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CHEVALIER INTERNATIONAL AND CHEVALIER PACIFIC ANNOUNCE 2008/09 ANNUAL RESULTS

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	CIHL		CPHL	
For the year ended 31 March	**2008/09**	**2007/08**	**2008/09**	**2007/08**
Revenue	HK$5,196 million	HK$5,569 million	HK$318 million	HK$311 million
Profit/(Loss) Attributable to Equity Holders	HK$136 million	HK$231 million	HK$(159) million	HK$26 million
Earnings/(Loss) per Share	HK$0.49	HK$0.83	HK(73.66) cents	HK12.25 cents
Total Dividends per Share	HK$0.455	HK$0.45	HK2 cents	HK10 cents

Revenue for CPHL of 2007/08 is from continuing operations only.

Prominent construction and engineering services provider Chevalier International Holdings Limited ("CIHL" or the "Group"; stock code: 25.hk) and its food and beverages (F&B) operator subsidiary Chevalier Pacific Holdings Limited ("CPHL"; stock code: 508.hk) today announced their annual results for the year ended 31 March 2009.

CIHL's revenue for the year decreased 6.7% to HK$5,196 million (2007/08: HK$5,569 million). Profit attributable to equity holders declined 41.1% to HK$136 million (2007/08: HK$231 million). The drop in profit was mainly due to the high level of building material costs inflation in addition to the global economic meltdown triggered by the sub-prime crisis in the US, bringing considerable operational challenges to the Group and affecting the performance of most of the businesses during the year under review.

The Board of Directors of CIHL recommends the payment of a final dividend of HK20 cents (2007/08: HK29 cents) and a special dividend of HK20 cents (2007/08: nil) per share. Together with the interim dividend of HK5.5 cents (2007/08: HK16 cents) per share paid earlier this year, the total dividends for the year amounted to HK45.5 cents (2007/08: HK45 cents) per share, 1.1% more than last year and representing a dividend payout of 93% (2007/08: 54%).

CPHL's revenue was slightly increased by 2.3% to HK$318 million (2007/08: HK$311 million), but a loss attributable to equity holders of HK$159 million was also recorded, with HK$134 million of that arising from impairment on goodwill for purchases of two F&B businesses and on fixed assets. Loss of HK$25 million was also recognised on its investments in securities segment. Results for the year under review were below expectations. Severe and rapid market deterioration during the second half of the financial year was detrimental to the Group's F&B business and securities investment.

The Board of Directors of CPHL recommends payment of a final dividend of HK1.0 cent (2007/08: HK7.0 cents) per share. This, together with the interim dividend of HK1.0 cent (2007/08: HK3.0 cents) per share, represented the total dividends of HK2.0 cents (2007/08: 10 cents) per share.

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Construction and Engineering

Revenue for this segment reported a mild drop of 3.8% to HK$3,697 million (2007/08: HK$3,845 million), mainly due to the escalating building material prices and manpower costs, and the deterioration in the already-weakened residential and commercial sectors in both Hong Kong and Macau. Project losses and provisions from the building construction and pipe rehabilitation divisions, together with impairment in goodwill, resulted in a loss for this segment, but were compensated by the disposal gains from pipe rehabilitation and lifts and escalators. As a result, the segment achieved a profit in the sum of HK$573 million.

The Group made two strategic moves during the year. An alliance was formed with its long-term partner, Toshiba Elevator and Building Systems Corporation ("TELC") by the disposal of 49% interest in its lifts and escalators business to TELC, while the Group also participated in 20% of each of TELC's lifts and escalators plants in Shanghai and Shenyang, respectively. Through this strategic alliance with TELC, the Group is able to enhance its competitiveness during project bidding and hence increase the size of its maintenance portfolio. This cooperation also facilitates the Group's business expansion into other countries of the Asia Pacific region such as Vietnam, the Philippines and other growing cities in the PRC. Another move taken by the Group was the disposal of 75% interest in its pipe rehabilitation and construction arm in Europe and Australia to Sekisui Chemical Co., Ltd. This allows the Group to focus its resources on pipe rehabilitation business and the advanced Australian "Plastream" pipe technology.

