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CHEVALIER INTERNATIONAL ANNOUNCES 2005/06 ANNUAL RESULTS
TURNOVER SURGES 22% TO HK$5,237 MILLION
NET PROFIT RISES 12% TO HK$331 MILLION

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CHEVALIER ITECH REPORTS GROWTH IN TURNOVER AND PROFIT

(Hong Kong, 24 July 2006) - Prominent construction and engineering services provider, Chevalier International Holdings Limited ("CIHL" or the "Group") (stock code: 25), today announced its encouraging annual results for the year ended 31 March 2006. Benefited from the general recovery of the Hong Kong economy and the robust property market in the PRC in the first half of 2005, all the Group's different segments boasted impressive turnover contribution.

Total turnover of the Group increased to HK$5,237 million, up 22% when compared with the previous financial year (2004/05: HK$4,290 million). Profit attributable to equity holders was HK$331 million, up 12% from last year (2004/05: HK$295 million), and basic earnings per share were HK$1.19 (2004/05: HK$1.06).

The directors recommend the payment of a final dividend of HK$0.30 (2004/05: HK$0.25) per share to shareholders. Together with the interim dividend of HK$0.20 (2004/05: HK$0.20) per share and special dividend of HK$0.18 (2004/05: nil) per share paid in January 2006, the total dividend for the year amounted to HK$0.68 per share (2004/05: HK$0.45), 51 % growth over last year and representing a dividend payout of 57 %.

Bolstered by sustained growth momentum from the interim period, Chevalier iTech Holdings Limited ("CiTL") (stock code: 508) also delivered satisfactory results. Turnover and profit attributable to equity holders increased by 21% and 23 times respectively to HK$832 million and HK$37 million, mainly motivated by the improved results of its various businesses, including computer and information communication technology, food and beverage and investment in securities.

The directors recommend the payment of a final dividend of HK5 cents (2004/05: HK1 cent) per share. This, together with the interim dividend of HK3 cents (2004/05: HK1 cent) per share paid during the year, represented a dividend distribution of HK8 cents (2004/05: HK2 cents) per share for the year ended 31 March 2006.

Dr. CHOW Yei Ching, Chairman and Managing Director of CIHL, said, "We are pleased to report another year of good results. Buffered by the persistent recovery of the economy, our diversified business portfolio not only generated recurring incomes, but is also expected to facilitate consistent growth of the Group."

Construction and Engineering

During the year, turnover of this segment increased by 10% to HK$2,524 million with profit at HK$182 million, up 13% from last year's.

All the companies under Chevalier Pipe Technologies Group ("CPT"), like NordiTube Belgium, RibLoc Australia and Chevalier Pipe Rehabilitation Hongkong, reported growth and boosted the turnover of the Pipe Technologies Division. Currently, CPT operates business across continents, covering Asia, Australia, Europe and North America and it pools together all pipe rehabilitation expertise of Chevalier companies in sales and technical solution, technology support and construction. It will continue to restructure operation to improve efficiency.

Other divisions under the segment also reported satisfactory performances. The Lifts and Escalators Division was recently awarded contracts to install lifts and escalators for renowned projects in China, while the Aluminium Windows and Curtain Walls Division secured foothold in Japan and Shanghai, hence extended its geographical reach. Moreover, contribution from projects in Macau boosted the performance of the Environmental, Electrical and Mechanical Engineering Division. With contracts on hand amounted to approximately HK$605 million, the Building Construction Division continued to be profitable at increased efficiency.

Insurance and Investment

Attributable to the rising investment income in line with the worldwide financial market upturn, turnover of this segment increased to HK$1,015 million and its profit contribution increased substantially to HK$97 million.

The Group adopted a prudent and conservative approach in managing its HK$1.4 billion investment portfolio, around 60% of which is in principal-protected fixed interest instruments, high yield notes, bank deposits and the balance in equity and funds. This proven investment strategy coupled with a favourable investment market explained the segment's significant profit growth for the year. On the other hand, the Group was also very disciplined in selection of underwriting business with premium at an acceptable level.

