CHEVALIER INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT **2005-2006**

INTERIM RESULTS

The Directors of Chevalier International 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,	
			(Restated)
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Turnover	*5*	**2,744,598**	1,794,701
Cost of sales		**(2,277,155)**	(1,506,779)
Gross profit		**467,443**	287,922
Other operating income		**83,048**	39,720
Selling and distribution costs		**(137,631)**	(70,826)
Administrative expenses		**(49,119)**	(44,567)
Other operating expenses		**(19,751)**	(27,682)
Finance costs		**(34,229)**	(10,148)
Share of results of associates		**(2,235)**	(1,660)
Share of results of jointly controlled entities		**(74)**	(129)
Profit before taxation	*6*	**307,452**	172,630
Taxation	*7*	**(83,414)**	(32,209)
Profit for the period		**224,038**	140,421
Profit attributable to:			
Equity holders of the Company		**196,341**	124,752
Minority interests		**27,697**	15,669
		224,038	140,421
Dividends	*8*	**105,861**	55,716
Earnings per share	*9*	**70.5 cents**	44.8 cents
Dividend per share			
Interim		**20 cents**	20 cents
Special		**18 cents**	–

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		**378,029**	381,554
Property, plant and equipment	*10*	**1,156,617**	1,160,662
Properties under development		**9,216**	8,901
Goodwill	*11*	**201,944**	83,576
Negative goodwill		–	(12,244)
Intangible assets	*11*	**102,514**	46,842
Interests in associates		**13,482**	16,484
Interests in jointly controlled entities		**115,028**	64,903
Available-for-sale investments		**18,864**	–
Investments in securities		–	13,744
Club debenture		–	2,169
Deferred tax assets		**12,983**	12,497
Fixed deposits		**46,560**	241,800
		2,055,237	2,020,888
Current assets			
Inventories		**270,545**	249,965
Properties for sale		**524,947**	657,609
Debtors, deposits and prepayments	*12*	**903,250**	868,399
Amounts due from associates		**57,712**	24,100
Amounts due from jointly controlled entities		**123,892**	86,442
Amounts due from customers for contract work		**404,068**	344,674
Investments held for trading		**1,209,773**	–
Investments in securities		–	1,115,729
Other unlisted investments		–	45,915
Bank balances and cash equivalents		**1,091,941**	1,017,747
		4,586,128	4,410,580

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
Current liabilities			
Creditors, deposits and accruals	13	**1,052,006**	1,254,737
Unearned insurance premiums – due within one year		**37,706**	53,933
Outstanding insurance claims		**310,430**	338,074
Amounts due to associates		**2,587**	1,892
Amounts due to customers for contract work		**192,506**	107,270
Bills payable		**12,492**	24,133
Obligations under finance leases		**2,554**	3,543
Deferred service income		**23,428**	23,342
Derivative financial instruments		**3,580**	–
Provision for taxation		**48,375**	11,733
Bank loans		**1,301,725**	1,266,437
Other loans		**401**	250
Bank overdrafts, unsecured		**7,039**	1,895
		2,994,829	3,087,239
Net current assets		**1,591,299**	1,323,341
		3,646,536	3,344,229
Capital and reserves			
Share capital	14	**348,228**	348,228
Reserves		**2,317,588**	2,184,381
Equity attributable to equity holders of the Company		**2,665,816**	2,532,609
Minority interests		**274,298**	286,688
Total Equity		**2,940,114**	2,819,297
Non-current liabilities			
Bank loans		**565,642**	412,110
Other loans		**8,895**	2,105
Unearned insurance premiums – over one year		**19,425**	27,784
Deferred tax liabilities		**111,414**	81,064
Obligations under finance leases		**1,046**	1,869
		706,422	524,932
		3,646,536	3,344,229

