CHEVALIER PACIFIC HOLDINGS LIMITED
其士泛亞控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 508)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

INTERIM RESULTS

The Directors of Chevalier Pacific 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 30 September 2010, together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2010

	Note	Unaudited six months ended 30 September **2010** **HK$'000**	2009 HK$'000
Continuing operations			
Revenue	3	**120,558**	113,247
Cost of sales		**(21,839)**	(15,589)
Gross profit		**98,719**	97,658
Other income, net	4	**1,988**	4,798
Other (losses)/gains, net	5	**(35,299)**	52
Selling and distribution costs		**(115,846)**	(99,363)
Administrative expenses		**(7,854)**	(3,250)
Operating loss		**(58,292)**	(105)
Share of results of associates		**934**	86
		(57,358)	(19)
Finance income	6	**454**	52
Finance costs	6	**(16)**	(158)
Finance income/(costs), net	6	**438**	(106)
Loss before taxation	7	**(56,920)**	(125)
Income tax credit/(expenses)	8	**547**	(104)
Loss for the period from continuing operations		**(56,373)**	(229)
Discontinued operations			
Profit for the period from discontinued operations	11	**218,673**	889
Profit for the period		**162,300**	660
Attributable to:			
Equity holders of the Company		**162,300**	660
Earnings/(loss) per share			
From continuing operations			
– Basic and diluted (HK cents per share)	9	**(2.43)**	(0.01)
From discontinued operations			
– Basic and diluted (HK cents per share)	9	**9.43**	0.04
Total basic and diluted (HK cents per share)		**7.00**	0.03
Dividends	10	**323,013**	2,155

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Unaudited six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Profit for the period	**162,300**	660
Other comprehensive income for the period		
Exchange difference on translation of operations of overseas subsidiaries and associates	**108**	310
Exchange difference realised upon disposal of overseas subsidiaries	**(1,658)**	–
Change in fair value of available-for-sale investments	**–**	(625)
Other comprehensive expense for the period, net of tax	**(1,550)**	(315)
Total comprehensive income for the period	**160,750**	345
Attributable to:		
Equity holders of the Company	**160,750**	345

Note: Items shown within other comprehensive income have no tax effect.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Note	**Unaudited 30 September 2010 HK$'000**	Restated 31 March 2010 HK$'000
Non-current assets			
Property, plant and equipment		**39,865**	87,979
Goodwill		**42,540**	112,135
Trademarks		**9,304**	110,448
Interests in associates		**55,018**	932
Available-for-sale investments		**5,405**	5,405
Non-current deposits		**8,786**	23,457
Deferred tax assets		**2,397**	1,476
		163,315	341,832
Current assets			
Inventories		**5,243**	13,635
Debtors, deposits and prepayments	12	**11,587**	35,162
Amounts due from associates		**171**	142
Investments at fair value through profit or loss		**36,486**	327
Current income tax recoverable		**–**	372
Cash and cash equivalents		**110,757**	111,636
		164,244	161,274
Current liabilities			
Creditors, deposits and accruals	13	**28,333**	52,451
Amount due to ultimate holding company		**396**	595
Deferred income		**226**	9,129
Current income tax liabilities		**2,811**	1,527
Bank borrowings		**–**	16,500
		31,766	80,202
Net current assets		**132,478**	81,072
Total assets less current liabilities		**295,793**	422,904
Capital and reserves			
Share capital	14	**118,755**	112,770
Reserves		**174,900**	290,577
Total equity		**293,655**	403,347
Non-current liabilities			
Deferred tax liabilities		**2,138**	19,557
Total equity and non-current liabilities		**295,793**	422,904

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to 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.

2 Principal accounting policies

Except as described below, the accounting policies applied in these interim financial statements are consistent with those of the annual financial statements for the year ended 31 March 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following revised standards, and amendments and interpretation to standards that are relevant to the Group's operation are mandatory for the financial year of the Group beginning on 1 April 2010.

