CHEVALIER iTECH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2005-2006

INTERIM RESULTS

The Directors of Chevalier iTech Holdings Limited ("the Company") are pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries ("the Group") for the six months ended 30th September, 2005, together with the comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2005

		Unaudited Six months ended 30th September,	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Turnover	*5*	**428,754**	319,867
Cost of sales		**(335,019)**	(286,482)
Gross profit		**93,735**	33,385
Other operating income		**7,850**	609
Selling and distribution costs		**(67,940)**	(24,098)
Administrative expenses		**(3,011)**	(2,373)
Other operating expenses		**(5,553)**	(4,172)
Share of result of an associate		**(45)**	(24)
Finance costs		**(1,505)**	–
Profit before taxation	*6*	**23,531**	3,327
Taxation	*7*	**(2,281)**	(825)
Profit for the period		**21,250**	2,502
Profit attributable to:			
Equity holders of the Company		**21,250**	2,502
Minority interests		**–**	–
		21,250	2,502
Interim dividend	*8*	**5,141**	1,714
Earnings per share	*9*	**12.40 cents**	1.46 cents
Interim dividend per share		**3 cents**	1 cent

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2005

	Notes	**Unaudited 30th September, 2005 HK$'000**	Audited and restated 31st March, 2005 HK$'000
Non-current assets			
Investment properties		**5,160**	5,160
Property, plant and equipment	*10*	**56,034**	28,777
Goodwill	*11*	**112,259**	–
Intangible assets	*11*	**57,823**	–
Interest in an associate		**3,366**	379
Available-for-sale investments		**3,880**	–
Investments in securities		–	4,440
Fixed deposit		**23,280**	–
		261,802	38,756
Current assets			
Inventories		**65,762**	55,262
Properties for sale, at cost		–	1,135
Debtors, deposits and prepayments	*12*	**93,286**	70,956
Amount due from ultimate holding company		**1,159**	711
Amounts due from customers for contract work		**494**	939
Tax recoverable		**668**	574
Investments held for trading		**72,772**	–
Investments in securities		–	110,815
Forward contracts financial instruments		**1,696**	–
Bank balances and cash equivalents		**112,515**	181,451
		348,352	421,843
Current liabilities			
Creditors, deposits and accruals	*13*	**78,140**	59,662
Amounts due to customers for contract work		**12**	199
Bills payable		**949**	695
Deferred service income		**20,429**	20,751
Provision for taxation		**5,488**	411
Bank loans, unsecured		**52,000**	–
Bank overdrafts, unsecured		–	121
		157,018	81,839
Net current assets		**191,334**	340,004
		453,136	378,760

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at 30th September, 2005

	Notes	Unaudited 30th September, 2005 HK$'000	Audited and restated 31st March, 2005 HK$'000
Capital and reserves			
Share capital	*14*	**85,678**	85,678
Reserves		**311,668**	292,827
Equity attributable to equity holders of the Company		**397,346**	378,505
Minority interests		**165**	175
Total Equity		**397,511**	378,680
Non-current liabilities			
Bank loans, unsecured		**55,000**	–
Deferred taxation		**625**	80
		55,625	80
		453,136	378,760

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2005

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Properties for own use revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 31st March, 2004											
As originally stated	85,678	223,434	18,231	14	2,764	1,036	5,141	47,288	383,586	174	383,760
Effect of change in accounting policies	–	–	–	–	(2,764)	834	–	–	(1,930)	–	(1,930)
As restated	85,678	223,434	18,231	14	–	1,870	5,141	47,288	381,656	174	381,830
Exchange difference arising from the translation of financial statements of overseas subsidiaries	–	–	–	–	–	(767)	–	–	(767)	(10)	(777)
Profit for the period	–	–	–	–	–	–	–	2,502	2,502	–	2,502
Final dividend for 2004 paid	–	–	–	–	–	–	(5,141)	–	(5,141)	–	(5,141)
Dividend	–	–	–	–	–	–	1,714	(1,714)	–	–	–
At 30th September, 2004	85,678	223,434	18,231	14	–	1,103	1,714	48,076	378,250	164	378,414
At 31st March, 2005											
As originally stated	85,678	223,434	18,231	14	3,449	989	1,713	47,625	381,133	175	381,308
Effect of change in accounting policies	–	–	–	–	(3,449)	821	–	–	(2,628)	–	(2,628)
As restated before opening balances adjustment	85,678	223,434	18,231	14	–	1,810	1,713	47,625	378,505	175	378,680
Opening adjustments arising from changes in accounting policies	–	–	(171)	–	–	–	–	171	–	–	–
As restated	85,678	223,434	18,060	14	–	1,810	1,713	47,796	378,505	175	378,680
Exchange difference arising from the translation of financial statements of overseas subsidiaries	–	–	–	–	–	(696)	–	–	(696)	(10)	(706)
Profit for the period	–	–	–	–	–	–	–	21,250	21,250	–	21,250
Final dividend for 2005 paid	–	–	–	–	–	–	(1,713)	–	(1,713)	–	(1,713)
Dividend	–	–	–	–	–	–	5,141	(5,141)	–	–	–
At 30th September, 2005	85,678	223,434	18,060	14	–	1,114	5,141	63,905	397,346	165	397,511

