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CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 25)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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 30 September 2014, together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		Unaudited	
		Six months ended 30 September	
		2014	2013
	Note	HK\$'000	HK\$'000
Revenue	3	2,181,385	2,061,661
Cost of sales		<u>(1,564,911)</u>	<u>(1,514,002)</u>
Gross profit		616,474	547,659
Other income, net	4	63,370	78,326
Other gains, net	5	28,406	2,349
Selling and distribution costs		<u>(255,776)</u>	<u>(244,373)</u>
Administrative expenses		<u>(104,466)</u>	<u>(111,605)</u>
Operating profit		348,008	272,356
Share of results of associates		63,369	53,939
Share of results of joint ventures		<u>(13,561)</u>	<u>(3,096)</u>
		<u>397,816</u>	<u>323,199</u>
Finance income	6	10,718	7,794
Finance costs	6	<u>(58,204)</u>	<u>(58,965)</u>
Finance costs, net	6	<u>(47,486)</u>	<u>(51,171)</u>
Profit before taxation	7	350,330	272,028
Income tax expenses	8	<u>(61,080)</u>	<u>(44,782)</u>
Profit for the period		<u>289,250</u>	<u>227,246</u>

		Unaudited	
		Six months ended 30 September	
		2014	2013
	Note	HK\$'000	HK\$'000
Attributable to:			
Equity holders of the Company		263,116	209,368
Non-controlling interests		26,134	17,878
		<u>289,250</u>	<u>227,246</u>
Earnings per share			
– basic (HK\$ per share)	9	<u>0.90</u>	<u>0.74</u>
– diluted (HK\$ per share)	9	<u>0.90</u>	<u>0.74</u>
Dividend	10	<u>59,409</u>	<u>58,038</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Unaudited	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period	289,250	227,246
Other comprehensive (expenses)/income for the period		
Item that may not be reclassified to profit or loss		
Release upon disposal of a property for own use	–	(123)
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translation of operations of overseas subsidiaries, associates and joint ventures	13,949	29,814
Change in fair value of available-for-sale investments, net	(17,444)	(16,331)
Fair value adjustments on the derivative financial instruments designated as cash flow hedge in respect of interest rate swap contracts	(1,235)	1,952
Other comprehensive (expenses)/income for the period, net of tax	(4,730)	15,312
Total comprehensive income for the period	284,520	242,558
Attributable to:		
Equity holders of the Company	257,316	222,356
Non-controlling interests	27,204	20,202
	284,520	242,558

Note: Items shown within other comprehensive (expenses)/income are disclosed net of tax.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014**

	Note	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Non-current assets			
Investment properties		3,691,044	3,646,873
Property, plant and equipment		2,090,630	2,094,523
Goodwill		690,918	681,743
Other intangible assets		19,448	26,199
Interests in associates		799,465	749,811
Interests in joint ventures		1,599,315	1,507,333
Available-for-sale investments		415,395	456,041
Properties under development		778,332	757,459
Deferred tax assets		32,291	33,856
Other non-current assets		147,527	133,859
		<u>10,264,365</u>	<u>10,087,697</u>
Current assets			
Amounts due from associates		17,320	318,122
Amounts due from joint ventures		79	128,799
Amounts due from non-controlling interests		29,004	20,281
Investments at fair value through profit or loss		323,857	320,732
Inventories		136,175	169,506
Properties for sale		44,506	54,808
Properties under development		508,109	410,748
Debtors, deposits and prepayments	11	1,068,231	1,025,520
Amounts due from customers for contract work		145,330	171,754
Derivative financial instruments		20,684	10,342
Prepaid tax		6,694	6,282
Bank balances and cash		1,681,328	1,200,835
		<u>3,981,317</u>	<u>3,837,729</u>