- HKAS 17 (Amendment), "Leases"
- HKAS 27 (Revised), "Consolidated and separate financial statements"
- HKAS 39 (Amendment), "Financial instruments: recognition and measurement – Eligible hedged items"
- HKFRS 2 (Amendment), "Group cash settled share-based payment transaction"
- HKFRS 3 (Revised), "Business combinations"
- HK(IFRIC) – Int 17 "Distributions of non-cash assets to owners"
- Improvements to HKFRSs (2008 and 2009)

The adoption of these revised standards, amendments and interpretation has introduced certain changes to the terminology in the Group's financial statements in 2010/11 (where the terms "non-controlling interests" and "non-controlling shareholders" replace "minority interests" and "minority shareholders", respectively) and has also resulted in a change to the Group's accounting policies in respect of classification of land leases, business combinations, and acquisitions and disposals of ownership interests in subsidiaries, associates and jointly controlled entities, that has affected the amounts reported in the current period.

Classification of leases of land

The amendment to HKAS 17 is effective for the Group from 1 April 2010. It requires that the classification of leases is based on the extent to which the risks and rewards incidental to ownership of an asset lie with the lessor or the lessee. In particular, the amendment removes specific guidance in the standard which previously required that the land element in a lease is normally classified as an operating lease unless the title to the land is expected to be passed to the lessee by the end of the lease term. Under the HKAS 17 (Amendment), a lease of land is classified as property, plant and equipment if the lease transfers substantially all the risks and rewards incidental to ownership of the leasehold land to the lessee. The amendment to HKAS 17 is required to be applied retrospectively. Comparative information has been restated to reflect this change. The effect of the adoption of this change in accounting policy is a reclassification of certain leasehold land to fixed assets in the consolidated statement of financial position as follows:

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000	As at 1 April 2009 HK$'000
Decrease in prepaid lease payments	**(1,605)**	(6,632)	(6,790)
Increase in property, plant and equipment	**1,605**	6,632	6,790
	–	–	–

Business combinations, and acquisitions and disposals of ownership interests in subsidiaries, associates and jointly controlled entities

HKFRS 3 (Revised), "Business combinations" and consequential revisions to HKAS 27, "Consolidated and separate financial statements" are effective for the Group prospectively from 1 April 2010.

HKFRS 3 (Revised) introduces significant changes in the Group's accounting for business combinations. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration. These changes affect the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future results. Furthermore, the revised standard changes the accounting for business combinations achieved in stages. Under HKFRS 3 (Revised), the Group's previously held interests in the acquired entity are re-measured to fair value at the date the Group attains control and the resulting gain or loss, if any, is recognised in the income statement. Any comprehensive income recognised in prior periods in relation to the previously held interests is also reclassified to the income statement as if those interests were directly disposed of. Previously, the resulting gain or loss would have been dealt with as a movement in the revaluation surplus account in reserves and the amount recognised in other comprehensive income in prior periods in relation to the previously held interests is not reclassified to the income statement. The principle adopted under HKFRS 3 (Revised) in relation to business combinations achieved in stages is applicable to acquisition of associates and jointly controlled entities in stages.

HKAS 27 (Revised) requires that an increase or a decrease in ownership interest in a subsidiary that does not result in the Group losing control over the subsidiary is accounted for as a transaction with owners in their capacity as owners and is dealt with in reserves and attributed to the shareholders of the Company, with no impact to goodwill or statement of comprehensive income. Previously, such transactions affect goodwill and give rise to gains or losses. When the control of a subsidiary is lost as a result of a transaction, event or other circumstances, HKAS 27 (Revised) requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when the control is lost, with the resulting fair value re-measurement gain or loss being recognised in the income statement. Previously, the retained interest in the former subsidiary is recognised at its carrying amount at the date when the control is lost and it does not give rise to fair value re-measurement gain or loss.

