



PRESS RELEASE

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**CHEVALIER INTERNATIONAL ANNOUNCES 2004 / 05 ANNUAL RESULTS
ACHIEVES SIGNIFICANT PROFIT GROWTH TO HK\$282 MILLION**

**CHEVALIER ITECH ACQUIRES PACIFIC COFFEE
LAYS FOUNDATION FOR FUTURE GROWTH**

(Hong Kong, 13 July 2005) - Prominent construction and engineering services provider, Chevalier International Holdings Limited ("CIHL" or the "Group") (stock code: 25), today announced its outstanding annual results for the year ended 31 March 2005. Turnover rose to HK\$ 4,290 million, up 34% from HK\$ 3,199 million in the previous financial year. Profit attributable to shareholders surged 52% to HK\$ 282 million (2003/2004: HK\$ 186 million), representing earnings per share of HK\$ 1.01 (2003/2004: HK\$ 0.687). The excellent result was attributable to the gradual general recovery of the economy especially of Hong Kong and also the growth of the Group's solid income base during the last few years.

The Board of Directors recommends the payment of a final dividend of HK 25 cents per share to shareholders (2003/04: HK 20 cents per share), together with the interim dividend of HK 20 cents paid in January 2005, the total dividend of the year amounted to HK 45 cents (2003/04: HK 30 cents), a 50% growth over that of last year.

Chevalier iTech Holdings Limited ("CITL") (HKEx: 508) recorded turnover of HK\$687 million and the net profit was HK\$3.8 million for the year ended 31 March 2005. Turnover and operating profit of the Computer and Business Machines Division grew 12% and 123% respectively while the results of the Network Solutions and the Telecommunication Systems Division greatly improved. The performance of the Technical and Maintenance Services Division also stabilized with the economy on general recovery.

The Board of Directors recommends the payment of a final dividend of HK1 cent (2003/04: HK 3 cents). This, together with the interim dividend of HK 1 cent (2003/04: HK 2 cents) per share paid during the year, represents a dividend distribution of HK 2 cents (2003/04: 5 cents) per share for the year ended 31 March 2005.

Dr. CHOW Yei Ching, Chairman and Managing Director of CIHL, said, "I am very pleased to report that the Group achieved a significant growth in net profit during the year. During the last few years, the economy especially that of Hong Kong recovered gradually and our solid income base kept growing, which facilitated our excellent results. The 2004/2005 results also showed that our business diversification strategy has been effective. For instance, the slowdown in the Insurance Division was more than offset by the impressive profitability growth in other segments, such as the Property and Hotel Division. We successfully enlarged our market share and maintained our overall profitability at the same time."



Construction and Engineering

During the year, turnover of this segment increased by 40 % to HK\$ 2,287 million with profit at HK\$ 160 million, up 11 % over last year.

Expanding into the pipe business was a major step in the Group's diversification plan, provided it with the impetus to grow even when the construction industry was in the slump. The Pipe Technologies Division performed well with both turnover and profit reaching targets. In late 2004, the Group completed the assembly of all rehabilitation activities under the new brand - Chevalier Pipe Technologies Limited ("CPT") and turned it into a leading global player in the pipe rehabilitation industry. Besides increasing its shareholding in Norditube Technologies AB ("Norditube") and Rib Loc Group Limited ("Rib Loc") to 92% and 75% respectively, the Group also established a new entity in the US and acquired the remaining interests in associated rehabilitation construction companies in Hong Kong, Europe and the Middle East. At present, CPT has an extensive network covering Hong Kong, China, Singapore, the Emirates, Belgium, Sweden, Australia, the US and Germany.

During the year, the performance of the Environmental, Electrical and Mechanical Engineering Division improved. The Building Construction and Civil Engineering Division turned to profit with a number of projects on hand. Following the recovery of the property market which began in 2004, orders of the Aluminium Windows and Curtain Walls Division and the Lifts and Escalators Division started to build up in the second half of 2004/2005.

Property and Hotel

Boosted by the realization of around two-third of the units at Chevalier Place in Shanghai, strong growth in the cold-storage rental revenue and the increase in rental income from investment properties, this segment's turnover increased by 57% from HK\$340 million to HK\$535 million and profit of this segment also grew almost 3 times to HK\$172 million.

With economic conditions improving, income from rental properties continued to grow last year. All investment properties were almost fully occupied and provided steady revenue and earnings to the Group. Chevalier Place, the luxury residential property at a prime location in Shanghai, was launched for sale in early 2005 and well received by the market. About two-third of the units were sold with total sales proceeds exceeding RMB 500 million. The Group also entered into contracts with various Mainland partners to develop real estates in Chengdu, Hefei and Shenzhen with gross floor area of 1.1 million sq. m.

Insurance and Investment

Turnover of this segment increased from HK\$283 million last year to HK\$516 million this year, and its contribution amounted to HK\$56 million.

The construction employee compensation underwriting business was relatively competitive during the year, thus the business of the Insurance Division scaled down. Although the investment market



was volatile and uncertain, the Investment Division's return was not significantly affected thanks to the Group's prudent and conservative investment strategy.

IT and Other Business

The overall performance of the Information Technology and Network Solutions Division improved with turnover increased to HK\$570 million with profit reaching HK\$3.3 million. During the year, operating profit of the car dealership under the Motor Vehicles and Trading Division improved and its Action Honda won the Honda Quality Dealer Award for the fifth consecutive year in Canada.

Prospects

Looking ahead, the Pipe Technologies business will remain as the growth driver of the Group. CPT's direct management of technologies owned by Norditube and Rib Loc allows it to effectively allocate resources all over the world, enabling it to sustain the strong growth momentum of this business. Moreover, with access to Rib Loc's patented new "Plastream" technology, the door to the international pipe manufacturing market is wide open for CPT. The company is ready to exploit this field laden with growth potential.

In addition, the Group also sees the abundant opportunities in property development, particularly in Mainland China. Leveraging its solid experience in managing projects in Hong Kong and its large-scale projects on hand, the Group will step up investment in quality projects and keep a close eye on any emerging business opportunity. It is believed that the property business will become another growth driver of the Group in the coming years.

To capture the fast growing and lucrative specialty coffee business in Hong Kong, the PRC and neighbouring countries, the Group took the critical move of acquiring the entire issued share capital of Pacific Coffee (Holdings) Limited at a total consideration of HK\$205 million. The acquisition was completed on 20 May 2005. This acquisition not only further diversified the Group's businesses, but also broadened its income stream and opened a new and promising playfield for the Group's expansion.

Dr. Chow concluded, "2004/2005 was a memorable year for Chevalier. We marked our 35th anniversary with significant growth in profit. During the past few years, we followed our growth strategy and added the pipe and insurance businesses to our platform. We have taken on more property development projects especially in Mainland China. We have also expanded into the lifestyle food and beverage business recently. Building on the successful experience, we will continue to invest in high quality projects with clear potential of generating for us stable and recurrent incomes. Staffed by well-experienced professionals and owning top-notch industry expertise, we are well positioned to capture new opportunities and bring maximum returns to our shareholders."

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