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2005

	Unaudited Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Net cash from (used in) operating activities	**65,693**	(28,023)
Net cash (used in) from investing activities	**(239,035)**	4,253
Net cash from (used in) financing activities	**104,839**	(7,024)
Decrease in cash and cash equivalents	**(68,503)**	(30,794)
Cash and cash equivalents at beginning of period	**181,330**	124,335
Effect of foreign exchange rate changes	**(312)**	(593)
Cash and cash equivalents at end of period	**112,515**	92,948
Analysis of the balances of cash and cash equivalents		
Bank balances and cash equivalents	**112,515**	93,185
Bank overdrafts	**–**	(237)
	112,515	92,948

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

1. Basis of preparation and accounting policies

The condensed financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31st March, 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods commencing on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the 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 or prior accounting periods are prepared and presented.

Business combinations

In the current period, 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 principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions on or 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 has been transferred to the Group's retained profits on 1st April, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes places. Goodwill arising on acquisition 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 period for the acquisition made in the current period whereas the change has no impact on the results for the prior period.

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

2. Principal accounting policies *(Continued)*

Business combinations *(Continued)*

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

In previous periods, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves and was credited to income statement at the time of disposal of relevant subsidiaries or associates. Negative goodwill arising on acquisitions on or after 1st April, 2001 was presented as a deduction from assets and released to income statement based on an analysis of the circumstances from which the balance resulted. In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in income statement in the period in which the acquisition takes place. In accordance with the relevant transitional provisions of HKFRS 3, all negative goodwill at 1st April, 2005 of HK$171,000, which were previously recorded in reserve, have been derecognised with a corresponding increase to retained profits by the Group.

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 fair value of HK$1,000,000 measured at the date of an acquisition that took place in the current period 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 have not been restated.

Financial instruments

Financial assets and financial liabilities other than debt and equity securities

Forward contracts financial instruments being derivatives 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. Prior to 1st April, 2005, forward contracts financial instruments are not recognised in the financial statements. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. As the effect of the changes is immaterial, no adjustment to the forward contracts financial assets on 1st April, 2005 has been made to the Group's retained profits.

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

2. Principal accounting policies *(Continued)*

Owner-occupied leasehold interests in land

In previous periods, owner-occupied leasehold interests in land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, 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 and less accumulated impairment losses. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. This change in accounting policy has been applied retrospectively.

3. Summary of effect on the changes in accounting policies

The effects of the changes in the accounting policies described in note 2 above on the results for the current and prior period are as follows:

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Gain arising from change in fair value of forward contracts financial instruments	**1,696**	–

The gain results in an increase in other operating income for the period.

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

3. Summary of effect on the changes in accounting policies *(Continued)*

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

	As at 31st March, 2005 (originally stated)	Retrospective adjustment	As at 31st March, 2005 (restated)	Adjustments on 1st April, 2005		As at 1st April, 2005 (restated)
		HKAS 17		HKAS 32 and 39	HKFRS 3	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	31,405	(2,628)	28,777	–	–	28,777
Available-for-sale investments	–	–	–	4,440	–	4,440
Investments in securities (non current)	4,440	–	4,440	(4,440)	–	–
Investments held for trading	–	–	–	110,815	–	110,815
Investments in securities (current)	110,815	–	110,815	(110,815)	–	–
Forward contracts financial instruments	–	–	–	1,696	–	1,696
Total effects on assets	146,660	(2,628)	144,032	1,696	–	145,728
Retained profits	47,625	–	47,625	–	171	47,796
Property revaluation reserve	3,449	(3,449)	–	–	–	–
Exchange fluctuation reserve	989	821	1,810	–	–	1,810
Capital reserve	18,231	–	18,231	–	(171)	18,060
Total effects on equity	70,294	(2,628)	67,666	–	–	67,666

