



CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 025)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2008

RESULTS

The Directors of Chevalier International Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2008, together with the comparative figures, summarised as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

	Note	2008 HK\$'000	2007 HK\$'000
Revenue	3	5,568,678	4,665,237
Cost of sales		(4,885,395)	(3,911,145)
Gross profit		683,283	754,092
Other (expense)/income, net	4	(101,450)	120,465
Other gain, net	5	422,382	100,307
Selling and distribution costs		(386,864)	(342,131)
Administrative expenses		(125,925)	(118,694)
Operating profit		491,426	514,039
Share of results of associates		27,258	5,263
Share of results of jointly controlled entities		2,909	(3,159)
		521,593	516,143
Finance income	6	16,420	14,263
Finance costs	6	(126,043)	(122,356)
Finance costs, net	6	(109,623)	(108,093)
Profit before taxation	7	411,970	408,050
Income tax expenses	8	(112,811)	(66,853)
Profit for the year		299,159	341,197
Attributable to:			
Equity holders of the Company		230,747	317,869
Minority interests		68,412	23,328
		299,159	341,197
Dividends	9	125,362	139,291
Earnings per share			
– Basic (HK\$ per share)	10	0.83	1.14
– Diluted (HK\$ per share)	10	0.77	1.04

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,117,445	523,644
Property, plant and equipment		769,438	729,167
Prepaid lease payments		446,018	455,239
Goodwill		210,330	210,330
Other intangible assets		161,044	158,864
Interests in associates		172,818	137,084
Interests in jointly controlled entities		264,745	239,511
Available-for-sale investments		293,224	182,298
Investments at fair value through profit or loss		134,005	303,195
Deferred tax assets		25,438	8,744
Other non-current assets		403,187	24,448
		3,997,692	2,972,524
Current assets			
Inventories		338,717	304,385
Properties for sale		258,945	461,159
Debtors, deposits and prepayments	<i>11</i>	1,450,026	1,165,974
Amounts due from associates		19,273	17,175
Amounts due from jointly controlled entities		240,820	259,559
Amounts due from customers for contract work		312,422	343,849
Investments at fair value through profit or loss		760,218	1,000,758
Derivative financial instruments		9,460	42,831
Bank balances and cash		1,191,145	722,998
		4,581,026	4,318,688
Current liabilities			
Creditors, bills payable, deposits and accruals	<i>12</i>	1,321,692	1,178,146
Unearned insurance premiums			
– due within one year		26,503	32,174
Outstanding insurance claims		215,572	255,337
Amounts due to associates		5,926	3,429
Amounts due to customers for contract work		260,681	208,113
Deferred income		24,484	21,372
Provision for taxation		71,465	86,009
Derivative financial instruments		38,930	2,628
Bank borrowings		723,584	815,066
Other loans		315	256
Other payable		7,760	–
		2,696,912	2,602,530
Net current assets		1,884,114	1,716,158
Total assets less current liabilities		5,881,806	4,688,682

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital and reserves			
Share capital		348,228	348,228
Reserves		2,973,919	2,645,093
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		3,322,147	2,993,321
Minority interests		445,036	322,196
		<hr/>	<hr/>
Total equity		3,767,183	3,315,517
		<hr/>	<hr/>
Non-current liabilities			
Other payable		–	7,079
Unearned insurance premiums			
– due over one year		11,357	13,789
Deferred tax liabilities		206,231	113,487
Bank borrowings		1,511,621	856,275
Other loans		1,384	1,445
Convertible bonds – liability component		381,275	354,423
Convertible bonds – derivative component		2,755	26,667
		<hr/>	<hr/>
		2,114,623	1,373,165
		<hr/>	<hr/>
Total equity and non-current liabilities		5,881,806	4,688,682
		<hr/> <hr/>	<hr/> <hr/>

1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) *New standard, amendment and interpretations*

In current year, the Group has applied the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st April 2007 and relevant to the Group’s operations.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position of the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

(b) *Comparative figures*

Certain of the comparative figures have been reclassified to conform to the current year presentation.

2 Business and geographical segments

Business segments

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 primary segment information. Principal activities of the segments are as follows:

Construction and engineering: Construction and engineering work for lift and escalator, civil, building construction, electrical & mechanical, environmental and pipe rehabilitation contracts.

