INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK1.5 cents (2001: HK2 cents) per share for the six months ended 30th September, 2002 payable to shareholders whose names appear on the Register of Members of the Company on Friday, 17th January, 2003.

The Directors have also resolved that the interim dividend should be paid on Monday, 24th February, 2003 in cash, with shareholders being given an option to receive shares of HK$0.25 each (“New Shares”) in the Company in lieu of cash in respect of part or all of such dividend (“Scrip Dividend Scheme”). The number of New Shares will be calculated on the basis of the average closing prices per share of the Company on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) for the five consecutive trading days from Monday, 13th January, 2003 to Friday, 17th January, 2003, less a discount of 5%. A circular giving full details of the Scrip Dividend Scheme and a form of election will be sent to shareholders on or around Monday, 27th January, 2003. The Scrip Dividend Scheme is conditional upon the Stock Exchange granting the listing of and permission to deal in the New Shares to be issued.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 13th January, 2003 to Friday, 17th January, 2003, 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 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Friday, 10th January, 2003.

OVERVIEW

Due to the persistent sluggish economy especially in Hong Kong and the South East Asia, the Group’s turnover during the six months ended 30th September, 2002 decreased to approximately HK$1,630 million, representing a marginal cut back by 0.6% over the same period last year. Profit attributable to shareholders was approximately HK$61 million, representing a decrease of 19% over the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company

The depressed local property market and construction industry adversely affected the overall performance of the Building Services Division including lifts and escalators, electrical and mechanical engineering, and building materials and supplies. However, the Aluminium Windows and Curtain Walls Division still maintained a steady growth in both turnover and contribution during the period under review. The Australian office, specialised in design, engineering management and installation services of curtain walls and aluminium windows, has been progressing well and is now tendering for work in Australia. Armed with solid expertise and experience in the industry, this division continues to contribute positively to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The Company *(Continued)*

During the period under review, the performance of the Insurance Division improved markedly due to the rebound of the industry. This division continues to expand its product and services and the Group expects that its performance will continue to improve.

In April, 2002, Preussag Pipe Rehabilitation Hong Kong Limited had awarded ISO9001 certification for the provision of underground pipe rehabilitation service. To further strengthen the investment in pipe rehabilitation business, the Group re-structured the division by acquiring direct interest in NordiTube Technologies AB ("NordiTube") and increasing its shareholding in Rib Loc Group Limited ("Rib Loc"), the two major suppliers in this industry worldwide. NordiTube is principally engaged in the design and construction for rehabilitating water-supply and gas-supply systems, whereas the core business of Rib Loc, an Australian listed company, is the development and manufacture of spirally wound plastic pipes technology. In addition, the Group has been actively expanding the pipe relining business into new markets such as Middle East and India. The Group expects that the pipe relining business will grow significantly in the next few years.

The Group's newly established logistic and warehousing business performed well and contributed stable profit to the Group. As Hong Kong continues to strengthen its role as regional hub for distribution, the Group is confident of the growth of this business and will continue to provide reliable and efficient warehousing services to customers.

Contribution from investment property decreased due to the depressed property market in Hong Kong and the situation will not be improved in the near future. The Property Management Division in Hong Kong also maintained a steady performance in terms of turnover and profit. The Group currently manages approximately 30,000 residential units in 16 local estates and buildings with a portfolio of over 17 million square feet.

The overall performance of the Group's three Qi Shi Hotels in Jiujiang, Xinyang and Dongguan of the Mainland improved and the Group has strengthened its hotel management team in order to turn the operation into profitable status.

With expertise in the treatment of wastewater and air quality control in Hong Kong and the South East Asia, Chevalier (Envirotech) Limited has secured several environmental engineering projects in Hong Kong and the Mainland during the period. Besides, the Group has formed a 55% joint venture known as Chevalier Acron Limited aiming at the development of Nano-Confined Catalytic Oxidation Technology (NCCO) to tackle the pollution of odor encountered by local food and restaurant industry.

Contribution from the car dealership business in Canada continued to drop despite a mild increase in turnover, whereas the trading business in the US has improved significantly. Such division has been expanding aggressively in the West Coast of the US.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Chevalier iTech Holdings Limited ("CiTL")

CiTL Group's turnover and profitability during the period were adversely affected by the depressed business climate. CiTL Group has recorded a turnover of approximately HK$351 million, representing a decrease of 16% over the same period last year. The operating loss during the period was approximately HK$3.5 million compared with a loss of HK$1.6 million over the same period last year. Loss per share was HK0.61 cent.

During the period, the Computer Division recorded growth in both turnover and profit despite facing keen price competition in the market mainly as a result of its continuing efforts in controlling cost and improving operating efficiency. The performance of the IT and Network Solutions Division improved, reflecting the effectiveness of its marketing strategies and cost control measures.

The performance of CiTL Group's mobile phone retail outlets was disappointing. In order to reduce cost and enhance operating efficiency, the number of outlets has been significantly reduced from 51 to 29 compared with the same period last year. CiTL Group currently operates 8 Chevalier Shops and 21 mobile franchise shops in total.

The performance of the Office Equipment Division during the period was below expectation due to the slowdown of market in the region. However, the performance of the Hong Kong operation was encouraging with growth in both sales and profits. The improved performance was mainly driven by the introduction of new product line to the market at competitive prices.

Contribution from the After-Sales Services Division declined compared with the same period last year.