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

4. Business Combination

During the period, the Group acquired the entire equity interest of the Pacific Coffee Group for a cash consideration of HK$205 million. The fair values of identifiable assets, liabilities and contingent liabilities of the Pacific Coffee Group at the date of acquisition are as follows:

	Book value	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Properties, plant and equipment	26,168	–	26,168
Inventories	4,329	–	4,329
Trade receivables	477	–	477
Other debtors	16,907	–	16,907
Bank balances and cash	1,432	–	1,432
Trade payables	(5,980)	–	(5,980)
Other creditors	(4,051)	–	(4,051)
Provision for taxation	(3,124)	–	(3,124)
Deferred services income	(63)	–	(63)
Deferred tax liability	(624)	–	(624)
Contingent liabilities	–	(1,000)	(1,000)
Intangible assets	–	60,000	60,000
Net assets acquired	35,471	59,000	94,471
Goodwill on acquisition			112,259
			206,730
Consideration satisfied by cash			205,000
Costs incurred for the acquisition			1,730
			206,730
Net cash outflow in respect of acquisition of the subsidiaries			
Cash consideration paid plus costs			(206,730)
Less: Bank balances and cash acquired			1,432
			(205,298)

The Pacific Coffee Group contributed revenue of HK$72.51 million to the Group's turnover and HK$7.8 million after charging amortisation of trademark of HK$2.1 million to the Group's profit before tax for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1st April, 2005, the Pacific Coffee Group would have contributed revenue of HK$100 million to the Group's turnover and HK$11.4 million after charging amortisation of trademark of HK$2.1 million to the Group's profit before tax for the period.

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

5. Segment information

For better reflection of financial performance of the Group, the segment of computer and information communications technology is combined by three segments which were reported in same period of last year as computer and business machines, network solution and telecommunication systems and technical and maintenance services.

An analysis of the Group's turnover and contribution to operating profit by business segments and turnover by geographical segments is as follows:

(a) By business segments

For the six months ended 30th September, 2005

	Computer and information communications technology *HK$'000*	Food and beverage *HK$'000*	Investments in securities and others *HK$'000*	Total *HK$'000*
TURNOVER				
External sales	**296,408**	**72,511**	**59,835**	**428,754**
RESULTS				
Segment results	**9,145**	**7,798**	**5,302**	**22,245**
Interest income				**1,038**
Unallocated other operating gain				**4,392**
Unallocated corporate expenses				**(2,594)**
Finance costs				**(1,505)**
Share of result of an associate	**(45)**	–	–	**(45)**
Profit before taxation				**23,531**
Taxation				**(2,281)**
Profit for the period				**21,250**

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

5. Segment information *(Continued)*

(a) By business segments *(Continued)*

For the six months ended 30th September, 2004

	Computer and information communications technology *HK$'000*	Investments in securities and others *HK$'000*	Total *HK$'000*
TURNOVER			
External sales	294,683	25,184	319,867
RESULTS			
Segment results	3,703	1,328	5,031
Interest income			543
Unallocated corporate expenses			(2,223)
Finance costs			–
Share of result of an associate	(24)	–	(24)
Profit before taxation			3,327
Taxation			(825)
Profit for the period			2,502

(b) By geographical segments

	Turnover Six months ended 30th September, **2005** ***HK$'000***	2004 *HK$'000*
Hong Kong	**387,129**	268,850
Thailand	**33,333**	35,990
Others	**8,292**	15,027
	428,754	319,867

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

6. Profit before taxation

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Profit before taxation is arrived at after charging:		
Cost of goods sold	**235,996**	216,817
Depreciation on property, plant and equipment	**6,741**	2,139
Amortisation of intangible assets	**2,177**	–
Operating lease payments in respect of leasing of premises	**20,127**	4,035
Staff costs, including directors' emoluments	**52,016**	38,109

7. Taxation

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Current taxation		
Company and subsidiaries		
Hong Kong	**1,962**	600
Overseas	**399**	191
Deferred taxation		
Current period	**(80)**	34
	2,281	825

Provision for Hong Kong profits tax is calculated at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits less available tax relief for losses brought forward.

Provision for overseas taxation is calculated based on the rates applicable to the relevant local legislation on the estimated assessable profits.

8. Interim dividend

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Interim dividend		
HK$0.03 per share (2004: HK$0.01 per share)	**5,141**	1,714

9. Earnings per share

Basic earnings per share are calculated based on the profit for the period of HK$21,250,000 (2004: HK$2,502,000) and on the number of ordinary shares of 171,355,871 (2004: 171,355,871) in issue during the period.