Insurance and investment: General insurance business except aircraft, aircraft liabilities and credit insurance, and investment.

Property: Property investment, development and management, cold storage and hotel operations.

Food and beverages: Food and beverages trading and retailing.

Computer and information communication technology and others: Sales and servicing of IT equipment and business machines and retailing and trading and servicing of motor vehicles and food trading.

Segment information about these businesses is presented below.

Revenue and results
Year ended 31st March 2008

	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	Consolidated HK\$'000
REVENUE						
Total segment revenue	3,845,780	120,431	419,935	299,034	964,253	5,649,433
Inter-segment revenue	(384)	(15,329)	(52,630)	–	(12,412)	(80,755)
	<u>3,845,396</u>	<u>105,102</u>	<u>367,305</u>	<u>299,034</u>	<u>951,841</u>	<u>5,568,678</u>
RESULTS						
Segment results	<u>14,652</u>	<u>(71,052)</u>	<u>501,446</u>	<u>7,087</u>	<u>54,859</u>	506,992
Unallocated corporate expenses						(15,566)
Share of results of associates	3,966	–	14,509	9,631	(848)	27,258
Share of results of jointly controlled entities	1,067	–	1,842	–	–	2,909
Finance income						16,420
Finance costs						(126,043)
Profit before taxation						411,970
Income tax expenses						(112,811)
Profit for the year						<u>299,159</u>

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

Assets and liabilities
As at 31st March 2008

	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	Consolidated HK\$'000
ASSETS						
Segment assets	2,214,392	1,766,442	3,291,693	325,609	421,825	8,019,961
Interests in associates	9,580	–	47,826	77,963	37,449	172,818
Interests in jointly controlled entities	16,155	–	248,590	–	–	264,745
Unallocated corporate assets						121,194
Total assets						<u>8,578,718</u>
LIABILITIES						
Segment liabilities	1,247,512	357,957	138,315	58,622	111,612	1,914,018
Unallocated corporate liabilities						2,897,517
Total liabilities						<u>4,811,535</u>

Other information*Year ended 31st March 2008*

	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	Consolidated HK\$'000
Capital expenditure	74,847	32	11,084	36,402	1,445	123,810
Depreciation and amortisation	59,535	74	18,502	21,987	5,004	105,102
Impairment loss on property, plant and equipment	–	–	4,059	3,356	–	7,415
Write back of impairment loss on prepaid lease payments	–	–	(2,637)	–	–	(2,637)
Impairment loss on available- for-sale investments	–	835	–	–	–	835

Revenue and results*Year ended 31st March 2007*

	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	Consolidated HK\$'000
REVENUE						
Total segment revenue	3,003,573	149,140	352,672	250,076	995,159	4,750,620
Inter-segment revenue	(284)	(19,756)	(47,531)	–	(17,812)	(85,383)
External revenue	<u>3,003,289</u>	<u>129,384</u>	<u>305,141</u>	<u>250,076</u>	<u>977,347</u>	<u>4,665,237</u>
RESULTS						
Segment results	<u>186,131</u>	<u>150,238</u>	<u>135,476</u>	<u>14,909</u>	<u>39,417</u>	526,171
Unallocated corporate expenses						(12,132)
Share of results of associates	2,557	–	(70)	955	1,821	5,263
Share of results of jointly controlled entities	2,674	–	(5,833)	–	–	(3,159)
Finance income						14,263
Finance costs						<u>(122,356)</u>
Profit before taxation						408,050
Income tax expenses						<u>(66,853)</u>
Profit for the year						<u>341,197</u>

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

Assets and liabilities
As at 31st March 2007

	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	Consolidated HK\$'000
ASSETS						
Segment assets	1,970,217	1,788,237	2,357,990	318,557	406,279	6,841,280
Interests in associates	9,294	–	164	62,092	65,534	137,084
Interests in jointly controlled entities	15,083	–	224,428	–	–	239,511
Unallocated corporate assets						73,337
Total assets						7,291,212
LIABILITIES						
Segment liabilities	1,062,840	345,692	136,784	47,630	137,459	1,730,405
Unallocated corporate liabilities						2,245,290
Total liabilities						3,975,695