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2005

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Investment properties revaluation reserve	Properties for own use revaluation reserve	Exchange fluctuation reserve	Dividend reserve	Retained profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st March, 2005												
As originally stated	348,228	417,860	269,363	7,526	22,825	283,510	10,555	69,646	1,412,219	2,841,732	348,229	3,189,961
Effect of change in accounting policies	–	–	–	–	(22,825)	(283,510)	–	–	(2,788)	(309,123)	(61,541)	(370,664)
As restated before opening balances adjustment	348,228	417,860	269,363	7,526	–	–	10,555	69,646	1,409,431	2,532,609	286,688	2,819,297
Opening balances adjustments arising from changes in accounting policies	–	–	58,446	–	–	–	–	–	(48,271)	10,175	–	10,175
As restated	348,228	417,860	327,809	7,526	–	–	10,555	69,646	1,361,160	2,542,784	286,688	2,829,472
Final dividend for 2005 paid	–	–	–	–	–	–	–	(69,646)	–	(69,646)	–	(69,646)
Exchange loss on translation of financial statements of overseas subsidiaries, associates and jointly controlled entities	–	–	–	–	–	–	(3,663)	–	–	(3,663)	880	(2,783)
Profit for the period	–	–	–	–	–	–	–	–	196,341	196,341	27,697	224,038
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	(924)	(924)
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	(42,042)	(42,042)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	1,999	1,999
Interim dividend	–	–	–	–	–	–	–	105,861	(105,861)	–	–	–
At 30th September, 2005	348,228	417,860	327,809	7,526	–	–	6,892	105,861	1,451,640	2,665,816	274,298	2,940,114

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30th September, 2004

	Attributable to equity holders of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Capital redemption reserve *HK$'000*	Investment properties revaluation 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	348,228	417,860	269,334	7,526	–	116,543	2,799	55,716	1,255,843	2,473,849	322,779	2,796,628
Effect of change in accounting policies	–	–	–	–	–	(116,543)	–	–	(4,889)	(121,432)	(32,001)	(153,433)
As restated	348,228	417,860	269,334	7,526	–	–	2,799	55,716	1,250,954	2,352,417	290,778	2,643,195
Final dividend for 2004 paid	–	–	–	–	–	–	–	(55,716)	–	(55,716)	–	(55,716)
Share issue expenses	–	(10)	–	–	–	–	–	–	–	(10)	–	(10)
Release on liquidation of a subsidiary	–	–	29	–	–	–	–	–	–	29	–	29
Acquisition of subsidiaries	–	–	581	–	–	–	–	–	–	581	–	581
Exchange loss on translation of financial statements of overseas subsidiaries, associates and jointly controlled entities	–	–	–	–	–	–	(4,025)	–	–	(4,025)	(476)	(4,501)
Profit for the period	–	–	–	–	–	–	–	–	124,752	124,752	15,669	140,421
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	(2,831)	(2,831)
Acquisition of interest / additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	11,533	11,533
Interim dividend	–	–	–	–	–	–	–	55,716	(55,716)	–	–	–
At 30th September, 2004	348,228	417,850	269,944	7,526	–	–	(1,226)	55,716	1,319,990	2,418,028	314,673	2,732,701

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	**103,343**	(126,651)
Net cash (used in) from investing activities	**(151,359)**	30,924
Net cash from (used in) financing activities	**118,613**	(119,327)
Increase (decrease) in cash and cash equivalents	**70,597**	(215,054)
Cash and cash equivalents at beginning of period	**1,015,852**	1,051,550
Effect of foreign exchange rate changes	**(1,547)**	(632)
Cash and cash equivalents at end of period	**1,084,902**	835,864
Analysis of the balances of cash and cash equivalents		
Bank balances and cash equivalents	**1,091,941**	839,950
Bank overdrafts	**(7,039)**	(4,086)
	1,084,902	835,864

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 restrospectively. 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 acquisition 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 place. 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. (See Note 3 for the financial impact).

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 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 in HKFRS 3, the Group has derecognised all negative goodwill at 1st April, 2005 (of which negative goodwill of HK$26,459,000 was previously recorded in reserve and of HK$12,244,000 was previously presented as a deduction from assets), with a corresponding increase to retained profits. (See Note 3 for the financial impact).

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

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of the current period financial statement. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

2. Principal accounting policies *(Continued)*

Financial instruments *(Continued)*

Debt and equity securities previously accounted for under the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24

At 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Investments in securities classified as "non-trading securities" under SSAP 24 had been reclassified as available-for-sale and accordingly, no adjustment is required. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group classifies and measures 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. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The application of HKAS 39 has had no material effect on financial assets and financial liabilities other than debt and equity securities.

Derivatives and hedging

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

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

2. Principal accounting policies *(Continued)*

Financial instruments *(Continued)*

Derivatives and hedging (Continued)

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 designed as effective hedging instruments. 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. All derivatives 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.

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. (See Note 3 for the financial impact).

