



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 30TH SEPTEMBER, 2007

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 30th September, 2007, together with the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2007

	Note	Unaudited	
		Six months ended 30th September,	
		2007	2006
		HK\$'000	HK\$'000
Revenue	3	2,647,409	2,317,805
Cost of sales		(2,214,536)	(1,886,332)
Gross profit		432,873	431,473
Other income, net	4	43,616	46,404
Other losses, net		(805)	(502)
Distribution costs		(200,278)	(161,996)
Administrative expenses		(57,597)	(55,693)
Operating profit		217,809	259,686
Share of results of associates		5,215	(1,703)
Share of results of jointly controlled entities		(2,453)	(1,017)
Finance costs		(71,754)	(57,197)
Profit before taxation	5	148,817	199,769
Income tax expenses	6	(23,454)	(26,751)
Profit for the period		125,363	173,018
Attributable to:			
Equity holders of the Company		112,579	160,192
Minority interest		12,784	12,826
		125,363	173,018
Dividends	7	44,573	55,716
Earnings per share	8		
- Basic		40.4 cents	57.5 cents
- Diluted		N/A	56.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30th September, 2007

	Note	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Non-current assets			
Investment properties		531,908	523,644
Property, plant and equipment		753,988	729,167
Prepaid lease payments		450,713	455,239
Goodwill		212,507	210,330
Other intangible assets		159,871	158,864
Interests in associates		141,403	137,084
Interests in jointly controlled entities		241,022	239,511
Available-for-sale investments		231,011	182,298
Investments at fair value through profit or loss		248,042	303,195
Deferred tax assets		9,075	8,744
Other non-current assets		26,958	19,498
		<u>3,006,498</u>	<u>2,967,574</u>
Current assets			
Inventories		320,054	304,385
Properties for sale		448,944	461,159
Debtors, deposits and prepayments	9	1,325,254	1,170,924
Amounts due from associates		19,826	17,175
Amounts due from jointly controlled entities		226,823	259,559
Amounts due from customers for contract work		570,340	343,849
Investments at fair value through profit or loss		910,199	1,000,758
Derivative financial instruments		5,348	42,831
Bank balances and cash		1,160,320	722,998
		<u>4,987,108</u>	<u>4,323,638</u>
Current liabilities			
Creditors, bills payable, deposits and accruals	10	1,148,881	1,178,146
Unearned insurance premiums – due within one year		32,016	32,174
Outstanding insurance claims		232,670	255,337
Amounts due to associates		5,065	3,429
Amounts due to customers for contract work		210,595	208,113
Deferred income		19,866	21,372
Provision for taxation		103,467	86,009
Derivative financial instruments		16,366	2,628
Bank borrowings		919,191	815,066
Other loans		285	256
		<u>2,688,402</u>	<u>2,602,530</u>
Net current assets		<u>2,298,706</u>	<u>1,721,108</u>
Total assets less current liabilities		<u><u>5,305,204</u></u>	<u><u>4,688,682</u></u>

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Capital and reserves		
Share capital	348,228	348,228
Reserves	2,752,078	2,645,093
Equity attributable to equity holders of the Company	3,100,306	2,993,321
Minority interests	420,667	322,196
Total equity	3,520,973	3,315,517
Non-current liabilities		
Other payable	7,243	7,079
Unearned insurance premiums – due over one year	13,721	13,789
Deferred tax liabilities	114,445	113,487
Bank borrowings	1,250,772	856,275
Other loans	1,252	1,445
Convertible bonds – liability component	369,153	354,423
Convertible bonds – derivative component	27,645	26,667
	1,784,231	1,373,165
Total equity and non-current liabilities	5,305,204	4,688,682

Notes

1. Basis of Preparation and Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are stated at fair values.

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31st March, 2007, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1st April, 2007. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position, whereas the adoption of HKAS1 (Amendment) “Presentation of Financial Statements – Capital Disclosures” and HKFRS 7 “Financial Instruments: Disclosures” requires additional disclosure to be made in the annual consolidated financial statements.

