CHEVALIER INTERNATIONAL HOLDINGS LIMITED
其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 25)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2006

RESULTS

The Directors of Chevalier International Holdings Limited (the "Company") announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2006, together with the comparative figures for the previous year, are summarised as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2006

	Notes	2006 *HK$'000*	2005 *HK$'000* (Restated)
Turnover	3	**5,237,097**	4,290,482
Cost of sales		**(4,439,493)**	(3,740,895)
Gross profit		**797,604**	549,587
Other income		**144,920**	163,505
Distribution costs		**(275,130)**	(141,108)
Administrative expenses		**(110,918)**	(98,503)
Other expenses		**(10,946)**	(47,366)
Share of results of associates		**(2,987)**	104
Share of results of jointly controlled entities		**12,874**	475
Finance costs		**(79,887)**	(27,056)
Profit before taxation	4	**475,530**	399,638
Income tax expenses	5	**(110,443)**	(82,936)
Profit for the year		**365,087**	316,702
Attributable to:			
Equity holders of the Company		**330,973**	295,058
Minority interest		**34,114**	21,644
		365,087	316,702
Dividends	6		
Interim and special, paid		**105,861**	55,716
Final, proposed		**83,575**	69,646
Earnings per share – Basic	7	**118.8 HK cents**	105.9 HK cents

CONSOLIDATED BALANCE SHEET

As at 31st March, 2006

	Notes	2006 *HK$'000*	2005 *HK$'000* (Restated)
Non-current assets			
Investment properties		**469,693**	389,314
Property, plant & equipment		**688,640**	698,176
Properties for development		**–**	8,901
Prepaid lease payments		**461,708**	476,520
Goodwill		**212,540**	83,576
Negative goodwill		**–**	(12,244)
Other intangible assets		**151,958**	46,842
Interests in associates		**31,011**	11,672
Interests in jointly controlled entities		**231,316**	45,145
Available-for-sale investments		**114,010**	–
Investments at fair value through profit or loss		**325,903**	–
Investments in securities		**–**	13,744
Club debenture		**–**	2,169
Fixed deposits		**–**	241,800
Deferred tax assets		**10,394**	12,497
		2,697,173	2,018,112
Current assets			
Inventories		**262,084**	249,965
Properties for sale		**505,506**	657,609
Debtors, deposits and prepayments	8	**1,085,006**	868,399
Amounts due from associates		**38,050**	28,912
Amounts due from jointly controlled entities		**184,510**	106,200
Amounts due from customers for contract work		**365,761**	344,674
Investments at fair value through profit or loss		**1,123,915**	–
Derivative financial instruments		**38,303**	–
Investments in securities		**–**	1,115,729
Other unlisted investments		**–**	45,915
Bank balances and cash equivalents		**635,412**	1,017,747
		4,238,547	4,435,150
Current liabilities			
Creditors, bills payable, deposits and accruals	9	**1,240,872**	1,278,870
Unearned insurance premiums – due within one year		**39,634**	53,933
Outstanding insurance claims		**285,051**	338,074
Amounts due to associates		**2,423**	1,892
Amounts due to customers for contract work		**136,952**	107,270
Obligations under finance leases – due within one year		**611**	3,543
Deferred service income		**23,330**	23,342
Provision for taxation		**73,721**	11,733
Derivative financial instruments		**10,430**	–
Bank borrowings		**595,211**	1,268,332
Other loans		**226**	250
Other payable		**7,412**	–
		2,415,873	3,087,239
Net current assets		**1,822,674**	1,347,911
		4,519,847	3,366,023

	Notes	2006 *HK$'000*	2005 *HK$'000* (Restated)
Represented by:			
Capital and reserves			
Share capital		**348,228**	348,228
Reserves		**2,372,566**	2,192,027
Equity attributable to equity holders of the Company		**2,720,794**	2,540,255
Minority interests		**266,897**	290,822
Total equity		**2,987,691**	2,831,077
Non-current liabilities			
Other payable		**13,840**	–
Unearned insurance premiums – due over one year		**14,764**	27,784
Obligations under finance leases – due over one year		**343**	1,869
Deferred taxation		**102,750**	91,078
Bank borrowings		**1,399,066**	412,110
Other loans		**1,393**	2,105
		1,532,156	534,946
		4,519,847	3,366,023

Notes:

1. **APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES**

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The Group has applied the relevant transitional provision in HKFRS 3.The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$84,905,000 has been transferred to the Group's retained earnings on 1st April, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st April, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$35,862,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st April, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st April, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated on application of the transitional provision of HKFRS 3.

