	<b>41,134</b>	40,473
Interests in associates		<b>16,741</b>	13,476
Investments in securities		<b>23,401</b>	—
		<b>86,586</b>	59,259
<b>Current assets</b>			
Inventories		<b>92,221</b>	100,747
Properties for sale		<b>1,135</b>	1,135
Debtors, deposits and prepayments	8	<b>168,369</b>	151,154
Amount due from customers for contract work		<b>467</b>	—
Tax recoverable		<b>1,861</b>	889
Other short-term investments		<b>947</b>	—
Cash and bank balances		<b>178,878</b>	235,531
		<b>443,878</b>	489,456
<b>Current liabilities</b>			
Creditors, deposits and accruals	9	<b>86,117</b>	97,947
Amount due to ultimate holding company		<b>334</b>	2,938
Amounts due to customers for contract work		<b>14</b>	—
Bills payable		<b>2,350</b>	4,047
Deferred service income		<b>28,246</b>	30,475
Provision for taxation		<b>4,387</b>	1,159
Unsecured bank overdrafts		<b>1,265</b>	1,812
		<b>122,713</b>	138,378
<b>Net current assets</b>		<b>321,165</b>	351,078
<b>Minority interests</b>		<b>184</b>	184
		<b>407,567</b>	410,153
<b>Capital and reserves</b>			
Share capital	10	<b>85,678</b>	85,678
Reserves	11	<b>304,753</b>	315,907
Proposed dividend	1a	<b>17,136</b>	8,568
		<b>407,567</b>	410,153

## 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>	<b>HK\$'000</b>	<b>HK\$'000</b>
Net (loss) profit for the period		<b>(3,254)</b>	7,364
Prior period adjustment	<i>11</i>	<u>—</u>	<u>(11,742)</u>
Net (loss) for the period (2000: as restated)		<b>(3,254)</b>	(4,378)
Exchange gains (losses) on translation of financial statements of subsidiaries	<i>11</i>	<u><b>668</b></u>	<u>(335)</u>
Total recognised losses		<u><b>(2,586)</b></u>	<u><b>(4,713)</b></u>

**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 from operating activities	<u>(28,068)</u>	<u>(7,400)</u>
Returns on investments and servicing of finance		
Interest received	<b>5,194</b>	7,823
Interest paid	<b>(214)</b>	(626)
Dividends received from investments in securities	<b>7</b>	37
Net cash inflow from returns on investments and servicing of finance	<u><b>4,987</b></u>	<u>7,234</u>
Taxation		
Profits tax paid	<b>(1,649)</b>	(1,597)
Profits tax refunded	<b>—</b>	2,017
Net tax (paid) refunded	<u><b>(1,649)</b></u>	<u>420</u>
Investing activities		
Acquisition of an associate	<b>—</b>	(106)
Advance to an associate	<b>(800)</b>	—
Purchase of long term investments in securities	<b>(23,401)</b>	—
Purchase of property, plant and equipment	<b>(5,601)</b>	(8,583)
Proceeds from disposal of property, plant and equipment	<b>175</b>	92
Net cash outflow from investing activities	<u><b>(29,627)</b></u>	<u>(8,597)</u>
Net cash outflow before financing	<u><b>(54,357)</b></u>	<u>(8,343)</u>
Financing		
Issue of shares	<b>—</b>	8
(Repayments to) advances from ultimate holding company	<b>(2,604)</b>	369
Net cash (outflow) inflow from financing	<u><b>(2,604)</b></u>	<u>377</u>
Net decrease in cash and cash equivalents	<b>(56,961)</b>	(7,966)
Cash and cash equivalents at beginning of period	<b>233,719</b>	255,550
Effect of changes in foreign exchange rates	<b>855</b>	(1,210)
Cash and cash equivalents at end of period	<u><b>177,613</b></u>	<u>246,374</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>178,878</b>	249,160
Unsecured bank overdrafts	<b>(1,265)</b>	(2,786)
	<u><b>177,613</b></u>	<u>246,374</u>

## 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, 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 dividend

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 were restated and increased by HK\$8.57 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 in note 12 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 and associates. 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 and associates 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 or associates, 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 or associates.

Goodwill arising on acquisitions of subsidiaries or associates 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 profit for the impairment loss identified, resulting in a decrease in retained profit as at 30th September 2001 by \$11.74 millions and an increase in capital reserves at 30 th September, 2001 by the same amount.

