CHEVALIER INTERNATIONAL HOLDINGS LIMITED
其士國際集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 025)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

INTERIM RESULTS

The Directors of Chevalier International Holdings Limited (the "Company") are pleased to 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
Revenue	3	**1,672,899**	1,971,904
Cost of sales		**(1,384,063)**	(1,556,635)
Gross profit		**288,836**	415,269
Other (expenses)/income, net	4	**(25,577)**	54,088
Other gains/(losses), net	5	**184,006**	(29,843)
Selling and distribution costs		**(206,424)**	(247,468)
Administrative expenses		**(66,114)**	(63,945)
Operating profit		**174,727**	128,101
Share of results of associates		**51,649**	24,210
Share of results of jointly controlled entities		**10,115**	24,318
Gain on disposal of subsidiaries and their jointly controlled entities	6	**377,652**	–
		614,143	176,629
Finance income	7	**5,523**	1,863
Finance costs	7	**(6,768)**	(22,625)
Finance costs, net	7	**(1,245)**	(20,762)
Profit before taxation	8	**612,898**	155,867
Income tax expenses	9	**(14,971)**	(28,252)
Profit for the period		**597,927**	127,615
Attributable to:			
Equity holders of the Company		**513,727**	84,573
Non-controlling interests		**84,200**	43,042
		597,927	127,615
Earnings per share			
– Basic and diluted (HK$ per share)	10	**1.85**	0.30
Dividends	11	**166,538**	41,635

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	**597,927**	127,615
Other comprehensive income for the period		
Exchange difference on translation of operations of overseas subsidiaries, associates and jointly controlled entities	**55,168**	69,574
Change in fair value of available-for-sale investments	**(2,269)**	(1,845)
Impairment loss on available-for-sale investments transferred to income statement	**–**	27,270
Fair value surplus of a property upon transfer to investment property	**–**	12,347
Other comprehensive income for the period, net of tax	**52,899**	107,346
Total comprehensive income for the period	**650,826**	234,961
Attributable to:		
Equity holders of the Company	**564,458**	188,903
Non-controlling interests	**86,368**	46,058
	650,826	234,961

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			
Investment properties		**1,527,197**	1,509,885
Property, plant and equipment		**777,629**	838,308
Prepaid lease payments		**8,912**	9,102
Goodwill		**108,278**	177,873
Other intangible assets		**27,381**	129,325
Interests in associates		**476,756**	369,469
Interests in jointly controlled entities		**403,459**	387,151
Available-for-sale investments		**229,380**	213,027
Properties under development		**535,535**	358,303
Other non-current assets		**132,734**	197,262
Deferred tax assets		**8,970**	6,928
		4,236,231	4,196,633
Current assets			
Amounts due from associates		**171,874**	156,474
Amounts due from jointly controlled entities		**213,431**	238,642
Investments at fair value through profit or loss		**323,161**	275,640
Inventories		**160,338**	179,844
Properties for sale		**148,863**	172,275
Debtors, deposits and prepayments	12	**1,018,009**	840,304
Amounts due from customers for contract work		**74,387**	56,040
Derivative financial instruments		**689**	1,827
Prepaid tax		**8,992**	8,464
Bank balances and cash		**1,947,781**	766,896
		4,067,525	2,696,406
Assets of disposal groups classified as held for sale		**–**	398,651
		4,067,525	3,095,057
Current liabilities			
Amounts due to associates		**1,025**	3,421
Amounts due to customers for contract work		**566,376**	546,189
Derivative financial instruments		**89,615**	40,570
Creditors, bills payable, deposits and accruals	13	**924,070**	846,433
Unearned insurance premiums – due within one year		**32,616**	34,296
Outstanding insurance claims		**139,762**	137,986
Deferred income		**18,359**	26,612
Current income tax liabilities		**72,289**	63,844
Bank borrowings		**231,046**	480,533
		2,075,158	2,179,884
Net current assets		**1,992,367**	915,173
Total assets less current liabilities		**6,228,598**	5,111,806