3 Business and geographical segments

Revenue and results

(a) By business segment

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

Segment information about these businesses is presented below.

For the six months ended 30th September, 2007

	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property HK\$'000	Food and beverages HK\$'000	Computer and information technology and others HK\$'000	Consolidated HK\$'000
REVENUE						
Total segment revenue	1,800,274	67,824	182,758	142,871	494,833	2,688,560
Inter-segment revenue	(153)	(10,704)	(23,559)	-	(6,735)	(41,151)
External revenue	<u>1,800,121</u>	<u>57,120</u>	<u>159,199</u>	<u>142,871</u>	<u>488,098</u>	<u>2,647,409</u>
RESULTS						
Segment results	<u>78,543</u>	<u>49,801</u>	<u>65,414</u>	<u>5,706</u>	<u>16,674</u>	216,138
Unallocated corporate expenses						(4,942)
Interest income						6,613
Operating profit						<u>217,809</u>
Share of results of associates	989	-	1,799	2,878	(451)	5,215
Share of results of jointly controlled entities	652	-	(3,105)	-	-	(2,453)
Finance costs						<u>(71,754)</u>
Profit before taxation						<u>148,817</u>
Income tax expenses						<u>(23,454)</u>
Profit for the period						<u>125,363</u>

For the six months ended 30th September, 2006

	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property HK\$'000	Food and beverages HK\$'000	Computer and information technology and others HK\$'000	Consolidated HK\$'000
REVENUE						
Total segment revenue	1,454,089	82,291	180,575	115,963	530,948	2,363,866
Inter-segment revenue	(143)	(11,322)	(23,531)	-	(11,065)	(46,061)
External revenue	<u>1,453,946</u>	<u>70,969</u>	<u>157,044</u>	<u>115,963</u>	<u>519,883</u>	<u>2,317,805</u>
RESULTS						
Segment results	<u>103,723</u>	<u>68,160</u>	<u>55,981</u>	<u>8,149</u>	<u>20,889</u>	256,902
Unallocated corporate expenses						(4,296)
Interest income						7,080
Operating profit						259,686
Share of results of associates	663	-	-	-	(2,366)	(1,703)
Share of results of jointly controlled entities	590	-	(1,607)	-	-	(1,017)
Finance costs						(57,197)
Profit before taxation						199,769
Income tax expenses						(26,751)
Profit for the period						<u>173,018</u>

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

(b) By geographical segment

	Revenue	
	2007 HK\$'Million	2006 HK\$'Million
Hong Kong	1,373	1,328
Macau	367	206
Europe	316	272
Canada	229	225
Australia	112	58
Singapore	79	71
U.S.A	77	54
Mainland China	70	65
Thailand	20	37
Others	4	2
	<u>2,647</u>	<u>2,318</u>

4 Other income, net

	Six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
Included in other income, net are:		
Gain on investments at fair value through profit or loss	14,762	12,905
Gain on derivative financial instruments	4,484	10,410
Interest from bank deposits	6,613	7,080
Interest from amounts due from associates	216	608
Interest from amounts due from jointly controlled entities	979	751
Commission income	170	401
	=====	=====

5 Profit before taxation

	Six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expenses	566,019	567,763
Depreciation on property, plant and equipment	43,162	41,104
Staff costs	473,404	440,487
Less: Amount capitalised to contract work	(51,988)	(64,925)
	=====	=====
	421,416	375,562
Operating lease payments in respect of leasing of		
- Premises (minimum lease payments)	43,700	40,310
- Premises (contingent rent)	4,459	3,348
- Others	5,409	8,042
	=====	=====
	53,568	51,700
	=====	=====

6 Income tax expenses

	Six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
Current tax		
Hong Kong	12,753	14,151
Overseas	10,337	11,318
	=====	=====
	23,090	25,469
Deferred taxation	364	1,282
	=====	=====
	23,454	26,751
	=====	=====

Hong Kong profits tax is calculated at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits less available tax relief for losses brought forward of each individual company.