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. (See Note 3 for the financial impact).

Investment properties

In the current period, 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 investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under 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 and elected to apply HKAS 40 from 1st April, 2005 onwards. The amount held in investment property revaluation reserve has been transferred to the Group's retained profits on 1st April, 2005. Comparative figures for 2004 have been restated. (See Note 3 for the financial impact).

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

2. Principal accounting policies *(Continued)*

Investment properties *(Continued)*

The adoption of HKAS 40 has also resulted in a change of classification of certain properties which were previously classified as investment properties according to SSAP 13. In previous periods, property with 15% or less by area or value that was occupied by the Company or another company in the Group would normally be regarded as an investment property in its entirely even though part of it is not held for investment purposes. According to HKAS 40, if a portion of the properties could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portion could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. In the current period, the Group applied HKAS 40 and has reclassified certain owner-occupied properties that could be sold separately (or leased out separately under a finance lease) from investment properties to property, plant and equipment retrospectively. Comparative figures for 2004 have been restated. (See Note 3 for the financial impact).

Deferred taxes related to investment properties

In previous periods, 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 (SSAP-Interpretation 20). In the current period, the Group has applied HKAS Interpretation 21 ("INT-21") "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are 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 HKAS INT-21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated. (See Note 3 for the financial impact).

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

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*
Increase in deferred tax charge in relation to investment properties	**(137)**	(137)
Increase in depreciation arising from reclassification of investment properties to property, plant and equipment	**(208)**	(222)
Decrease in amortisation of intangible assets	**2,797**	–
Decrease in amortisation of goodwill	**11,944**	–
Decrease in release of negative goodwill	**(1,536)**	–
Loss arising from changes in fair value of derivative financial instruments	**(1,073)**	–
Decrease in share of results of associates	**(165)**	(290)
Decrease in taxation in relation to associates	**165**	290
Increase in deferred tax credit arising from change in fair value of derivative financial instruments	**923**	–
Increase (decrease) in profit for the period	**12,710**	(359)
Attributable to		
Equity holders of the Company	**11,874**	(359)
Minority interests	**836**	–
	12,710	(359)

Analysis of increase (decrease) in profit for the period according to its function:

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Increase in cost of sales	**(208)**	(222)
Increase in other revenue	**2,250**	–
Increase in other operating expenses	**(3,323)**	–
Decrease in amortisation of intangible assets	**2,797**	
Decrease in amortisation of goodwill	**11,944**	–
Decrease in release of negative goodwill	**(1,536)**	–
Decrease in share of results of associates	**(165)**	(290)
Decrease in taxation	**951**	153
	12,710	(359)

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 1st April, 2005 are summarised below:

	As at 31st March, 2005 (originally stated) *HK$'000*	Adjustment *HK$'000*	As at 31st March, 2005 (restated) *HK$'000*	Adjustment *HK$'000*	As at 1st April, 2005 (restated) *HK$'000*
Balance sheet items					
Investment properties	426,464	(44,910)	381,554	–	381,554
Property, plant and equipment	1,550,445	(389,783)	1,160,662	–	1,160,662
Negative goodwill	(12,244)	–	(12,244)	12,244	–
Interests in associates	23,772	(7,288)	16,484	–	16,484
Available-for-sale investments	–	–	–	14,841	14,841
Investments in securities (non-current)	13,744	–	13,744	(13,744)	–
Club debenture	2,169	–	2,169	(2,169)	–
Investments held for trading	–	–	–	1,162,716	1,162,716
Investments in securities (current)	1,115,729	–	1,115,729	(1,115,729)	–
Other unlisted investments	45,915	–	45,915	(45,915)	–
Derivative financial instruments	–	–	–	(2,507)	(2,507)
Deferred tax liabilities	(152,381)	71,317	(81,064)	438	(80,626)
Other assets/liabilities	176,348	–	176,348	–	176,348
Total assets and liabilities	3,189,961	(370,664)	2,819,297	10,175	2,829,472
Share capital	(348,228)	–	(348,228)	–	(348,228)
Share premium	(417,860)	–	(417,860)	–	(417,860)
Capital reserve	(269,363)	–	(269,363)	(58,446)	(327,809)
Investment properties revaluation reserve	(22,825)	22,825	–	–	–
Property for own use revaluation reserve	(283,510)	283,510	–	–	–
Retained profits	(1,412,219)	2,788	(1,409,431)	48,271	(1,361,160)
Other reserves	(87,727)	–	(87,727)	–	(87,727)
Equity attributable to equity holders of the Company	(2,841,732)	309,123	(2,532,609)	(10,175)	(2,542,784)
Minitory interests	(348,229)	61,541	(286,688)	–	(286,688)
Total equity	(3,189,961)	370,664	(2,819,297)	(10,175)	(2,829,472)