Other information
Year ended 31st March 2007

	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	Consolidated HK\$'000
Capital expenditure	117,354	373	3,892	45,656	2,132	169,407
Depreciation and amortisation	57,931	161	19,614	17,352	6,864	101,922
Impairment loss on property, plant and equipment	6,782	–	6,972	–	–	13,754
Impairment loss on prepaid lease payments	–	–	1,628	–	–	1,628
Impairment loss on intangible assets and goodwill	7,157	–	–	–	–	7,157
Impairment loss on available- for-sale investments	–	1,473	–	–	–	1,473

Geographical segments

The Group's operations in construction and engineering are mainly located in Hong Kong, Macau, Mainland China, Singapore, Europe and Australia. Insurance and investment business is conducted in Hong Kong. Property operations are mainly carried out in Hong Kong, Mainland China and Canada. 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, respectively.

	Revenue by geographical market			
	2008		2007	
	HK\$'000	%	HK\$'000	%
Hong Kong	3,083,921	55	2,717,761	58
Macau	834,150	15	424,475	9
Canada	458,778	8	411,363	9
Europe	403,770	7	465,607	10
Australia	207,961	4	173,302	4
Singapore	187,785	3	155,346	3
USA	160,632	3	106,872	2
Mainland China	156,515	3	132,801	3
Thailand	48,032	1	72,764	2
Others	27,134	1	4,946	–
	5,568,678	100	4,665,237	100

The following is an analysis of the carrying amounts of segment assets and capital expenditures analysed by geographical area in which the assets are located and capital expenditures are incurred:

	Carrying amounts of segment assets		Capital expenditures	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,482,949	3,576,789	51,788	69,778
Macau	243,885	131,892	2,928	1,249
Canada	311,062	282,244	1,292	1,136
Europe	545,376	575,336	29,206	49,923
Australia	262,979	288,727	19,974	26,275
Singapore	339,526	306,038	1,424	3,639
U.S.A.	206,082	209,068	–	37
Mainland China	1,524,094	1,084,441	17,198	17,170
Thailand	58,636	52,973	–	67
Others	45,372	333,772	–	133
	8,019,961	6,841,280	123,810	169,407

3 Revenue

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue represents net amount received and receivable from:		
Construction and installation contracts	3,170,812	2,369,135
Sale of computer, business machines and others	1,043,613	1,069,632
Provision of maintenance and property management	624,952	576,733
Food and beverages	299,034	250,076
Warehouse operations	117,257	100,070
Sale of properties	85,082	60,080
Hotel operations	66,005	59,730
Interest income from investments	53,894	72,614
Leasing of properties	52,904	45,450
Insurance premium	40,129	47,509
Dividend income from listed securities	11,079	9,260
Leasing of equipment	3,917	4,948
	<u>5,568,678</u>	<u>4,665,237</u>

4 Other (expense)/income, net

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss)/gain on investments at fair value through profit or loss	(87,723)	90,179
(Loss)/gain on derivative financial instruments	(24,332)	22,222
Interest from amounts due from associates	165	735
Interest from amounts due from jointly controlled entities	1,257	2,900
Commission income	9,183	4,429
	<u>(101,450)</u>	<u>120,465</u>

5 Other gain, net

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Increase in fair value of investment properties	387,263	53,362
Fair value gain on derivative component of convertible bonds	23,912	26,489
Net loss on disposal of investment property	(653)	-
Gain on disposal of jointly controlled entities	-	19,714
Exchange gain, net	9,373	9,712
Impairment loss on available-for-sale investments	(835)	(1,473)
Impairment loss on goodwill	-	(5,000)
Impairment loss on property, plant and equipment	(7,415)	(13,754)
Write back of/(provision for) impairment loss on prepaid lease payments	2,637	(1,628)
Impairment loss on intangible asset	-	(2,157)
Tax incentive	1,768	-
Bad debt recovered	7,770	7,636
Net (loss)/gain on disposal of property, plant and equipment and prepaid lease payments	<u>(1,438)</u>	<u>7,406</u>
	<u>422,382</u>	<u>100,307</u>

6 Finance costs, net

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank loans and overdrafts	90,511	96,391
Interest on convertible bonds wholly repayable within five years	35,532	25,965
	<u>126,043</u>	<u>122,356</u>
<i>Less:</i> Interest from bank deposits	(16,420)	(14,263)
	<u><u>109,623</u></u>	<u><u>108,093</u></u>

