

Overview

The Group's turnover for the year ended 31st March, 2001 was HK\$1,226 million, representing a decrease of 49% compared to HK\$2,391 million last year. The substantial drop in turnover was mainly due to the prolonged slowdown in the construction industry and, as a result, overall reduction in the number of jobs available in the market. Loss for the year amounted to HK\$27.6 million (2000: profit of HK\$7.8 million) and loss per share was HK11.66 cents (2000: earnings per share HK3.41 cents).

Dividend

The Board of Directors does not recommend the payment of any final dividend for the year (2000: Nil). As no interim dividend was paid during the year (2000: Nil), no dividend will be paid for the entire year (2000: Nil).

Review of Operations

During the year, there was no sustained recovery in the property market despite the fact that housing affordability was at its best levels for many years. The property market was adversely affected by the abundant supply of residential units in both the private and public sectors and lack of confidence over the market's outlook. Developers were not keen in land auctions and activities in the secondary market were deteriorating. As a result, the number of projects available in the construction industry dropped significantly. Loss for the year was mainly due to the shortage of new jobs and delay in the progress of certain projects in the first half of the year.



The Professional Complex Development at The Hong Kong Polytechnic University



Dr CHOW Yei Ching LL.D. (Hon)
Honorary Consul of the State of Bahrain in Hong Kong
Officer of the Order of the British Empire
Officer in the Order of the Crown (Belgium)
Officier de l'Ordre National du Mérite (France)
Order of Sacred Treasure (Japan)

Building Construction and Building Maintenance

During the year under review, the Group was awarded a contract valued at HK\$148 million for the building of The Professional Complex Development at The Hong Kong Polytechnic University. The contract consists of L-shaped classroom/office blocks with a total construction floor area of 13,000 m². Construction work was commenced in November 2000 and is planned for completion by January 2002.

Chairman's Statement

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At present, other construction contracts in hand include:

	<i>Target Completion Date</i>
Public housing estate at Tin Shui Wai Area 105, Phase 1	mid 2001
Home-ownership estate at Tin Shui Wai Area 110, Phase 2	mid 2001
Home-ownership estate at King Shan Court, Phase II at Hammer Hill Road, Kowloon	early 2002
Hong Kong Baptist University - Jockey Club School of Chinese Medicine Building	late 2001



Public housing estate
at Tin Shui Wai Area 105,
Phase 1



Home-
ownership
estate
at King Shan
Court, Phase II



Jockey Club
School of
Chinese
Medicine
Building
at Hong Kong
Baptist
University

The construction works on the Vertical Interim Housing project at Tuen Mun Area 29 was completed in January 2001.

As at 31st March, 2001, the value of outstanding construction works to be completed amounted to HK\$606 million.

Civil Engineering

During the year ended 31st March, 2001, the civil engineering contracts in hand include:

1. Construction of Seawalls and Reclamation at Tseung Kwan O Port Development at Area 137, Stage 2;
2. Remaining Works in Yung Shue Wan Development Engineering Works, Phase 1;
3. Remaining Works in the construction of Hei Ling Chau Typhoon Shelter;
4. Maintenance and Repairs to Seawalls, Piers & Other Port Works (2000-01); and
5. Jordan Road Reclamation Phase III and Remaining Engineering Works.



Construction of Seawalls and Reclamation at Tseung Kwan O Port Development at Area 137, Stage 2



Jordan Road Reclamation Phase III and Remaining Engineering Works

As at 31st March, 2001, the outstanding value of civil engineering works amounted to HK\$303 million.

Other Business

The overall performance of our associated company which supplies concrete, Yue Xiu Concrete Company Limited, remained steady.

Restructuring and Subscription of Shares

On 24th August, 2000, the Company entered into the Subscription Agreement with Wealthy Town Investments Limited ("Wealthy Town"), Chevalier International Holdings Limited ("CIHL") and Dr CHOW Yei Ching ("the Subscription Agreement"), Wealthy Town agreed to subscribe for 20,000,000 new ordinary shares of the Company at HK\$0.21 per share. The transaction was completed on 2nd November, 2000.

On the same day, Chevalier Construction (Hong Kong) Limited ("CCHK"), a wholly-owned subsidiary of the Company, agreed to dispose of its equity interest in Preussag Pipe Rehabilitation Hong Kong Limited ("PPRHK") and PPRHK debt to two wholly-owned subsidiaries of CIHL at a total consideration of HK\$21,248,000. The transaction was completed in October 2000.

Prospects

Despite the rare double-digit growth rate recorded in 2000, the economy of Hong Kong remains mired in a deflationary environment. Consumer confidence was affected by the decline in nominal wages as well as prevailing high rates of unemployment and under-employment. Property market remains sluggish as it has weighed down by abundant supply. Moreover, economic growth in 2001 is expected to decelerate tremendously due to the slowdown in external demand.

However, the negative impact may gradually be offset by the long-term benefit to Hong Kong when the volume of trade between the Mainland and other industrial countries is likely to grow at a faster pace as trade barriers will gradually be dismantled on the forthcoming entry to World Trade Organisation. In anticipating the impending changes in business environment, Hong Kong, the Pearl River delta and Guangdong province at large are expected to undergo major infrastructure evolution and will further open up vast investment opportunities to Hong Kong.



Dr Chow, two officiating guests and the directors toast to the 30th anniversary of Chevalier

During the year, the Government of the HKSAR has committed to maintain the property values by scrapping the target of building 85,000 flats each year and reducing the number of public flats for sale by shifting a portion to the rental market. Continual growth in population and favourable mortgage rates offered by banks will further improve the sentiment of the property markets. Although the market remains sluggish, the Group believes that the effect of those measures imposed by the Government will stabilize residential unit prices in the long run and can restore consumer confidence in real estates. It is anticipated that sentiments of the construction industry will be improved.

In order to maintain the Group's competitiveness in the construction industry, the management will continue to strengthen its management team and adopt a prudent approach in tendering projects. In addition, the management will continue to implement stringent cost control measures and monitor the sub-contractors workmanship and progress so as to ensure high qualities of works.

Shareholders and Staff

On behalf of the Board, I would like to take this opportunity to extend our gratitude to our shareholders for their support and to our staff for their dedication and contribution over the past year.

CHOW Yei Ching

Chairman

Hong Kong, 10th July, 2001