	Note	Unaudited 30 September 2010 HK$'000	Restated 31 March 2010 HK$'000
Capital and reserves			
Share capital		**346,955**	346,955
Reserves		**3,817,190**	3,389,905
Equity attributable to equity holders of the Company		**4,164,145**	3,736,860
Non-controlling interests		**349,962**	376,187
Total equity		**4,514,107**	4,113,047
Non-current liabilities			
Unearned insurance premiums – due over one year		**68,571**	35,529
Bank borrowings		**1,424,525**	726,275
Deferred tax liabilities		**221,395**	236,955
		1,714,491	998,759
Total equity and non-current liabilities		**6,228,598**	5,111,806

NOTES

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, and 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	**(341,674)**	(353,859)	(411,415)
Increase in property, plant and equipment	**341,674**	353,859	411,415
	–	–	–

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$'000
Consolidated income statement	
Gain on re-measuring non-controlling interest retained at fair value after disposal of partial interest in a subsidiary	**13,405**
Increase in basic and diluted earnings per share (HK$ per share)	**0.05**

	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. Segment information

Revenue and results

For management purposes, the Group is organised on a worldwide basis into five divisions. These divisions are the basis on which the Group reports its segment information.

Reportable segment information is presented below:

	Construction and engineering HK$'000	Insurance and investment HK$'000	Property HK$'000	Food and beverages HK$'000	Computer and information communication technology and others HK$'000	Total HK$'000
For the six months ended 30 September 2010						
REVENUE						
Total revenue	**837,496**	**93,553**	**213,426**	**196,554**	**370,417**	**1,711,446**
Inter-segment revenue	**–**	**(9,843)**	**(23,749)**	**–**	**(4,955)**	**(38,547)**
Group revenue	**837,496**	**83,710**	**189,677**	**196,554**	**365,462**	**1,672,899**
Proportionate Group revenue from an associate and jointly controlled entities eliminated	**(47,582)**	**–**	**–**	**–**	**–**	**(47,582)**
Share of revenue from external customers derived by associates and jointly controlled entities	**758,877**	**–**	**65,255**	**18,556**	**220,573**	**1,063,261**
Segment revenue	**1,548,791**	**83,710**	**254,932**	**215,110**	**586,035**	**2,688,578**
RESULTS						
Segment profit/(loss)	**35,877**	**(68,949)**	**107,444**	**(29,645)**	**(14,398)**	**30,329**
Included in segment profit/(loss) are:						
Share of results of associates	**50,310**	**–**	**2,221**	**934**	**(1,816)**	**51,649**
Share of results of jointly controlled entities	**466**	**–**	**9,649**	**–**	**–**	**10,115**
Depreciation and amortisation, net of capitalisation	**(2,624)**	**(766)**	**(12,821)**	**(13,618)**	**(1,214)**	**(31,043)**
Impairment loss on goodwill	**–**	**–**	**–**	**(30,218)**	**(5,117)**	**(35,335)**
Unrealised loss on investments at fair value through profit or loss, net	**–**	**(11,029)**	**–**	**–**	**–**	**(11,029)**
Write back/(down) of inventories to net realisable value	**629**	**–**	**–**	**–**	**(260)**	**369**
Unrealised loss on derivative financial instruments, net	**–**	**(49,904)**	**–**	**–**	**–**	**(49,904)**