7 Profit before taxation

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging the following:		
Depreciation on property, plant and equipment	89,333	86,576
<i>Less:</i> Amount capitalised to contract work	(177)	(147)
	89,156	86,429
Auditors' remuneration	10,236	8,674
Staff costs	964,739	827,420
<i>Less:</i> Amount capitalised to contract work	(93,337)	(58,032)
	871,402	769,388
Operating lease payments in respect of leasing of		
– Premises under minimum lease payments	99,229	78,267
– Premises under contingent rent	8,623	7,476
– Equipment under minimum lease payments	22,690	14,027
	130,542	99,770
Amortisation of prepaid lease payments	11,783	11,743
Amortisation of intangible assets	3,986	3,603
Write down of properties for sale to net realisable value	–	10,058
Write down of inventories to net realisable value	1,315	3,674
and crediting the following:		
Gross rental income of HK\$52,904,000 (2007: HK\$45,450,000) from properties less direct operating expenses	37,775	28,626
Income from leasing of equipment	3,917	4,948
Write back of properties for sale to net realisable value	11,831	–
	<u><u>11,831</u></u>	<u><u>–</u></u>

8 Income tax expenses

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax		
– Hong Kong	32,686	35,096
– Overseas	20,479	18,947
– Over-provision in prior years	(13,036)	–
	<u>40,129</u>	<u>54,043</u>
Deferred tax	72,682	12,810
	<u><u>112,811</u></u>	<u><u>66,853</u></u>

Hong Kong profits tax is calculated at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits after offsetting losses brought forward of each individual company. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the business operates.

9 Dividends

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim dividend of HK\$0.16 (2007: HK\$0.20) per share, paid	44,573	55,716
Final dividend of HK\$0.29 (2007: HK\$0.30) per share, proposed	80,789	83,575
	<u>125,362</u>	<u>139,291</u>

A final dividend of HK\$0.29 per share, totalling HK\$80,789,000, has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting. This proposed dividend has not been dealt with as dividend payable as at 31st March 2008.

10 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 year.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>230,747</u>	<u>317,869</u>
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares in issue	<u>278,582</u>	<u>278,582</u>
Basic earnings per share (<i>HK\$</i>)	<u>0.83</u>	<u>1.14</u>

(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's dilutive potential ordinary shares are derived from the 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.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	230,747	317,869
Interest on convertible bonds	35,532	25,965
Fair value gain on derivative component of convertible bonds	(23,912)	(26,489)
Profit used to determine diluted earnings per share	<u>242,367</u>	<u>317,345</u>
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares in issue	278,582	278,582
Adjustments for convertible bonds	37,873	26,656
Weighted average number of ordinary shares for diluted earnings per share	<u>316,455</u>	<u>305,238</u>
Diluted earnings per share (<i>HK\$</i>)	<u>0.77</u>	<u>1.04</u>

11 Debtors, deposits and prepayments

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade debtors	701,562	633,973
<i>Less:</i> Provision for impairment	(26,897)	(27,704)
	674,665	606,269
Other debtors, deposits and prepayments	584,286	426,629
Retention receivables	191,075	133,076
	1,450,026	1,165,974

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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 60 days	520,322	515,630
61 – 90 days	52,799	18,763
Over 90 days	101,544	71,876
	674,665	606,269

12 Creditors, bills payable, deposits and accruals

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade creditors and bills payable	449,571	412,607
Consideration payable for the acquisition of certain interest in a jointly controlled entity	56,597	51,475
Accrued contract costs	274,428	136,356
Retention payables	128,414	99,305
Other creditors, deposits and accruals	412,682	478,403
	1,321,692	1,178,146

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 60 days	360,652	373,697
61 – 90 days	26,030	6,834
Over 90 days	62,889	32,076
	449,571	412,607

13 Contingent liabilities

At 31st March 2008, the Group had contingent liabilities in respect of guarantees issued for utilised borrowings in relation to:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Banking facilities granted to jointly controlled entities	321,900	95,950
Banking facilities granted to associates	46,650	43,520
	368,550	139,470

