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Chevalier International and Chevalier Pacific Announce 2009/10 Interim Results

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Prominent construction and engineering services provider, Chevalier International Holdings Limited ("CIHL" or the "Group"; stock code: 25.hk) and its subsidiary, food and beverages operator, Chevalier Pacific Holdings Limited ("CPHL"; stock code: 508.hk) announced their interim results for the six months ended 30 September 2009.

During the period under review, the Group recorded a significant profit as compared to a loss for the corresponding period last year. It was mainly due to a marked turnaround in the investment results as well as the reduction of project losses made in the construction and engineering segment. Although the Group's revenue decreased 29.1% to HK$1,972 million, profit for the period rebounded to HK$128 million as compared to loss of HK$25.0 million same period last year. Earnings per share was HK$0.30 (2008: HK$0.06 per share).

The Board of Directors of CIHL recommends the payment of an interim dividend of HK$0.15 (2008: HK$0.055) per share.

CPHL's revenue was up 59.7% to HK$257 million for the six-month period (2008: HK$161 million). Following the acquisition of the remaining 51% interest in Igor's in March this year, the performance of Igor's has been fully consolidated into CPHL's results beginning 1 April 2009. During the period, as a result of a recovery in the financial market, CPHL recorded a marked improvement in its investment in securities with a profit of HK$3.1 million (2008: HK$14.5 million loss). Profit attributable to equity holders amounted to HK$0.7 million (2008: HK$14.4 million loss). Earnings per share was HK0.31 cent (2008: HK6.70 cents loss per share).

The Board of Directors of CPHL recommends the payment of an interim dividend of HK1.0 cent (2008: HK1.0 cent) per share.

Dr Chow Yei Ching, Chairman of CIHL and CPHL, said, "In order to navigate through the unprecedented financial tsunami last year, the Group has taken decisive actions in restructuring and reallocating the resources of the Group to only focus on those critical activities that will contribute to the future competitiveness and revenue growth."

Construction and Engineering

During the period under review, revenue for this segment saw a substantial drop from HK$1,922 million last year to HK$1,185 million this year, mainly due to the lower turnover derived from construction and engineering works in Macau and the divestment of the Group's 75% interests in pipe rehabilitation business in Europe and Australia last year. As a result of the de-consolidation of the aforesaid pipe rehabilitation business in the consolidated financial statements of the Group and the decrease in further provision for project losses, this segment achieved a profit of HK$12.9 million (2008: HK$74.4 million loss).

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During the period, major projects in Hong Kong and Singapore with total contract sum of over HK$1,400 million were secured. Following the establishment of strategic alliance with Toshiba Elevator and Building Systems Corporation for further development of lifts and escalators business, the Group has begun to realise benefits from this partnership.

Insurance and Investment

With the stabilisation of the global financial market, the market value of the investment portfolio of the Group has appreciated during the period under review. Insurance business also contributed positively to the segment results. Revenue from this segment increased from HK$36.1 million to HK$40.2 million while segment results improved from HK$98.8 million loss last year to HK$29.1 million profit for the six-month period this year. Such improvement was mainly attributable to the realised and unrealised gain on the financial assets held by the Group. The management will continue to maintain a conservative approach to its financial investment so as to generate stable return.

Property

This segment reported revenue of HK$158 million (2008: HK$189 million) and segment profit was maintained at HK$75.7 million (2008: HK$79.8 million). The decrease in revenue was mainly due to the drop in the sales of properties during the period as compared to same period last year. On the other hand, the property investment, property management, and cold storage and logistics businesses in Hong Kong continued to provide steady contributions.

The Group has property development projects in Beijing, Changchun, Chengdu, Hefei and Shenzhen, with a total gross floor area over 1.5 million square metres. For the period under review, pre-sale of Phase II of My Villa in Beijing was satisfactory; Chengdu Chevalier Tower Project has gradually delivered sold residential and commercial units to the buyers; while other projects had made good progress.

Food and Beverages

As for the food and beverages segment, the combined results (including segment results and share of results of associates) experienced a loss of HK$0.3 million for the period (2008: HK$2.1 million profit) after absorbing amortisation of trademarks of HK$3.9 million. Igor’s recorded an average same store sales drop of 15.6% due to the sluggish economic condition, while affected by declines at tourist locations and financial districts, Pacific Coffee in Hong Kong also recorded an average same store sales drop of 7.5%. Despite the difficult environment, Pacific Coffee maintained moderate growth in coffeehouse locations with 4 new openings during the period.

At the same time, Pacific Coffee’s overseas operations in Singapore, Beijing and Shanghai recorded significant improvements after closures of unprofitable stores and restructuring of management. On the other hand, Pacific Coffee has made a reasonable progress in its international franchise business. The first and second franchise stores in Macau and Foshan, China opened in July this year. CPHL has also recently signed up a franchise for Malaysia.

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As at 30 September 2009, CPHL operated 78 Pacific Coffee stores and 33 Igor's outlets.

Computer and Information Communication Technology and Others

Both revenue and results of this segment reduced to HK$332 million (2008: HK$479 million) and HK$6.5 million (2008: HK$14.5 million) respectively. Business of every size and scope, across all industries, has felt the immense impact of the economic crisis. Demand of computer and information communication products from the SME (small and medium enterprise) within the commercial market was impacted severely. Although the commercial activities are gradually recovering, buying motivation from many commercial customers remains sluggish. Nevertheless, car dealership and food trading businesses recorded positive contributions.

Prospects

With a combined operation of 105 outlets in Hong Kong, the Group has become a key player in the food and beverages market. The Group will continue to look for synergies between the Pacific Coffee and Igor's operations and to further strengthen its footprint in Hong Kong. The Group is optimistic of the new income source to be generated from the franchising of Pacific Coffee in the overseas market. The management will adopt a cautious approach so as to ensure a healthy and sustainable long term development.

Besides, given the bullish prospects of the Mainland economy, the Group will continue to look for opportunities in acquiring premium property development projects or land banks in Mainland China.

Dr Chow added, "With the signs of real economic growth, modest inflation and ample liquidity, increasing risk-appetite among investors sets favorable conditions for the asset markets worldwide. It is anticipated that the strong economic growth momentum of the Mainland and the recovery of the Hong Kong economy in coming year will provide advantages to the Group's property development projects, and construction and engineering business. In light of the above, the Board is cautiously optimistic about the current economy and will continue to provide quality services to all the clients in the coming year."

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Details of the announcement can be found on our website: http://www.chevalier.com

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