		Unaudited	Audited
		30 September	31 March
		2014	2014
	Note	HK\$'000	HK\$'000
Current liabilities			
Amount due to an associate		29,372	29,372
Amount due to a non-controlling interest		4,154	4,154
Dividend payable to a non-controlling interest		–	1,400
Amounts due to customers for contract work		593,496	549,509
Derivative financial instruments		3,079	7,094
Dividend payable		190,368	–
Creditors, bills payable, deposits and accruals	12	1,396,537	1,214,569
Unearned insurance premiums and unexpired risk reserves		126,491	126,170
Outstanding insurance claims		367,516	368,327
Deferred income		22,335	23,250
Current income tax liabilities		84,989	53,591
Bank and other borrowings		978,015	653,968
		<u>3,796,352</u>	<u>3,031,404</u>
Net current assets		<u>184,965</u>	<u>806,325</u>
Total assets less current liabilities		<u>10,449,330</u>	<u>10,894,022</u>
Capital and reserves			
Share capital		366,093	366,093
Reserves		6,314,662	6,248,138
Shareholders' funds		6,680,755	6,614,231
Non-controlling interests		485,861	462,568
Total equity		<u>7,166,616</u>	<u>7,076,799</u>
Non-current liabilities			
Unearned insurance premiums		127,785	141,715
Bank and other borrowings		2,890,812	3,413,087
Deferred tax liabilities		264,117	262,421
		<u>3,282,714</u>	<u>3,817,223</u>
Total equity and non-current liabilities		<u>10,449,330</u>	<u>10,894,022</u>

NOTES

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2 PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 March 2014, as described in those annual financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

The following interpretation and amendments to existing standards, that are relevant to the Group’s operation, are mandatory for the financial year of the Group beginning on 1 April 2014:

- HKAS 32 (amendment), “Offsetting financial assets and financial liabilities”
- HKAS 36 (amendment), “Recoverable amount disclosures for non-financial assets”
- HKAS 39 (amendment), “Novation of derivatives and continuation of hedge accounting”
- HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment) “Investment entities”
- HK(IFRIC) – Int 21, “Levies”

The adoption of the interpretation and amendments to existing standards does not have significant impact on the Group’s results of operation and financial position nor any substantial changes in the Group’s accounting policies and the presentation of the condensed consolidated interim financial statements.

The following new or revised standards and amendments and improvements to existing standards, that are relevant to the Group's operation, have been issued but not yet effective for the financial year of the Group beginning on 1 April 2014 and have not been early adopted:

- HKAS 16 and HKAS 38 (amendment), "Clarification of acceptable methods of depreciation and amortisation"³
- HKAS 19 (2011) (amendment), "Defined benefit plans – Employee contributions"²
- HKAS 27 (2011) (amendment), "Separate Financial Statements – Equity method in separate financial statements"³
- HKAS 28 and HKFRS 10 (amendment), "Sale or contribution of assets between an investor and its associate or joint venture"³
- HKFRS 9, "Financial instruments"⁵
- HKFRS 9, "Financial instruments (Hedge accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)"⁵
- HKFRS 11 (amendment), "Accounting for acquisition of interests in joint operation"³
- HKFRS 14, "Regulatory deferral accounts"³
- HKFRS 15, "Revenue from contracts with customers"⁴
- Annual Improvements Project – Improvements to HKFRS 2010-2012 Cycle¹
- Annual Improvements Project – Improvements to HKFRS 2011-2013 Cycle²
- Annual Improvements Project – Improvements to HKFRS 2012-2014 Cycle³

¹ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

² Effective for annual periods beginning on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of assessing the related impact of these new or revised standards and amendments and improvements to existing standards to the Group but is not yet in a position to state whether there will be any substantial changes to the Group's significant accounting policies and presentation of financial information.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2014.

3 SEGMENT INFORMATION

Revenue and results

For management purposes, the Group is organised on a worldwide basis into five divisions. These divisions are the basis on which the Group reports its segment information.

Reportable segment information is presented below.

	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property HK\$'000	Food and beverage HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended						
30 September 2014						
REVENUE						
Total revenue	881,022	94,258	583,037	293,294	379,009	2,230,620
Inter-segment revenue	–	(19,585)	(23,663)	–	(5,987)	(49,235)
Group revenue	881,022	74,673	559,374	293,294	373,022	2,181,385
Share of revenue of associates and joint ventures	1,189,783	–	41,817	50,505	1,213,235	2,495,340
Proportionate revenue from a joint venture eliminated	(7,055)	–	–	–	–	(7,055)
Segment revenue	2,063,750	74,673	601,191	343,799	1,586,257	4,669,670
RESULTS						
Segment profit	130,376	42,101	207,502	23,527	8,696	412,202
Included in segment profit are:						
Share of results of associates	56,417	–	71	4,277	2,604	63,369
Share of results of joint ventures	68	–	(13,629)	–	–	(13,561)
Increase in fair value of investment properties	–	–	28,880	–	–	28,880
Depreciation and amortisation, net of capitalisation	(3,314)	(116)	(34,663)	(14,295)	(4,236)	(56,624)
Impairment loss on amounts due from associates	–	–	–	(307)	–	(307)
Impairment loss on amounts due from joint ventures	–	–	(6,720)	–	–	(6,720)
Unrealised gain on investments at fair value through profit or loss	–	9,993	–	–	–	9,993
Write back/(down) of inventories to net realisable value	293	–	–	–	(1,670)	(1,377)
Impairment loss (recognised)/written back on trade and other debtors	(634)	94	(1,284)	–	(3,205)	(5,029)
Unrealised (loss)/gain on derivative financial instruments	(360)	–	–	2,073	14,054	15,767