The effect of the changes in accounting policies following the adoption of HKAS 27 (Revised) on the consolidated income statement and the consolidated statement of financial position is as follows:

	For the six months ended 30 September 2010 HK$'000
Consolidated income statement	
Gain on re-measuring non-controlling interest retained at fair value after disposal of partial interest in subsidiaries	**13,405**
Increase in basic and diluted earnings per share (HK cents per share)	**0.58**

	As at 30 September 2010 HK$'000
Consolidated statement of financial position	
Increase in interests in associates	**13,405**
Increase in reserves - retained profits	**13,405**

The following new or revised standards, amendments and interpretations have been issued, but not yet effective for the financial year beginning on 1 April 2010 and have not been early adopted:

- HKAS 24 (Revised), "Related party disclosures"
- HKAS 32 (Amendment), "Classification of rights issues"
- HKFRS 9, "Financial instruments"
- HK(IFRIC) – Int 14 (Amendment), "Prepayments of a minimum funding requirement"
- HK(IFRIC) – Int 19, "Extinguishing financial liabilities with equity instruments"
- Improvements to HKFRSs 2010

The Group is in the process of assessing the impact of these new or revised standards, amendments and interpretations on its results of operations and financial position.

3 Reportable segments

Reportable segments are identified and reported in the manner consistent with internal reports to the Group that are regularly reviewed by the chief operating decision-marker (Board of Directors) in order to assess performance and allocate resources. The chief operating decision-maker accesses the performance of the reportable segments based on the revenue and profit/loss presented.

The Group has three reportable segments (i) food and beverages including restaurants and bars business and branded coffee shops business; (ii) investments in securities and (iii) natural resources businesses including crude oil trading and mining exploration. Segment revenue is measured in a manner consistent with that in the consolidated income statement, except that it also includes the Group's share of revenue of associates on a proportionate consolidated basis.

Reportable segment information is presented below:

For the six months ended 30 September 2010

	Continuing operations				Discontinued operations	
	Food and beverages HK$'000	**Investments in securities HK$'000**	**Natural resources HK$'000**	**Total HK$'000**	**Food and beverages -branded coffee shops business HK$'000**	**Total HK$'000**
Revenue						
Group revenue	**120,554**	**4**	**–**	**120,558**	**76,000**	**196,558**
Share of revenue from external customers derived by associates	**18,556**	**–**	**–**	**18,556**	**–**	**18,556**
Segment revenue	**139,110**	**4**	**–**	**139,114**	**76,000**	**215,114**
Segment profit/(loss)	**(30,605)**	**6**	**(21,154)**	**(51,753)**	**1,026**	**(50,727)**
Included in segment profit/(loss) are:						
Share of results of associates	**934**	**–**	**–**	**934**	**–**	**934**
Depreciation of property, plant and equipment	**(7,833)**	**–**	**(2)**	**(7,835)**	**(3,685)**	**(11,520)**
Amortisation of trademarks	**(345)**	**–**	**–**	**(345)**	**(1,800)**	**(2,145)**
Impairment loss on goodwill	**(30,218)**	**–**	**(5,117)**	**(35,335)**	**–**	**(35,335)**
Unrealised gain on investments at fair value through profit or loss	**–**	**4**	**–**	**4**	**–**	**4**
Segment assets	**233,643**	**12,113**	**75**	**245,831**	**–**	**245,831**
Included in segment assets are:						
Interests in associates	**55,018**	**–**	**–**	**55,018**	**–**	**55,018**
Amounts due from associates	**171**	**–**	**–**	**171**	**–**	**171**
Additions to non-current assets (other than financial instruments and deferred tax assets)	**2,489**	**–**	**–**	**2,489**	**1,721**	**4,210**

For the six months ended 30 September 2009

	Continuing operations				Discontinued operations	
	Food and beverages HK$'000	Investments in securities HK$'000	Natural resources HK$'000	Total HK$'000	Food and beverages -branded coffee shops business HK$'000	Total HK$'000
Revenue						
Group revenue	113,165	82	–	113,247	144,107	257,354
Share of revenue from external customers derived by an associate	1,952	–	–	1,952	–	1,952
Segment revenue	115,117	82	–	115,199	144,107	259,306
Segment profit/(loss)	(614)	3,081	–	2,467	291	2,758