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

4. Business Combinations

During the period, the Group acquired the entire equity interest of Pacific Coffee Group ("Pacific Coffee") and Ferrum Bau und Umwelt GmbH ("Ferrum") for a cash consideration of HK$205 million and HK$4.7 million respectively. The fair values of identifiable assets, liabilities and contingent liabilities of Pacific Coffee and Ferrum at the respective date of acquisition are as follows:

	Book value *HK$'000*	Fair value adjustment *HK$'000*	Fair value *HK$'000*
Properties, plant and equipment	26,534	–	26,534
Inventories	4,871	–	4,871
Work in progress	179	–	179
Trade receivables	2,751	–	2,751
Other debtors	18,280	–	18,280
Bank balances and cash	1,947	–	1,947
Trade payables	(7,517)	–	(7,517)
Other creditors	(4,931)	–	(4,931)
Bank loan	(327)	–	(327)
Provision for taxation	(3,124)	–	(3,124)
Deferred services income	(63)	–	(63)
Deferred tax liability	(624)	–	(624)
Long term liabilities	(2,263)	–	(2,263)
Contingent liabilities	–	(1,000)	(1,000)
Intangible assets	–	60,000	60,000
Net assets acquired	35,713	59,000	94,713
Goodwill on acquisition			116,694
			211,407
Consideration satisfied by cash			209,677
Costs incurred for the acquisition			1,730
			211,407
Net cash outflow in respect of acquisition of subsidiaries			
Cash consideration paid plus costs			(211,407)
Less: Bank balances and cash acquired			1,620
			(209,787)

Pacific Coffee and Ferrum contributed revenue of HK$72.51 million and HK$3.14 million respectively to the Group's turnover and HK$7.8 million (after charging amortisation of trademark of HK$2.1 million) and HK$187,000 respectively to the Group's profit before tax for the period from the respective date of acquisition to the balance sheet date.

If the acquisition had been completed on 1st April, 2005, Pacific Coffee and Ferrum would have contributed revenue of HK$100 million and HK$5.6 million respectively to the Group's turnover and HK$11.4 million (after charging amortisation of trademark of HK$2.1 million) and HK$199,000 respectively to the Group's profit before tax for the period.

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

5. Segment information

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

	Construction and engineering	Insurance and investment	Property and hotel	Computer and information communications technology	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER						
Turnover	1,222,057	548,530	419,359	296,408	304,231	2,790,585
Inter-segment sales	(137)	(15,646)	(22,809)	(4,563)	(2,832)	(45,987)
External sales	1,221,920	532,884	396,550	291,845	301,399	2,744,598
RESULTS						
Segment results	93,969	68,696	144,469	10,927	22,217	340,278
Unallocated corporate expenses						(5,451)
Interest income						9,163
Finance costs						(34,229)
Share of results of associates	810	–	–	(45)	(3,000)	(2,235)
Share of results of jointly controlled entities	394	–	(468)	–	–	(74)
Profit before taxation						307,452
Taxation						(83,414)
Profit for the period						224,038

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

5. Segment information *(Continued)*

(a) By business segments *(Continued)*

For the six months ended 30th September, 2004

	Construction and engineering *HK$'000*	Insurance and investment *HK$'000*	Property and hotel *HK$'000*	Computer and information communications technology *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
TURNOVER						
Turnover	986,404	134,020	205,092	294,683	216,737	1,836,936
Inter-segment sales	(134)	(7,544)	(20,937)	(4,646)	(8,974)	(42,235)
External sales	986,270	126,476	184,155	290,037	207,763	1,794,701
RESULTS						
Segment results	82,353	20,894	66,145	1,480	12,576	183,448
Unallocated corporate expenses						(3,812)
Interest income						4,931
Finance costs						(10,148)
Share of results of associates	(1,244)	–	–	(24)	(392)	(1,660)
Share of results of jointly controlled entities	(117)	–	(12)	–	–	(129)
Profit before taxation						172,630
Taxation						(32,209)
Profit for the period						140,421