	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property HK\$'000	Food and beverage HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended 30 September 2013						
REVENUE						
Total revenue	805,452	138,402	492,454	282,187	383,969	2,102,464
Inter-segment revenue	–	(10,277)	(23,728)	–	(6,798)	(40,803)
Group revenue	805,452	128,125	468,726	282,187	377,171	2,061,661
Share of revenue of associates and joint ventures	1,118,922	–	48,362	48,943	1,096,661	2,312,888
Proportionate revenue from a joint venture eliminated	(11,700)	–	–	–	–	(11,700)
Segment revenue	1,912,674	128,125	517,088	331,130	1,473,832	4,362,849
RESULTS						
Segment profit/(loss)	143,118	55,657	131,177	7,961	(1,322)	336,591
Included in segment profit/(loss) are:						
Share of results of associates	61,882	–	141	(5,245)	(2,839)	53,939
Share of results of joint ventures	411	–	(3,507)	–	–	(3,096)
Depreciation and amortisation, net of capitalisation	(3,100)	(779)	(29,435)	(13,874)	(2,754)	(49,942)
Impairment loss on amount due from an associate	–	–	–	(977)	–	(977)
Unrealised gain on investments at fair value through profit or loss	–	17,241	–	–	–	17,241
Write down of inventories to net realisable value	(39)	–	–	–	(1,091)	(1,130)
Impairment loss (recognised)/written back on trade and other debtors	(1,170)	(27)	(1,693)	–	161	(2,729)
Unrealised gain/(loss) on derivative financial instruments	–	7,338	–	5,685	(182)	12,841

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

Reconciliation of segment profit to profit before taxation is provided as follows:

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Segment profit	412,202	336,591
Unallocated corporate expenses	(14,386)	(13,392)
Finance income	10,718	7,794
Finance costs	(58,204)	(58,965)
Profit before taxation	350,330	272,028

Assets and liabilities

	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property HK\$'000	Food and beverage HK\$'000	Others HK\$'000	Total HK\$'000
As at 30 September 2014						
ASSETS						
SEGMENT ASSETS	<u>1,376,998</u>	<u>1,238,332</u>	<u>9,928,701</u>	<u>341,003</u>	<u>808,850</u>	<u>13,693,884</u>
Included in segment assets are:						
Interests in associates	448,883	–	30,709	45,435	274,438	799,465
Interests in joint ventures	11,523	–	1,587,792	–	–	1,599,315
Amounts due from associates	13,426	–	50	451	3,393	17,320
Amounts due from joint ventures	79	–	–	–	–	79
Additions to non-current assets (Note)	<u>8,739</u>	<u>52</u>	<u>76,813</u>	<u>23,144</u>	<u>3,261</u>	<u>112,009</u>
LIABILITIES						
SEGMENT LIABILITIES	<u>1,071,662</u>	<u>639,496</u>	<u>793,914</u>	<u>82,680</u>	<u>49,834</u>	<u>2,637,586</u>
Included in segment liabilities are:						
Amount due to an associate	<u>–</u>	<u>–</u>	<u>29,372</u>	<u>–</u>	<u>–</u>	<u>29,372</u>
As at 31 March 2014						
ASSETS						
SEGMENT ASSETS	<u>1,246,655</u>	<u>1,182,600</u>	<u>9,578,653</u>	<u>329,720</u>	<u>1,161,916</u>	<u>13,499,544</u>
Included in segment assets are:						
Interests in associates	423,806	–	30,627	41,553	253,825	749,811
Interests in joint ventures	11,454	–	1,495,879	–	–	1,507,333
Amounts due from associates	14,593	–	38	20,222	283,269	318,122
Amounts due from joint ventures	64	–	128,735	–	–	128,799
Additions to non-current assets (Note)	<u>8,209</u>	<u>96</u>	<u>158,685</u>	<u>13,126</u>	<u>7,372</u>	<u>187,488</u>
LIABILITIES						
SEGMENT LIABILITIES	<u>1,003,350</u>	<u>655,327</u>	<u>608,506</u>	<u>98,467</u>	<u>64,514</u>	<u>2,430,164</u>
Included in segment liabilities are:						
Amount due to an associate	<u>–</u>	<u>–</u>	<u>29,372</u>	<u>–</u>	<u>–</u>	<u>29,372</u>

