CHEVALIER INTERNATIONAL HOLDINGS LIMITED
其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 025)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

INTERIM RESULTS

The Directors of Chevalier International Holdings Limited (the "Company") hereby announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2008, together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2008

	Note	Unaudited six months ended 30th September, 2008 HK$'000	2007 HK$'000
Revenue	3	**2,782,272**	2,647,409
Cost of sales		**(2,521,217)**	(2,214,536)
Gross profit		**261,055**	432,873
Other (expenses)/income, net	4	**(103,992)**	37,003
Other losses, net		**(3,478)**	(805)
Selling and distribution costs		**(177,009)**	(200,278)
Administrative expenses		**(64,836)**	(57,597)
Gain on disposal of subsidiaries	5	**110,733**	–
Operating profit		**22,473**	211,196
Share of results of associates		**9,805**	5,215
Share of results of jointly controlled entities		**(4,284)**	(2,453)
		27,994	213,958
Finance income	6	**5,396**	6,613
Finance costs	6	**(51,554)**	(71,754)
Finance costs, net	6	**(46,158)**	(65,141)
(Loss)/profit before taxation	7	**(18,164)**	148,817
Income tax expenses	8	**(6,787)**	(23,454)
(Loss)/profit for the period		**(24,951)**	125,363
Attributable to:			
Equity holders of the Company		**15,360**	112,579
Minority interests		**(40,311)**	12,784
		(24,951)	125,363
Dividends	9	**15,266**	44,573
Earnings per share			
– Basic and diluted *(HK$ per share)*	10	**0.06**	0.40

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2008

	Note	**Unaudited 30th September, 2008 *HK$'000***	Audited 31st March, 2008 *HK$'000*
Non-current assets			
Investment properties		**1,125,253**	1,117,445
Property, plant and equipment		**572,966**	769,438
Prepaid lease payments		**439,812**	446,018
Goodwill		**163,586**	210,330
Other intangible assets		**135,559**	161,044
Interests in associates		**229,018**	172,818
Interests in jointly controlled entities		**268,311**	264,745
Available-for-sale investments		**319,742**	293,224
Investments at fair value through profit or loss		**107,767**	134,005
Deferred tax assets		**8,388**	25,438
Other non-current assets		**478,988**	403,187
		3,849,390	3,997,692
Current assets			
Inventories		**230,409**	338,717
Properties for sale		**227,001**	258,945
Debtors, deposits and prepayments	*11*	**1,350,053**	1,450,026
Amounts due from associates		**70,945**	19,273
Amounts due from jointly controlled entities		**241,030**	240,820
Amounts due from customers for contract work		**348,828**	312,422
Investments at fair value through profit or loss		**342,327**	760,218
Derivative financial instruments		**2,939**	9,460
Bank balances and cash		**1,154,303**	1,191,145
		3,967,835	4,581,026
Current liabilities			
Creditors, bills payable, deposits and accruals	*12*	**954,283**	1,321,692
Unearned insurance premiums – due within one year		**24,328**	26,503
Outstanding insurance claims		**193,802**	215,572
Amounts due to associates		**22,801**	5,926
Amounts due to customers for contract work		**499,790**	260,681
Deferred income		**24,694**	24,484
Provision for taxation		**68,665**	71,465
Derivative financial instruments		**28,290**	38,930
Bank borrowings		**522,133**	723,584
Other loans		**–**	315
Dividend payable		**80,789**	–
Other payable		**7,760**	7,760
		2,427,335	2,696,912
Net current assets		**1,540,500**	1,884,114
Total assets less current liabilities		**5,389,890**	5,881,806