	Continuing operations				Discontinued operations	
	Food and beverages HK$'000	Investments in securities HK$'000	Natural resources HK$'000	Total HK$'000	Food and beverages -branded coffee shops business HK$'000	Total HK$'000
Included in segment profit/(loss) are:						
Share of result of an associate	86	–	–	86	–	86
Depreciation of property, plant and equipment	(8,718)	–	–	(8,718)	(7,487)	(16,205)
Amortisation of trademarks	(344)	–	–	(344)	(3,600)	(3,944)
Unrealised gain on investments at fair value through profit or loss, net	–	114	–	114	–	114
Segment assets	216,625	40,610	–	257,235	239,172	496,407
Included in segment assets are:						
Interest in an associate	1,165	–	–	1,165	–	1,165
Amount due from an associate	10	–	–	10	–	10
Additions to non-current assets (other than financial instruments and deferred tax assets)	17,657	–	–	17,657	5,793	23,450

The Group had no inter-segment sales for the periods ended 30 September 2009 and 2010.

Reconciliation of segment (loss)/profit to profit before taxation is provided as follows:

	Six months ended 30 September	
	2010 **HK$'000**	2009 HK$'000
Segment (loss)/profit	**(50,727)**	2,758
Gain on disposal of interests in subsidiaries	**217,348**	–
Unallocated corporate income	**–**	219
Unallocated corporate expenses	**(5,605)**	(2,705)
Finance income	**456**	56
Finance costs	**(16)**	(158)
Profit before taxation	**161,456**	170

Geographical information

The Group's operation in food and beverages business are carried out in Hong Kong, Singapore and Mainland China, the investments in securities business is carried out in Hong Kong and Singapore, and the natural resources business is carried out in Mainland China.

The associates' operations in food and beverages business are carried out in Hong Kong, Singapore and Mainland China.

Segment revenue by geographical market (including the Group's share of revenue of associates) are shown in below:

	Segment revenue by geographical market							
			Six months ended 30 September 2010				Six months ended 30 September 2009	
	Company and subsidiaries	**Associates**	**Total**		Company and subsidiaries	Associates	Total	
	HK$'000	**HK$'000**	**HK$'000**	**%**	HK$'000	HK$'000	HK$'000	%
Hong Kong	**192,809**	**17,808**	**210,617**	**98**	249,671	1,952	251,623	97
Singapore	**3,365**	**656**	**4,021**	**2**	6,234	–	6,234	2
Mainland China	**384**	**92**	**476**	**–**	1,449	–	1,449	1
	196,558	**18,556**	**215,114**	**100**	257,354	1,952	259,306	100

4 Other income, net

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Continuing operations		
Gain on investments at fair value through profit or loss, net		
– Realised	**2**	2,917
– Unrealised	**4**	114
Interest income from deposits and prepayments	**–**	219
Management fee income from an associate	**330**	392
Gross rental income of HK$42,000 (2009: HK$33,000) from a property less direct operating expenses	**42**	33
Others	**1,610**	1,123
	1,988	4,798
Discontinued operations		
Others	**38**	244
	2,026	5,042

5 Other (losses)/gains, net

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Exchange gain, net	**36**	52	**60**	93	**96**	145
Impairment loss on goodwill	**(35,335)**	–	**–**	–	**(35,335)**	–
Gain on disposal of interests in subsidiaries (a)	**–**	–	**217,348**	–	**217,348**	–
	(35,299)	52	**217,408**	93	**182,109**	145

(a) Disposal of interests in subsidiaries

On 28 June 2010, the Group entered into an agreement to dispose of its 80% equity interest in Pacific Coffee (Holdings) Limited ("PCC") and its subsidiaries (the "Pacific Coffee Group") to China Resources Enterprise, Limited ("CRE"). The completion of the disposal took place on 7 July 2010, upon which the Pacific Coffee Group ceased to be subsidiaries of the Group and was accounted for as associated companies of the Group.