14 Capital commitment

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of		
– acquisition of plant and equipment	2,495	5,952
– acquisition of land and building	41,192	–
	<u>43,687</u>	<u>5,952</u>
Capital expenditure authorised but not contracted in the financial statements in respect of		
– acquisition of plant and equipment	16,729	664
– acquisition of land and building	1,279,025	–
	<u>1,339,441</u>	<u>6,616</u>

The Group's share of the capital commitment of its jointly controlled entities is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Contracted for but not provided	216,724	146,813
Authorised but not contracted for	306,903	252,004
	<u>523,627</u>	<u>398,817</u>

At 31st March 2008, the Group has committed to acquire the remaining 51% of the issued share capital of its associated company, Sinochina Enterprises Limited (“SEL”) from Sinochina Pacific Limited, an independent third party. After that acquisition, SEL will become a wholly-owned subsidiary of the Group. The consideration is based on the forthcoming financial results of SEL and its subsidiaries and associates for the year ending 31st December 2008. The total consideration to acquire the 100% of the issued share capital of SEL (including HK\$64 million paid in respect of the 49% already acquired) shall not exceed HK\$200 million.

DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK\$0.29 (2007: HK\$0.30) per share payable to shareholders whose names appear on the Register of Members of the Company on Friday, 26th September 2008. Together with the interim dividend of HK\$0.16 (2007: HK\$0.20) per share paid on 9th January 2008, the total dividends for the year amounted to HK\$0.45 (2007: HK\$0.50) per share representing a dividend payout of 54.4%. Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on Friday, 26th September, 2008, the dividend warrants will be distributed and paid on or about Thursday, 9th October, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 23rd September 2008 to Friday, 26th September 2008, both days inclusive, during which period no transfer of shares will be effected. To qualify for the proposed final 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 22nd September, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year under review, the Group's revenue rose 19.4% to HK\$5,569 million as compared to HK\$4,665 million last year. The increase was mainly attributable to increased business from electrical and mechanical ("E&M") engineering and building construction projects in Macau and Hong Kong, together with steady revenue growth from the lifts and escalators, aluminium window and pipe technology businesses. Still, the Group's performance was affected by the decline in profitability of various construction and environmental engineering works as well as decreased return from securities investments. As a result, profit attributable to equity holders of the Company was HK\$231 million compared to HK\$318 million last year, down 27.4%.

The Group operates the following core businesses: construction and engineering, insurance and investment, property, food and beverages, computer and information communication technology and others.

Construction and Engineering

During the year under review, the Group was able to capitalise on increased demand for the construction, installation and maintenance of lifts and escalators, E&M engineering projects, aluminium windows and pipe technology services, resulting in a 28.0% increase in revenue for this segment from HK\$3,003 million to HK\$3,845 million. The total value of the major contracts on hand for this segment remains at HK\$3.2 billion.

Despite higher revenues from the building construction division, gross margin suffered from significant price increases in raw materials, especially metals. In response, the division imposed more stringent cost controls and project management to mitigate the effects. In addition, the Group has finalised placing orders for raw materials for current projects, which should also help minimise price volatility. Looking ahead, the division will aim at incorporating pricing adjustment mechanisms into future coming contracts so as to reduce our exposure in these areas.

Major projects on hand for the building construction division include:

- i. Construction of "The Praia" in Macau
- ii. Hong Kong Community College Development at The Hong Kong Polytechnic University
- iii. Redevelopment of Shatin Pass Estate
- iv. Two primary schools in Area 13, Yuen Long, New Territories

Despite very competitive market conditions, especially for the new sales and installation business, the lifts and escalators division maintained its profit contribution in the year under review. After installing more than 15,000 lifts and escalators over the past 30 years, the division is well positioned to serve the repair and maintenance needs of its customers and derive stable recurring income. The division also secured a large project from Singapore Housing Development Board to provide over 850 lifts and escalators. Other major projects on hand include the supply and installation of lifts and escalators for the residential development at Celestial Heights, The Palazzo and Tai Wai East Rail Station in Hong Kong, and Galaxy Mega Resort & Casino in Macau.

Most of the resources and efforts of the E&M division were focused on Macau in the year under review, which provided additional revenue and steady profit contribution as compared to last year. Projects on hand for this division in Macau include E&M works for the Galaxy Resort and Casino, the expansion phase of Wynn Resorts and City of Dreams.