Note: In this analysis, the non-current assets exclude financial instruments (including interests in associates and joint ventures) and deferred tax assets.

Reconciliation of segment assets and liabilities to total assets and liabilities is provided as follows:

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Segment assets	13,693,884	13,499,544
Prepaid tax	6,694	6,282
Unallocated bank balances and cash	510,184	383,115
Deferred tax assets	32,291	33,856
Other unallocated assets	2,629	2,629
	<hr/>	<hr/>
Total assets	14,245,682	13,925,426
	<hr/> <hr/>	<hr/> <hr/>
	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Segment liabilities	2,637,586	2,430,164
Current income tax liabilities	84,989	53,591
Bank and other borrowings	3,868,827	4,067,055
Deferred tax liabilities	264,117	262,421
Dividend payable	190,368	–
Other unallocated liabilities	33,179	35,396
	<hr/>	<hr/>
Total liabilities	7,079,066	6,848,627
	<hr/> <hr/>	<hr/> <hr/>

Geographical information

The Group's operations in construction and engineering are mainly located in Mainland China, Hong Kong, Australia and Macau. Insurance and investment business is mainly conducted in Hong Kong. Property business is mainly carried out in Mainland China, Hong Kong, the United States of America ("US"), Canada and Singapore. Food and beverage business is carried out in Hong Kong, Australia and Macau. Other businesses are mainly carried out in Hong Kong, US, Canada and Thailand.

The associates' and joint ventures' operations in construction and engineering are mainly located in Mainland China, Hong Kong, Macau and Singapore. Property business is mainly carried out in Mainland China and Hong Kong. Food and beverage business is carried out in Mainland China and Hong Kong. Other businesses are carried out in Mainland China and Australia.

Segment revenue by geographical areas

	Six months ended 30 September 2014				Six months ended 30 September 2013			
	Company and subsidiaries	Associates and joint ventures	Total	%	Company and subsidiaries	Associates and joint ventures	Total	%
	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	
Mainland China	39,967	1,429,946	1,469,913	31	30,075	1,254,802	1,284,877	29
Hong Kong	1,125,085	208,886*	1,333,971	29	1,124,722	245,128*	1,369,850	32
Australia	85,190	647,793	732,983	15	101,626	665,829	767,455	18
Macau	340,045	26,546	366,591	8	233,841	3,676	237,517	5
US	315,667	-	315,667	7	298,985	-	298,985	7
Canada	235,264	-	235,264	5	215,245	-	215,245	5
Singapore	6,869	174,851	181,720	4	6,383	131,480	137,863	3
Thailand	26,536	-	26,536	1	45,232	-	45,232	1
Others	6,762	263	7,025	-	5,552	273	5,825	-
	<u>2,181,385</u>	<u>2,488,285</u>	<u>4,669,670</u>	<u>100</u>	<u>2,061,661</u>	<u>2,301,188</u>	<u>4,362,849</u>	<u>100</u>

* The proportionate revenue from a joint venture is eliminated.

The Group maintains a healthy and balanced portfolio of customers. No customer is accounted for 10% or more of the total revenue of the Group for the six months ended 30 September 2014 (2013: nil).