	Note	Unaudited 30th September, 2008 *HK$'000*	Audited 31st March, 2008 *HK$'000*
Capital and reserves			
Share capital		**348,228**	348,228
Reserves		**2,925,393**	2,973,919
Equity attributable to equity holders of the Company		**3,273,621**	3,322,147
Minority interests		**393,317**	445,036
Total equity		**3,666,938**	3,767,183
Non-current liabilities			
Unearned insurance premiums – due over one year		**10,425**	11,357
Deferred tax liabilities		**202,235**	206,231
Bank borrowings		**1,110,433**	1,511,621
Other loans		**–**	1,384
Convertible bonds – liability component		**397,459**	381,275
Convertible bonds – derivative component		**2,400**	2,755
		1,722,952	2,114,623
Total equity and non-current liabilities		**5,389,890**	5,881,806

Notes

1 Basis of preparation and accounting policies

The condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2 Principal accounting policies

These condensed consolidated financial statements have been prepared under the historical cost convention except for investment properties and financial instruments, which are stated at fair values.

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31st March, 2008. The HKICPA has issued a number of new Hong Kong Financial Reporting Standards, revised HKASs and interpretations to existing standards. For those which are effective for accounting periods beginning on 1st April, 2008, the adoption has no significant impact on the Group's results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

3 Business and geographical segments

Revenue and results

(a) *By business segment*

For management purposes, the Group is organised on a worldwide basis into five divisions. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

For the six months ended 30th September, 2008

	Construction and engineering *HK$'000*	Insurance and investment *HK$'000*	Property *HK$'000*	Food and beverages *HK$'000*	Computer and information communication technology and others *HK$'000*	Consolidated *HK$'000*
REVENUE						
Total segment revenue	**1,922,545**	**42,236**	**220,783**	**155,939**	**484,077**	**2,825,580**
Inter-segment revenue	**(510)**	**(6,161)**	**(31,512)**	**–**	**(5,125)**	**(43,308)**
External revenue	**1,922,035**	**36,075**	**189,271**	**155,939**	**478,952**	**2,782,272**
RESULTS						
Segment results	**(74,357)**	**(98,776)**	**79,817**	**(3,455)**	**14,474**	**(82,297)**
Gain on disposal of subsidiaries	**110,733**	**–**	**–**	**–**	**–**	**110,733**
Unallocated corporate expenses						**(5,963)**
Share of results of associates	**1,624**	**–**	**1,856**	**5,357**	**968**	**9,805**
Share of results of jointly controlled entities	**333**	**–**	**(4,617)**	**–**	**–**	**(4,284)**
Finance income						**5,396**
Finance costs						**(51,554)**
Loss before taxation						**(18,164)**
Income tax expenses						**(6,787)**
Loss for the period						**(24,951)**

For the six months ended 30th September, 2007

	Construction and engineering *HK$'000*	Insurance and investment *HK$'000*	Property *HK$'000*	Food and beverages *HK$'000*	Computer and information communication technology and others *HK$'000*	Consolidated *HK$'000*
REVENUE						
Total segment revenue	1,800,274	67,824	182,758	142,871	494,833	2,688,560
Inter-segment revenue	(153)	(10,704)	(23,559)	–	(6,735)	(41,151)
External revenue	1,800,121	57,120	159,199	142,871	488,098	2,647,409
RESULTS						
Segment results	78,543	49,801	65,414	5,706	16,674	216,138
Unallocated corporate expenses						(4,942)
Share of results of associates	989	–	1,799	2,878	(451)	5,215
Share of results of jointly controlled entities	652	–	(3,105)	–	–	(2,453)
Finance income						6,613
Finance costs						(71,754)
Profit before taxation						148,817
Income tax expenses						(23,454)
Profit for the period						125,363

Note: Inter-segment revenue is charged at prices determined by management with reference to market prices.