## 2. SEGMENT INFORMATION

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

### (a) *By business segments*

	Computer equipment <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Tele- communication systems and services <i>HK\$'000</i>	Technical and maintenance services <i>HK\$'000</i>	iT & network solution <i>HK\$'000</i>	Trading of general merchandise <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Six months ended</b>									
<b>30th September, 2001</b>									
Turnover									
External sales	130,274	64,426	126,794	46,107	31,604	18,728	—	—	417,933
Inter-segment sales	8,842	23,400	10,971	6,245	1,254	722	—	(51,434)	—
Total turnover	<u>139,116</u>	<u>87,826</u>	<u>137,765</u>	<u>52,352</u>	<u>32,858</u>	<u>19,450</u>	<u>—</u>	<u>(51,434)</u>	<u>417,933</u>
Result									
Segment results	882	(866)	(4,686)	6,531	(5,197)	(2,751)	1,323	—	(4,764)
Unallocated corporate expenses									(1,409)
Operating loss									(6,173)
Interest income									4,565
Dividend income									7
Interest expenses									(213)
Loss from operations									(1,814)
Share of results of associates		2,941							2,941
Profit before taxation									1,127
Taxation									(4,381)
Net loss for the period									<u>(3,254)</u>



2. SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

	Computer equipment HK\$'000	Office equipment HK\$'000	Tele- communication systems and services HK\$'000	Technical and maintenance services HK\$'000	IT & network solution HK\$'000	Trading of general merchandise HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended									
30th September, 2000									
Turnover									
External sales	219,904	64,317	161,714	48,276	40,204	10,786	32,575	—	577,776
Inter-segment sales	7,987	17,709	9,782	6,252	5,401	—	—	(47,131)	—
Total turnover	<u>227,891</u>	<u>82,026</u>	<u>171,496</u>	<u>54,528</u>	<u>45,605</u>	<u>10,786</u>	<u>32,575</u>	<u>(47,131)</u>	<u>577,776</u>
Result									
Segment results	6,804	(2,787)	9,555	8,564	(1,913)	(4,126)	(13,333)	—	2,764
Unallocated corporate expenses									(852)
Operating profit									1,912
Interest income									7,817
Dividend income									37
Interest expenses									(792)
Profit from operations									8,974
Share of results of associates		3,008							3,008
Profit before taxation									11,982
Taxation									(4,618)
Net profit for the period									<u>7,364</u>

(b) By geographical segments

	Six months ended 30th September,			
	Turnover		Contribution to profit (loss) from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	285,982	401,216	(2,534)	9,341
The People's Republic of China	61,788	83,475	(3,240)	(4,023)
Thailand	65,445	86,486	4,922	4,602
Others	4,718	6,599	(962)	(946)
	<u>417,933</u>	<u>577,776</u>	<u>(1,814)</u>	<u>8,974</u>

## 3. (LOSS) PROFIT FROM OPERATIONS BEFORE FINANCE COSTS

	Six months ended 30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit from operations before finance costs is arrived at after charging		
Cost of stock sold	<b>300,311</b>	401,314
Depreciation on property, plant and equipment	<b>4,377</b>	6,237
Operating lease payments in respect of renting of premises	<b>20,588</b>	21,508
Staff costs, including directors' emoluments	<b>69,697</b>	72,843
	<b><u>          </u></b>	<b><u>          </u></b>

## 4. TAXATION

	Six months ended 30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Company and subsidiaries		
Hong Kong	<b>2,123</b>	3,296
Overseas	<b>1,782</b>	841
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>3,905</b>	4,137
Current taxation		
Associates		
Hong Kong	<b>476</b>	481
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>4,381</b>	4,618
	<b><u>          </u></b>	<b><u>          </u></b>

Provision for Hong Kong profits tax is calculated at the rate of 16% (2000: 16%) on the estimated assessable profits less available tax relief for losses brought forward of each individual company.

Provision for overseas taxation is calculated based on the applicable local legislation on the estimated assessable profits.

5. INTERIM DIVIDEND

	Six months ended 30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend		
HK\$0.01 per share on 856,779,352 shares		
(2000: HK\$0.01 per share on 854,469,558 shares)	<b><u>8,568</u></b>	<b><u>8,545</u></b>

6. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated based on the loss for the period of HK\$3,254,000 (2000: a profit of HK\$7,364,000) and on the weighted average number of ordinary shares issued of 856,779,352 (2000: 854,468,465).

The diluted earnings per share for the period was computed as follows:

	Six months ended 30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) earnings for the purposes of calculating diluted earnings per share	<b><u>(3,254)</u></b>	<b><u>7,364</u></b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>856,779,352</b>	854,468,465
Effect of dilutive potential ordinary shares:		
Share options	<u>—</u>	<u>11,925,604</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>856,779,352</u></b>	<b><u>866,394,069</u></b>

7. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30th September, 2001, the Group acquired property, plant and equipment of HK\$5,600,000 and disposed of property, plant and equipment of HK\$7,720,000.