	Construction and engineering HK$'000	Insurance and investment HK$'000	Property HK$'000	Food and beverages HK$'000	Computer and information communication technology and others HK$'000	Total HK$'000
For the six months ended 30 September 2009						
REVENUE						
Total revenue	1,184,821	54,648	190,546	257,272	335,518	2,022,805
Inter-segment revenue	(162)	(14,425)	(32,719)	–	(3,595)	(50,901)
Group revenue	1,184,659	40,223	157,827	257,272	331,923	1,971,904
Proportionate Group revenue from jointly controlled entities eliminated	(18,607)	–	–	–	–	(18,607)
Share of revenue from external customers derived by associates and jointly controlled entities	442,681	–	92,019	1,952	191,711	728,363
Segment revenue	1,608,733	40,223	249,846	259,224	523,634	2,681,660
RESULTS						
Segment profit/(loss)	34,177	29,092	101,617	(455)	7,764	172,195
Included in segment profit/(loss) are:						
Share of results of associates	20,943	–	1,907	86	1,274	24,210
Share of results of jointly controlled entities	326	–	23,992	–	–	24,318
Depreciation and amortisation, net of capitalisation	(5,008)	(39)	(14,250)	(20,078)	(723)	(40,098)
Impairment loss on property, plant and equipment, net	(3,711)	–	–	–	–	(3,711)
Impairment loss on other intangible assets	(12,200)	–	–	–	–	(12,200)
Impairment loss on available-for-sale investments	–	(27,270)	–	–	–	(27,270)
Unrealised gain on investments at fair value through profit or loss, net	–	18,892	–	–	–	18,892
Write back/(down) of inventories to net realisable value	252	–	–	(121)	(3,507)	(3,376)
Unrealised gain on derivative financial instruments, net	–	26,809	–	–	–	26,809
Fair value gain on derivative component of convertible bonds	–	–	–	–	30,488	30,488

Inter-segment revenue is charged at prices determined by management with reference to market prices.

Reconciliation of segment profit to profit before taxation is provided as follows:

	Six months ended 30 September 2010 HK$'000	2009 HK$'000
Segment profit	**30,329**	172,195
Gain on disposal of interests in subsidiaries	**217,348**	6,765
Gain on disposal of subsidiaries and their jointly controlled entities	**377,652**	–
Gain on step-up acquisition of interest in an associate	**–**	3,269
Unallocated corporate expenses	**(11,186)**	(5,600)
Finance income	**5,523**	1,863
Finance costs	**(6,768)**	(22,625)
Profit before taxation	**612,898**	155,867

Assets

	Construction and engineering HK$'000	Insurance and investment HK$'000	Property HK$'000	Food and beverages HK$'000	Computer and information communication technology and others HK$'000	Total HK$'000
As at 30 September 2010						
SEGMENT ASSETS	**1,183,026**	**850,565**	**4,516,898**	**233,643**	**518,434**	**7,302,566**
Included in segment assets are:						
Interests in associates	**307,071**	**–**	**70,840**	**55,018**	**43,827**	**476,756**
Interests in jointly controlled entities	**12,471**	**–**	**390,988**	**–**	**–**	**403,459**
Amounts due from associates	**20,799**	**–**	**–**	**171**	**150,904**	**171,874**
Amounts due from jointly controlled entities	**27**	**–**	**213,404**	**–**	**–**	**213,431**
Additions to non-current assets (note)	**3,410**	**11**	**180,697**	**4,210**	**68**	**188,396**
As at 31 March 2010						
SEGMENT ASSETS	1,039,239	844,810	4,328,827	424,408	502,253	7,139,537
Included in segment assets are:						
Interests in associates	255,007	–	68,619	932	44,911	369,469
Interests in jointly controlled entities	12,005	–	375,146	–	–	387,151
Amounts due from associates	39,161	–	24	142	117,147	156,474
Amounts due from jointly controlled entities	26,975	–	211,667	–	–	238,642
Additions to non-current assets (note)	6,528	330	139,128	30,482	5,298	181,766

Note: In this analysis, the non-current assets exclude financial instruments (including interests in associates and jointly controlled entities) and deferred tax assets.

Geographical information

The Group's operations in construction and engineering are located in Hong Kong, Macau, Mainland China and Australia. Insurance and investment businesses are conducted in Hong Kong. Property operations are mainly carried out in Hong Kong, Canada and Mainland China. Food and beverages business is carried out in Hong Kong, Singapore and Mainland China. Computer and information communication technology operations are mainly carried out in Hong Kong, Mainland China and Thailand. Other operations are carried out in Canada and the USA.

The Group maintains healthy and balanced portfolio of customer basis. No customer accounted for 10% or more of the total revenue of the Group for the periods ended 30 September 2010 and 2009.

The associates' and jointly controlled entities' operations in construction and engineering are mainly located in Hong Kong, Mainland China, Singapore, Europe and Australia. Property operations are mainly carried out in Hong Kong and Mainland China. Food and beverages business is carried out in Hong Kong, Singapore and Mainland China. Other operations are carried out in Mainland China.