In the current year, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1st April, 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisition" previously known as "negative goodwill")

In accordance with HKFRS 3, discount on acquisition is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1st April, 2005 of HK$26,392,000 previously recorded in reserves and HK$12,244,000 previously presented as a deduction from assets. A corresponding adjustment to the Group's retained earnings of HK$38,636,000 has been made.

Contingent liabilities of acquirees

In accordance with HKFRS 3, contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Previously, contingent liabilities of acquirees were not recognised separately from goodwill. As a result of this change in accounting policy, contingent liabilities of an acquiree with a total fair value of HK$1,000,000 measured at the date of an acquisition that took place in the current year have been recognised on the balance sheet. In addition, because the revised accounting policy has been applied prospectively to acquisitions for which the agreement date is on or after 1st January, 2005, comparative figures for 2005 have not been restated.

Financial Instruments

In the current year, the Group applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Investments in debt and equity securities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st March, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, the Group's investments in debt or equity securities were classified as "investment securities" or "other investments" as appropriate. Investment securities were carried at cost less impairment losses while other investments were measured at fair value with unrealised gains or losses included in profit or loss for the period in which the gains or losses arose. From 1st April, 2005 onwards, the Group has classified and measured its investments in debt and equity securities in accordance with HKAS 39. Under HKAS 39, the Group's investments in debts or equity securities are classified as "investments at fair value through profit or loss", "available-for-sale investments" or "loans and receivables". "Investments at fair value through profit or loss" and "available-for-sale investments" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition.

On 1st April, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the transitional provisions of HKAS 39. A reduction of HK$8,288,000 to the previous carrying amounts of assets and liabilities at 1st April, 2005 has been made to the Group's retained earnings.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities which were previously outside the scope of SSAP 24 in accordance with the requirements of HKAS 39. Financial assets of the Group under HKAS 39 are classified as "investments at fair value through profit or loss", "available-for-sale investments", "loans and receivables" or "held-to-maturity investments". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Derivatives and hedging

By 31st March, 2005, the Group's derivative financial instruments, which comprised interest rate swaps, currency swaps and forward exchange contracts were used to manage the Group's exposure to interest rate and currency fluctuation. The derivatives were previously recorded off balance sheet except for net interest settlement arising on the derivatives, which were previously accounted for on accrual basis. Transactions hedged by forward exchange contracts were recorded at the forward rate specified in the contracts.

From 1st April, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives including embedded derivatives which may be separately accounted for from the non-derivative host contracts are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. Fair values of derivatives deemed as held for trading are recognised in profit or loss for the period in which they arise. For derivatives embedded in non-derivative host contracts which are not separated from the relevant host contracts, the combined contracts are measured at fair value through profit or loss.

The Group has applied the relevant transitional provisions in HKAS 39, resulting in the recognition of fair value on derivatives as at 1st April, 2005 and the Group also recognised the derivative embedded in the structured deposits and reclassified the combined instrument previously classified under fixed deposits to "investments at fair value through profit or loss". The financial impact on application of the standard is set out in Note 2.

Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of its investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under Statement of Standard Accounting Practice 13 ("SSAP 13") were measured at open market value, with revaluation surplus or deficits credited or charged to the investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The new accounting policy has been applied retrospectively. The financial impact of the change is set out in Note 2. Comparative figures for 2005 have been restated.

Freehold Land Held for Undetermined Future Use

Previously, freehold land held for an undetermined future use was carried at cost less impairment. The Group classifies its freehold land held for an undetermined future use as investment properties and use the fair value model to account for such freehold land in accordance with HKAS 40. Changes in fair value of the freehold land are recognised directly in profit or loss. The Group has applied the relevant transitional provisions in HKAS 40 and adopted the change in accounting policy from 1st April, 2005 onwards. An adjustment of HK$4,260,000 has been made to the carrying amount of the freehold land as at 1st April, 2005 with a corresponding adjustment recognised in the retained profits at that date.

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. These owner-occupied leasehold land and buildings are, classified by the Group, as properties for own use, cold storage warehouse and hotel properties. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively and the financial impact is set out in Note 2.

Properties Held for Own Use and Hotel Properties

In previous years, properties held for own use and hotel properties were stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations were performed with sufficient regularity such that the carrying amount did not differ materially from that would be determined using fair values at the balance sheet date. Any revaluation increase arising on revaluation of such properties was credited to the revaluation reserve, except to the extent that it reversed a revaluation decrease of the same asset previously recognised as an expense, in which case the increase was credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of a property was dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that property.