**8. DEBTORS, DEPOSITS AND PREPAYMENTS**

The ageing analysis of trade debtors is as follows :

	<b>As at 30th September, 2001 <i>HK\$'000</i></b>	<b>As at 31st March, 2001 <i>HK\$'000</i></b>
0-60 days	<b>74,313</b>	74,586
61-90 days	<b>9,271</b>	9,436
Over 90 days	<b>15,934</b>	9,590
Total	<b><u>99,518</u></b>	<b><u>93,612</u></b>

The Group normally allows an average credit period of 60 days to its trade customers.

**9. CREDITORS, DEPOSITS AND ACCRUALS**

The ageing analysis of trade creditors is as follows :

	<b>As at 30th September, 2001 <i>HK\$'000</i></b>	<b>As at 31st March, 2001 <i>HK\$'000</i></b>
0-60 days	<b>33,503</b>	40,414
61-90 days	<b>142</b>	1,199
Over 90 days	<b>2,144</b>	1,553
Total	<b><u>35,789</u></b>	<b><u>43,166</u></b>

**10. SHARE CAPITAL**

There were no movements in the share capital of the Company during the period under review.

## 11. RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Other property revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st April, 2001 as previously reported	223,434	18,231	14	991	(550)	73,787	315,907
Prior year adjustment (Note 1d)							
Retrospective recognition of impairment loss of goodwill held in reserves		11,742				(11,742)	—
Effect of adopting SSAP 9 (Revised)						8,568	8,568
Balance at 1st April, 2001 as restated	223,434	29,973	14	991	(550)	70,613	324,475
Exchange difference on translation of financial statements of overseas subsidiaries					668		668
Net loss for the period						(3,254)	(3,254)
Balance at 30th September, 2001	<u>223,434</u>	<u>29,973</u>	<u>14</u>	<u>991</u>	<u>118</u>	<u>67,359</u>	<u>321,889</u>
Reserves	223,434	29,973	14	991	118	50,223	304,753
Proposed Dividend	—	—	—	—	—	17,136	17,136

## 12. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date:

- (a) the Company has contingent liabilities in respect of:
- (i) guarantees issued for banking facilities extended to its subsidiaries amounting to HK\$7,321,000 (31st March 2001: HK\$5,271,000).
  - (ii) guarantees issued for performance under contracts and rendering of services of certain subsidiaries amounting to HK\$73,466,000 (31st March 2001: HK\$66,013,000).

**12. COMMITMENTS AND CONTINGENT LIABILITIES** *(Continued)*

- (b) the Group has total future aggregate minimum lease payments under non-cancellable operating leases in respect of renting of premises as follows:

	<b>30th September, 2001 HK\$'000</b>	Restated 31st March, 2001 HK\$'000
Within one year	<b>20,933</b>	22,310
In the second to fifth years inclusive	<b>10,757</b>	12,484
	<b>31,690</b>	34,794

**13. COMPARATIVES 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 HK1 cent (2000: HK1 cent) 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**

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

During the period, the revenue of the Group's Computer Division sharply declined. It was mainly attributable to the over supply of computer products and keen competition in the market. The substantial contraction in overall demand exerted severe pressure on the selling prices and thus profit margins of products. However, the Group is flexible and versatile in response to the dynamic and fast changing market by developing an efficient marketing force and network so that the impact of such difficult situation can be alleviated. The Group will continue to offer quality products and high value-added services at competitive prices in order to meet the increasingly complex needs of customers.

The performance of the Group's Telecommunication System and Services Division was unsatisfactory. Turnover of Chevalier Shops and mobile phone franchise shops in Hong Kong 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. In order to improve its performance, the Group will rationalise its mobile phone retail business by discontinuing those outlets and shops that are not profitable. Emphasis will be placed on improving the quality of customer service and strengthening marketing team to improve competitiveness. The Group operates a total of 19 Chevalier Shops and 32 mobile franchise shops at the end of the reporting period.

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 at the end of last year, CNSL has been awarded several large-scale contracts of network solutions and systems integration from local enterprises and corporations. It is anticipated that the demand from different industries towards network solutions and systems integration services will be accelerated in the coming years. To further capture this market potential, CNSL will strive to expand its business by actively exploring business opportunities and offering "one-stop" tailored network solutions and system integration services to customers. The Group is confident in the long-term prospect of CNSL.

The operating environment of the 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. The Group will continue its efforts in enhancing customer value through introducing wide variety of quality products and reinforcing after-sale services.

During the period, the Group's business in Thailand showed a mixed performance. Contribution from the cabling system and telecommunications related services increased substantially whilst the sale of computer related products declined sharply. The Group will monitor closely the development of the Group's business in this market.