Segment revenue by geographical market (including the Group's share of revenue of associates and jointly controlled entities) are shown below:

	Segment revenue by geographical market							
	Company and subsidiaries HK$'000	**Associates and jointly controlled entities HK$'000**	**Six months ended 30 September 2010 Total HK$'000**	**%**	Company and subsidiaries HK$'000	Associates and jointly controlled entities HK$'000	Six months ended 30 September 2009 Total HK$'000	%
Hong Kong	**1,110,212***	**265,295**	**1,375,507**	**51**	1,220,816*	45,489	1,266,305	47
Mainland China	**30,253**	**636,768**	**667,021**	**24**	38,525	602,778	641,303	24
Macau	**210,875**	**4,337**	**215,212**	**8**	249,644	–	249,644	9
Canada	**189,693**	**–**	**189,693**	**7**	160,115	–	160,115	6
Singapore	**8,121**	**69,881**	**78,002**	**3**	207,781	1,390	209,171	7
USA	**55,993**	**4,889**	**60,882**	**2**	55,155	3,902	59,057	2
Europe	**–**	**55,986**	**55,986**	**2**	–	51,513	51,513	2
Australia	**1,360**	**25,456**	**26,816**	**1**	1,047	22,331	23,378	1
Thailand	**14,023**	**–**	**14,023**	**1**	16,108	–	16,108	1
Others	**4,787**	**649**	**5,436**	**1**	4,106	960	5,066	1
	1,625,317	**1,063,261**	**2,688,578**	**100**	1,953,297	728,363	2,681,660	100

* The proportionate Group revenue from an associate and jointly controlled entities are eliminated.

4 Other (expenses)/income, net

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Included in other (expenses)/income, net are:		
Gain/(loss) on investments at fair value through profit or loss, net		
– Realised	**351**	14,233
– Unrealised	**(11,029)**	18,892
(Loss)/gain on derivative financial instruments, net		
– Realised	**(12,923)**	(10,602)
– Unrealised	**(49,904)**	26,809
Interest income from associates	**2,092**	1,429
Interest income from jointly controlled entities	**8,053**	621
Management fee income from associates and jointly controlled entities	**25,181**	871
Sales and marketing services income from an associate	**9,684**	–

5 Other gains/(losses), net

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Included in other gains/(losses), net are:		
Gain on disposal of interests in subsidiaries (note)	**217,348**	6,765
Gain on discount from step-up acquisition of interest in an associate	–	3,269
Decrease in fair value of investment properties	–	(2,280)
Impairment loss on property, plant and equipment	–	(3,711)
Impairment loss on goodwill	**(35,335)**	–
Impairment loss on other intangible assets	–	(12,200)
Impairment loss on available-for-sale investments	–	(27,270)
Loss on disposal of available-for-sale investments	**(1,107)**	–
Loss on redemption of convertible bond	–	(31,101)
Exchange gain, net	**2,033**	11,209
Fair value gain on derivative component of convertible bonds	–	30,488

Note:
On 28 June 2010, the Group entered into an agreement to dispose of its 80% equity interest in Pacific Coffee (Holdings) Limited and its subsidiaries (the "Pacific Coffee Group") for a cash consideration of HK$326,640,000. 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. The gain on disposal of interests in the Pacific Coffee Group of HK$217,348,000 recognised for the period ended 30 September 2010 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.

On 17 June 2009, the Group disposed of its 90.1% interest in subsidiaries engaged in project management and consultancy services in Mainland China to an independent third party.

6 Gain on disposal of subsidiaries and their jointly controlled entities

		Six months ended 30 September	
	Note	**2010**	2009
		HK$'000	HK$'000
Gain on disposal of			
– Citiway Group	(a)	**169,431**	–
– Smartco Group	(b)	**208,221**	–
		377,652	–

(a) Disposal of the Group's entire interest in Citiway Group

Pursuant to the sale and purchase agreement dated 22 March 2010, the Group disposed of the entire issued share capital of Citiway Engineering Limited and its jointly controlled entity engaged in a property development project in Shenzhen, Mainland China (the "Citiway Group") for a consideration of RMB160,100,000 (equivalent to HK$182,514,000) and the purchaser agreed to take up the repayment obligation of the loans from the Group to the Citiway Group of RMB102,900,000 (equivalent to HK$117,306,000).