In the current year, the Group, for the first time, applied HKAS 16 "Property, Plant and Equipment". Because the revaluation increase or decrease recognised in prior policy were mainly attributable to leasehold land, the management considered it is more appropriate to use the cost model to account for the building after separation of the leasehold land upon the adoption of HKAS 17 as discussed above. Accordingly, the buildings are carried at their cost less any accumulated depreciation and any impairment losses after recognition This change in accounting policy has been applied retrospectively and the financial impact is set out in Note 2.

Deferred Taxes Related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" ("HK(SIC)-Int-21") which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC)-INT-21, this change in accounting policy has been applied retrospectively. The financial impact is set out in Note 2 and the comparative figures for 2005 have been restated.

New Accounting Standards not yet Applied

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards, amendments and interpretations. Other than the adoption of HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" which may have potential impact to the financial statements, the directors of the Company so far concluded that the application of these new standards, amendments or interpretations will have no material impact on the financial statements of the Group. HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" requires financial guarantee contracts which are within the scope of HKAS 39 to be measured at fair value upon initial recognition, the Group is still not in the position to reasonably estimate the impact that may arise from the HKAS 39 and HKFRS 4 (Amendments).

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4(Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-INT 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-INT 6	Liabilities Arising from Participating in a Specific Market – Water Electrical and Electronic Equipment[3]
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC)-INT 8	Scope of HKFRS 2[5]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[6]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.
5 Effective for annual periods beginning on or after 1st May, 2006.
6 Effective for annual periods beginning on or after 1st June, 2006.

2. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in Note 1 on the results for the current and prior years are as follows:

	2006 *HK$'000*	2005 *HK$'000*
Non-amortisation of other intangible assets	**5,594**	–
Non-amortisation of goodwill	**49,105**	–
Discount on acquisition released to income	**(4,890)**	–
(Decrease) increase in surplus on revaluation of properties for own use arising from restatement of properties at cost	**(699)**	612
Decrease in depreciation arising from adopting cost model of owner-occupied building	**15,073**	9,349
Release of prepaid lease payments	**(10,642)**	(10,797)
Loss arising from change in fair value of investments designated as investment at fair value through profit or loss	**(19,726)**	–
Loss arising from changes in fair value of derivative financial instruments	**(10,003)**	–
Gain arising from changes in fair value of investment properties	**30,709**	22,919
Increase in deferred taxes relating to change in fair value of investment properties	**(4,501)**	(9,564)
Decrease in tax charge arising from loss in fair value of investment at fair value through profit or loss	**1,684**	–
Others	**(1,387)**	195
Increase (decrease) in profit for the year	**50,317**	12,714
Attributable to:		
Equity holders of the Company	**51,318**	13,320
Minority interest	**(1,001)**	(606)
	50,317	12,714

Analysis of increase (decrease) on each item presented in the income statement is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Decrease in cost of sales	**3,642**	652
Increase in other income	**24,930**	22,906
Decrease in administrative expenses	**695**	196
Decrease (increase) in other expenses	**23,866**	(1,670)
(Decrease) increase in share of results of associates	**(668)**	527
Decrease in share of results of jointly controlled entities	**(326)**	(13)
Decrease (increase) in income tax expenses	**(1,822)**	(9,884)
Increase (decrease) in profit for the year	**50,317**	12,714

The cumulative effects of the application of the new HKFRSs on the consolidated balance sheet as at 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005 (previously stated) *HK$'000*	**Adjustments** *HK$'000*	**As at 31st March, 2005 (restated)** *HK$'000*	**Adjustments** *HK$'000*	**As at 1st April, 2005 (restated)** *HK$'000*
Balance sheet items					
Impact of HKFRS 3:					
Negative goodwill	(12,244)	–	(12,244)	12,244	–
Impact of HKAS 32 and 39:					
Available-for-sale investments	–	–	–	14,732	14,732
Investments at fair value through profit or loss	–	–	–	1,358,545	1,358,545
Investments in securities	1,129,473	–	1,129,473	(1,129,473)	–
Club debenture	2,169	–	2,169	(2,169)	–
Fixed deposits	241,800	–	241,800	(241,800)	–
Other unlisted investments	45,915	–	45,915	(45,915)	–
Derivative financial assets	–	–	–	47,252	47,252
Derivative financial liabilities	–	–	–	(8,962)	(8,962)
Impact of HKAS 16, 17, 40 and HK(SIC)-INT-21:					
Investment properties	426,464	(37,150)	389,314	13,161	402,475
Property, plant and equipment	1,550,445	(852,269)	698,176	–	698,176
Prepaid lease payments	–	476,520	476,520	–	476,520
Properties for development	8,901	-	8,901	(8,901)	–
Interests in associates	47,872	(7,288)	40,584	–	40,584
Deferred tax liabilities, net	(139,884)	61,303	(78,581)	–	(78,581)
Other asset/liabilities	(110,950)	–	(110,950)	–	(110,950)
Total effect on assets and liabilities	3,189,961	(358,884)	2,831,077	8,714	2,839,791
Share capital	348,228	–	348,228	–	348,228
Share premium	417,860	–	417,860	–	417,860
Capital reserve	269,363	–	269,363	58,512	327,875
Capital redemption reserve	7,526	–	7,526	–	7,526
Property revaluation reserve					
– Investment properties	22,825	(22,825)	–	–	–
– Properties for own use	283,510	(283,510)	–	–	–
Exchange fluctuation reserve	10,555	11,992	22,547	–	22,547
Investment revaluation reserve	–	–	–	(79)	(79)
Retained profits	1,481,865	(7,134)	1,474,731	(49,652)	1,425,079
Equity attributable to equity holders of the Company	2,841,732	(301,477)	2,540,255	8,781	2,549,036
Minority interests	348,229	(57,407)	290,822	(67)	290,755
Total effects on equity	3,189,961	(358,884)	2,831,077	8,714	2,839,791