(b) *By geographical segment*

	Revenue Six months ended 30th September, 2008 *HK$'000*	2007 *HK$'000*
Hong Kong	**1,258,439**	1,373,032
Macau	**707,744**	367,045
Canada	**233,939**	229,367
Australia	**158,513**	111,562
Europe	**150,728**	316,494
Singapore	**115,984**	78,874
U.S.A	**64,073**	77,496
Mainland China	**59,702**	69,917
Thailand	**25,303**	20,111
Others	**7,847**	3,511
	2,782,272	2,647,409

4 Other (expenses)/income, net

	Six months ended 30th September, 2008 HK$'000	2007 HK$'000
Included in other (expenses)/income, net are:		
Fair value (loss)/gain on investments at fair value through profit or loss	**(58,415)**	38,313
Fair value gain/(loss) on derivative financial instruments	**5,865**	(17,179)
Realised loss on investments at fair value through profit or loss	**(68,896)**	(10,605)
Realised gain on derivative financial instruments	**6,310**	8,717
Interest from amounts due from associates	**4,240**	216
Interest from amounts due from jointly controlled entities	**708**	979
Commission income	**121**	170

5 Gain on disposal of subsidiaries

On 16th May, 2008, the Group entered into sale and purchase agreement with Sekisui Chemical Co., Ltd. in connection with disposal of the Group's 75% interest in CPT Chevalier Pipe Technologies GmbH ("CPT"). The gain on disposal will be adjusted subject to finalisation of the consolidated net asset value of CPT and its subsidiaries as at 31st March, 2008.

6 Finance costs, net

	Six months ended 30th September, 2008 HK$'000	2007 HK$'000
Interest on bank loans wholly repayable within five years and overdrafts	**31,132**	53,836
Interest on convertible bonds wholly repayable within five years	**20,422**	17,918
	51,554	71,754
Less: Interest from bank deposits	**(5,396)**	(6,613)
	46,158	65,141

7 (Loss)/profit before taxation

	Six months ended 30th September, 2008 HK$'000	2007 HK$'000
(Loss)/profit before taxation has been arrived at after charging the following:		
Cost of inventories recognised as expenses	**630,518**	566,019
Staff costs	**380,658**	473,404
Less: Amount capitalised to contract work	**(38,475)**	(51,988)
	342,183	421,416
Operating lease payments in respect of leasing of		
– premises under minimum lease payments	**51,318**	46,948
– premises under contingent rent	**3,347**	4,459
– equipment	**2,602**	5,409
	57,267	56,816
Depreciation of property, plant and equipment	**40,991**	43,162

8 Income tax expenses

	Six months ended 30th September,	
	2008	2007
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**5,656**	12,753
Overseas	**8,259**	10,337
	13,915	23,090
Deferred tax		
Current period	**(4,199)**	364
Attributable to change in tax rate	**(2,929)**	–
	6,787	23,454

Hong Kong profits tax is calculated at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits after offsetting losses brought forward of each individual company. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the business operates.

On 26th June, 2008, the Hong Kong Legislative Council passed the revenue bill 2008 which included the reduction in corporate profits tax rate by 1% from 17.5% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th September, 2008.

9 Dividends

	Six months ended 30th September,	
	2008	2007
	HK$'000	*HK$'000*
Interim dividend of HK$0.055 (2007: HK$0.16) per share	**15,266**	44,573

On 10th December, 2008, the Board of Directors declared an interim dividend of HK$0.055 per ordinary share. The interim dividend is not reflected as a dividend payable in these condensed consolidated financial statements, but will be reflected as an appropriation of the retained earnings for the year ending 31st March, 2009.

A 2008 final dividend of HK$0.29 per ordinary share, totally HK$80,789,000, was approved at the annual general meeting held on 26th September, 2008 and paid in October 2008. It has been reflected as an appropriation of the retained earnings for the six months ended 30th September, 2008.

10 Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the consolidated profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th September,	
	2008	2007
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**15,360**	112,579
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares in issue	**278,582**	278,582
Basic earnings per share *(HK$)*	**0.06**	0.40

(b) Diluted

As the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share for both periods, the diluted earnings per share equal the basic earnings per share.

11 Debtors, deposits and prepayments

	As at 30th September, 2008	As at 31st March, 2008
	HK$'000	*HK$'000*
Trade debtors	**552,452**	701,562
Less: Provision for impairment	**(20,809)**	(26,897)
	531,643	674,665
Other debtors, deposits and prepayments	**591,047**	584,286
Retention receivables	**227,363**	191,075
	1,350,053	1,450,026

The Group has established different credit policies for customers in each of its core businesses. The average credit period granted to trade debtors was 60 days.