The lifts and escalators division besides having undergone a significant strategic shift, continued to maintain a stable profit contribution during the year, while the aluminium windows and curtain walls division also recorded another year of sound performance. Most of the projects in Macau undertaken by the E&M division were substantially completed on time and handed over to the developers to their satisfaction. However, business for E&M in Macau is likely to decrease due to a slowdown in the previously booming industries of real estates, casinos and hotels caused by the global recession, and the division will shift its focus back to Hong Kong to maintain its contribution.

Insurance and Investment

Revenue from this segment decreased from HK$105 million to HK$66 million as compared to last year. Segment loss further increased from HK$71 million to HK$236 million as the Group incurred substantial losses by realising its securities investment during the unprecedented global financial crisis and recognising unrealised loss from derivative financial instruments of HK$75 million through its hedging activities. In view of the fluctuating market situation, during the year, the Group had significantly downsized its investment portfolio to minimise exposure.

Property

This segment reported revenue of HK$321 million, and segment profit was significantly down from HK$501 million to a loss of HK$22 million. The reduction in profit was mainly attributable to the change in revaluation of investment properties from a gain of HK$387 million last year to a loss of HK$100 million this year. The cold storage and logistics, property management and investment property rental businesses obtained stable profit contribution and benefited the segment's overall results.

Most of the property development projects in the PRC are primarily at initial development phases and have not provided profit contribution for this financial year. Given the confidence in the long-term prospects of mainland China's buoyant property market, the Group continued to place substantial emphasis and make sound progress on its property development projects in various cities in the PRC during the year. Additional investments were made by increasing capital for property development projects in Hefei and Changchun.

Food & Beverages, IT and Others

Revenue as well as profit for the IT segment decreased in both Hong Kong and Thailand, mainly due to the negative impact of the global economic downturn as well as keen competition in the computer notebook industry.

As for the Food and Beverages segment, its net revenue increased by 4.0% to HK$311 million. During the year, the total revenue of Pacific Coffee in Hong Kong amounted to HK$285 million, up 7.8% from last year with the total number of Pacific Coffee outlets increased to 70 from 63 last year. Despite the worsening overall market situation, Pacific Coffee's overall same-store revenue dropped marginally by 2.5%. Revenue from overseas operations in Singapore, Beijing and Shanghai for the year was HK$25.6 million, a decline of 22.4% compared with last year.

Igor's Group recorded satisfactory performance for the year under review. Our 49% share of its profit for the year was a 16.7% increase from HK$9.6 million last year to HK$11.2 million. Igor's Group operates 30 restaurants and bars as of 31 March 2009 (2007/08: 29), all of which are located in Hong Kong.

On 31 March 2009, the Group successfully completed its acquisition of the remaining 51% interest in Igor's Group. This increased the number of wholly-owned F&B outlets in Hong Kong to 100 and will double the scale of the F&B segment in terms of revenue for the coming year.

Dr CHOW Yei Ching, Chairman of CIHL and CPHL, added, "I am confident that with the competitive edge honed by the integration between Pacific Coffee and Igor's Group, we will be able to emerge from this challenging time in a good position to prosper when healthier economic times return."

Prospects

Looking ahead, property development and investment in mainland China will continue to be a focus for the Group in the coming years. Given the bullish prospects of the PRC economy, the Group will continue to look for well-priced opportunities in acquiring premium property development projects or land banks in the Mainland.

The Group also anticipates the rollout of the 10 infrastructure projects and the upcoming construction-related works by the HKSAR Government as announced in its 2007-08 Policy Address would provide sound impetus and opportunities for the Group's construction and engineering business in the coming few years.

The food and beverages business remains a long-term growth driver for the Group. The Group will leverage Pacific Coffee's strong reputation and brand awareness for growth by carefully developing an international franchise business. Experienced and resourceful local franchisees will enable Pacific Coffee to open new stores in overseas markets in a less management- and capital-intensive manner, at the same time providing stable revenue streams with less risk. Besides, the Group will also cautiously expand the Igor's network by opening four more restaurants and bars in Central and Kowloon, and three specialty kiosks at pier 7 Central.

The strategic moves taken by the Group have laid a solid foundation for future growth. Chevalier Group will continue to explore and develop new business opportunities around its competencies that are less susceptible to economic cycles and generate stable positive ongoing cash flow so as to deliver continuing benefits for its shareholders, customers, consumers and employees.

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

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