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

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

5. Segment information *(Continued)*

(b) By geographical segments

	Turnover Six months ended 30th September, 2005	2004
	HK$'Million	*HK$'Million*
Hong Kong	**1,721**	1,162
Mainland China	**326**	110
Singapore	**83**	96
Thailand	**34**	36
Canada	**186**	165
U.S.A.	**52**	51
Europe	**189**	110
Australia	**77**	52
Others	**77**	13
	2,745	1,795

6. Profit before taxation

	Six months ended 30th September, 2005	2004
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging (crediting):		
Cost of inventories recognised as expenses	**583,281**	567,223
Depreciation on property, plant and equipment	**53,090**	33,387
Staff costs, including directors' emoluments	**354,058**	302,965
Less: Amount capitalised to contract work	**(29,264)**	(29,287)
	324,794	273,678
Operating lease payment in respect of leasing of:		
Premises	**20,030**	8,724
Others	**3,507**	5,187

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

7. Taxation

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
The Company and subsidiaries		
Current year profits tax		
Hong Kong	**20,948**	23,582
Overseas	**32,944**	6,730
Deferred taxation	**29,522**	1,897
	83,414	32,209

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 of each individual company.

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

8. Dividends

	Six months ended 30th September, 2005 HK$'000	2004 HK$'000
Interim dividend of HK20 cents (2004: HK20 cents) per share	**55,716**	55,716
Special dividend of HK18 cents (2004: Nil) per share	**50,145**	–
	105,861	55,716

9. Earnings per share

Basic earnings per share are calculated based on the profit for the period of HK$196,341,000 (2004: HK$124,752,000) and on the number of ordinary shares of 278,582,000 (2004: 278,582,000) in issue during the period.

10. Property, plant and equipment

For the six months ended 30th September, 2005, the Group acquired property, plant and equipment of HK$34,760,000 and disposed of property, plant and equipment with a net book value of HK$7,512,000.

11. Goodwill and intangible assets

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

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

12. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors of HK$462,632,000 (31st March, 2005: HK$453,215,000).

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	**378,789**	333,932
61 – 90 days	**18,751**	34,210
Over 90 days	**65,092**	85,073
Total	**462,632**	453,215

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

13. Creditors, deposits and accruals

Included in creditors, deposits and accruals are trade creditors of HK$307,193,000 (31st March, 2005: HK$348,191,000).

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	**188,620**	226,605
61 – 90 days	**11,398**	10,012
Over 90 days	**107,175**	111,574
Total	**307,193**	348,191

14. Share capital

	Number of Ordinary Shares of HK$1.25 each	**Nominal Value** ***HK$'000***
Authorised:		
At 31st March, 2005 and 30th September, 2005	540,000,000	675,000
Issued and fully paid:		
At 31st March, 2005 and 30th September, 2005	278,582,090	348,228

There was no change in the authorised and issued share capital during the period under review.

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

15. Contingent liabilities

At 30th September, 2005, the Group and the Company had the following contingent liabilities:

(a) The Company had contingent liabilities in respect of counter-indemnities given to bankers and insurance institutions for their guarantees amounting to approximately HK$57,900,000 (31st March, 2005: HK$124,200,000) issued in respect of the Group's performance for maintenance and remedial work for Private Sector Participation Scheme projects completed by the Group;

(b) The Company issued guarantees for banking facilities utilised and performance bonds extended to its subsidiaries and an associate amounting to HK$480,093,000 (31st March, 2005: HK$859,775,000) and HK$196,495,000 (31st March, 2005: HK$235,951,000); 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) .

16. Capital commitment

	THE GROUP	
	As at 30th September, 2005	As at 31st March, 2005
	HK$'000	*HK$'000*
Contracted for		
– investments in partnership	**29,800**	14,369
– investments in jointly controlled entities	**23,040**	–
	52,840	14,369

17. Operating leases

(a) The Group as lessee

The Group had future minimum lease payments under non-cancellable operating leases as follows:

	As at 30th September, 2005	As at 31st March, 2005
	HK$'000	*HK$'000*
Leases which expire:		
Within one year	**49,692**	8,920
In the second to fifth year inclusive	**60,320**	18,733
Over five years	**11,055**	13,266
	121,067	40,919

Leases are negotiated and rentals are fixed for an average term of 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.