The completion took place on 9 April 2010, upon which assets and liabilities in relation to the Citiway Group were derecognised. Gain on disposal of the Citiway Group amounted to HK$169,431,000 was recognised for the period ended 30 September 2010. As at 31 March 2010, deposit of HK$29,982,000 was received by the Group (note 13).

(b) Disposal of the Group's entire interest in Smartco Group

Pursuant to the sale and purchase agreement dated 3 April 2010, the Group disposed of the entire issued share capital of Smartco Holdings Limited, its subsidiary and jointly controlled entity engaged in a property development project in Hefei (the "Smartco Group") for a consideration of HK$246,000,000 and the purchaser agreed to take up the repayment obligation of the loans from the Group to the Smartco Group of HK$286,052,000 and accrued interest thereon.

The completion took place on 3 July 2010, upon which assets and liabilities in relation to the Smartco Group were derecognised. Gain on disposal of the Smartco Group amounted to HK$208,221,000 was recognised for the period ended 30 September 2010. As at 30 September 2010, the consideration receivable and loan receivable amounted to HK$86,100,000 and HK$52,836,000 respectively and they are repayable in phases on or before April 2011 (note 12).

7 Finance costs, net

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Interest expenses on bank overdrafts and borrowings wholly repayable within five years	**10,253**	13,198
Interest expenses on convertible bonds wholly repayable within five years	**–**	14,777
Less: Amounts capitalised to properties under development	**(3,485)**	(5,350)
	6,768	22,625
Less: Interest income from bank deposits	**(5,523)**	(1,863)
	1,245	20,762

8 Profit before taxation

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging/(crediting) the following:		
Cost of inventories recognised as expenses	**210,116**	381,678
Write (back)/down of inventories to net realisable value	**(369)**	3,376
Staff costs	**267,244**	391,800
Less: Amount capitalised to contract work	**(41,941)**	(50,453)
	225,303	341,347
Operating lease payments in respect of leasing of		
– Premises		
– under minimum lease payments	**50,330**	68,732
– under contingent rent	**2,590**	4,085
– Equipment	**781**	1,288
	53,701	74,105
Depreciation of property, plant and equipment	**28,735**	36,487
Less: Amount capitalised to contract work	**(916)**	(877)
	27,819	35,610
Depreciation of prepaid lease payments	**197**	393
Amortisation of other intangible assets	**3,027**	4,095

9 Income tax expenses

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Current tax		
Hong Kong	**13,322**	23,071
Overseas	**4,954**	5,293
	18,276	28,364
Deferred tax		
Origination and reversal of temporary differences	**(3,305)**	(112)
	14,971	28,252

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. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the business operates.

10 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of HK$513,727,000 (2009: HK$84,573,000) by the weighted average number of 277,564,090 (2009: 277,564,090) shares in issue during the period.

(b) Diluted

The basic and diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the period.

11 Dividends

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Interim dividend of HK$0.20 (2009: HK$0.15) per share	**55,513**	41,635
Special dividend of HK$0.40 (2009: nil) per share	**111,025**	–
	166,538	41,635

On 26 November 2010, the Board of Directors declared an interim dividend of HK$0.20 per share and a special dividend of HK$0.40 per share, totalling HK$166,538,000. The interim and special dividends are not reflected as dividend payables in these condensed consolidated financial statements, but will be reflected as appropriations of the retained profits for the year ending 31 March 2011.

The 2009/10 final dividend of HK$0.55 per share, totalling HK$152,660,000, were approved at the annual general meeting held on 9 September 2010 and paid on 13 September 2010. It has been reflected as an appropriation of the retained profits for the six months ended 30 September 2010.