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

10. Property, plant and equipment

For the six months period ended 30 September, 2005, the Group acquired property, plant and equipment of HK$35,547,000 of which HK$26,168,000 is through the acquisition of the Pacific Coffee Group and disposed of property, plant and equipment with a net book value of HK$989,000.

11. Goodwill and intangible assets

Goodwill is recognised and intangible assets are acquired from business combination. Intangible assets include trademarks.

12. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors of HK$47,239,000 (31st March, 2005: HK$52,416,000).

The ageing analysis of trade debtors is as follows:

	As at 30th September, 2005 *HK$'000*	As at 31st March, 2005 *HK$'000*
0 – 60 days	**44,409**	47,891
61 – 90 days	**1,338**	1,871
Over 90 days	**1,492**	2,654
Total	**47,239**	52,416

The Group has established different credit policies for customers in each of its core businesses. The average credit period granted for trade debtors was 60 days.

13. Creditors, deposits and accruals

Included in creditors, deposits and accruals are trade creditors of HK$35,046,000 (31st March, 2005: HK$23,861,000).

The ageing analysis of trade creditors is as follows:

	As at 30th September, 2005 *HK$'000*	As at 31st March, 2005 *HK$'000*
0 – 60 days	**31,909**	20,206
61 – 90 days	**529**	1,445
Over 90 days	**2,608**	2,210
Total	**35,046**	23,861

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

14. Share capital

	Number of ordinary shares of HK$0.5 each	Nominal Value *HK$'000*
Authorised:		
At 31st March, 2005 and 30th September, 2005	240,000,000	120,000
Issued and fully paid:		
At 31st March, 2005 and 30th September, 2005	171,355,871	85,678

There was no movement in authorised and issued share capital during the period.

15. Contingent liabilities

At 30th September, 2005, the Group and the Company had contingent liabilities in respect of:

(a) guarantees given to banks in respect of banking facilities granted to certain subsidiaries, which were utilised to the extent of HK$108,163,000 (31st March, 2005: HK$3,172,000) ;

(b) guarantees issued for performance under contracts and rendering of services of certain subsidiaries amounting to HK$2,059,000 (31st March, 2005: HK$650,000) ; and

(c) liquidated damages of HK$1,000,000 for an alleged breach of a wholesale food supply contract by a subsidiary (31st March, 2005: Nil).

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

16. Operating lease

(a) The Group as lessee

At 30th September, 2005, the Group and the Company had total future aggregate minimum lease payments under non-cancellable operating leases in respect of renting of premises which fall due as follows:

	As at 30th September, 2005	As at 31st March, 2005
	HK$'000	*HK$'000*
Within one year	**40,466**	3,655
In the second to fifth year inclusive	**39,689**	83
	80,155	3,738

Leases are negotiated and the average initial terms of rentals range from two to three years with renewal options given by the lessors. The above lease commitments only include commitment for basis rental. Contingent rentals are not included since the amount will only be determined when turnover of individual shops exceeds a pre-determined level.

(b) The Group as lessor

All the investment properties were leased out for a period of two years and the leases did not have any renewal options given to the leasees. The future minimum lease payments receivable by the Group under non-cancellable operating leases for each of the following periods are as follows:

	As at 30th September, 2005	As at 31st March, 2005
	HK$'000	*HK$'000*
Within one year	**359**	360
In the second to fifth year inclusive	**62**	–
	421	360

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK3 cents (2004: HK1 cent) per share for the six months ended 30th September, 2005 payable on Thursday, 12th January, 2006 to shareholders whose names appear on the Register of Members of the Company on Friday, 6th January, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 3rd January, 2006 to Friday, 6th January, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above interim 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 G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 30th December, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September, 2005, both the Group's turnover and net profit improved substantially by 34% and 749% respectively when compared with the same period last year. Such phenomenal achievements were contributed by steady growth in the computer and information communications technology segment, the acquisition of Pacific Coffee in May this year and improved return from the investment portfolio.

As stated in the Group's last annual report, the performance of the computer and information communications technology segment continued to improve. By strictly controlling cost and expenses, the Group's overall business efficiency was enhanced, thus benefiting overall results and was reflected in the results of the current period. The computer division continued to perform well and contributed the majority of the profit. The network solutions division offers comprehensive telecommunication and IT network solutions. It also provides extensive application and software solutions including Enterprise Resource Planning (ERP), Human Resources Management, Computer Resources & Security Control, etc. to SMEs. The major projects undertaken by this division during the review period included the implementation of PABX Systems and Solutions for the Hong Kong Four Seasons Hotel; installation and maintenance of Toshiba Business Telephone System for various HKSAR government departments. This division was also qualified as an approved outsourcing service contractor of government and large enterprise projects.