NOTES TO CONDENSED FINANCIAL STATEMENTS *(Continued)*

17. Operating leases *(Continued)*

(b) The Group as lessor

The Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	As at 30th September, 2005	As at 31st March, 2005
	HK$'000	*HK$'000*
Leases which expire:		
Within one year	**27,868**	29,006
In the second to fifth year inclusive	**24,006**	22,213
	51,874	51,219

The lease terms ranged from one year to five years.

18. Significant related party transactions

The Group made advances to its associates and jointly controlled entities during the period. The advances to these companies are unsecured and the outstanding balances at 30th September, 2005 amounted to HK$226,980,000 (at 31st March, 2005: HK$151,809,000). Included in the advances are unsecured loans of HK$53,500,000 (at 31st March, 2005: HK$23,099,000) to an associate which bear interest at HIBOR plus 1.5% per annum.

19. Subsequent event

Subsequent to 30th September, 2005, the Group entered into a sale and purchase agreement with independent third parties for the acquisition of 44% equity interest in Beijing Feng Tong Xiang Rui Real Estate Company Limited ("Beijing Feng Tong Xiang Rui") at a consideration of RMB150,493,200 (equivalent to HK$144,705,000). Beijing Feng Tong Xiang Rui is established in the PRC with limited liability and principally engages in property development.

DIVIDENDS

The Board of Directors has resolved to declare an interim dividend of HK20 cents (2004: HK20 cents) per share and a special dividend of HK18 cents (2004: Nil) 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 and special dividends, 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, the Group sustained growth momentum and recorded an increase in both turnover and profit. The Group's turnover increased by 53% from HK$1,795 million in the last corresponding period to HK$2,745 million and profit attributable to equity holders of the Company increased 57% from HK$125 million to HK$196 million.

Construction and Engineering

During the period under review, the turnover of this sector increased from HK$986 million to HK$1,222 million, representing an increase of 24%, attributable to the increase in business volume of the pipe technology division, building construction division and the electrical and mechanical engineering division. The segment's overall profit recorded slight improvement from HK$82 million to HK$94 million as the performances of the businesses in the segment were still affected by the contraction in construction contracts in Hong Kong in the previous years.

The lifts and escalators market remained extremely competitive and the division's profit declined slightly. The aluminium windows and curtain walls division also faced similar situation with contracts on hand also reducing. The contracts undertaken during the period included Tower 21 in Union Square of the Kowloon MTR Station and Nina Tower I & II in Tsuen Wan (one of the Hong Kong tallest skyscrapers). In addition to Hong Kong and the PRC market, the aluminium windows division also expanded its presence in Japan.

Chevalier Pipe Technologies ("CPT") is a young company established in the last financial year as the holding company for the Group's pipe rehabilitation and technologies business. During the review period, CPT's performance met the Group's expectations with increased turnover and improved profitability. Having attained the critical turnover level in the last financial year sufficient for supporting the international infrastructure costs of its three production facilities and operations in Hong Kong and eight countries, CPT is expected to become a profit contributor to the Group starting this financial year. The Group expects to see marked increase in operational efficiency of its pipe rehabilitation business, putting CPT among leading pipe technology companies in the world. In the coming few years, the management will focus on expanding sales to drive profitability. CPT will continue to invest in its sales and distribution network and new products, mainly in the US and selected European and Asian markets, to enhance its medium and long term return.

During the period under review, the total value of the Group's building construction and civil engineering works on hand amounted to approximately HK$780 million. Affected by market competition, contribution from this sector declined slightly. New building construction contracts undertaken during the period included the Hong Kong Community College Development at Hong Kong Polytechnic University, which is expected to be completed in mid-2007.

Contribution from the environmental, electrical and mechanical engineering divisions improved with all projects on hand progressing smoothly. The environmental contracts included enhancement of the Hypochlorite Dosing Plant for CLPP Power Station and the supply and installation of Combined Heat and Power Generating Set System at the Shek Wu Hui Sewage Treatment Works. A new project – the supply and installation of electrical and mechanical equipment for the Tai Po Sewage Treatment Works Stage V Phase 1 – was secured during the period. The electrical and mechanical contracts on hand included that for a hotel development in Hunghom Bay, mechanical installation for Wynn Resorts and HVAC System Installation for Grand Lisboa Hotel and Casino in Macau.