	HK$'000
Total consideration satisfied by:	
Cash received	326,640
Fair value of 20% retained equity interest in Pacific Coffee Group	53,095
Put option value (note i)	36,360
Professional fees and expenses	(2,956)
	413,139
Net assets disposed of:	
Property, plant and equipment	40,733
Goodwill	34,260
Trademark	99,000
Deferred tax assets	107
Inventories	7,879
Debtors, deposits and prepayments	38,148
Current income tax recoverable	683
Cash and cash equivalents	26,674
Creditors, deposits and accruals	(25,385)
Deferred income	(8,315)
Deferred tax liabilities	(16,335)
Exchange fluctuation reserve	(1,658)
Net assets at the date of disposal	195,791
Gain on disposal of interests in subsidiaries (note ii)	217,348

Notes:

(i) Put option value

Pursuant to the shareholders agreement dated 7 July 2010, CRE has granted a put option to the Group to sell the issued share capital of PCC retained by the Group within three years. The exercise price of the put option is the higher of (i) HK$81,660,000, and (ii) 12.1 times of the earnings before interest, tax, depreciation and amortisation as shown in the audited consolidated profit and loss account of the Pacific Coffee Group for the latest financial year prior to the exercise of the put option multiplied by the percentage of shareholding of the Group in PCC. This preserved right of value was designated as financial investments at fair value through profit or loss in the consolidated statement of financial position, with resulting gain credited to the consolidated income statement as a component of gain on disposal of interests in subsidiaries.

The fair value of the put option at the date of grant was assessed by Jones Lang LaSalle Sallmanns, a firm of independent valuers, using the Binomial Option Pricing Model. The significant inputs into the model included the value of the equity interest at the grant date, exercise price, expected life of the option, annual risk-free rate and expected volatility which was based on the statistical analysis of volatility of weekly share prices of comparable companies over the last three years before the grant date. As at 30 September 2010, the Directors are of the opinion that the fair value of the put option is not significantly different from that at the date of grant.

(ii) Gain on disposal of interests in subsidiaries

The gain on disposal of interests in subsidiaries included the gains of HK$167,583,000 on the 80% equity interest sold (net of professional fees and expenses), HK$13,405,000 on re-measurement of the 20% retained equity interest and HK$36,360,000 on the put option value.

6 **Finance income/(costs), net**

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income from bank deposits	**454**	52	**2**	4	**456**	56
Interest expenses on bank borrowings	**(16)**	(158)	**–**	–	**(16)**	(158)
	438	(106)	**2**	4	**440**	(102)

7 **(Loss)/profit before taxation**

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss)/profit before taxation has been arrived at after charging the following:						
Cost of inventories recognised as expenses	**29,200**	28,644	**10,986**	22,523	**40,186**	51,167
Depreciation of property, plant and equipment	**7,835**	8,718	**3,685**	7,487	**11,520**	16,205
Amortisation of trademarks	**345**	344	**1,800**	3,600	**2,145**	3,944
Staff costs	**47,453**	44,381	**17,136**	31,513	**64,589**	75,894
Share option – consultancy service received	**3,210**	–	**–**	–	**3,210**	–
Operating lease payments in respect of leasing of						
– Premises						
– under minimum lease payments	**25,138**	23,348	**20,515**	39,247	**45,653**	62,595
– under contingent rent	**1,274**	1,045	**1,316**	3,040	**2,590**	4,085
– Equipment	**142**	99	**35**	10	**177**	109

8 **Income tax (credit)/expenses**

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax						
Hong Kong	**1,268**	38	**–**	–	**1,268**	38
Deferred tax						
Origination and reversal of temporary differences	**(1,815)**	66	**(297)**	(594)	**(2,112)**	(528)
	(547)	104	**(297)**	(594)	**(844)**	(490)

Hong Kong profits tax is calculated at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits after offsetting losses brought forward of each individual company.

