



PRESS RELEASE

15 July 2004

**Chevalier International Announces 2003 / 2004 Annual Results
Profit Substantially Increased 123% To HK\$186 million
All Businesses Report Growth**

Chevalier iTech Turnaround Profit HK\$22.9 Million

(Hong Kong, 15th July 2004) Prominent construction and engineering services provider, Chevalier International Holdings Limited ("CIHL" or "the Group" (stock code: 25), today announced its annual results for the year ended 31st March 2004. The Group recorded a turnover of HK\$3,199 million. Profit attributable to shareholders escalated 123% to HK\$186 million. Such encouraging performance reflected the commitment of the Group to achieving the targets of different business segments, namely Construction and Engineering, Insurance and Investment, Property and Hotel and IT and other Business. Also the strength of the Group in developing advanced engineering works, which contributed to the enhancement of the profit margin and the balanced accent on business and investment, was also the key factor of achieving the excellent results.

The Board of Directors has recommended a final dividend of HK 20 cents per share (2003: HK 10 cents per share). Together with interim dividend of HK 10 cents per share, the total dividend for the year will be HK 30 cents (2003: HK 17.5 cents).

Chevalier iTech Holdings Limited ("CITL") (HKEx: 508) also achieved significant results for the year ended 31st March 2004, recorded turnaround profit of HK\$22.9 million compared with a net loss of HK\$ 22.8 million last year. The remarkable results were mainly contributed by the steady income derived from technical and maintenance services and improved return from investment in financial products.

The Board of Directors recommends the payment of a final dividend of HK3 cents (2003: Nil). This, together with the interim dividend of HK2 cents (2003: Nil) per share paid during the year, represents a dividend distribution of HK5 cents (2003: Nil) per share for the year ended 31st March, 2004.

Dr. CHOW Yei Ching, Chairman and Managing Director of CIHL, said, "I am pleased to report such an encouraging results to our shareholders. The outstanding performances testified to the firm commitment of our teams, and the viability of our balanced business portfolio. It also reflected our ability to weather the crises arising from the global business cycle and the changing role of Hong Kong in the region. More importantly, by focusing on improving income and cash flow from our assets, we have actually expanded our portfolio during the difficult period. Our robust financial position and solid earnings are able to finance our future plans and bring maximum benefit to the Group and our shareholders."



Construction and Engineering

During the year, the turnover of this segment was HK\$ 1,636 million compared with HK\$ 1,647 million last year.

With its reliable and quality services, lift and escalators remains as the hallmark of the Group despite the keen competition and intense price pressure. This division saw an increase in revenue from new installations, which generated stable income to the Group. Other divisions like Aluminum Windows and Curtain Walls, Building Construction and Civil Engineering also as well as Environmental, Electrical and Mechanical Engineering performed well during the year with many projects on hands.

During the year, the Group has strengthened its pipe rehabilitation business by increasing its shareholdings of two companies, Norditube Technologies AB and Rib Loc Group Limited on top of its acquisition of KMG, the second largest pipe rehabilitation contractor in Germany. The know-how of these companies brings about significant savings in material, transportation and installation costs for non-pressure rehabilitation and new pipe installation. During the year, the Group received contracts from both government and non-government institutions, total value of the contracts in hand worth more than HK\$ 200 million.

Insurance and Investment

This line of business has become one of the major income streams of the Group in recent years. Turnover recorded at HK\$ 283 million while contribution recorded a continue growth of 114% to HK\$ 103 million.

The Insurance Division was able to achieve a satisfactory growth. Apart from serving the domestic market, a representative office was set up to undertake market research, corporate promotion and to enlarge the presence in Mainland China. While the Investment Division continued to adopt a prudent and conservative investment strategy, making investment in fixed interest instrument, bank deposit and other fixed income instruments.

Property and Hotel & IT and Other Business

The remaining businesses, Property and Hotel as well as the IT and Other Business also generate satisfactory performance during the year. Turnover of Property and Hotel increased substantially from HK\$ 264 million last year to HK\$ 340 million this year and the contribution also increased from HK\$ 36 million to HK\$ 44 million. The significant improvement was mainly due to the continuous growth of the cold storage warehousing business, the recovery in the rental market in Hong Kong and also the burgeoning PRC property market. IT and Other business also improved substantially with contribution increased from HK\$ 1.9 million to HK\$ 4.3 million despite of the harsh operating environment. The good performance was the result of the unwavering efforts of our team to provide quality products and services to our customers and to keep tight control on operating expenses.



Corporate Developments

During the year, the Group has privatized Chevalier Singapore Holdings Limited and Chevalier Construction Holdings Limited. Also the Group has consolidated its share of five into one new share in June 2003. The Group believed that all these transactions shall better benefit the operation and more truly reflect the value of the Group.

Prospect

Looking to the future, the pipe rehabilitation operation will be one of the major growth drivers for the construction and engineering division. After its launch in Hong Kong, orders have been flowing in. Other markets, such as the US and Japan will be further explored. Following a series of acquisitions in the past few years, the pipe technology has reached a level of critical mass to support its international expansion. Its further growth in coming years will translate into both revenue and earning growth for the Group.

The livening up of the property market and development in relation to several gigantic infrastructure construction projects is expected to further boost Hong Kong's investment sentiment. The upswing in capital investment will definitely increase the Group's opportunities in securing more business.

The Group continues to focus on expanding its business in Mainland China. Apart from the investment in the property project in Chengdu, the Group will continue to look for other valuable investment opportunities in the Chinese property market. However, when doing so, the Group will follow its carefully devised acquisition strategy underlined with very tight risk and cost discipline. Total investment in Mainland China property market is targeted at HK\$800 million to HK\$1 billion in the foreseeable future.

Dr. Chow concluded, "Building on our established strong financial position, immense technical know-how, an extensive network and impeccable business integrity, we will remain vigilant and pledge to stay at the forefront of market and technology developments, bringing reasonable return to our shareholders."

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