Insurance and Investment

During the period under review, the turnover of this sector increased from last year's HK$126 million to HK$533 million. The investment division contributed HK$435 million more while the insurance division brought in HK$28 million less than the previous period. While the insurance underwriting business was adversely affected by keen market competition and thus only made a slight profit, the investment business recorded significant gains as the equity market recovered strongly during the period. Currently, the majority of the Group's investments are in fixed income and structured deposits. The management will continue to maintain a balanced portfolio so as to generate stable income and capture reasonable returns from its investments in the medium to long term.

Property and Hotel

During the period under review, the turnover of this sector increased from HK$184 million to HK$397 million. The overall performance of this segment improved mainly due to the sales contribution from Chevalier Place in Shanghai and buttress of the recovering property market in Hong Kong.

Capitalising on the bullish climate of the PRC property market early this year before the Chinese government stepped up its economic austerity measures, the Group unloaded two-third of the units of its luxury residential property Chevalier Place in Shanghai, generating total proceeds of approximately HK$500 million, of which HK$254 million was booked for the current period. In addition, the storage capacity of the Group's 18-storey cold storage warehouse in Kwai Chung was fully occupied during the period, and rental from its other investment properties in Hong Kong and overseas also improved.

The Group cautiously expanded its real estate development projects in selected cities on the Mainland. Adding to its portfolio was the recent acquisition of 44% interest in a residential property project in the Beijing Feng Rui Residential area. The luxury villa development project will have a total floor area of approximately 200,000 sq.m. The Group has forged partnerships with various local and Hong Kong companies in Chengdu, Shenzhen, Beijing and Dongguan for residential and commercial property development projects. The total gross floor area of these projects is estimated at over 1.8 million sq.m. and some of those projects are expected to start contributing revenue from 2007.

Other Businesses

During the period under review, the profit of the computer and information communications technology business increased from HK$1.5 million to HK$11 million. Such performance was the result of the steady growth of the notebook computer division, recovery of the business machine division and efficient cost control.

The Group's first step into the lifestyle food and beverage business through the acquisition of Pacific Coffee has been very successful. Despite the significant increase in market rents, Pacific Coffee was able to continue to find and establish profitable stores. Currently, it has 42 stores in Hong Kong, 6 in Singapore and 1 in Beijing. In addition to establishing foothold in the PRC market in Beijing and Shanghai initially, Pacific Coffee will focus on building a strong regional team and local management teams to ensure quality in the long term. The Group expects its food and beverage business to become the major growth engine of this segment in the coming years.

PROSPECTS

The Group continued to benefit from its diversified business portfolio during the last few years adding to its new recurring income streams. Our view has been that asset value surges would have the support of strong economic fundamentals and we saw affirmation in the strong GDP growth in Hong Kong recorded during the interim period. Although surging oil price and interest rates have exerted pressure on corporate earnings, the impacts are expected to be compensated by the surge in asset value. In addition, as cooperation between Hong Kong and the Mainland increases, recovery of the Hong Kong economy is expected to continue and Hong Kong stands prime to benefit from opportunities in the rapidly developing China economy.

The inflationary trend is gaining momentum in Hong Kong and the Group expects it to continue into next year. Ongoing strong employment and wage growth will buffer interest rate hike and provide strong and solid foundation for economy growth in the coming year. As there is often a time lag between increase in construction activities and the turnaround of the local economy, the Group expects to see an increase in construction related contracts in 2007 and will focus on securing them. With the contribution from the lifestyle food and beverage business it acquired in May this year, and rising demand for residential properties in second tier cities on the Mainland which it is serving, the Group is all geared up to bring maximum returns to its shareholders in the coming year.

FINANCIAL REVIEW

As at 30th September, 2005, the Group's total net assets attributable to equity holders of the Company amounted to HK$2,666 million (HK$2,533 million as at 31st March, 2005).

As at 30th September, 2005, total debt to equity ratio was 71% (67% as at 31st March, 2005) and net debt to equity ratio was 28% (17% 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$2,666 million (HK$2,533 million as at 31st March, 2005).

As at 30th September, 2005, the Group's bank and other borrowings amounted to HK$1,887 million (HK$1,688 million as at 31st March, 2005). Cash and deposit at bank including pledged deposits amounted to HK$1,139 million (HK$1,260 million as at 31st March, 2005) and hence net borrowings amounted to HK$748 million (HK$428 million as at 31st March, 2005). 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$100 million are hedged to fixed rates through Interest Rate Swap Agreements (HK$100 million as at 31st March, 2005).