The effects of the application of the new HKFRSs to the Group's equity on 1st April, 2004 are summarised below:

	As previously stated *HK$'000*	Adjustments *HK$'000*	As restated *HK$'000*
Share capital	348,228	–	348,228
Share premium	417,860	–	417,860
Capital reserve	269,334	–	269,334
Capital redemption reserve	7,526	–	7,526
Property revaluation reserve	116,543	(116,543)	–
Exchange fluctuation reserve	2,799	12,495	15,294
Retained profits	1,311,559	(20,454)	1,291,105
Equity attributable to equity holders of the Company	2,473,849	(124,502)	2,349,347
Minority interests	322,779	(26,922)	295,857
Total effects on equity	2,796,628	(151,424)	2,645,204

3. TURNOVER AND RESUTLS

(a) By business segments

Year ended 31st March, 2006

	Construction and engineering HK$'000	Insurance and investment HK$'000	Property and hotel HK$'000	Computer and information communication technology HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER						
Turnover	**2,523,946**	**1,029,349**	**570,035**	**549,011**	**639,804**	**5,312,145**
Inter-segment sales	**(267)**	**(13,434)**	**(46,917)**	**(10,102)**	**(4,328)**	**(75,048)**
External sales	**2,523,679**	**1,015,915**	**523,118**	**538,909**	**635,476**	**5,237,097**

Inter-segment sales are charged at prices determined by management with reference to market prices.

	Construction and engineering HK$'000	Insurance and investment HK$'000	Property and hotel HK$'000	Computer and information communication technology HK$'000	Others HK$'000	Consolidated HK$'000
RESULTS						
Segment results	**181,916**	**96,748**	**203,641**	**18,352**	**40,082**	**540,739**
Unallocated corporate expenses						**(13,525)**
Interest income						**18,316**
Share of results of associates	**2,724**	**–**	**(2)**	**–**	**(5,709)**	**(2,987)**
Share of results of jointly controlled entities	**3,772**	**–**	**9,102**	**–**	**–**	**12,874**
Finance costs						**(79,887)**
Profit before taxation						**475,530**
Income tax expenses						**(110,443)**
Profit for the year						**365,087**

Year ended 31st March, 2005

	Construction and engineering HK$'000	Insurance and investment HK$'000	Property and hotel HK$'000	Computer and information communication technology HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER						
Turnover	2,287,011	530,692	578,519	574,860	387,016	4,358,098
Inter-segment sales	(301)	(14,986)	(43,278)	(5,678)	(3,373)	(67,616)
External Sales	2,286,710	515,706	535,241	569,182	383,643	4,290,482

Inter-segment sales are charged at prices determined by management with reference to market prices.

	Construction and engineering HK$'000	Insurance and investment HK$'000	Property and hotel HK$'000	Computer and information communication technology HK$'000	Others HK$'000	Consolidated HK$'000
RESULTS						
Segment results	160,728	56,181	195,842	1,546	10,086	424,383
Unallocated corporate expenses						(7,812)
Interest income						9,544
Share of results of associates	2,167	–	–	(826)	(1,237)	104
Share of results of jointly controlled entities	(141)	–	616	–	–	475
Finance costs						(27,056)
Profit before taxation						399,638
Taxation						(82,936)
Profit for the year						316,702

(b) By geographical segments

	Turnover 2006 HK$'000	2005 HK$'000 (restated)
Hong Kong	**3,449,400**	2,889,778
Macau	**186,195**	10,010
Mainland China	**419,507**	396,759
Singapore	**157,991**	182,230
Thailand	**66,284**	69,028
Europe	**367,336**	230,040
Canada	**357,380**	293,647
U.S.A.	**102,866**	102,085
Australia	**111,656**	110,122
Others	**18,482**	6,783
	5,237,097	4,290,482