4 OTHER INCOME, NET

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Included in other income, net are:		
Gain/(loss) on investments at fair value through profit or loss		
– held-for-trading	10,604	20,509
– designated upon initial recognition	(694)	546
Gain on derivative financial instruments	8,963	13,509
Other investment income	2,093	5,158
Commission income	5,533	5,161
Management fee income from associates and joint ventures	14,649	13,636
Sales and marketing services income from an associate	12,000	11,426
Interest income from an associate	3,623	-
	<u>58,165</u>	<u>70,375</u>

5 OTHER GAINS, NET

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Included in other gains, net are:		
Gain/(loss) on disposal of subsidiaries	17,003	(1,223)
Increase in fair value of investment properties	28,880	–
(Loss)/gain on disposal of property, plant and equipment	(565)	9,736
Impairment loss on amounts due from associates	(307)	(977)
Impairment loss on amounts due from joint ventures	(6,720)	–
Impairment loss on trade and other debtors	(5,029)	(2,729)
Exchange loss	(4,654)	(2,462)
	<u>17,003</u>	<u>(1,223)</u>

6 FINANCE COSTS, NET

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Interest expenses on bank overdrafts and bank and other borrowings wholly repayable within five years	44,241	70,054
Interest expenses on bank and other borrowings not wholly repayable within five years	18,414	494
Less: Amounts capitalised to properties under development (Note)	(4,451)	(11,583)
	<u>58,204</u>	<u>58,965</u>
Less: Interest income from bank deposits	(10,718)	(7,794)
	<u>47,486</u>	<u>51,171</u>

Note: The capitalisation rate applied to funds borrowed and used for the development of properties was at 5.9% per annum during the six months ended 30 September 2014 (2013: between 5.9% and 7.0%).

7 **PROFIT BEFORE TAXATION**

Six months ended
30 September
2014 2013
HK\$'000 HK\$'000

Profit before taxation has been arrived at after charging the following:

Cost of inventories recognised as expenses	400,067	378,748
Write down of inventories to net realisable value	1,377	1,130
Staff costs	511,103	476,897
Less: Amounts capitalised to contract work	(69,225)	(54,987)
	441,878	421,910
Operating lease payments in respect of leasing of		
– premises	46,090	43,924
– premises under contingent rent	2,594	1,324
– equipment	1,377	530
	50,061	45,778
Depreciation of property, plant and equipment	54,463	47,781
Less: Amounts capitalised to contract work	(903)	(830)
	53,560	46,951
Amortisation of other intangible assets	3,064	2,991
Acquisition-related expenses	–	7,291
	—————	—————

8 INCOME TAX EXPENSES

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Current tax		
Hong Kong	40,909	29,722
Mainland China and overseas	14,728	16,105
Under/(over)-provision in prior years	2,175	(602)
	57,812	45,225
Deferred tax		
Origination and reversal of temporary differences	3,268	(443)
	61,080	44,782

Hong Kong profits tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits. Taxation on Mainland China and overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of HK\$263,116,000 (2013: HK\$209,368,000) by the weighted average number of 292,874,003 (2013: 281,386,811) ordinary shares in issue during the period.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. As at 30 September 2014, an associate of the Group had potential ordinary shares which were issuable upon exercise of share option granted. There were no potential dilutive effects from such share option during the period (2013: nil).

10 DIVIDEND

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Interim dividend of HK\$0.20 (2013: HK\$0.20) per share	59,409	58,038

On 27 November 2014, the Board of Directors declared an interim dividend of HK\$0.20 per share, with an option to receive shares of the Company. The interim dividend is not reflected as a dividend payable in these condensed consolidated interim financial statements, but will be reflected as an appropriation of the retained profits for the year ending 31 March 2015.

The 2013/14 final dividend of HK\$0.65 per share, totalling HK\$190,368,000, was approved at the annual general meeting held on 29 August 2014 and paid on 11 November 2014. The final dividend had been reflected as an appropriation of the retained profits for the six months ended 30 September 2014.

11 DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Trade debtors	523,927	495,804
Less: Provision for impairment	<u>(20,653)</u>	<u>(19,920)</u>
Trade debtors, net	----- 503,274	----- 475,884
Retention receivables	212,155	204,516
Less: Provision for impairment	<u>(33,570)</u>	<u>(33,570)</u>
Retention receivables, net	----- 178,585	----- 170,946
Other debtors, deposits and prepayments	----- 386,372	----- 378,690
	<u>1,068,231</u>	<u>1,025,520</u>

The Group has established different credit policies for customers in each of its core businesses. The average credit period granted to trade debtors is 60 days, except for insurance business where credit term granted to certain debtors are over 60 days.