9 Earnings/(loss) per share

(a) Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company as set out below by the weighted average number of 2,317,536,919 ordinary shares (2009: 2,155,400,170 ordinary shares as adjusted for the effect of share subdivision on 30 March 2010) in issue during the period.

	Six months ended 30 September 2010 HK$'000	2009 HK$'000
Continuing operations	**(56,373)**	(229)
Discontinued operations	**218,673**	889
	162,300	660

(b) Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme/arrangement after taking into account of the share subdivision on 30 March 2010. As the adjusted exercise price, including the fair value of consultancy services to be rendered, of the share options granted by the Company was higher than the relevant average market price of the Company's shares for the period ended 30 September 2010, those outstanding share options granted, which amounted to 150,000,000 shares as at 30 September 2010, have no dilutive effect on profit per share for the period ended 30 September 2010.

10 Dividends

	Six months ended 30 September 2010 HK$'000	2009 HK$'000
Special dividend of HK13.6 cents (2009: nil) per share	**323,013**	–
Interim dividend of nil (2009: HK0.1 cent) per share (note)	**–**	2,155
	323,013	2,155

The 2010/11 special dividend of HK13.6 cents per share, totalling HK$323,013,000, was approved at the Board meeting held on 13 July 2010 and paid on 30 July 2010.

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2010 (2009: HK0.1 cent per share).

The 2009/10 final dividend of HK0.5 cent per share, totalling HK$11,875,000, was approved at the annual general meeting held on 9 September 2010 and paid on 13 September 2010.

Note: Interim dividend per share for the six months ended 30 September 2009 was adjusted, taking into account of the share subdivision on 30 March 2010.

11 Discontinued operations

The disposal of 80% of equity interest in the Pacific Coffee Group was completed on 7 July 2010. The operations of the branded coffee shops business carried out by the Pacific Coffee Group up to the date of disposal were presented in the condensed consolidated financial statements of the Group as discontinued operations.

The results of the discontinued operations included in the condensed consolidated income statement are set out below.

	Note	Six months ended 30 September 2010 HK$'000	2009 HK$'000
Revenue	3	**76,000**	144,107
Cost of sales		**(18,831)**	(36,273)
Gross profit		**57,169**	107,834
Other income, net	4	**38**	244
Other gains, net	5	**217,408**	93
Selling and distribution costs		**(56,075)**	(107,509)
Administrative expenses		**(166)**	(371)
Operating profit		**218,374**	291
Finance income	6	**2**	4
Finance costs	6	**–**	–
Finance income, net	6	**2**	4
Profit before taxation	7	**218,376**	295
Income tax credit	8	**297**	594
Profit for the period from discontinued operations		**218,673**	889

12 Debtors, deposits and prepayments

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
Trade debtors	**1,411**	6,219
Other debtors, deposits and prepayments	**10,176**	28,943
	11,587	35,162

The Group has established different credit policies for customers in each of its core businesses. The credit period granted to trade debtors ranges from 30 – 45 days except for sales of food and beverages at restaurants and bars, which are mainly on cash basis.

The ageing analysis of trade debtors is as follows:

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
0 – 60 days	**902**	5,344
61 – 90 days	**159**	374
Over 90 days	**350**	501
	1,411	6,219

13 Creditors, deposits and accruals

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
Trade creditors	**4,756**	12,526
Other creditors, deposits and accruals	**23,577**	39,925
	28,333	52,451

The ageing analysis of trade creditors is as follows:

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
0 – 60 days	**4,756**	12,391
61 – 90 days	**–**	–
Over 90 days	**–**	135
	4,756	12,526

14 Share capital

	Number of shares '000	HK$'000
Authorised ordinary shares:		
At 1 April 2010 and 30 September 2010 of HK$0.05 per share	**3,500,000**	**175,000**
Issued and fully paid ordinary shares:		
At 1 April 2010 of HK$0.05 per share	**2,255,400**	**112,770**
Issue of shares	**119,695**	**5,985**
At 30 September 2010 of HK$0.05 per share	**2,375,095**	**118,755**

15 Contingent liabilities

As at 30 September 2010, the Group had contingent liabilities of HK$1,777,000 (31 March 2010: HK$19,686,000) in respect of guarantees issued for banking facilities granted to its wholly-owned subsidiaries.

