



PRESS RELEASE

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CHEVALIER GROUP 2003/04 INTERIM RESULTS: GROWTH IN PROFITS
Chevalier International Holdings Limited ("CIHL")(025)

During the six months ended 30th September 2003, the Group recorded a prominent improvement in profit attributable to shareholders despite a mild decrease in turnover from HK\$ 1.6 billion to HK\$1.5 billion. Profit for the period advanced from HK\$62.5 million in 2002 to HK\$75.2 million, representing 20% growth.

The improvement in performance of the Group witnessed the success of the management and the employees' dedicated effort to weather the economic crisis during the past few years. Most of the divisions had demonstrated significant progress especially building services and engineering, insurance and cold storage.

The Board of Directors has resolved to declare an interim dividend of HK10 cents (2002 (restated): HK7.5 cents) per share. Shareholders are given an option to receive shares in lieu of cash.

Building Services and Engineering

In spite of the difficult business environment, the lifts and escalators division maintained a steady growth in terms of both turnover and profit. After the establishment of the technical support centre in Australia and the completion of several major contracts, the curtain wall division, in particular, has been successfully established itself in the industry as a leading engineering company providing advanced technical solution to those infrastructure and building contracts. The performance of the electrical and mechanical engineering division improved after strengthening its management team and control system.

In 2003, [Preussag Pipe Rehabilitation Hong Kong Limited](#) ("PPRHK") was awarded various contracts from public and private sectors, for instance, slope drain project by Hong Kong Housing Authority, sewage main rehabilitation project by Hong Kong Airport Authority and water main project by Drainage Services Department. Chevalier-PRS (Asia) Holdings Limited ("CPA") successfully finished a trial job in Nanjing, China in October 2003, as well as projects in Singapore and United Arab Emirates, Middle East. The Group increased its equity interest in NordiTube Technologies AB to 53% and that in Rib Loc Group Limited to 30.8%. In order to establish a stronger presence in European market, CPA acquired interest in KMG Kanal-Muller-Gruppe GmbH, a major contractor in Europe for trenchless pipe rehabilitation business.

For the environmental engineering division, the project at Tai Po Water Treatment Plant was completed in this year but will be finalized in 2005. During the period, the Division was awarded a contract for replacement of mechanical and electrical equipment in Tsuen Wan Raw Water Pumping Station and a contract for supply of equipment and material for Recycling Water Plant of Baotou, Mongolia, PRC.



Insurance and other businesses

The growth in insurance business was held up in the period under review due to keen competition. However, the overall result was much better than that of same period last year with turnover reaching HK\$85 million.

The logistics and warehousing business continued its steady trend in contributing income and generating cash to the Group. The Group has diversified its business through investment in printing business under the name of K2 Printing Company Limited. It provides a wide range of printing and digital printing of magazines, books, catalogues, posters and other commercial printed matters.

Chevalier iTech Holdings Limited ("CiTL")(508)

The contribution from [Chevalier iTech Holdings Limited](#), the 50.8% subsidiary company, improved after undergoing a series of restructuring.

The group's turnover decreased and the profit margin squeezed especially in the first half of the period under review. The confidence, however, recovered in the second half of the period so that the turnover for the period reached HK\$341 million, only 3% lower than that of same period last year. Profit for the period also improved to HK\$8.4 million compared with the loss of HK\$ 5 million in the same period last year. The Board of Directors has resolved to declare an interim dividend of HK2 cents per share.

During the period under review, the Computer and Business Machine Division has recorded a drop in the profit by 18% due to intense competition in PC products and the decline of consumption in both commercial sector and individual customers.

The first Chevalier Shop Digital Gallery in Causeway Bay was operating well. It is a brand new service concept for providing an outlet of digital solutions and IT products to the corporate and individual customers.

The large-scale contracts of IT & Network Solutions Division for providing various network services and system integration to New TV City, International Finance Centre - Phase II and KCRC West Rail were progressed on schedule.

During the period under review, interest income improved despite the enduring low interest rate. The company has diversified its investment portfolio into high yield structured notes and corporate debentures in order to enhance their returns.

Chevalier Construction Holdings Limited ("CCHL")(579)

For the six months ended 30th September, 2003, the Group has maintained a substantial growth in turnover to HK\$151 million representing 73% increase compared with same period last year (2002: HK\$87 million). Operating profit increased to HK\$5.4 million (2002: HK\$3.7 million).



Despite the difficult market condition especially in the private sector due to the excessive supply in the property market, the Group has successfully bid for several contracts from the HKSAR Government. As of 30th September 2003, value of building construction and civil engineering contracts on hand for the Group amounted to approximately HK\$385 million and HK\$110 million respectively.

Construction Projects

During the period under review, the Group was awarded the contract by Architectural Services Department to build the International Wetland Park in Tin Shui Wai, New Territories. The project included all the associated building service installations, drainage works, utility connection and pavement works of the Park. It is expected that the project will be completed in late 2004. Upon completion, it will be an important ecological tourist attraction spot in Hong Kong embodying conservation, education and recreation in one place.

A new contract for the construction of a Primary School and a Secondary School in Kau Hui, Yuen Long, was awarded during the period under review. It included the construction of an 8-storey V-shaped primary school building and an L-shaped secondary school building with 30 classrooms and associated facilities respectively. Subsequent to the period under review, another new contract for the construction of a Primary School and a Secondary School in Tin Shui Wai, New Territories was added to the order book of the Group. It included the construction of an 8-storey L-shaped primary school building and a U-shaped secondary school building with 30 classrooms and associated facilities respectively. Both school projects are expected to be completed in 2005.

PROSPECTS

After years of sluggishness, the economic environment in the US has shown some signs of improvement with the third quarter GDP growth reached a record of 8.2%, the fastest pace in nearly 20 years. Business investment is beginning to show signs of life and corporate earnings are better than expected. In general, the upward momentum of the economy should be able to sustain in 2004.

After the PRC government implemented a series of measures to bolster Hong Kong's economy, confidence has improved dramatically. The liquidity being brought into Hong Kong by an influx of Mainland tourists and other measures is believed to be substantial. Local consumer spending also recorded an increase of 2% and the investment spending has also improved. The overall business environment in Hong Kong has turned positive and such strong recovery is expected to follow through in 2004.

We believe that the worst is over for Hong Kong's economy. However, the Group remains cautious in adjusting its business strategy even though the first half year result is much better than that of last year. The management will continue its policy to oversee its resources, control its operating expenses and strengthen the existing business. With the commitment from both the management and the employees, the Board is optimistic on the Group's performance in the financial year 2003/04.



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