4. PROFIT BEFORE TAXATION

	2006 HK$'000	2005 HK$'000 (restated)
Profit before taxation has been arrived at after charging:		
Depreciation on property, plant and equipment	**87,824**	66,310
Less: Amount capitalised to contract work	**(3,954)**	(3,928)
	83,870	62,382
Staff cost, including directors' emoluments	**737,679**	634,350
Less: Amount capitalised to contract work	**(69,850)**	(69,063)
	667,829	565,287
Operating lease payments in respect of leasing of premises	**57,685**	16,521
Net loss on disposal of property, plant and equipment	**–**	4,210
and crediting:		
Net gain on disposal of property, plant and equipment	**4,528**	–
Net realised gain on investments at fair value through profit or loss		
– listed	**84,475**	–
– unlisted	**10,998**	–

5. INCOME TAX EXPENSES

	2006 HK$'000	2005 HK$'000 (restated)
Current tax		
Hong Kong	**29,365**	26,601
Overseas	**86,967**	20,932
	116,332	47,533
Deferred taxation	**(5,889)**	35,403
	110,443	82,936

Hong Kong profits tax is calculated at the rate of 17.5% (2005: 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.

6. DIVIDENDS

	2006 HK$'000	2005 HK$'000 (restated)
Interim dividend of HK20 cents (2005: HK20 cents) per share paid	**55,716**	55,716
Special dividend of HK18 cents (2005: HKNil)	**50,145**	–
	105,861	55,716
Final dividend of HK30 cents (2005: HK25 cents) per share proposed	**83,575**	69,646

A final dividend of HK30 cents (2005: HK25 cents) per share, totaling HK$83,575,000 (2005: HK$69,646,000), has been proposed by the Directors and is subject to the approval by the shareholders in general meeting.

7. EARNINGS PER SHARE

Basic earnings per share are calculated based on the profit for the year attributable to equity holders of the Company of HK$330,973,000 (2005 restated: HK$295,058,000) and on 278,582,000 (2005: 278,582,000) ordinary shares in issue during the year.

No diluted earnings per share are presented as the Company has no potential ordinary shares outstanding for the two years ended 31st March, 2006.

The impact on the basic earnings per share for the year ended 31st March, 2006 due to the change in accounting policies as stated in Note 2 is an increase of earnings of 18.4 cents per share. The impact on the previously reported basic earnings per share for the year ended 31st March, 2005 as a result of changes in accounting policies as stated in Note 2 is as follows:

	HK cents
Reported figures before adjustments	101.1
Adjustments arising from changes in accounting policies	4.8
Restated	105.9

8. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has established different credit policies for customers in each of its core business. The average credit period granted to trade debtors was 60 days. The ageing analysis of trade debtors is as follows:

	2006 HK$'000	2005 HK$'000
0 – 60 days	**436,092**	333,932
61 – 90 days	**33,989**	34,210
Over 90 days	**55,261**	85,073
	525,342	453,215

9. CREDITORS, BILLS PAYABLE, DEPOSITS AND ACCRUALS

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

	2006 HK$'000	2005 HK$'000
0 – 60 days	**281,300**	250,738
61 – 90 days	**7,834**	10,012
Over 90 days	**79,133**	111,574
	368,267	372,324

DIVIDEND

The Board of Directors recommend the payment of a final dividend of HK$0.30 (2005:HK$0.25) per share payable to shareholders whose names appear on the Register of Members of the Company on Friday, 25th August, 2006. Together with the interim dividend of HK$0.20 (2005: HK$0.20) and special dividend of HK$0.18 (2005: Nil) per share paid in January 2006, the total dividends for the year amounted to HK$0.68 (2005: HK$0.45) per share, 51% more than last year and representing a dividend payout of 57%. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the dividend warrants will be distributed and paid on or about Thursday, 5th October, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 21st August, 2006 to Friday, 25th August, 2006, 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, Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 18th August, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors is pleased to report to shareholders that the Group continued its strong performance and delivered another year of good results. Benefited from the general recovery of the Hong Kong economy and the robust property market in the PRC in the first half of 2005, all the Group's different segments, namely Construction and Engineering, Insurance and Investment, Property and Hotel as well as IT and Food and Beverage boasted impressive turnover contribution. Total turnover of the Group increased to HK$5,237 million, up 22% when compared with the previous financial year (2005: HK$4,290 million). Profit attributable to equity holders of the Company was HK$331 million, up 12% from last year's (2005: HK$295 million), and basic earnings per share were HK$1.19 (2005: HK$1.06). Excluding the HK$30.7 million (2005: HK$44.2 million) surplus from revaluation of property, operating profit increased from HK$250.8 million to HK$300.3 million, representing an increase of 19%.