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 not to declare any interim dividend for the six months ended 30 September 2010 (2009: HK0.1 cent per share).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue from its continuing operations amounted to HK$121 million during the six months ended 30 September 2010. This represents an increase of 7.1% on the HK$113 million achieved in the same period last year. A significant profit of HK$219 million (2009: HK$0.9 million) was recorded for the operations that were discontinued following the completion of the Group's disposal of an 80% interest in Pacific Coffee to China Resources Enterprise, Limited ("CRE") on 7 July 2010. As a result, there was a substantial surge in the profit attributable to equity holders to HK$162 million, compared with HK$0.7 million for the six months ended 30 September 2009.

Following the adoption of the new accounting standard for the financial year beginning on 1 April 2010, the Group recorded a gain of HK$217 million on the disposal of interests in the Pacific Coffee Group. This consisted of three elements, namely a gain of HK$167.6 million on the disposal of the 80% interest, a gain on the fair-value re-measurement of the 20% retained interest of HK$13.4 million, and a gain on the fair value of the put option of HK$36.4 million. Because the Igor's lifestyle restaurants and bars business had not yet fully recovered to its peak operating level at the time when it was completely acquired by the Group, the Group made a further impairment on goodwill of HK$30.2 million in respect of this business.

The Group announced on 8 November 2010 that it had terminated its plan to acquire certain interests in a mining project in the Philippines. The total expenses incurred in relation to this project – including drilling, testing, legal, consultancy and advisory costs – for the six months ended 30 September 2010 amounted to HK$14.8 million; and these were charged to the consolidated income statement. The Group does not expect to incur any further material costs relating to this project for the rest of the financial year.

Earnings per share amounted to HK7.00 cents during the six months ended 30 September 2010, compared with HK0.03 cent (after an adjustment for the effect of the share subdivision on 30 March 2010) for the same period last year.

Food and Beverages

Calculating its share of the revenue of its associates on a proportionate consolidated basis, the Food and Beverages ("F&B") segment achieved a revenue of HK$139 million during the period under review. This was 20.8% higher than the amount for the corresponding period last year mainly because of a rise in Igor's revenue – due to the increase in the number of its outlets – as well as the Group's share of the revenue of the Pacific Coffee Group, in which it has retained a 20% interest since early July 2010. However, as a result of the abovementioned impairment loss on goodwill, the segment reported a loss of HK$30.6 million (2009: HK$0.6 million) for the six months ended 30 September 2010.

As of 30 September 2010, Igor's operated 36 outlets: 10 restaurants, 14 restaurant bars, 7 Wildfire stores and 5 specialty kiosks. All of them were located in prime business and tourist locations in Hong Kong. Two new outlets were opened at Asia World Expo during the period under review, to cater to people visiting exhibitions and other special events there. In view of the competitive economic environment, Igor's recorded a slight drop of 0.25% in the average amount of its same-store sales. The Blu Catering central kitchen was sold to CRE at the same time the Group disposed of its 80% interest in Pacific Coffee.

CRE's presence as the Group's new strategic partner and as Pacific Coffee's major shareholder, as well as its extensive network and experience in the Mainland China retail market, will favourably position Pacific Coffee to strengthen its competitiveness by building up its brand and expanding its presence in the Mainland more efficiently. Since the Group retains a 20% interest in the Pacific Coffee Group, it will continue to benefit from the growth of this business in the coming year. To maintain its strategic support, the Group remains a seat on the Pacific Coffee board.

Investments in Securities

The size of the Group's investment portfolio has been kept to a minimum. As a result, it recorded only a small segment profit of HK$6,000 in the six months ended 30 September 2010 (2009: HK$3.1 million). The Group will exercise a conservative approach to its securities investments.