The Group's first step into the lifestyle food and beverage business through the acquisition of Pacific Coffee has been very successful. The transition of ownership and corporate culture was smooth posing no disruption to the management and the daily operation of Pacific Coffee. Both the turnover and operating profit for the period were in line with the Group's expectation. Despite the significant increase in market rents, Pacific Coffee was able to continue to find and establish profitable stores. Three new shops in Hong Kong, one in Singapore and one in Beijing were opened after the acquisition. Currently, there are 42 Pacific Coffee stores in Hong Kong, 6 in Singapore and 1 in Beijing.

Investment in securities brought in increased turnover and profit during the period under review with the Hong Kong economy starting to turnaround in May this year. Foreign bonds and enhanced yield structured notes make up over 80% of our investment portfolio. The Group will continue to manage its securities and investment portfolio with prudence to enhance its yields.

PROSPECTS

For its information communications technology and office equipment business, the Group's target is not only to distribute quality brand office equipment, but also provide premium value-added services and solutions to customers. To meet customers' changing technological requirements, the Group will continue to develop and enhance its system solutions to help customers transform their businesses and achieve operational excellence.

Following the acquisition of Pacific Coffee in May this year, the Group has further strengthened its profitability and operating cash position. In addition to the Hong Kong market, the Group plans to leverage the well-received "Pacific Coffee" brand to tap the fast growing PRC coffee consumption market in cities such as Beijing and Shanghai initially. With a rapidly expanding economy and growing affluence among its young professionals, the Mainland will present plenty of growth opportunities to the Group's food and beverage business. Pacific Coffee will focus on building a strong regional team and local management teams to ensure quality in the long term.

Although our coffee retail business has to face the continuous challenge from increasing operating costs and interest rates, its revenue growth is expected to offset the increase in such costs. The Group will cautiously review its expansion pace and tighten cost controls with the aim of achieving steady growth in its overall results.

FINANCIAL REVIEW

As at 30th September, 2005, the Group's total net assets attributable to equity holders of the Company amounted to HK$397 million (HK$379 million as at 31st March, 2005).

As at 30th September, 2005, total debt to equity ratio was 27% (0.03% as at 31st March, 2005) and net debt to equity ratio was nil (Nil as at 31st March, 2005), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the above total net assets of HK$397 million (HK$379 million as at 31st March, 2005).

As at 30th September, 2005, the Group's bank and other borrowings amounted to HK$107 million (HK$121,000 as at 31st March, 2005). Fixed deposit together with bank balances and cash equivalents amounted to HK$136 million (HK$181 million as at 31st March, 2005) and there are thus no net borrowings for the two periods (Nil as at 31st March, 2005). Most of the borrowings are carrying floating interest rates based on Hong Kong Interbank Offering Rates.

Finance costs for the period amounted to HK$1.5 million (Nil for the same period last year).

The Company has provided guarantees in respect of loan facilities granted to subsidiaries amounting to HK$108.2 million (HK$3.2 million as at 31st March, 2005).

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in Hong Kong or US dollars. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank loans, the Group will consider new financing while maintaining an appropriate level of gearing.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th September, 2005, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of Securities and Futures Ordinance ("the SFO"), which have been notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to S352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") were as follows:

(a) Interests in the Company – Shares

Name of Directors	Capacity	Number of ordinary shares: Personal interests	Corporate interests	Total	Approximate percentage of interest (%)
CHOW Yei Ching	Beneficial owner and Interest of controlled corporation	6,815,854	104,102,933*	110,918,787	64.73
FUNG Pak Kwan	Beneficial owner	2,580,000	–	2,580,000	1.5
KUOK Hoi Sang	Beneficial owner	2,400,000	–	2,400,000	1.4
KAN Ka Hon	Beneficial owner	451,200	–	451,200	0.26
Shinichi YONEHARA	Beneficial owner	600	–	600	0.00035

* *Dr CHOW Yei Ching has notified the Company that under the SFO, he was deemed to be interested in 104,102,933 shares of the Company which were held by Chevalier International Holdings Limited ("CIHL") as Dr Chow beneficially owned 146,244,359 shares in CIHL, representing approximately 52.5% of the issued share capital of CIHL. Dr Chow was deemed to be interested in these shares under the SFO and these shares were same as those shares disclosed in the section "Substantial Shareholders' Interests in Securities" below.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES *(Continued)*