The ageing analysis of trade debtors is as follows:

	As at 30th September, 2008	As at 31st March, 2008
	HK$'000	*HK$'000*
0 – 60 days	**430,010**	520,322
61 – 90 days	**14,768**	52,799
Over 90 days	**86,865**	101,544
	531,643	674,665

12 Creditors, bills payable, deposits and accruals

	As at 30th September, 2008 ***HK$'000***	As at 31st March, 2008 *HK$'000*
Trade creditors and bills payable	**258,075**	449,571
Consideration payable for the acquisition of certain interest in a jointly controlled entity	**58,127**	56,597
Accrued contract costs	**171,730**	274,428
Retention payables	**142,810**	128,414
Other creditors, deposits and accruals	**323,541**	412,682
	954,283	1,321,692

The ageing analysis of trade creditors and bills payable is as follows:

	As at 30th September, 2008 ***HK$'000***	As at 31st March, 2008 *HK$'000*
0 – 60 days	**215,486**	360,652
61 – 90 days	**11,762**	26,030
Over 90 days	**30,827**	62,889
	258,075	449,571

13 Contingent liabilities

At the balance sheet date, the Group had contingent liabilities in respect of guarantees issued for utilised borrowings in relation to:

	As at 30th September, 2008 ***HK$'000***	As at 31st March, 2008 *HK$'000*
Banking facilities granted to jointly controlled entities	**444,600**	321,900
Banking facilities granted to associates	**241,788**	46,650
	686,388	368,550

14 Capital commitment

	As at 30th September, 2008 HK$'000	As at 31st March, 2008 HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	–	2,495
– acquisition of land and building	–	41,192
– acquisition of remaining interest in an associated company *(Note)*	**136,171**	136,171
	136,171	179,858
Capital expenditure authorised but not contracted for and not provided for in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	–	16,729
– acquisition of land and building	**2,087,613**	1,279,025
	2,223,784	1,475,612

In addition to the above, the Group's share of the capital commitment of its jointly controlled entities is as follows:

	As at 30th September, 2008 HK$'000	As at 31st March, 2008 HK$'000
Contracted for but not provided	**146,813**	216,724
Authorised but not contracted for	**247,662**	306,903
	394,475	523,627

Note:

At 30th September, 2008, a subsidiary of the Company, Chevalier Pacific Holdings Limited ("CPHL") has committed to acquire the remaining 51% of the issued share capital of its associated company, Sinochina Enterprises Limited ("SEL"), from Sinochina Pacific Limited, an independent third party. After that acquisition, SEL will become a wholly-owned subsidiary of CPHL. The consideration is based on the forthcoming financial results of SEL and its subsidiaries and associates for the year ending 31st December, 2008. The total consideration to acquire 100% of the issued share capital of SEL (including HK$63,829,000 paid in respect of 49% already acquired) shall not exceed HK$200,000,000.

15 Post balance sheet events

(a) Pursuant to an agreement dated 28th November, 2008 entered into among the Company, its wholly-owned subsidiary, Chevalier Lifts and Escalators (China) Limited, and Toshiba Elevator and Building Systems Corporation ("TELC"), a subsidiary of Toshiba Corporation, the Company agreed to sell 51% of shares in its wholly-owned subsidiary, Chevalier (HK) Limited ("CHKL"), to TELC in two tranches (First tranche: 49% of shares of CHKL by the date of completion which is expected to be on or before 31st March, 2009; Second tranche: 2% of shares of CHKL by 31st March, 2010) for a total cash consideration of HK$695,640,000 (First tranche: HK$668,360,000; Second tranche: HK$27,280,000) ("Disposal") (subject to adjustment); and TELC shall sell and the Group shall acquire 20% of each of the equity interests of Toshiba Elevator (Shenyang) Co., Ltd. and Toshiba Elevator (China) Co., Ltd. for a total cash consideration of HK$121,000,000 ("Acquisition") (subject to adjustment). The completion of the Disposal and the Acquisition is conditional upon, among others, the completion of the reorganisation of CHKL where CHKL and its subsidiaries (the "CHKL Group") should be engaged in elevator business only after the date of completion.

