



**PRESS RELEASE**

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**CHEVALIER GROUP ANNOUNCES  
2002-03 INTERIM RESULTS**

**Chevalier International Holdings Limited ("CIHL")**

Due to the persistent sluggish economy, especially in Hong Kong and the South East Asia, the Group's turnover during the six months ended 30th September, 2002 decreased to approximately HK\$1,631 million, representing a marginal cut back by 0.6% over the same period last year. Profit attributable to shareholders was approximately HK\$61 million, representing a decrease of 19% over the same period last year. The Board of Directors has resolved to declare an interim dividend of HK1.5 cents (2001: HK2 cents) per shares, with shareholders being given an option to receive shares in lieu of cash.

The depressed local property market and construction industry adversely affected the overall performance of the Building Services Division including lifts and escalators, electrical and mechanical engineering, and building materials and supplies. However, the Aluminium Windows and Curtain Walls Division still maintained a steady growth in both turnover and contribution during the period under review. The Australian office, specialized in design, engineering management and installation services of curtain walls and aluminium windows, has been progressing well and is now tendering for work in Australia.

During the period under review, the performance of the Insurance Division improved markedly due to the rebound of the industry. The newly established logistic and warehousing business performed well and contributed stable profit to the Group. As Hong Kong continues to strengthen its role as regional hub for distribution, the Group is confident of the growth of this business.

In April 2002, Preussag Pipe Rehabilitation Hong Kong Limited has been awarded ISO9001 certification for the provision of underground pipe rehabilitation service. To further strengthen the investment in pipe rehabilitation business, the Group re-structured the division by acquiring direct interest in NordiTube Technologies AB ("NordiTube") and increasing its shareholding in Rib Loc Group Limited ("Rib Loc"), the two major suppliers in this industry worldwide. In addition, the Group has been actively expanding the pipe relining business into new markets such as Middle East and India. The Group expects that the pipe relining business will grow significantly in next few years.

With expertise in the treatment of wastewater and air quality control in Hong Kong and the South East Asia, Chevalier (Envirotech) Limited has secured several environmental engineering projects in Hong Kong and the Mainland during the period. Besides, the Group has formed a 55% joint venture known as Chevalier Acron Limited aiming at the development of Nano-Confined Catalytic Oxidation Technology (NCCO) to tackle the pollution of odor encountered by local food and restaurant industry.



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

CiTL Group's turnover and profitability during the period were adversely affected by the depressed business climate. CiTL Group has recorded a turnover of approximately HK\$351 million, representing a decrease of 16% over the same period last year. The operating loss during the period was approximately HK\$5.27 million compared with a loss of HK\$3.25 million over the same period last year.

During the period, the Computer Division recorded growth in both turnover and profit despite facing keen price competition in the market, mainly as a result of its continuing efforts in controlling cost and improving operating efficiency. The performance of the IT and Network Solutions Division improved, reflecting the effectiveness of its marketing strategies and cost control measures.

The performance of the Office Equipment Division during the period was below expectation due to the slowdown of market in the region. However, the performance of the Hong Kong operation was encouraging with growth in both sales and profits. The improved performance was mainly driven by the introduction of new product line to the market at competitive prices.

CiTL Group's operation in Thailand continued to contribute significantly to CiTL Group's results. Profits derived from the sale of notebook computer and related products increased whilst the sale of office equipment remained steady.

As Hong Kong is moving towards a knowledge-based society and looking for the integration with the fast-growing Pearl River Delta region, the Group anticipates that prospects in the region can bring along lots of opportunities to the growth of domestic economy. Corporates will then increase its capital expenditure and the demand for telecommunications services and high technology products will rebound rapidly, once the local economy turns around.

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

During the six months ended 30th September 2002, CCHL Group continued to operate under a difficult environment due to the continuing depression in the property and construction sectors. However, with on-going efforts in enhancing operation efficiency, the financial position of CCHL Group has improved and recorded an operating profit of HK\$3.7 million, compared with a loss of HK\$1.27 million over the same period last year. Earnings per share for the period was HK1.7 cents (loss of HK0.55 cent per share last year).

As at 30th September, 2002, the gross and outstanding value of construction contracts of CCHL Group on hand amounted to approximately HK\$120 million and HK\$64 million respectively whilst the gross and outstanding value of civil engineering contracts of CCHL Group on hand amounted to HK\$620 million and HK\$261 million respectively.

A construction contract for Lam Tin Primary School at Kwun Tong with value in excess of HK\$75 million is progressing on schedule and will be completed in mid 2003.



## **Chevalier Singapore Holdings Limited ("CSHL")**

During the period under review, the turnover of CSHL increased by 15.5% to S\$17.7 million over the same period last year. It was mainly due to the increase in both the number and value of lifts and escalators installation projects carried out during the period. Despite the sluggish construction market and keen competition, CSHL was able to maintain its market share in lifts and escalators installation.

### **Prospects**

Overall, the global economy has been suffering from the excesses that stemmed from the rapid expansion in the 90's and the lack of both investor and consumer confidence after the bubble-burst. The net result is a sustained period of weak nominal GDP growth with deflation a growing risk. Within Hong Kong, despite a stronger cyclical rebound in trade which has been reflected in the better-than-expected growth of GDP in the third quarter of 2002, it appears that the filtering effect into the domestic economy will not materialise in the near term. Therefore, the unfavourable market environment faced by the core business of the Group will persist for several years to come.

The Group's diversified business operations in Hong Kong and overseas enable us to balance the impact of the economic volatility. The newly established businesses of the Group such as insurance, pipe rehabilitation and warehousing, are all progressing well. The Group will continue its prudent approach to explore business opportunities in the Mainland and overseas markets.

Looking forward, the Group will continue to enforce vigorous cost control measures to enhance cost-effectiveness and competitiveness. Subsequent to the period end, the Group has effectively re-allocated its resources by shifting the cash reserves in CSHL to the holding company through capital reduction. With sound financial position and effective management, the Group is in a strong position to weather the difficult operating environment and to seize good investment opportunities, especially in the Mainland, in order to bring better return to shareholders.

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