Overseas taxation including Mainland China income tax and land appreciation tax are calculated based on the rates applicable to the relevant local legislation on the estimated assessable profits.

7 Dividends

	Six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
Interim dividend of HK16 cents (2006: HK 20 cents) per share	44,573	55,716

On 12th December, 2007, the Board of Directors declared an interim dividend of HK16 cents per ordinary share. The interim dividend is not reflected as a dividend payable in these condensed consolidated interim financial statements, but will be reflected as an appropriation of the retained earnings for the year ending 31st March, 2008.

A 2007 final dividend of HK30 cents (2006: HK30 cents) per ordinary share, totally HK\$83,575,000 (2006: HK\$83,575,000), was approved at the annual general meeting held on 29th August, 2007 and paid in September 2007. It has been reflected as an appropriation of the retained earnings for the six months ended 30th September, 2007.

8 Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	112,579	160,192
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares in issue	278,582	278,582
Basic earnings per share	40.4 cents	57.5 cents

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has a dilutive potential ordinary share: convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the convertible bonds.

	Six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	112,579	160,192
Interest expense on convertible bonds	-	4,147
Profit used to determine diluted earnings per share	112,579	164,339
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares in issue	278,582	278,582
Adjustments for convertible bonds	-	14,710
Weighted average number of ordinary shares for diluted earnings per share	278,582	293,292
Diluted earnings per share	N/A	56.0 cents

The Convertible Bonds are anti-dilutive for the six-month period ended 30th September, 2007 and are ignored in the calculation of diluted earnings per share for the six-month period ended 30th September, 2007.

9 Debtors, deposits and prepayments

	As at 30th September, 2007 HK\$'000	As at 31st March, 2007 HK\$'000
Trade debtors	581,794	633,973
Less: allowance of doubtful debts	(30,939)	(27,704)
	<u>550,855</u>	<u>606,269</u>
Other debtors, deposits and prepayments	464,164	431,579
Retention receivables	161,668	133,076
Deposits of land demolition	148,567	-
	<u><u>1,325,254</u></u>	<u><u>1,170,924</u></u>

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 30th September, 2007 HK\$'000	As at 31st March, 2007 HK\$'000
0 - 60 days	449,823	515,630
61 - 90 days	19,744	18,763
Over 90 days	81,288	71,876
	<u>550,855</u>	<u>606,269</u>

The carrying amounts of the Group's trade and other debtors at 30th September, 2007 approximate to their fair values.

10 Creditors, bills payable, deposits and accruals

	As at 30th September, 2007 HK\$'000	As at 31st March, 2007 HK\$'000
Trade creditors and bills payable	403,659	412,607
Consideration payable for the acquisition of certain interest in a jointly controlled entity	52,494	51,475
Accrual for construction cost	143,009	136,356
Retention payable	113,729	99,305
Other creditors, deposits and accruals	435,990	478,403
	<u><u>1,148,881</u></u>	<u><u>1,178,146</u></u>

The following is an ageing analysis of trade creditors and bills payable at the balance sheet date:

	As at 30th September, 2007 HK\$'000	As at 31st March, 2007 HK\$'000
0 - 60 days	333,635	373,697
61 - 90 days	30,351	6,834
Over 90 days	39,673	32,076
	<u>403,659</u>	<u>412,607</u>

The carrying amounts of the Group's trade creditors and bills payable and other creditors at 30th September, 2007 approximate to their fair values.