Based on the net asset value agreed on the agreement, the Group has estimated the gain on disposal to be approximately HK$649,000,000. The actual gain or loss resulting from the Disposal however will be determined based on the actual consolidated net asset value of the CHKL Group as at the date of completion with adjustment, if any.

Details of the transaction have been published in the Company's announcement dated 4th December, 2008.

(b) On 28th November, 2008, Chevalier Investment (Hefei) Limited ("Chevalier Hefei"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement and a joint venture agreement with Anhui Province Travel Group Company Limited ("Anhui Travel ") and Anhui Anxing Development Joint-Stock Company Limited ("Anxing Development"), whereby Anxing Development and Chevalier Hefei agreed to subscribe in cash for the increased registered capital of Anhui Province Hua Qiao Hotel ("Hua Qiao Hotel") of RMB78,000,000 (equivalent to approximately HK$88,530,000) and RMB132,600,000 (equivalent to approximately HK$150,501,000) respectively, and the capital required to be contributed by Anhui Travel is RMB49,400,000 (equivalent to approximately HK$56,069,000). The contribution by Anhui Travel will be satisfied by Anhui Travel implementing a reorganisation of Hua Qiao Hotel to the effect that only those identified assets and liabilities will remain at Hua Qiao Hotel. The completion of the transaction is conditional upon, among others, the completion of the above reorganisation of Hua Qiao Hotel. Upon completion of the transaction, Chevalier Hefei, Anhui Travel and Anxing Development will hold 51%, 19% and 30% respectively of the enlarged registered capital of Hua Qiao Hotel which is undertaking a property development project in Hefei.

Details of the transaction have been published in the Company's announcement dated 4th December, 2008.

16 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 HK$0.055 (2007: HK$0.16) per share for the six months ended 30th September, 2008 payable on Monday, 12th January, 2009 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 6th January, 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 2nd January, 2009 to Tuesday, 6th January, 2009, 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, Tricor Standard Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 31st December, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September, 2008, the Group's revenue slightly increased 5.1% to HK$2,782 million when compared with the corresponding period last year. The increase in the revenue of electrical and mechanical ("E&M") engineering and building construction projects in Macau as well as elevators business in Hong Kong boosted the overall revenue as compared with the same period last year.

Profit attributable to equity holders of the Company however decreased substantially to HK$15.4 million from HK$113 million in the same period last year. The decline in profit was mainly due to realised and unrealised losses from investments in securities as well as losses incurred by various pipe rehabilitation, construction and environmental engineering projects.

Construction and Engineering

During the period under review, revenue of this segment increased by 6.8% to HK$1,922 million from last year's HK$1,800 million, mainly due to the increase in the volume of E&M and construction works in Macau. Major projects on hand included:

- supply and installation of lifts and escalators for Singapore Housing Development Board in Singapore;
- construction of "The Praia" in Macau and the redevelopment of Shatin Pass Estates in Hong Kong;
- the E&M works for the expansion phase of Wynn Resorts and City of Dreams in Macau; and
- aluminium window works on Exchange Tower, Kowloon Bay and I-Square at Tsimshatsui.

The escalating increases of construction labour and material costs in the first half year have adversely affected performances of our building construction, environmental engineering and pipe rehabilitation businesses during the reviewing period and led to a loss of HK$74.4 million for this segment. The management has taken measures to more stringently monitor the costs and actively work with the customers on sharing of the costs overrun to alleviate the situation.

The disposal of 75% interest in CPT Chevalier Pipe Technologies GmbH and its subsidiaries (the "CPT Group"), the pipe rehabilitation including its construction businesses in Europe and Australia, to Sekisui Chemical Co., Ltd. ("Sekisui") during the period under review contributed to the segment an estimated profit of disposal of approximately HK$111 million, which is still subject to finalisation of audit and the relevant price adjustments. Since the products and services of the CPT Group and Sekisui are complementary to each other, it is envisaged that the partnership with Sekisui, which is a major player in the infrastructure material and products industry, could fuel further growth and improve our competitiveness and marketability of the pipe rehabilitation business.