The performance of the environmental engineering division was affected by a project involving the supply and installation of E&M equipment for Tai Po Sewage Treatment Works Stage V, which encountered delays and rising costs for building materials and labour. The division has undergone internal restructuring to fine-tune its bidding budget process and ongoing project monitoring with a view to restoring profitability.

The aluminium windows and curtain wall division, which provides a full range of services including the design, renovation, engineering management and installation of curtain walls, recorded another year of satisfactory performance. Being one of the few major players in Hong Kong, the division has in recent years further developed footholds in diverse overseas markets including Australia, Japan and Macau. Major projects on hands for this division include designing, supplying and installing glass curtain walls for I-Square, a 32-storey entertainment complex at the former site of the Hyatt Regency Hotel, St Paul Hospital in Causeway Bay, and the 15-storey headquarters of Sydney Water, a Class A office building in Sydney.

During the year under review, the Group was able to narrow loss and increase revenue for the pipe technologies business by streamlining its operations. Pursuant to Sales and Purchase Agreement, the Group will dispose 75% of its interests in a pipe technology business to Sekisui Chemical Co., Ltd. (“Sekisui”), a company listed on the Tokyo Stock Exchange and Osaka Securities Exchange that provides a natural fit due to its sizeable presence in the construction materials industry. The Group is confident that this will fuel further growth by improving competitiveness and marketability. The transaction should also enable the Group to realise an estimated profit of over HK\$100 million, which will be recognised in 2008/09 upon closing of the disposal.

Following this, the Group will focus on developing niche businesses for the Hong Kong pipe rehabilitation market and its new Australian technology, Plastream, under the Rib Loc brand. With the Drainage Services Department and Water Supplies Department’s launch of comprehensive water mains improvement schemes, which are respectively aimed at renovating Hong Kong’s sewage infrastructure and aged freshwater and saltwater mains in the coming years, the Group is optimistic about the prospects of this division.

Insurance and Investment

During the year under review, revenue from this segment decreased from HK\$129 million to HK\$105 million as compared to last year. However, profit declined substantially from HK\$150 million to a loss of HK\$71 million, which was mainly due to the revaluation of the Group’s investment portfolio at year-end following significant adjustments in the global equity markets.

The global market is now battling two major threats. In developed countries, the biggest threat is financial turbulence. From the emerging world’s perspective, inflation is the biggest problem. Financial concerns in the Western world have given rise to a substantial drop in the equity markets, and together with the Mainland government’s continuous tightening of monetary controls, the PRC and Hong Kong stock markets sank to new lows in 2008. The Group has already taken prudent steps and reduced substantially its equity exposure. Meanwhile, the insurance underwriting business for employee compensation in Hong Kong, which constitutes the main portfolio of our insurance subsidiary, continued to face intense market competition during fiscal 2007/08, and return from securities investment also decreased.

Property

Revenue and profit for this segment increased substantially to HK\$367 million and HK\$501 million respectively. The increase in profit was mainly due to the cold storage business and the revaluation of the Group’s investment properties in the PRC and Hong Kong.

The Group made good progress in Mainland China property development during the financial year and also achieved satisfactory growth in property sales. Phase I of the villa section at “My Villa” in Beijing was completed and delivered to buyers during the year. Also, pre-sales of the residential section of Chevalier Tower, a residential and commercial project in Chengdu, enjoyed an enthusiastic response with more than 90% of the apartments being quickly swept up by buyers. Thankfully, the Group’s PRC businesses and property development projects were not affected by the recent earthquakes in Sichuan. The latest addition to the Group’s property development projects in Beijing, Chengdu, Hefei and Shenzhen is a project in Changchun of over 700,000 sq.m. Profit contribution from the projects will be recognised in the coming years when the properties are completed and delivered to buyers. To fund growth in the property segment, the Group also secured a HK\$1 billion 5-year club loan from six banks in November 2007.

To sustain long-term growth in the PRC property development business, we continued to look for opportunities in 2nd tier cities and acquire a premium land bank during the year. As of 31st March, 2008, the total GFA of our land bank amounted to over 1,500,000 sq.m., which should be sufficient to support our development plans in the coming 5 years.

The logistics and cold storage business continued to produce outstanding results, capitalising on booming local demand to achieve a highly satisfactory occupancy rate of over 90% and increased profit contribution. The Group expects to have steady rental cash flow from this division in the coming year.