Property and Hotel

Driven by the timely launch of Chevalier Place in Shanghai, steady contribution in rental revenue of cold-storage and investment properties, this segment performed well with turnover slightly decreased by 2% to HK$523 million. Operating profit, including surplus from revaluation of property of this segment, increased by 4% to HK$204 million.

During the year, Chevalier Place, the luxury residential property at a prime location in Shanghai, was well received by the market. Two-third of the units have been sold since its launch in 2005, generating total sales proceeds of approximately HK$490 million, of which HK$254 million was booked during the year. The Group increased its investment in affordable middle- to high-end real estates in second-tier cities, such as Chengdu, Hefei, Dongguan and Shenzhen. Those projects are expected to start contributing revenue in 2007.

In addition to the business in Hong Kong, the Property Management Division has been awarded management contracts in China, involving a total floor area of 220,000 sq. m. Moreover, the Group's 18-storey and 428,000 sq. ft. cold storage facility in Kwai Chung has maintained a highly satisfactory occupancy rate and stable profit contribution since it commenced operation.

IT, Food and Beverage and Other Businesses

Despite a mild 5% decline in its turnover to HK$539 million, the Computer and Information Communication Technology segment reported 11 times increase in operating profit to HK$18.4 million. With notebook distribution business in Hong Kong reporting strong performance, the Computer Division continued to thrive and remained as the major contributor of both turnover and profit in the segment. The Network Solutions Division also recorded improved profit and have a number of major contracts on hand in Hong Kong and Thailand.

Acquired by the Group on 20 May 2005, Pacific Coffee contributed a 10-month turnover of HK$180 million to the new Food and Beverage segment for the year, with profit amounting to HK$18.8 million. During the year, Pacific Coffee continued its growth plan in Hong Kong and Singapore and expanded into the PRC market. It also introduced new elements to the business including revamped store designs and enriched product offerings. Currently, Pacific Coffee operates a total of 57 outlets, including 44 in Hong Kong, eight in Singapore, three in Shanghai and two in Beijing. It also plans to expand its business to Macau before the end of this year. In addition to retail business, Pacific Coffee also sells its branded products to wholesale accounts and provides coffee services to corporate clients.

Prospects

Looking ahead, the Group expects the pipe rehabilitation business to be one of its major growth drivers. CPT will strive to continue to strengthen its presence in North American with the aim of achieving sustainable success. The increase in turnover, continuous internal restructuring and further penetration of the Europe market have brought the Group another step closer to achieving its goal - to be a key player in the underground infrastructure sector.

Commenting on the property market in the PRC, Dr. Chow said, "In May this year, the central government stepped up policies to cool property prices and stimulate construction of homes for the low- to middle-income group. However, those policies will have only mild and short-term impact on our property development projects, as most of these projects are still under construction and not in the luxurious property category. Taking into account that the GDP in the PRC has grown by 10.9% in the first half of 2006 and the leverage we have from the expertise and experience of our local partners, we are optimistic about our property business in the PRC targeting mid-income customers in second tier cities and long-term capital growth."

Pacific Coffee will become another major growth driver of the Group, which will further develop its food and beverage business to obtain economy of scale and broaden the income stream. The Group is particularly excited about the potential of the business in the PRC. The number of Pacific Coffee stores, with Shanghai, Beijing and other major Chinese cities as bases, is expected to increase and reach three digits within the next few years. To speed up its growth, expansion through acquisition will be considered if the right opportunities arise.

Dr. Chow concluded, "With businesses all over the world, we will keep a close eye on any emerging opportunities. The Macau economy grew 8.9% in real terms in the fourth quarter of 2005 and a 6.7% growth was recorded for the entire 2005. To tap the opportunities in this steadily growing economy, we have established strong presence in the city and will continue to develop our businesses such as construction and engineering in the market. Generally speaking, although potential interest rate hikes and inflation are still matters of concern, we will seek to strengthen and expand our core business operations and explore with caution different business opportunities so as to bring maximum returns to our shareholders."

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