Insurance and Investment

During the period under review, revenue of this segment decreased from HK$57.1 million to HK$36.1 million as compared with the last corresponding period and segment results dropped significantly from profit of HK$49.8 million last year to loss of HK$98.8 million. As a result of the recent rapid downturn in the financial market, substantial realised and unrealised losses were incurred in the fair value changes of the Group's listed and unlisted investments at fair value through profit or loss and investments available-for-sale. Nevertheless, the Group believes that its investment policy adopted has been conservative and has held a well-balanced investment portfolio comprising equity, fixed income and structured deposits.

The Group has promptly responded to the financial market instability by continuously reducing its investment portfolio since April 2008. As at 30th September, 2008, the book value of the total investments held by the Group that were marked to market had a total balance of HK$744 million (31st March, 2008: HK$1,158 million), comprising mainly investments in principal protected structured deposits and debt securities of HK$286 million, mutual funds of HK$96.1 million, private equity funds of HK$298 million and the remaining balance mainly being hedge funds, exchanged traded funds and equity. Most of the principal protected structured deposits and debt securities are investment-graded securities. The Group will continue to reduce its investment portfolio in a disciplined manner in view of the likely global economic recession. The insurance underwriting business for employee compensation in Hong Kong continued to face intense market competition and the return from investment in securities also decreased as mentioned above.

Property

All the business units of this segment performed well during the period under review and both revenue and profit increased to HK$189 million and HK$79.8 million respectively. Performances of the cold storage and logistics, hotel and property investment businesses continued to provide a steady contribution.

The Group made satisfactory progress in property development in Mainland China. Unaffected by the earthquakes in Sichuan, construction of our Chengdu project was progressing well and several floors of its commercial section have also been pre-sold. For the previous pre-sale of residential section of this Chengdu project, the Group expects to book such profit contribution by early 2009 when the properties are completed and delivered to the buyers. Shortly after the period under review, the Group launched pre-sale of its residential project – Phase II of "My Villa" in Beijing. The construction of Shenzhen project and demolition of existing units for Changchun project were also in progress. As announced recently, the Group has made further development in the Hefei project, confirming its capital subscription in Anhui Province Hua Qiao Hotel Company Limited, the developer of the project. With this confirmed investment, the Group can ride on the increasing demand for commercial complex in Hefei and provides a good opportunity for the Group to be benefited from the growing property market in Mainlan China. As the development site is situated at a prime location of Hefei, it is expected that, when launched, the project would be well received by the market and generate satisfactory return to the Group.

Food & Beverages, Computer & Information Communication Technology ("IT") and Others

During the period, Pacific Coffee in Hong Kong achieved steady revenue growth but the profitability has suffered from continuous upsurge in property rental and general merchandise especially food prices. The segment results were further hit by the close up of unprofitable Pacific Coffee outlets in Shanghai, Beijing and Singapore. Various initiatives have been taken to improve operational efficiency, lower costs and enhance income stream including a franchising arrangement to operate licenced stores in certain cities of Southern China. As for the Igor's operation, both revenue and profit have increased over 50% as compared to last period. The Group had started to derive synergies from incorporating this new business via a wider network of food and beverages outlets and stronger expertise in food processing. As at 30th September, 2008, Pacific Coffee had 81 shops and Igor's had 29 outlets worldwide.

During the period under review, despite the decrease in revenue of the IT business from HK$221 million to HK$203 million, profit increased from HK$2.8 million to HK$9.3 million mainly attributable to improved marketing and project costs on communication networking products in Thailand and Hong Kong markets. The car dealerships in Canada and Chengdu as well as food trading in the U.S.A. also continued their stable contribution during the period.