12 Debtors, deposits and prepayments

	As at 30 September 2010	As at 31 March 2010
	HK$'000	HK$'000
Trade debtors	**389,238**	320,809
Less: Provision for impairment	**(8,357)**	(12,465)
	380,881	308,344
Other debtors, deposits and prepayments	**291,625**	325,256
Retention receivables	**206,567**	206,704
Receivables on disposal of Smartco Group (note 6(b))		
– consideration	**86,100**	–
– loan	**52,836**	–
	1,018,009	840,304

The Group has established different credit policies for customers in each of its core businesses. The average credit period granted to trade debtors was 60 days.

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	**323,677**	235,381
61 – 90 days	**13,870**	12,858
Over 90 days	**43,334**	60,105
	380,881	308,344

13 Creditors, bills payable, deposits and accruals

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
Trade creditors and bills payable	**157,393**	146,823
Accrued contract costs	**172,976**	206,031
Other creditors, deposits and accruals	**475,371**	346,076
Retention payables	**118,330**	117,521
Deposit received for the disposal of Citiway Group (note 6(a))	**–**	29,982
	924,070	846,433

The ageing analysis of trade creditors and bills payable is as follows:

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
0 – 60 days	**126,256**	111,196
61 – 90 days	**3,791**	3,456
Over 90 days	**27,346**	32,171
	157,393	146,823

14 Contingent liabilities

As at 30 September 2010, the Group had contingent liabilities in respect of guarantees issued for utilised borrowings in relation to:

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
Banking facilities granted to associates	**144,011**	120,928
Banking facilities granted to jointly controlled entities and a joint venture partner	**173,400**	262,430
	317,411	383,358

As at 30 September 2010, the Group's share of contingent liabilities of its jointly controlled entities are as follows:

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
Guarantees given to banks for mortgage facilities granted to certain buyers of the jointly controlled entities' properties	**139,970**	123,086

15 Capital commitment

As at 30 September 2010, the Group had capital commitment as follows:

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
Contracted but not provided for in the consolidated financial statements in respect of		
– acquisition of plant and equipment	**377**	184
– a property development project	**39,900**	300,397
	40,277	300,581
Authorised but not contracted for in respect of a property development project	**2,630,251**	1,999,584
	2,670,528	2,300,165

As at 30 September 2010, the Group's share of the capital commitment of its jointly controlled entities is as follows:

	As at 30 September 2010 HK$'000	As at 31 March 2010 HK$'000
Contracted but not provided for	**51,142**	288,269
Authorised but not contracted for	**637,745**	292,698
	688,887	580,967

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 to declare an interim dividend of HK$0.20 (2009: HK$0.15) per share and a special dividend of HK$0.40 (2009: nil) per share for the six months ended 30 September 2010 payable on Monday, 20 December 2010 to shareholders whose names appear on the Register of Members of the Company on Friday, 17 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 15 December 2010 to Friday, 17 December 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above interim and special dividends, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Standard Limited of 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 14 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is pleased to report that the profit shown in its unaudited interim results for the six months ended 30 September 2010 amounted to HK$598 million, which was significantly higher than the figure of HK$128 million for the same period last year. This was primarily due to the recognition of gains from the disposal of two property development projects in Mainland China and an 80% interest in the Pacific Coffee Group. At the same time, the Group's consolidated revenue decreased by 15.2% to HK$1,673 million, mainly as the result of the deconsolidation of its lifts and escalators business since it was disposed of in December 2009, and the Pacific Coffee business since it was disposed of in July 2010. Earnings per share surged to HK$1.85, compared with HK$0.30 in the corresponding period last year.

Construction and Engineering

During the period under review, the Construction and Engineering segment's revenue declined by 3.7%, from HK$1,609 million last year to HK$1,549 million this year. This was caused by the deconsolidation effect arising from the Group's disposal of a further 2% of its 51% interest in the lifts and escalators business in

December 2009, balanced against the increased revenue generated by the greater number of projects that the building construction division undertook. The segment's profit of HK$35.9 million was similar to the amount of HK$34.2 million achieved during the same period last year.