In the face of the decline in consumer spending and severe competition in household products, the 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.

## **FINANCIAL REVIEW**

As at 30th September, 2001, the total credit facilities available to the Group amounted to HK\$167 million and the undrawn balance stood at HK\$136 million. Cash available to the Group as at 30th September, 2001 amounted to HK\$179 million.

## **PROSPECTS**

The downturn of global economy since 2000 has already adversely affected the economic growth of Hong Kong. The September 11 terrorist attacks on the US and the ensuing war in Afghanistan have further dampened the economic conditions worldwide, thus worsening the business environment and aggravating the unemployment in Hong Kong. The deterioration of external economy has greatly eroded consumer confidence and tipped Hong Kong into a recession despite the consecutive interest-rate cuts following the footsteps of the US since the beginning of this year.

The burst of technology boom in 2000 and the persistent weakness in the domestic economy have undoubtedly slowed down the pace of Hong Kong in developing the knowledge-based economy. Moreover, stiff competition has exerted significant downward pressure on the profit margin of high-tech products and services. However, given the growing importance of information technology to all sectors in the community and the government’s determination to promote the development of technology, it is expected that the demands for hi-tech products and services will pick up in coming years. Moreover, with the Mainland’s rapid economic growth and its successful accession to the World Trade Organization, numerous business opportunities will be emerged in the Mainland’s IT and telecommunications markets. Therefore, the Group remains confident in the long-term prospects of IT and telecommunications markets in Hong Kong and overseas.

Looking forward, in the face of a sharp downturn of the external economy and the intensified competition, the Group is anticipating a harsh and difficult operating environment ahead. In this regard, the Group will strive to maintain its operating cost at a minimum level and re-assess its business strategies from time to time in order to meet the fast-changing markets. With our experienced management team and solid financial position, the Group will certainly benefit from the business opportunities created by the expansion of the Mainland market.



## 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 (“the 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	Corporate interests	Total
CHOW Yei Ching	34,079,270	432,098,666*	466,177,936
FUNG Pak Kwan	12,900,000	—	12,900,000
KUOK Hoi Sang	12,000,000	—	12,000,000
FUNG Wo Shun	300,000	—	300,000
KAN Ka Hon	2,256,000	—	2,256,000
Shinichi YONEHARA	3,004	—	3,004

\* Dr CHOW Yei Ching beneficially owned 615,445,993 shares in Chevalier International Holdings Limited (“CIHL”), representing approximately 50% of the issued share capital of CIHL, which in turn was interested in 432,098,666 shares of the Company. Dr Chow was deemed to be interested in these shares under the SDI Ordinance and 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	0.464	—	7,000,000
FUNG Pak Kwan	17/12/1999	30/06/2000-29/06/2003	1	0.464	—	6,550,000
KUOK Hoi Sang	17/12/1999	30/06/2000-29/06/2003	1	0.464	—	5,000,000
KAN Ka Hon	17/12/1999	30/06/2000-29/06/2003	1	0.464	—	5,000,000
Lily CHOW	17/12/1999	30/06/2000-29/06/2003	1	0.464	—	5,000,000

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

Name of Director	Associated corporations	Number of ordinary shares		
		Personal interests	Corporate interests	Total
CHOW Yei Ching	CIHL	615,445,993	—	615,445,993
	Chevalier Singapore Holdings Limited (“CSHL”)	4,375,000	80,000,000*	84,375,000
	Chevalier Construction Holdings Limited (“CCHL”)	41,036,489	89,385,444*	130,421,933
FUNG Pak Kwan	CIHL	456,450	—	456,450
KUOK Hoi Sang	CIHL	491,083	—	491,083
	CCHL	1,326,437	—	1,326,437
FUNG Wo Shun	CCHL	295,600	—	295,600
KAN Ka Hon	CIHL	145,200	—	145,200
Shinichi YONEHARA	CIHL	8,160	—	8,160
	CCHL	342	—	342

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

*(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	CIHL	17/12/1999	30/06/2000-29/06/2003	1	0.488	—	8,450,000
FUNG Pak Kwan	CIHL	17/12/1999	30/06/2000-29/06/2003	1	0.488	—	5,350,000
KUOK Hoi Sang	CIHL	17/12/1999	30/06/2000-29/06/2003	1	0.488	—	5,350,000
KAN Ka Hon	CIHL	17/12/1999	30/06/2000-29/06/2003	1	0.488	—	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 under 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 CIHL Group which held 432,098,666 shares, representing approximately 50.43% 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 1,000 full time staff. Total staff costs amounted to approximately HK\$70 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, comprising Messrs YUEN Tin Fan, Francis and Shinichi YONEHARA, shall meet at least twice in a year. 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, 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.

## **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