Construction and Engineering

During the year, turnover of this segment increased by 10% to HK$2,524 million with operating profit at HK$182 million, up 13% from last year's. The overall percentage of operating profit to turnover remained at around 7%.

Keen competition in both the Hong Kong and Singapore markets adversely affected the performance of the Lifts and Escalators Division. However, with the property market in Hong Kong and Singapore showing signs of recovery, and the division having been recently awarded contracts to install lifts and escalators for renowned projects in Mainland China such as the Chengdu Shangri-La Hotel and office development and the Dalian Commodity Tower, the division expects to remain its profit contribution in the coming year.

The Aluminium Windows and Curtain Walls Division performed well during the year due to cyclical improvement in construction market. Supported by an advanced manufacturing plant in Mainland China, a strong design engineering team in Australia and teams of seasoned project management professionals, the division is able to complete any job smoothly, on time and within budget. It has also recently secured foothold in Japan and Shanghai, marking the extension of its geographical reach. Major contracts in progress during the year included:

- Tower 21, Union Square of Kowloon Station
- Citygate Hotel in Tung Chung
- Kowloon Bus Depots in Mei Fu
- Hongkong Sanatorium Hospital Phase 3
- MGM Grand Hotel in Macau

Contribution from projects in Macau boosted the performance of the Environmental, Electrical and Mechanical Engineering Division. Major contracts in progress included:

- Supply and installation of electrical and mechanical equipment for Tai Po Sewage Treatment Works Stage V Phase I
- Enhancement of Hypochlorite Dosing Plant for CLPP Power Station
- Supply and installation of Combined Heat and Power Generating Set System at Shek Wu Hui Sewage Treatment Works
- Electrical installation for a hotel development in Hung Hom Bay
- Mechanical installation for Wynn Resorts and its extension in Macau
- HVAC System installation for Grand Lisboa Hotel and Casino in Macau

The Building Construction Division performed within expectation with results affected by market competition. The total value of contracts the division has on hand amounted to approximately HK$605 million. Major contracts in progress during the year included:

- Hong Kong Jockey Club Enterprise Centre at the Hong Kong University of Science and Technology
- Hong Kong Community College Development at Hong Kong Polytechnic University
- International school in Ma On Shan for the English Schools Foundations
- Primary school in Area 12, Yuen Long, the New Territories

The Chevalier Pipe Technologies Group ("CPT") pools together all pipe rehabilitation expertise of Chevalier companies in sales and technical solution, technology support and construction. It will continue to restructure operation to improve efficiency. All CPT companies, like NordiTube Belgium, RibLoc Australia and Chevalier Pipe Rehabilitation Hongkong reported increased turnover for the reporting year.

In addition to the already established businesses of CPT, Chevalier's latest acquisition of Kanal-Muller-Gruppe GmbH ("KMG") is expected to give CPT a major impetus for growth in Europe. With 50 years of success and leadership in pipe maintenance and rehabilitation in Europe, KMG has been one of the region's leading companies in the field of trenchless sewer rehabilitation. A pioneer in Cured in Place technologies, KMG played an instrumental role in developing the German market for the patented technologies in the early nineties and has championed related technological and environmental standards.

With KMG on board since 2004, the Pipe Technologies Division has evolved from a local specialist into a major player in Europe and the Middle East with an enlarged portfolio of applications in pipe rehabilitation and construction, waste disposal and industrial pipe infrastructure.

Insurance and Investment

Turnover of the segment increased from HK$516 million last year to HK$1,015 million this year, and its profit contribution increased substantially from HK$56 million to HK$97 million. The tremendous increase was made up mainly of investment income, which grew in line with the worldwide financial market upturn during the year under review.

Our investment objective is to achieve good financial returns at calculated risks while maintaining adequate liquidity for meeting insurance claim commitments and protection of capital. Our investment committee comprising several executive directors and aided by investment professionals and fund houses is responsible for managing closely our investment portfolio to achieve set targets. Investment decisions are made prudently after taking into account risks in relation to capital gain potential, and also the need to diversify investment across different risk types, businesses and geographies. The Group will continue to adopt a prudent and conservative approach in managing its HK$1.4 billion investment portfolio, around 60% of which is in principal-protected fixed interest instruments, high yield notes, bank deposits and other fixed income instruments, and the balance in equity and funds. The proven investment strategy coupled with a favourable investment market explained the segment's significant profit growth for the year.

