PRESS RELEASE 8 December 2006

CHEVALIER INTERNATIONAL ANNOUNCES 2006/07 INTERIM RESULTS
CONTINUES TO STRENGTHEN ITS BUSINESS FOUNDATION
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CHEVALIER ITECH FURTHER PENETRATES F&B MARKET

(Hong Kong, 8 December 2006) – Prominent construction and engineering services provider, Chevalier International Holdings Limited ("CIHL" or the "Group") (stock code: 25), today announced its interim results for the six months ended 30 September 2006.

During the period under review, the Group's turnover amounted to HK$2,508 million (2005/06: HK$2,745 million). Profit attributable to equity holders recorded HK$160 million (2005/06: HK$196 million) while earnings per share was HK57.5 cents (2005/06: HK70.5 cents). Increased finance cost, additional development costs incurred in exploring new markets and products in the pipe technologies business, and the absence of profits like that derived from a property sales transaction in the same period last year were the reasons for the setback in overall performance.

The Board of Directors of CIHL is pleased to recommend an interim dividend of HK20 cents (2005/06: HK20 cents) per share.

Chevalier iTech Holdings Limited ("CiTL") (stock code: 508) recorded a drop in turnover to HK$382 million (2005/06: HK$429 million) due to decreased in turnover of the computer and information communication technology and the investment segment. Profit attributable to equity shareholders decreased to HK$15.4 million (2005/06: HK$21 million) as a result of increased finance costs and the absence of the like of the HK$4 million profit on disposal of property for sale recorded last year.

The Board of Directors of CiTL has recommended the payment of an interim dividend of HK2.5cents (2005/06: HK3 cents) per share.

Dr. CHOW Yei Ching, Chairman and Managing Director of CIHL, said, "Indeed, excluding the Shanghai property sales recorded in the first half of last year which had a net profit after tax of HK$40 million, our net profit of the current period is slightly better than that of the same period last year. During the period, our diversified business portfolio played a crucial role in stabilizing our revenue, with drop in contributions of certain businesses offset by those from the fast growing ones. Moving forward, we are confident that our food and beverage business as well as our pipe technologies business will motivate our long-term growth."

Construction and Engineering

Turnover of this sector increased by 19% to HK$1,454 million from last year's HK$1,222 million, mainly driven by the increase in business volume in the Environmental Engineering Division and the Macau project undertakings by the Electrical and Mechanical Engineering Division. Major projects on hand in Macau included supply and installation of lifts and escalators and electrical and mechanical works for the Galaxy Resort and Casino in Cotai City. Air conditioning works for Wynn Resorts Phase I in Macau were completed in September this year.

The segment's overall profit increased by only 10% due to keen competition in the lifts and escalators market and the aluminium windows and curtain wall business. Besides, though the overall results of pipe technologies business in Europe improved, its growth in Asian countries was slower-than-expected. Additional costs incurred in developing new products and exploring new markets such as the US also affected the performance of this division.

Property and Hotel

Turnover and profit of this segment declined to HK$157 million and HK$56 million respectively. The decrease was against the inclusion of HK$254 million in turnover and HK$40 million in profit from the disposal of part of the units in Chevalier Place Shanghai in the same period last year. The results of this division derived from sales and rental of investment properties, property management and hotel operations remained steady if the disposal of property last year was excluded.

During the period, the Group continued smoothly its real estate projects in Shenzhen and Chengdu. On the other hand, the Group also disposed of its development project in Dongguan. The total proceeds of HK$45 million will be booked in the second half of the financial year.

Capacity of the Group's 18-storey cold storage warehouse in Kwai Chung was continuously taken up satisfactorily during the period. Anticipating continuous growth in demand for cold storage space, the Group expects to see increase in profit contribution from this line of business in the following months.

Insurance and Investment

Turnover of the segment decreased from HK$533 million to HK$259 million while profit maintained at approximately HK$68 million. The segmental profit came entirely from investment return with the insurance underwriting business adversely affected by keen market competition. The Group has a well-balanced investment portfolio spreading across equity, fixed income and structured deposits, and the management will continue to maintain such a balanced approach so as to generate stable income and capture reasonable medium to long-term returns.

IT, Food & Beverage and Others

The performance of the computer and information communications technology segment encountered setbacks in growth as a result of a delay in the introduction of a new operating system and recall of defective notebook computer batteries. Nevertheless, the computer division remained as a major contributor to the segment's profits. Meanwhile, the network solutions division continued to offer comprehensive telecommunication and IT solutions that address particular technical requirements of the clients, including several government departments and educational institutions.

Turnover and segment results of the food and beverage segment improved by 60% and 5% respectively. For Hong Kong and Singapore, the segment results improved by over 50% to HK$12 million. During the period, Pacific Coffee continued to expand its network and opened 7 new stores in Hong Kong, 3 in Shanghai, 1 in Beijing and 1 in Chengdu, bringing the total store number to 61.

Subsequent to the period end, the Group entered into an agreement to acquire the entire issued share capital of Sinochina Enterprises Limited ("SEL") at a total consideration not exceeding HK$200 million. SEL is the holding company of Igor's, one of Hong Kong's fastest growing food and beverage management companies. Igor's established its first restaurant in 1998 and now operates 20 outlets. Its restaurants including "Wildfire", "The Boathouse", "Stormies Crabshack" and "Café de Paris", at various prime dining destinations such as Lan Kwai Fong, Soho, Knutsford Terrace and Stanley in Hong Kong, offer a wide variety of international cuisines. Igor's also operates popular bars and restaurants – "Stormies", "The Cavern", "Swindlers" and "Typhoon" – in the premier entertainment districts of Lan Kwai Fong and Wanchai. With Igor's in addition to Pacific Coffee, the Group will be able to leverage market knowledge and experience, enjoy operational economies of scale, and also offer an impressive selection of western lifestyle based food and beverage.

Prospects

Domestic demand in Hong Kong remains robust as reflected in the strong growth of the Group's food and beverage business. Riding on and combining Igor's creative food and beverage concepts with Pacific Coffee's strong retail and brand presence, the Group will continue to capture the fast growing and Western lifestyle-based food and beverage market in Hong Kong, the PRC and other parts of Asia.

Besides, the Group is also positive to the prospects of the pipe technologies business. Although this business experienced setback during the period, with production facilities in Belgium, Germany, China and Australia, the segment has established a network to service customers all over the world. The Group also secured the first NSF approvals for NordiTube rehabilitation products in the drinking water market of the US, opening for it the possibility of appealing to different markets in Europe and the US. As for the property business, provided that the property development projects in various PRC cities progress smoothly and the real estate market sentiment there continues to be favourable, the Group expects to record recurring sizeable revenues from property sales giving it a stable source of income in the next few years.

Dr. Chow concluded, "Facing various challenges in the ever-changing operational environment, we are prudently optimistic about our development in future. We are always committed to enriching our business portfolio with new elements to achieve steady business growth. In the coming years, we will continue to leverage our solid business foundation supported by a sound financial position to seize emerging opportunities at the right time, with a goal to bring maximum returns to our shareholders."

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