Despite the less-than-expected performance of CiTL Group's operation in Thailand compared with the same period last year, it remained to contribute significantly to CiTL Group's results. The setback in the operating profits was due to the weakness in the sale of cabling and telecommunication system and related services. However, the effect of such decline has been partly overcome by savings derived from cost reduction. Moreover, the profits derived from the sale of notebook computer and related products increased whilst the sale of office equipment remained steady.

Chevalier Construction Holdings Limited ("CCHL")

During the six months ended 30th September, 2002, CCHL Group continued to operate under a difficult environment due to the continuing depression in the property and construction sectors. However, with on-going efforts in enhancing operation efficiency, the financial position of CCHL Group has improved and recorded an operating profit of HK$3.7 million compared with a loss of HK$1.27 million over the same period last year. Earnings per share for the period was HK1.7 cents (loss of HK0.55 cent per share last year).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Chevalier Construction Holdings Limited ("CCHL") *(Continued)*

As at 30th September, 2002, the gross and outstanding value of construction contracts of CCHL Group on hand amounted to approximately HK$120 million and HK$64 million respectively whilst the gross and outstanding value of civil engineering contracts of CCHL Group on hand amounted to approximately HK$620 million and HK$261 million respectively.

A construction contract for Lam Tin Primary School at Kwun Tong with value in excess of HK$75 million is progressing on schedule and will be completed in mid 2003.

Chevalier Singapore Holdings Limited ("CSHL")

During the six months ended 30th September, 2002, the turnover of CSHL increased by 15.5% to S$17.7 million over the same period last year. It was mainly due to the increase in both the number and value of lifts and escalators installation projects carried out during the period. Despite the sluggish construction market and keen competition, CSHL was able to maintain its market share in lifts and escalators installation.

In October, 2002, CSHL has been granted an Order of Court for the capital reduction exercise to return S$0.18 in cash to all the shareholders of CSHL for each issued ordinary share.

FINANCIAL REVIEW

As at 30th September, 2002, the Group's total net assets amounted to approximately HK$2,297 million (HK$2,228 million as at 31st March, 2002).

Total debt to equity ratio was 60.4% (56.9% as at 31st March, 2002) and net debt to equity ratio was 22.7% (23.4% as at 31st March, 2002), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net assets of HK$2,297 million (HK$2,228 million as at 31st March, 2002).

At the balance sheet date, the Group's bank and other borrowings amounted to HK$1,381 million (HK$1,268 million as at 31st March, 2002). Cash and deposit at bank including pledged deposits amounted to HK$865 million (HK$747 million as at 31st March, 2002) and net borrowings amounted to HK$516 million (HK$521 million as at 31st March, 2002). Most of the borrowings are carrying floating interest rates based on Hong Kong Interbank Offering Rates, with small portions based on Prime Rate. Among those floating rate loans, HK$300 million are hedged to fixed rates through Interest Rate Swap Agreements (HK$300 million as at 31st March, 2002).

Finance costs for the period amounted to HK$21 million (HK$61 million as at 31st March, 2002).

The Company has provided guarantees in respect of loan facilities granted to subsidiaries, associate and jointly controlled entities amounting to HK$1,003 million (HK$1,160 million as at 31st March, 2002).

FINANCIAL REVIEW *(Continued)*

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.

PROSPECTS

Overall, the global economy has been suffering from the excesses that stemmed from the rapid expansion in the 90's and the lack of both investor and consumer confidence after the bubble-burst. The net result is a sustained period of weak nominal GDP growth with deflation a growing risk. Faced with this environment, central banks have been looking to loosen policy further with interest rates pushing to record low. However, even though there are few signs of recovery, the improvement in economic activity has been unconvincing. In addition, the tension in the Middle East and threat of terrorist attacks are also hanging and adversely affect the confidence.

Within Hong Kong, despite a stronger cyclical rebound in trade which has been reflected in the better-than-expected growth of GDP in the third quarter of 2002, it appears that the filtering effect on the domestic economy will not materialise in the near term. The continual contraction in investment cannot be covered by the revenue derived from the export of trade and service, thus causing a substantial loss of jobs as businesses downsize, which in turn has dampened consumption. Such trends will persist as the overall attractiveness of Hong Kong diminishes. Nevertheless, an accelerated integration with the Mainland, especially the Pearl River Delta, should do more good than harm to the economy of Hong Kong. With its accession to the World Trade Organization, no matter in terms of breadth, depth and scale, the Mainland will provide numerous opportunities to Hong Kong in the coming years.

The Group believes that the stimulus package for the property market announced by the HKSAR Government in November 2002 will stabilize local property market and restore homebuyers' confidence in the long term. The overall market sentiment will not improve within a short period as the market has been flooded with abundant supply. Therefore, the unfavourable market environment faced by the core business of the Group will persist for the years to come. The Group's diversified business operations in Hong Kong and overseas enable us to balance the impact of the economic volatility. The newly established businesses of the Group such as insurance, pipe rehabilitation and warehousing are all progressing well. The Group will continue its prudent approach to explore business opportunities in the Mainland and overseas markets.

Looking forward, the Group will continue to enforce vigorous cost control measures to enhance cost-effectiveness and competitiveness. Subsequent to the period end, the Group has effectively re-allocated its resources by shifting the cash reserves in CSHL to the holding company through capital reduction. With sound financial position and effective management, the Group is in a strong position to weather the difficult operating environment and seize good investment opportunities, especially in the Mainland, in order to bring better return to shareholders.