The primary goal of our underwriting business is to achieve an underwriting profit, while providing capital for achieving moderate financial returns from asset management. The Group has been very disciplined in selecting insurance products and demands policies underwritten to have adequate premium as well as appropriate terms and conditions to cover associated risks. In the past two years, we strategically reduced our underwriting business in combat of cut-throat competition in labour compensation insurance for the construction industry where premium rates were lowered to levels not justifying the risk of compensating the claims. However, the Group expects this market situation to change and the business to recover gradually in the coming years.

Property and Hotel

This segment performed well during the year with turnover slightly decreased by 2% from HK$535 million to HK$523 million. Operating profit including surplus from revaluation of property of this segment increased from HK$196 million last year to HK$204 million. Excluding the revaluation surplus, operating profit rose from HK$151.7 million to HK$172.4 million. The segment benefited mainly from the timely launch of units at Chevalier Place in Shanghai, steady contribution in cold-storage rental revenue and rental income from investment properties.

With economic conditions improving, income from rental properties in Hong Kong continued to grow last year. All the Group's investment properties were almost fully occupied, thus provided steady revenue and earnings. Chevalier Place, the luxury residential property at a prime location in the city center of Shanghai, which was launched for sale in 2005, was well received by the market. Two-third of the units have been sold since the launch, generating total sales proceeds of approximately HK$490 million, of which HK$254 million was booked for this financial year.

The Group increased investment in property development projects in Mainland China, riding on its solid experience in managing property projects in Hong Kong. The Group expects the economic austerity measures imposed by the Chinese Government recently to regulate the property market and control luxury units would help stabilise property prices in the short-term and calm the overheated market. In the longer term, taking into account the country's easing monetary policies, the under-valued RMB, strong growth in household income and restrictions on land supply, continual healthy development is expected for the mainland property market. As the Group will be mainly pursuing cooperation with various partners to develop affordable middle- to high-end real estates in second-tier cities such as Chengdu, Hefei, Dongguan and Shenzhen, it is not expected the said austerity measures would significantly impact on the Group in the long run. Currently, the Group is engaged in residential and commercial property projects in the PRC of an estimated total gross floor area of about 1.3 million sq.m. in which the Group has about one half of the interest. Certain projects are expected to start contributing revenue in 2007.

The Property Management Division provides management services for commercial and industrial buildings, residential units, shopping arcades, car parks and other communal facilities, serving a total floor area of over 2 million sq. m. in Hong Kong. The division recently received the Bronze Award of the 2006 Quality Award from the Hong Kong Management Association in recognition of its quality property management service. In addition to the business in Hong Kong, the division is licensed in various cities in Mainland China and has been awarded management contracts for luxurious high-rise residential buildings, villas and commercial buildings in Shanghai and Chengdu, involving a total floor area of over 220,000 sq.m. Supported by the Group's expanding property development portfolio in Mainland China, the division is poised to secure more property management business in the foreseeable future.

Performance of the Group's 18-storey and 428,000 sq.ft. cold storage facility in Kwai Chung was satisfactory. The services it provides include freezer compartments for storing meat, seafood and frozen foodstuffs, air-conditioned rooms for confectioneries, film, glue and medicine, and bonded warehouse for storing dutiable goods including tobacco and liquors. Since operation, the warehouse has maintained a highly satisfactory occupancy rate and stable profit contribution. The Group expects steady rental income from the logistics and warehousing business and in turn satisfactory return to the Group.

The occupancy rates of the Chevalier Hotels in Xinyang, Dongguan and Jiujiang and the Rosedale on Robson Suite Hotel in Vancouver were similar to last year. The Group will continue to implement measures to contain costs and realign manpower resources with the aim of improving the profitability and efficiency of its hotel business.

IT, Food & Beverage and Others

Although turnover contributed by the Computer and Information Communication Technology segment decreased a slight 5% to HK$539 million, the segment's operating profit increased substantially from HK$1.5 million to HK$18.4 million. Such strong increment was mainly attributable to the strong growth in profit of the notebook computer distribution business in Hong Kong. The restructuring of Thailand operation and streamlining of operations of the Business Machines Division in Singapore and the PRC also contributed to the remarkable improvement in the segment's profitability.

Pacific Coffee, acquired by the Group in May 2005, contributed a 10-month turnover of HK$180 million to the new Food and Beverage Division for the year, with profit amounting to HK$18.8 million. Pacific Coffee continued its growth plan in Hong Kong and Singapore and expanded into the PRC market. Before the acquisition in May 2005, Pacific Coffee had a total of 44 outlets. Currently, it operates a total of 57 outlets, including 44 in Hong Kong, 8 in Singapore, 3 in Shanghai and 2 in Beijing . It also plans to expand business to Macau before the end of this year. Seeing tremendous growth potential for its food and beverage businesses in the region, the Group will further develop the business to obtain economy of scale and broaden the income stream by adding new stores to the Pacific Coffee chain.