11 Contingent liabilities

At the balance sheet date, the Group had contingent liabilities in respect of guarantees issued for bank loans utilised:

	As at 30th September, 2007	As at 31st March, 2007
	HK\$'000	HK\$'000
Banking facilities granted to jointly controlled entities	229,690	95,950
Banking facilities granted to associates	25,750	43,520
	<u>255,440</u>	<u>139,470</u>

12 Capital commitment

	As at 30th September, 2007	As at 31st March, 2007
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
- acquisition of property, plant and equipment	3,242	5,952
	<u>3,242</u>	<u>5,952</u>
Capital expenditure authorised but not contracted for and not provided for in the financial statements in respect of		
- acquisition of property, plant and equipment	21,568	664
- acquisition of land	195,955	-
	<u>220,765</u>	<u>6,616</u>

In addition to the above, the Group's share of the capital commitment of its jointly controlled entities is as follows:

	As at 30th September, 2007	As at 31st March, 2007
	HK\$'000	HK\$'000
Contracted for but not provided	82,468	146,813
Authorised but not contracted for	318,549	252,004
	<u>401,017</u>	<u>398,817</u>

In addition, at 30th September, 2007, the Group has committed to acquire the remaining 51% of the issued share capital of its associate, Sinochina Enterprises Limited ("SEL") from Sinochina Pacific Limited, an independent third party. After that acquisition, SEL will become wholly-owned subsidiary of the Group. The consideration is based on the forthcoming results performance of SEL and its subsidiaries and associates for the year ending 31st December, 2008. The aggregate consideration including the purchase price paid for the 49% issued share capital of SEL shall not exceed HK\$200 million.

13 Comparative figures

The presentation of comparative information in respect of the six months ended 30th September, 2006 which appears in these condensed interim financial statements has been conformed with the presentation adopted in the 2007 annual financial statements.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK\$0.16 (2006: HK\$0.20) per share for the six months ended 30th September, 2007 payable on Wednesday, 9th January, 2008 to shareholders whose names appear on the Register of Members of the Company on Friday, 4th January, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 2nd January, 2008 to Friday, 4th January, 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above interim dividend, 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 Monday, 31st December, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2007, the Group's revenue increased 14.2% to HK\$2,647 million when compared with the corresponding period last year. The booking of electrical and mechanical ("E&M") and building construction projects in Macau and Hong Kong, aluminium window projects in Australia and Macau, together with steady growth in lifts and escalators contracts boosted our revenue as compared with the same period last year.

Profit attributable to equity holders of the Company decreased by 29.7% to HK\$112.6 million from HK\$160.2 million in the same period last year. The decline of profit growth from various construction and environmental engineering projects as well as the decrease of return from investments in securities, however, affected our bottom line during this review period.

Construction and Engineering

During the period under review, revenue of this sector increased by 24% to HK\$1,800 million from last year's HK\$1,454 million, mainly due to the increase in the volume of construction projects and E&M engineering projects in Macau and Hong Kong, as well as aluminium window contracts in Australia and Macau. Major projects on hand included construction of "The Praia" in Macau, supply and installation of lifts and escalators and E&M works for the Galaxy Resort and Casino in Cotai and the expansion phase of Wynn Resorts in Macau, and aluminium window works on Wai Yip Street, Kwun Tong. Despite the improved profit contribution from E&M and aluminium window projects, the segmental profit however decreased by 24% as a result of the decline in profit growth booked for environmental projects and various construction projects.

Revenue of the pipe technologies business continued to increase, helping to alleviate loss. The Group had made satisfactory progress in developing new technologies and solutions for the U.S. market. The Group will also continue to streamline its pipe technologies operations and control operational cost of such businesses in Europe, Australia and Asia so as to improve profitability of the segment.

Insurance and Investment

During the period under review, revenue of the segment decreased from HK\$71 million to HK\$57 million as compared with the last corresponding period and segmental profit decreased in line with revenue from HK\$68 million to HK\$50 million. The Group adopted a more prudent investment strategy heeding the highly volatile equity market, particularly that in Hong Kong. In our view, the highly volatile financial markets since July 2007 is the result of a keen speculative sentiment worldwide, thus it is appropriate for the Group to stay cautious and keep the risk exposure low for its investment portfolio. The insurance underwriting business for employee compensation in Hong Kong continued to face intense market competition and the return from investment in securities also decreased. To ensure growth of the segment, the Group has been developing

innovative insurance products for Hong Kong and will continue to explore overseas markets including Vietnam and Macau.