The property management division provides management services for commercial and industrial buildings, residential units, shopping arcades, car parks and other amenities in buildings with a total floor area of over 2 million sq.m. in Hong Kong and the Mainland. Making use of our experience in Hong Kong, the division is well positioned to leverage opportunities arising in the Mainland.

A fair value gain of HK\$387 million was recorded on revaluation of those investment properties located in the Mainland and Hong Kong.

Food & Beverages (F&B), IT and Others

Revenue and profit from these businesses increased to HK\$1,251 million and HK\$62 million respectively.

During the year, Pacific Coffee in Hong Kong achieved steady revenue and encouraging operating profit. The total number of Pacific Coffee stores in Hong Kong stood at 63 as of 31st March 2008 as compared to 51 in March last year. Benefiting from a robust economic environment and the Group's continued investment in branding, product quality and services, same-store sales in Hong Kong grew an impressive 8.3% during the year and total revenue climbed 19.5% to HK\$266 million. Our 49%-owned Igor's Group of bars and restaurants recorded exceptionally remarkable performance – a two-thirds increase in revenue with a net profit contribution more than double the last calendar year. With the synergies gained from the central kitchen, the Group is optimistic about the future of the F&B business in Hong Kong.

However, in addition to the closure of two unprofitable Pacific Coffee outlets in Shanghai and Beijing as mentioned in our interim report, the results of F&B were also affected by the closure of a few other Pacific Coffee outlets in Mainland China and the termination of its bakery operations in Beijing. Despite such setbacks, Pacific Coffee is still optimistic about the long-term market potential of coffee culture in the Mainland and will cautiously continue its efforts to expand its outlet network in prime locations of major cities.

As of 31st March 2008, Pacific Coffee had 78 shops and Igor's had 29 outlets worldwide.

During the year, the revenue as well as profit of the IT business decreased slightly. As we are still in a competitive market position, effective cost controls with continuous operational restructuring have been imposed in Hong Kong and Thailand to defend our profit margin.

Elsewhere, the Nissan and Toyota car dealership businesses in Chengdu recorded improvements in both revenue and gross margin. To further capture the PRC market, we established a Nissan car dealership in Panzhihua and entered into an agreement to become the sales agent for Hongqi during the year. These moves were in line with our strategy of providing automobiles to PRC customers of different segments. The performances of our car dealership businesses in Canada and food trading businesses in the USA were also satisfactory, with both registering increases in both revenue and profit contribution.

FINANCIAL REVIEW

As at 31st March 2008, the Group's total net assets attributable to equity holders of the Company amounted to HK\$3,322 million (2007: HK\$2,993 million), an increase of HK\$329 million or 11.0% when compared with 2007. At the balance sheet date, the Group's bank and other borrowings amounted to HK\$2,618 million (2007: HK\$2,027 million). Cash and deposit at bank including fixed and structured deposits amounted to HK\$1,318 million (2007: HK\$1,111 million).

EMPLOYEES AND REMUNERATION POLICIES

The Group employed approximately 4,900 full time staff globally as at 31st March 2008. Total staff costs amounted to approximately HK\$965 million for the year ended 31st March 2008. 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

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31st March 2008.

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 year.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st March 2008, with deviations from code provision A.4.1 which has already been stated in the Company's interim report for the period ended 30th September 2007.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual results announcement of the Company for the year ended 31st March 2008 is published on the Stock Exchange's website at <http://www.hkex.com.hk> and the Company's website at <http://www.chevalier.com>. The annual report of the Company for the year ended 31st March 2008 will be despatched to the shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all staff members for their dedication and diligence, and my fellow directors for their support and contribution in the past year.

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

Hong Kong, 16th July, 2008

As at the date of this announcement, the Board of the Company comprises Dr. Chow Yei Ching (Chairman and Managing Director), Mr. Kuok Hoi Sang (Vice Chairman and Managing Director), Mr. Tam Kwok Wing (Deputy Managing Director), Mr. Chow Vee Tsung, Oscar, Mr. Ho Chung Leung and Mr. Ho Sai Hou as executive directors and Dr. Chow Ming Kuen, Joseph, Mr. Sun Kai Dah, George and Mr. Yang Chuen Liang, Charles as independent non-executive directors.

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

* For identification purpose only