FINANCIAL REVIEW *(Continued)*

Finance costs for the period amounted to HK$34 million, (HK$10 million for the corresponding period last year). The increase was due to increases in both the total borrowings and interest rates.

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.

The Company had contingent liabilities in respect of guarantees issued for banking facilities granted to subsidiaries amounting to HK$385 million (HK$765 million as at 31st March, 2005).

The Company has provided financial assistance to, and guarantees for banking facilities granted to, affiliated companies as at 30th September, 2005, which together in aggregate amounted to HK$226.98 million as loans and HK$100 million as guarantees granted. These amounts represented a percentage ratio of approximately 14.95% as at 30th September, 2005 and exceeded the relevant percentage ratios of 8% under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing Rules"). In accordance with the Rule 13.22 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30th September, 2005 are presented below:

	30th September, 2005	
	Proforma combined balance sheet *HK$ Million*	**The Group's attributable interest** *HK$ Million*
Non-current assets	115	57
Current assets	323	155
Current liabilities	(97)	(48)
Non-current liabilities	(41)	(20)
Shareholders' advances	(271)	(227)
	29	(83)

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 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

		Number of ordinary shares			
Name of Directors	**Capacity**	**Personal interests**	**Family interests**	**Total**	**Approximate percentage of interest**
					(%)
CHOW Yei Ching	Beneficial owner	146,244,359*	–	146,244,359	52.50
KUOK Hoi Sang	Beneficial owner	98,216	–	98,216	0.04
FUNG Pak Kwan	Beneficial owner	93,479	–	93,479	0.03
TAM Kwok Wing	Beneficial owner	169,015	32,473	201,488	0.07
KAN Ka Hon	Beneficial owner	29,040	–	29,040	0.01
HO Chung Leung	Beneficial owner	40,000	–	40,000	0.01

* *Dr CHOW Yei Ching beneficially owned 146,244,359 shares of the Company, representing approximately 52.5% of the issued share capital of the Company. 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	Corporate interests	Family interests	Total	Approximate percentage of interest (%)
CHOW Yei Ching	Chevalier iTech Holdings Limited ("CiTL")	Beneficial owner and Interest of controlled corporation	6,815,854	104,102,933*	–	110,918,787	64.73
KUOK Hoi Sang	CiTL	Beneficial owner	2,400,000	–	–	2,400,000	1.40
FUNG Pak Kwan	CiTL	Beneficial owner	2,580,000	–	–	2,580,000	1.50
TAM Kwok Wing	CiTL	Beneficial owner	400,000	–	10,400	410,400	0.24
KAN Ka Hon	CiTL	Beneficial owner	451,200	–	–	451,200	0.26

* *Dr CHOW Yei Ching had notified CiTL that under the SFO, he was deemed to be interested in 104,102,933 shares in CiTL which were all held by the Company as Dr Chow beneficially owned 146,244,359 shares, representing approximately 52.5% of the issued share capital of the Company.*

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 CIHL Scheme") was approved by the shareholders of the Company on 20th September, 2002. Another share option scheme of CiTL, the subsidiary of the Company ("the CiTL Scheme") was also approved by the shareholders of CiTL and the shareholders of the Company on 20th September, 2002. The CIHL Scheme and the CiTL Scheme fully comply with Chapter 17 of the Listing Rules. As at 30th September, 2005, no share option was granted, exercised, cancelled or lapsed under the CIHL Scheme and the CiTL Scheme. There was no outstanding option under the CIHL Scheme and the CiTL 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	146,244,359	52.5
Miyakawa Michiko	146,244,359 *(Note)*	52.5

Note: Under Part XV of the SFO, Ms Miyakawa Michiko, the spouse of Dr Chow, is deemed to be interested in the same parcel of 146,244,359 shares held by Dr Chow.

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 CiTL at no time during the period was the Company or any of its 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 4,560 full time staff globally. Total staff costs amounted to approximately HK$354 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 WONG Wang Fat, Andrew, CHOW Ming Kuen, Joseph and LI Kwok Heem, John, all the Independent Non-Executive Directors of the Company, met twice in the year. During the period, the Audit Committee has reviewed with the 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 another 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 and Managing Director

Hong Kong, 15th December, 2005

website: http://www.chevalier.com