The ageing analysis of trade debtors is as follows:

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
0 – 60 days	360,646	296,405
61 – 90 days	21,724	23,264
Over 90 days	<u>120,904</u>	<u>156,215</u>
	<u>503,274</u>	<u>475,884</u>

12 CREDITORS, BILLS PAYABLE, DEPOSITS AND ACCRUALS

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Trade creditors and bills payable	168,259	213,510
Deposits received	549,563	391,113
Retention payables	114,152	106,039
Accrued contract costs	118,884	121,544
Other creditors and accruals	445,679	382,363
	<u>1,396,537</u>	<u>1,214,569</u>

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

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
0 – 60 days	147,185	193,294
61 – 90 days	6,028	4,944
Over 90 days	15,046	15,272
	<u>168,259</u>	<u>213,510</u>

13 ACQUISITION AND DISPOSAL OF BUSINESSES

(a) Acquisition of 51% equity interest in WPGC

On 30 December 2013, CL Holdings Limited (“CL Holdings”, a 60% owned subsidiary of the Company) received a six-month notice from World Pointer Limited, an independent third party, in exercising its put option to sell its 51% equity interest in Eastech Limited, Giant Ocean (H.K.) Limited and Grand Concept (Hong Kong) Limited (collectively, “WPGC”) to CL Holdings pursuant to an option agreement dated 21 December 2010. On 4 July 2014, CL Holdings completed the acquisition of this remaining 51% equity interest in WPGC at a cash consideration of HK\$25,000,000 and WPGC had become 60% owned subsidiaries of the Company.

(b) Share subscriptions of CAAM Limited (“CAAM”)

The Group subscribed 5,000,000 ordinary shares (of which 500 and 4,999,500 ordinary shares were allotted on 12 October 2012 and 8 April 2013 respectively, in total representing approximately 38.46% of all the issued ordinary shares) and 29,471,104 preference shares (of which 28,143,000 and 1,328,104 preference shares were allotted on 8 April 2013 and 16 April 2013, in total representing 100% of all the issued preference shares) of CAAM at aggregated cash considerations of AUD5,000,000 and AUD29,471,000 (equivalent to approximately HK\$40,450,000 and HK\$238,421,000) respectively. The preference shares are convertible into ordinary shares of CAAM on a 1:1 basis.

CAAM also completed its acquisition of 70% equity interest in Moraitis Group Pty Limited (together with its subsidiaries, being a fruit and vegetable grower-aggregator and a fresh produce supplier in Australia) from independent third parties on 8 April 2013.

The ordinary shares in CAAM are accounted for as interest in an associate and the convertible preference shares in CAAM are accounted for as available-for-sale investments.

(c) **Acquisition of senior housing business**

Pursuant to the agreements dated 4 June 2013 and 1 July 2013, the Group acquired two businesses operating senior housing communities separately in North Carolina, US from independent third parties at aggregated cash considerations of US\$4,500,000 and US\$4,150,000 (equivalent to approximately HK\$34,875,000 and HK\$32,163,000) respectively. The acquisitions were completed on 12 June 2013 and 1 July 2013 respectively.

(d) **Disposal of 20% equity interest in Pacific Coffee (Holdings) Limited**

Pursuant to the shareholders' agreement dated 7 July 2010, the Group had a put option in relation to the disposal of its 20% equity interest in Pacific Coffee (Holdings) Limited at an exercise price of HK\$81,660,000. The Group had exercised its put option and the transaction was completed on 11 June 2013.

14 CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of guarantees issued for utilised borrowings in relation to:

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Banking facilities granted to associates	71,710	98,818
Banking facilities granted to a joint venture	148,832	136,235
Banking facilities granted to a joint venture partner	168,300	168,300
Guarantees given to banks for mortgage facilities granted to certain buyers of properties	<u>267,561</u>	<u>158,313</u>
	<u>656,403</u>	<u>561,666</u>

The Group's share of contingent liabilities of its joint ventures was as follows:

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Guarantees given to banks for mortgage facilities granted to certain buyers of the joint ventures' properties	<u>7,639</u>	<u>25,318</u>

15 COMMITMENT

The Group had commitment as follows:

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Contracted but not provided for in the condensed consolidated financial statements in respect of		
– acquisition of plant and equipment	2,402	1,797
– a property development project	<u>332,940</u>	<u>346,477</u>
	335,342	348,274
Authorised but not contracted for in respect of a property development project	<u>1,691,415</u>	<u>1,757,417</u>
	<u><u>2,026,757</u></u>	<u><u>2,105,691</u></u>

The Group's share of commitment of its joint ventures was as follows:

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Contracted but not provided for	146,119	113,875
Authorised but not contracted for	<u>408,477</u>	<u>430,971</u>
	<u><u>554,596</u></u>	<u><u>544,846</u></u>

16 EVENT AFTER THE END OF THE REPORTING PERIOD

Pursuant to a conditional provisional agreement dated 11 November 2014, the Group has conditionally agreed to dispose of 100% equity interest in Peak Gain Limited (a wholly owned subsidiary of the Company) to an independent third party, at an aggregate cash consideration of HK\$1,413,000,000 (subject to adjustment). Peak Gain Limited is principally engaged in property holding and its material asset is a property located at New Kowloon Inland Lot No. 5972.

Pursuant to the same agreement, the independent third party has also agreed to lease the property back to the Group for a period of three years from the completion date at a monthly rental of HK\$2,100,000 for the first year and HK\$3,200,000 for each of the second and third years.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK\$0.20 (2013: HK\$0.20) per share for the six months ended 30 September 2014 to shareholders whose names appear on the Register of Members of the Company on Friday, 19 December 2014. The interim dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares of HK\$1.25 each in the share capital of the Company in lieu of cash, or partly in cash and partly in shares under the scrip dividend scheme (the “Scrip Dividend Scheme”). The circular containing details of the Scrip Dividend Scheme and the relevant election form will be sent to shareholders on or about Tuesday, 13 January 2015. The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Interim dividend will be distributed and the share certificates issued under the Scrip Dividend Scheme will be sent to shareholders on or about Monday, 9 February 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 16 December 2014 to Friday, 19 December 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group’s unaudited interim results for the six months ended 30 September 2014 recorded an increase in both revenue and profit compared to the same period last year. Revenue of the Group rose from HK\$2,062 million for the six months ended 30 September 2013 to HK\$2,181 million mainly due to the increase in the Group’s revenue from the construction and engineering segment and the property segment. Total segment revenue, which includes the Group’s share of revenue of associates and joint ventures, also grew to HK\$4,670 million from HK\$4,363 million. Thanks to the contribution from property segment, profit for the period under review increased to HK\$289 million from HK\$227 million for the corresponding period last year. Profit attributable to the Company’s equity holders reached HK\$263 million (2013: HK\$209 million) and earnings per share to HK\$0.90 (2013: HK\$0.74) for the period.

Construction and Engineering

The segment reported revenue of HK\$2,064 million, an increase of 7.9% from HK\$1,913 million when compared to the same period last year. Segment profit recorded a decrease of 9.1% to HK\$130 million (2013: HK\$143 million). The revenue growth was mainly due to the increase in the contracts for building construction and electrical and mechanical engineering divisions and lift and escalator associates. The booming construction market in Hong Kong and the rapid development of casinos and integrated resorts in Macau bring a lot of opportunities on business growth for building construction and electrical and mechanical engineering divisions. In addition, lift and escalator associates continue to develop and maintain a steady growth in Hong Kong and Singapore. Nevertheless, loss accrued in pipe technology projects reduced the profit of this segment for the period under review.

Total value of the outstanding construction and engineering contracts in hand of the Group's subsidiaries amounted to HK\$4,531 million. Major contracts are:

1. Construction of the superstructure works at TL117 Tseung Kwan O;
2. Construction of Sports Centre at Tsing Yi;
3. On-Campus expansion of The Hong Kong Academy for Performing Arts;
4. Electrical at mechanical works for Galaxy Phase 2 and Wynn Palace in Macau;
5. Design, supply and installation of curtain walls for Area 66 D1, Tseung Kwan O; and
6. Expansion of Tai Po Water Treatment Works Stream II.

Insurance and Investment

Revenue for insurance and investment segment dropped during the recorded period, to HK\$74.7 million from HK\$128 million in 2013. Segment profit dropped from HK\$55.7 million to HK\$42.1 million when compared with same period last year. Decline in revenue was due to the decrease in gross written premium of employees' compensation insurance while the decrease in profit was caused by the reduction in gain on securities investments after a scale down of equity securities investments in the last financial year.

Property

During the period under review, the property segment's revenue increased by 16.2% from HK\$517 million to HK\$601 million. The steady growth in senior housing business and the disposal of properties in Chevalier House for the period contributed to the rise in revenue. Other businesses in the property segment such as property management business and cold storage and logistics business have maintained a steady income stream to the Group during the period under review. Segment profit also reached HK\$208 million, including a revaluation gain on investment properties of HK\$28.9 million (2013: nil), an increase of 58.8% from HK\$131 million when compared to same period last year.