Natural Resources

The Group is in the preliminary stages of exploring opportunities in the natural resources industry. Therefore, this segment did not achieve any revenue during the six months ended 30 September 2010. Subsequent to the end of this period, the Group terminated its plan to acquire interests in a mining project in the Philippines, due to the market environment and the fact that not all the conditions precedent to its completion could be fulfilled. It entered into an agreement to terminate the rights and obligations of all the parties concerned on 8 November 2010. The expenses incurred for this project during the review period have been charged to the segment. In addition, the crude oil business in which the Group invested in last year did not make any sales transactions during the period under review. Consequently, an impairment loss on goodwill of HK$5.1 million was recognised for this business. As a result, the Natural Resources segment recorded a total loss of HK$21.2 million. The Group is now carefully considering whether to continue exploring opportunities in this sector.

Strategy and Outlook

In addition to its 36 existing outlets, Igor's will continue to seek opportunities to establish more Wildfire stores and new restaurants and bars throughout the territory. However, due to the currently high property rental prices, it will implement this strategy in a conservative way. It will simultaneously aim to renew and extend the leases for its existing outlets on favourable terms. Two further outlets – a Wildfire and a German restaurant and bar called Berliner – both in Soho East – will be opened during the second half of the financial year. Igor's will maintain its commitment to excellence, and it will continue to focus on providing consistently high-quality food and services to its customers by enhancing the performance of its existing outlets and attracting and retaining qualified staff members.

With the US Government now implementing another round of extraordinary monetary stimulus measures, there is a strong likelihood that the US dollar will be devalued and that global commodity prices will rise as a result. This could trigger inflation-led increases in a number of the Group's cost areas – such as higher labour costs and aggressive rental increases – which could not be passed on in full to customers. Since its margins may be squeezed during the second half of the financial year, the Group will exercise great caution about expanding its F&B network.

FINANCIAL REVIEW

As at 30 September 2010, the Group's net assets attributable to equity holders of the Company amounted to HK$294 million (31 March 2010: HK$403 million), a decrease of 27.0%. Such decrease was mainly caused by the profit attributable to equity holders of HK$162 million, issue of share of HK$63.4 million, offsetting by the 2010/11 special and 2009/10 final dividends of HK$335 million appropriated during the period.

As at 30 September 2010, the Group had no bank borrowings (31 March 2010: HK$16.5 million), due to the bank loan repayment during the period. Cash and deposits at bank amounted to HK$111 million (31 March 2010: HK$112 million).

EMPLOYEES AND REMUNERATION POLICIES

Following the deconsolidation of the branded coffee shops business and central kitchen, which employed approximately 600 staff, in July 2010, number of full-time staff employed by the Group as at 30 September 2010 was reduced to approximately 520. Total staff costs amounted to HK$64.6 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.

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 30 September 2010.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2010, with deviation from code provision A.4.1 which stated that non-executive Directors should be appointed for a specific term and subject to re-election. As stated in the Company's Annual Report 2010, all the non-executive Directors of the Company are not appointed for a specific term but subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Bye-Laws.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following a specific enquiry, each of the Directors confirmed that he/she has complied with the Model Code throughout the six months ended 30 September 2010.

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 30 September 2010.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The interim results announcement of the Company for the six months ended 30 September 2010 is published on the Stock Exchange's website at http://www.hkexnews.hk and the Company's website at http://www.chevalier.com. The interim report of the Company for the six months ended 30 September 2010 containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow Directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the period.

By Order of the Board
Chevalier Pacific Holdings Limited
CHOW Yei Ching
Chairman

Hong Kong, 26 November 2010

As at the date of this announcement, the Board of the Company comprises Dr Chow Yei Ching (Chairman), Mr Chow Vee Tsung, Oscar (Managing Director), Mr Kuok Hoi Sang, Miss Lily Chow and Mr Chang Wan Lung, Robert as executive directors and Mr Wu King Cheong, Mr Leung Kwong Kin and Mr Lau Kai Shu, Frank as independent non-executive directors.

* *For identification purpose only*