During the review period, the segment secured a number of major projects in Hong Kong and Singapore, with a total contract sum of more than HK$540 million. They included:

1. Construction of the residential development at No. 1 Broadcast Drive, Kowloon Tong, Kowloon;
2. Design, supply and installation of curtain walls for Che Kung Temple Station in Tai Wai, NT;
3. Lifts and escalators installation in Wetland Park, Tuen Mun, NT; and
4. Term contracts to upgrade more than 700 lifts and escalators owned by the Singapore Housing Development Board

The Group holds a 20% interest in lifts and escalators plants of Toshiba Elevator and Building Systems Corporation ("Toshiba") in Shanghai and Shenyang, whereas Toshiba holds a 51% stake in the Group's lifts and escalators subsidiary. As the result of the Group's strategic partnership and the exchange of technical expertise with Toshiba, the Group's lifts and escalators business covering Hong Kong, Singapore, Macau and Mainland China markets was able to boost its competitiveness and operational efficiency.

Insurance and Investment
The Insurance and Investment segment's revenue increased from HK$40.2 million to HK$83.7 million. However, it recorded a loss of HK$68.9 million, compared with a profit of HK$29.1 million in the same period last year.

The gross premiums written by the Group's insurance company doubled during the period under review, compared with last year. The main driver of this increase was the improved turnover of its Property Insurance and Employees' Compensation Insurance categories. However, the segment recorded unrealised losses of HK$60.9 million from derivative financial instruments and investments at fair value through profit or loss for the period ended 30 September 2010.

The Group continued to focus on investing in investment-grade debt securities in order to generate a stable return on funds. Against the backdrop of the quantitative easing policies that are being implemented by the US Federal Reserve Board, the Group's management will maintain a conservative approach to its financial investments.

Property
During the period under review, the Property segment reported revenue of HK$255 million (2009: HK$250 million) and a segment profit of HK$107 million (2009: HK$102 million). The Group's income from property sales and rentals in Hong Kong was greater than in the same period last year, due to the soaring property markets. On the other hand, its share of the revenue and results recognised from properties developed by jointly controlled entities was lower. The property management and cold storage and logistics businesses in Hong Kong continued to make steady contributions. As of 30 September 2010, the Group's current property development projects in Beijing, Chengdu and Changchun had a total site area of over 834,000 sq. m. Phase II of My Villa in Beijing is now in the pre-sale stage, whereas most of the projects in Chengdu and Changchun are in the development phase.

The Group took the opportunity to dispose of all its interests in two projects located in Xiling, Shenzhen, and in Hefei, Anhui Province, shortly before the Chinese Government imposed austerity measures early this year. The disposal of the Xiling Project was completed on 9 April 2010, and the Hefei Huaqiao Plaza project on 10 July 2010. As a result, the Group recorded a total gain on the disposal of subsidiaries and their jointly controlled entities of HK$378 million during the period under review. The receivables of HK$139 million at the end of the period are expected to be settled by the purchaser in phases on or before April 2011. The cash proceeds received from the sale of these two projects including the settlement of advances from the Group during the period amounted to HK$663 million. These serve to increase the Group's ability and flexibility to undertake future property developments and investments.

Food and Beverages
The Food and Beverages segment's revenue for the six months ended 30 September 2010 amounted to HK$215 million (2009: HK$259 million), a decrease of 17.0% compared with the corresponding period last year. This was the result of the deconsolidation effect arising from the disposal of an 80% interest in the Pacific Coffee Group in July 2010. As Igor's has not yet fully recovered to the peak operating level it enjoyed

when it was completely acquired by the Group, the Group made a further impairment on goodwill of HK$30.2 million, which led to a loss of HK$29.6 million (2009: HK$0.5 million) in the segment's results for the six months ended 30 September 2010.

Nevertheless, following the adoption of the new accounting standard for the Group's 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: a gain on the disposal of its 80% interest of HK$167.6 million, a gain on the fair-value re-measurement of its remaining 20% interest of HK$13.4 million, and a gain on the fair value of a put option of HK$36.4 million.

As of 30 September 2010, Igor's operated 36 outlets. These consisted of 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. Because of the competitive economic environment, Igor's same-store sales fell by a slight 0.25%. The Group disposed of the Blu Catering central kitchen at the same time it disposed of the 80% interest in Pacific Coffee.