(b) Interests in Associated Corporation – Shares

Name of Directors	Associated corporation	Capacity	Number of ordinary shares: Personal interests	Number of ordinary shares: Total	Approximate percentage of interest (%)
CHOW Yei Ching	CIHL	Beneficial owner	146,244,359	146,244,359	52.50
FUNG Pak Kwan	CIHL	Beneficial owner	93,479	93,479	0.03
KUOK Hoi Sang	CIHL	Beneficial owner	98,216	98,216	0.04
KAN Ka Hon	CIHL	Beneficial owner	29,040	29,040	0.01
Shinichi YONEHARA	CIHL	Beneficial owner	1,671	1,671	0.0006

Save as disclosed above and in "Share Option Schemes" below, as at 30th September, 2005, so far as is known to the Directors and the chief executives of the Company, no other person has interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO); or are required, pursuant to S352 of the SFO, to be recorded in the register referred to therein; or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

A share option scheme of the Company ("the CiTL Scheme") was approved by the shareholders of CIHL and shareholders of the Company on 20th September, 2002. Another share option scheme of CIHL ("the CIHL Scheme") was also approved by the shareholders of CIHL on 20th September, 2002. The CiTL Scheme and the CIHL Scheme fully comply with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"). As at 30th September, 2005, no share option was granted, exercised, cancelled or lapsed under the CiTL Scheme and the CIHL Scheme. There was no outstanding option under the CiTL Scheme and the CIHL Scheme at the beginning and at the end of the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30th September, 2005, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under S336 of the SFO were as follows:

Substantial Shareholder	**Number of shares held**		**Approximate percentage of interest** (%)
CHOW Yei Ching	110,918,787	*(Notes 1 and 3)*	64.73
Miyakawa Michiko	110,918,787	*(Notes 2 and 3)*	64.73
CIHL	104,102,933	*(Note 3)*	60.75
Chevalier (HK) Limited ("CHK")	13,471,200	*(Note 3)*	7.86
Firstland Company Limited ("Firstland")	13,471,200	*(Note 3)*	7.86

Notes:

1. Under the SFO, these shares were held by Dr Chow as (i) personal interests of 6,815,854 shares, (ii) corporate interests of 104,102,933 shares in which Dr Chow was deemed to be interested.

2. Under Part XV of the SFO, Ms Miyakawa Michiko, the spouse of Dr Chow, was deemed to be interested in the same parcel of 110,918,787 shares held by Dr Chow.

3. These shares were held as interest of controlled corporation through Firstland, a company incorporated in Hong Kong and a wholly-owned subsidiary of CHK. CHK is a company incorporated in Hong Kong and a wholly-owned subsidiary of CIHL. CIHL is a company incorporated in Bermuda. Under Part XV of the SFO, CHK, CIHL, Dr Chow and his spouse were deemed to be interested in 13,471,200 shares.

Save as disclosed above, as at 30th September, 2005, so far as is known to the Directors and the chief executives of the Company, no other person has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under S336 of the SFO, or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

ARRANGEMENT FOR ACQUISITION OF SHARES OR DEBENTURES

Except for the share option schemes adopted by the Company and its associated corporations, at no time during the period was the Company or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September, 2005, the Group employed approximately 820 full time staff globally. Total staff costs amounted to approximately HK$52 million for the period under review. 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, which was established pursuant to the requirements of the Rule 3.21 of the Listing Rules, comprises Messrs Shinichi YONEHARA, WU King Cheong and KWONG Man Sing, all the Independent Non-Executive Directors of the Company, met twice in the year. During the period, the Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30th September, 2005.

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 six months ended 30th September, 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All directors of the Company confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30th September, 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th September, 2005 with the exception of the following deviation:

Under the code provision A.4.1, non-executive directors should be appointed for a specific term. Currently, non-executive directors are not appointed for a specific term. However, they are subject to retirement by rotation at least once every three years under the Bye-laws of the Company in which such amendments were approved by the shareholders of the Company at its annual general meeting held on 9th September, 2005 to bring them in line with the Code. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

APPRECIATION

The Group has achieved good results for this six-month period along side the improving economic environment. 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.

By Order of the Board
CHOW Yei Ching
Chairman

Hong Kong, 15th December, 2005

website: http://www.chevalier-itech.com