In the light of anticipated strong liquidity flows from the PRC through channels such as QDII funds and the strong economic fundamentals of Hong Kong and Mainland China, the Group's professional management team will continue to strive for satisfactory returns from its diversified investment portfolio.

Property

Revenue and profit of this segment increased to HK\$159 million and HK\$65 million respectively. The increase in profit was mainly contributed by the cold storage and logistics business, and hotel and property investment.

The Group was making good progress in property development in Mainland China. During the period, the Group began pre-sale of the residential project "Chevalier Tower" in Chengdu and Phase I of the villa development "My Villa" in Beijing, which both received very encouraging buyer response. Profit contribution from the projects will be booked in the coming years when the properties are completed and delivered to buyers. The latest addition to the Group's property development projects in Beijing, Chengdu, Hefei and Shenzhen, is a more than 700,000 sq. m. re-development project in Changchun. To fund growth of the segment, the Group also secured a HK\$1 billion 5-year club loan from six banks in November 2007.

Food & Beverage, IT and Others

During the period, Pacific Coffee in Hong Kong achieved steady revenue and encouraging operating profit. However, the segment results were restricted by a one-off loss incurred from closing two unprofitable Pacific Coffee outlets in Shanghai and Beijing during the period. As for the Igor's operation, after the 49% acquisition in Igor's Group was completed in January 2007, the Group had started to derive synergies from the incorporating of the new business. It has a bigger network of food and beverage outlets and stronger expertise in food processing now. As at 30th September 2007, Pacific Coffee had 71 shops and Igor's had 26 outlets worldwide.

During the period under review, the Group completed the acquisition of all interests in the computer and information communication technology segment from its listed subsidiary, Chevalier Pacific Holdings Limited. The revenue as well as profit of the IT business decreased, from HK\$250 million and HK\$6 million to HK\$221 million and HK\$2.8 million, respectively. The decline was mainly the result of less than desirable performance of the network solution business in Thailand and actions had been taken to restructure the team and product lines to restore profitability.

PROSPECTS

In the Policy Address of the Chief Executive of the Hong Kong Special Administrative Region Government, a host of infrastructure projects was cited for the future. The total projected cost of those projects amounted to HK\$250 billion or about 17% of the nominal GDP of Hong Kong. These projects are expected to provide mid- to long-term growth impetus to the city. Against such a backdrop, we expect our businesses, particularly construction and engineering as well as food and beverage, to thrive in the coming years.

In China, continuous growth is expected for the general economy and major areas including private consumption, investment and exports. While liquidity will remain ample, the general pace of growth will be more moderate as wages and other costs continue to rise and the country tightens monetary control. Anticipating persistently strong demand for housing, the Group is optimistic about securing bigger revenue from property sales, which will become a stable income source for it in the years to come.

FINANCIAL REVIEW

SHAREHOLDERS' EQUITY AND FINANCIAL RATIOS

As at 30th September, 2007, the Group's total net assets attributable to equity holders of the Company amounted to approximately HK\$3,100 million (HK\$2,993 million as at 31st March, 2007), an increase of HK\$107 million or 3.6%. Such increase was mainly attributable to the profit attributable to equity shareholders of the Company of HK\$113 million and exchange gain on translation of HK\$66 million, offsetting by payments of dividends during the period totalling HK\$84 million.

As at 30th September, 2007, total debt to equity ratio was 82% (68% as at 31st March, 2007) and net debt to equity ratio was 35% (31% as at 31st March, 2007), which are expressed as a percentage of bank, other borrowings and liability component of convertible bonds, and net borrowings respectively, over the total net assets of HK\$3,100 million (HK\$2,993 million as at 31st March, 2007). Total debt to total assets ratio was 32% (28% as at 31st March, 2007), which are expressed as percentage of bank, other borrowings and liability component of convertible bonds over the total assets of HK\$7,994 million (HK\$7,291 million as at 31st March, 2007).