Computer and Information Communication Technology ("IT") and Others
This segment's revenue increased to HK$586 million in the first half of the 2010/11 financial year, compared with HK$524 million in the same period last year. However, it also recorded a loss of HK$14.4 million, compared with a profit of HK$7.8 million a year earlier. The revenue of its car dealership subsidiaries in Canada and associates in Chengdu increased, thanks to an improvement in the Canadian market and the sales promotions staged in Mainland China. The Group announced on 8 November 2010 that it had terminated its acquisition of interests in a mining project in the Philippines. The expenses incurred by the project during the period ended 30 September 2010 – including drilling, testing, legal, consultancy and advisory costs – have been charged to this segment.

The demand for netbook and notebook computers and information communication products from SMEs (small and medium-sized enterprises) increased during the period under review. At the same time, corporate customers began to show renewed interest in upgrading and purchasing leading-edge computer products and mobile internet devices to cope with the growth of their businesses. These two factors make the Group confident that it will achieve its sales target for the IT segment during the second half of the current financial year.

The Group's associates currently operate five 4S car dealership showrooms located in Chengdu, Sichuan, Mainland China. They are FAW Toyota, Zotye, a new 4S Shop at Gonow Auto that opened in June this year, and two Dongfeng Nissan shops. Mitsuoka, a Japanese automobile manufacturer, announced in September that it had chosen one of the Group's associates as its first dealer in Mainland China.

Future Prospects
The US Federal Reserve Board's implementation of various aggressive monetary stimulus packages will affect liquidity and have implications for the world's asset markets. Hong Kong has experienced a period of strong growth, and it is well positioned to benefit from China's strong economic growth during the coming year.

The Group's disposal of property projects in Mainland China at the right time and the formation of strategic partnerships in its various businesses will help to maintain its long-term growth momentum in the future. Regulatory adjustments were made to the property market there during the first half of the Group's financial year, with a view to curbing demand for residential property for speculative purposes. However, the Group considers that this will create opportunities to become involved in more property development projects.

The Group expects the construction industry will be kept busy with a number of new large-scale projects that will be in the pipeline during the next few years. They include MTR projects, the express rail project, the Kai Tak Development project, the West Kowloon Cultural District development project, institutional projects and environmental engineering projects. Even so, rising labour and materials costs are likely to pose major challenges to contractors. With this in mind, the Group will bid cautiously for forthcoming construction and engineering projects.

Igor's will continue to look for opportunities to establish additional Wildfire stores and new restaurant and bar concepts throughout Hong Kong. In view of the currently high property rental prices, its plans to expand in Hong Kong will be relatively conservative. Also, it will focus on renewing and extending the leases of its existing outlets on favourable terms.

The Mainland China Government's stimulus policies, the accelerating urbanisation trend, and increasing household disposable incomes make the Group feel optimistic about the future revenue and contributions from the car dealership businesses of its associates. It will therefore continue to seek out fresh opportunities in this sector during the second half of the financial year.

FINANCIAL REVIEW

As at 30 September 2010, the Group's net assets attributable to equity holders of the Company amounted to HK$4,164 million (HK$3,737 million as at 31 March 2010), an increase of 11.4%. Such increase was mainly from the profit attributable to equity shareholders of the Company of HK$514 million, exchange gain on translation of overseas operations of HK$53.0 million, offsetting by the 2009/10 final dividend of HK$153 million appropriated during the period.

As at 30 September 2010, the Group's bank borrowings amounted to HK$1,656 million (HK$1,207 million as at 31 March 2010). Cash and deposits at bank amounted to HK$1,948 million (HK$767 million as at 31 March 2010).

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 globally employed by the Group as at 30 September 2010 was reduced to approximately 2,500. Total staff costs amounted to HK$267 million for the period under review. The remuneration policies of the Group 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 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 International 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), Messrs Kuok Hoi Sang (Vice Chairman and Managing Director), Tam Kwok Wing (Deputy Managing Director), Chow Vee Tsung, Oscar, Ho Chung Leung and Ma Chi Wing as executive directors; Dr Chow Ming Kuen, Joseph, Messrs Sun Kai Dah, George and Yang Chuen Liang, Charles as independent non-executive Directors and Dr Ko Chan Gock, William as non-executive director.

* *For identification purpose only*