PROSPECTS

In the midst of the most severe financial turmoil since the Great Depression, a giant financial tsunami shocked financial institutions around the world and all assets classes were affected. Despite the rates cuts and rescue measures including TARP (Troubled Asset Relief Program) imposed by the US Government aiming at stabilising the US economy and the upcoming 10 infrastructural projects and HK$100 billion loan guarantee scheme undertaken by the HKSAR Government to boost local economy, the management is still cautious about the uncertainties arising from the global economic crisis and expects that the business conditions for the 2nd half of the Group's financial year or even 2009 remain even more challenging.

Nevertheless, the recent economic stimulus package imposed by the PRC Government is a clear signal that the Government is sparing no efforts to upkeep a healthy economic growth of the country. The increase in government expenditures, tax reforms and interest rate cuts will not only boost domestic consumption but also provide a solid foundation for Mainland China to maintain its growth in such difficult global situation in the coming years. Under such favorable situation, the management believes that the property market in Mainland China, in which the Group has major focus in recent years, will warm up gradually and provide a sustainable benefit for the shareholders of the Group.

We recently announced the strategic partnership with our long-term partner, Toshiba Elevator and Building Systems Corporation ("TELC"), in which (1) TELC will acquire 49% interests in our lifts and escalators distribution business in Hong Kong and Singapore by March 2009 and an additional 2% by the end of March 2010 and (2) the Group will buy 20% interests each in TELC's two manufacturing plants in Mainland China. It is anticipated through these partnerships that the Group has opportunity to maximise the full potential from business synergies with TELC and will be in an unprecedented position to further strengthen our competitiveness and marketability in exploring new opportunities in global market, with a special emphasis on the buoyant markets of China and Southeast Asia. The Group also expects to realise a substantial profit on this disposal of business. Subject to the completion of the transactions on or before 31st March, 2009 and barring any unforeseen circumstances, the 2008/09 annual profit of the Group shall thus be much improved as compared to the current interim results reported.

FINANCIAL REVIEW

As at 30th September, 2008, the Group's consolidated net assets attributable to equity holders of the Company amounted to HK$3,274 million (HK$3,322 million as at 31st March, 2008), a decrease of HK$48 million or 1.4%. Such decrease was mainly attributable to the profit attributable to equity holders of the Company of HK$15.4 million together with the exchange gain on translation of HK$19.7 million offsetting by dividends during the period totalling HK$80.8 million. As at 30th September, 2008, the Group's bank and other borrowings amounted to HK$2,030 million (HK$2,618 million as at 31st March, 2008). Cash and deposits at bank, including fixed and structured deposits, amounted to HK$1,262 million (HK$1,318 million as at 31st March, 2008) and net borrowings amounted to HK$768 million (HK$1,300 million as at 31st March, 2008).

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September, 2008, the Group employed approximately 4,200 full time staff globally. Total staff costs amounted to HK$381 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

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, risk management systems of the Group and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th September, 2008.

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, 2008.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th September, 2008 with deviations from code provision A.4.1 which had already been stated in the Company's annual report 2008.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The interim results announcement of the Company for the six months ended 30th September, 2008 is published on the Stock Exchange's website at http://www.hkex.com.hk and the Company's website at http://www.chevalier.com. The interim report of the Company for the six months ended 30th September, 2008 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank the management and all staff for their concerted effort, commitment and professionalism under such challenging situation.

By Order of the Board
CHOW Yei Ching
Chairman and Managing Director

Hong Kong, 10th December, 2008

As at the date of this announcement, the Board of the Company comprises Dr. Chow Yei Ching (Chairman and Managing Director), Mr. Kuok Hoi Sang (Vice Chairman and Managing Director), Mr. Tam Kwok Wing (Deputy Managing Director), Mr. Chow Vee Tsung, Oscar, Mr. Ho Chung Leung and Mr. Ho Sai Hou as executive directors and Dr. Chow Ming Kuen, Joseph, Mr. Sun Kai Dah, George and Mr. Yang Chuen Liang, Charles as independent non-executive directors.

website: http://www.chevalier.com

* *For identification purpose only*