As for the Motor Vehicles and Food Trading Division, both Action Honda and Chevalier Chrysler in Canada sell a variety of the latest automobile models and provide professional after-sales and maintenance services to customers. Action Honda competed with another 211 Honda dealers for the 2006 Honda Quality Dealer Award in Canada, and was among the 65 dealers who won the prestigious title. In its bid to tap potential business resulting from the improving living standard and income of mainlanders, the Group invested in a car dealership venture in Chengdu in January 2006 to run two full-service dealership outlets for Toyota and Nissan respectively.

PROSPECTS

The Hong Kong economy has been recovering since 2003 and 2005 was another year of robust growth. However, Hong Kong is susceptible to changes in the external environment and moderate real growth is expected for it in 2006, heeding the slow down of growth in both exports and domestic demand. The slacking economy of import countries, especially the US, will affect export growth and rising interest rates are expected to dampen consumer demand.

Nevertheless, 2005/06 marked a fruitful year of Chevalier Group in terms of turnover and profit. Following our strategy of expansion and diversification, apart from the steady performance record in our existing lines of businesses, the Group will continue to capitalise on its organic growth and will explore and expand our existing operations. CPT will strive to continue to strengthen its presence in North America with the aim of achieving sustainable success. The increase in turnover, continuous internal restructuring and further penetration of the Europe market have brought the Group another step closer to achieving its goal – to be a key player in the underground infrastructure sector.

In Mainland China, the economy grew by 10.9% in the first half of 2006. However, with its two key drivers – exports and investment – both flattening, the economy is expected to slow down in 2006. The country tightening its monetary policy will also threaten growth. Mainland China's growth figures for the first and second quarters have sparked concerns about an overheating economy and that prompted the People's Bank of China to raise the one-year lending rate by 0.27% point to 5.85% in April. In May this year, the central government unveiled a package of policies and measures to cool property prices and stimulate construction of homes for the low-to middle-income group. Although these measures will have greater impact on short-term speculators, there will be a mild impact on our development projects in the short term as most of our projects are still under construction and are not in the luxurious property category. The Group's strategy is looking for long-term capital growth and our target customers are mid-income level in the second tier cities. Leveraging on the expertise and experience of our local partners, we will closely monitor the latest development of the property market in the PRC and adjust our pace of property development in a prudent manner.

For Pacific Coffee, the Group sees bright prospects in Mainland China. Aided by government efforts to encourage private consumption and boost the retail sector, growth of the services sector in the Mainland will accelerate, a trend favourable for Pacific Coffee looking to expand in the country.

In the fourth quarter of 2005, the Macau economy grew 8.9% in real terms while 6.7% was recorded for the entire 2005. The city can expect investment in gaming industry and tourism facilities to remain strong and its government to continue to spend significantly on public works. To tap the opportunities in the steady growth of Macau economy, the Group has established strong presence in the city and will continue to develop its businesses such as construction and engineering in the market.

With potential interest rate hikes and inflation still causing concern, the Group will seek to strengthen and expand its core business operations and explore with caution different business opportunities so as to bring maximum returns to its shareholders.

FINANCIAL REVIEW

As at 31st March, 2006, the Group's total net assets attributable to equity holders of the Company amounted to HK$2,721 million (2005: HK$2,540 million), an increase of HK$181 million or 7% when compared with 2005. At the balance sheet date, the Group's bank and other borrowings amounted to HK$1,997 million (2005: HK$1,688 million). Cash and deposit at bank including structured deposits amounted to HK$961 million (2005: HK$1,260 million).

EMPLOYEES AND REMUNERATION POLICIES

The Group employed approximately 4,400 full time staff globally as at 31st March, 2006. Total staff costs amounted to approximately HK$738 million for the year ended 31st March, 2006. 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, 2006.

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") (the "Listing Rules") throughout the year ended 31st March, 2006, with deviations from code provision A.4.1 which has already been stated in the Company's interim report 2005-2006.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the annual results of the Company for the year ended 31st March, 2006 required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website at http://www.hkex.com.hk in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management and all staff for their concerted effort, commitment and professionalism, which had seen the Group achieved a fruitful year.

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

Hong Kong, 24th July, 2006

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 (Managing Director), Fung Pak Kwan, Chow Vee Tsung, Oscar, Tam Kwok Wing, 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*