BORROWINGS

As at 30th September, 2007, the Group's bank and other borrowings amounted to HK\$2,541 million (HK\$2,027 million as at 31st March, 2007). Cash and deposits at bank, including fixed and structured deposits, amounted to HK\$1,447 million (HK\$1,111 million as at 31st March, 2007) and net borrowings amounted to HK\$1,094 million (HK\$916 million as at 31st March, 2007). Most of the borrowings are carrying floating interest rates based on Hong Kong Interbank Offering Rates, with small portions based on Prime Rate. Included in the borrowings are 2.125% convertible bonds of HK\$450 million issued in July 2006, which helped the Group to enjoy a lower interest coupon cash outlay before maturity or redemption.

With the increase in borrowing and the rise of interest rates during the period, finance costs for the period amounted to HK\$72 million (HK\$57 million for the corresponding period last year), an increase of HK\$15 million as compared with previous six-month period in 2006.

TREASURY POLICIES

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in Hong Kong or US dollars. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank loans, the Group will consider new financing while maintaining an appropriate level of gearing.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND INTEREST RATES

The Group has arranged foreign currency swap contracts amounting to HK\$113 million to hedge the exchange rate exposure between various foreign currencies to other cross currencies.

As at 30th September, 2007, the Group had outstanding interest rate swap contracts which amounted to HK\$508 million in total, enabling the Group to hedge its interest rate exposure.

FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES AND THEIR PROFORMA COMBINED BALANCE SHEET

The Company and/or its subsidiaries have provided financial assistance to, and guarantees given for banking facilities granted to, affiliated companies as at 30th September, 2007, which together in aggregate amounted to HK\$235.5 million as loans, HK\$66.2 million as committed injection and HK\$458.8 million as guarantees issued for bank loans granted. These amounts represented a percentage ratio of approximately 9.5% as at 30th September, 2007 and exceeded the relevant percentage ratios of 8% under the Listing Rules. In accordance with the Rule 13.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), an unaudited proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group’s attributable interest in those affiliated companies as at 30th September, 2007 are presented below:

	As at 30th September, 2007	
	Proforma combined balance sheet HK\$ Million	The Group’s attributable interest HK\$ Million
Non-current assets	257	117
Current assets	907	434
Current liabilities	(336)	(159)
Non-current liabilities	(223)	(107)
Shareholders’ advances	(294)	(236)
	<hr/>	<hr/>
	311	49
	<hr/> <hr/>	<hr/> <hr/>

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September, 2007, the Group employed approximately 4,700 full time staff globally. Total staff costs amounted to approximately HK\$473 million for the period under review. The remuneration policies 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.

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 and financial reporting matters including the review of an unaudited interim financial statements for the six months ended 30th September, 2007.

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 30th September, 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) as set out in Appendix 10 of the Listing Rules. All directors of the Company confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30th September, 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th September, 2007 with deviations from code provision A.4.1 which has already been stated in the Company’s annual report 2007.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

The interim report of the Company for the six months ended 30th September, 2007 containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the Stock Exchange’s website at <http://www.hkex.com.hk> and the Company’s website at <http://www.chevalier.com> in due course.

APPRECIATION

On behalf of the Board, I would like to thank the management and all staff for their concerted effort, commitment and professionalism that underlined the satisfactory performance of the Group for the period under review.

By Order of the Board
CHOW Yei Ching
Chairman and Managing Director

Hong Kong, 12th December, 2007

As at the date of this announcement, the Executive Directors of the Company are Dr Chow Yei Ching (Chairman and Managing Director), Messrs Kuok Hoi Sang (Vice Chairman and Managing Director), Tam Kwok Wing (Deputy Managing Director), Chow Vee Tsung, Oscar, Kan Ka Hon and Ho Chung Leung. The Independent Non-Executive Directors of the Company are Dr Chow Ming Kuen, Joseph, Mr Li Kwok Heem, John and Mr Sun Kai Dah, George.

website: <http://www.chevalier.com>

** For identification purpose only*