During the period under review, several senior housing facilities in the US has undergone major renovations. Occupancy rate of those facilities recorded an increase from 82% at the end of March this year to 85% at the period end. Two additional US Government insured fixed rate loans were completed in May and the Group has now 17 facilities on fixed rate loan of 25 to 35 years maturity. As at 30 September 2014, the Group operated a total of 23 senior housing facilities, providing comfortable and caring environments for the senior residents.

Mainland China property development business was still affected by the cooling measures during the period under review. Sales of the property projects "My Villa" in Beijing in which the Group has 44% equity interest, and "Chateau Ermitas" in Chengdu in which the Group has 49% equity interest were still slow. Nevertheless, the pre-sale of "Chevalier City" in Changchun has received a positive response due to the strong demand of affordable housing segment.

Food and Beverage

The food and beverage segment's revenue increased by 3.8% to HK\$344 million during the period and contribution increased from HK\$8.0 million to HK\$23.5 million mainly due to the gain on disposal of subsidiaries operating Wildfire restaurants and better outlet performances.

In response to the strong demands of the market, Cafe Deco Group will continue to expand scalable concepts like Berliner and Cafe Deco Pizzeria by opening new outlets in various prime locations in Hong Kong, and to look for expansion opportunities in Mainland China and overseas. As at 30 September 2014, Cafe Deco Group had 30 restaurants and bars in Hong Kong, Macau and Sydney.

Others

During the six months ended 30 September 2014, including the share of revenue from the associates in Chengdu car dealership and Australia fresh produce supply, segment revenue experienced an increase of 7.6% to HK\$1,586 million while segment result turned from a loss of HK\$1.3 million to a profit of HK\$8.7 million. Car exhibition held in Chengdu in September boosted both sale volume and revenue of the car dealership business. The absence of acquisition-related expenses in both the Group and associates levels improve the segment results when comparing with same period last year.

The Group has experienced improvement in the commercial market for notebook computers and business telephone systems, network infrastructure solutions and office automation solutions, especially in Thailand market. Car dealership business, being one of the profit contributors under this segment, the Group, with its subsidiaries and associates, has 2 car dealerships shops in Canada and 12 in Chengdu, Sichuan as at 30 September 2014.

During the period under review, Moraitis Group continued with underperformance. Management change was instigated with a new CEO reporting to duty since September.

FUTURE PROSPECTS

The economy of Hong Kong slightly regained momentum in Q3 of the calendar year, growing by 2.7% over the same quarter last year, up from the 1.8% in Q2. However, with the looming uncertainties created by the Occupy Central movement since October, the Group foresees a challenging growth in the Hong Kong economy in the rest of this financial year.

Despite the recent weak sentiment in the market, construction activities in Hong Kong and Macau have remained vibrant in both the public and private sectors, with a continuing pipeline of projects coming to market. Nonetheless, due to the shortage of labour and professionals in the industry, it has been challenging to ensure projects are completed on time and on costs. The Group will maintain its prudent approach in tendering and is cautiously optimistic that its construction and engineering segment will continue to perform steadily with modest growth.

Outlook for the insurance division remains steady whilst premium from construction employees' compensation insurance contracts signed in this and the past year is progressively earned. With the view that investment markets will remain steady with intermittent volatility after the end of the US QE program, the Group will continue to balance its portfolio to ensure a risk justified return from the insurance and investment segment.

With the Mainland's recent easing of policy on the property market and mortgage lending, we expect it would gradually have a positive effect on the pace of sales and market prices. The Group, therefore, expects that the sales performance of its projects in Beijing and Chengdu will gradually show an improvement.

During the year, despite the drop in total retail sales in Hong Kong, the food service industry showed moderate growth, which led to a stable performance in both the cold storage and logistics business, and Cafe Deco Group. Since October this year, these businesses have been adversely impacted by the disruptions from the Occupy Central movement. The management will closely monitor the situation and take necessary actions to maintain sustainable development.

Following the completion of the re-financing with fixed rate loans from the US Government for most of our senior housing facilities, and riding on the strong demand of the ageing population, the Group will continue to look for opportunities to expand the senior housing business.

The performance of the fresh produce supply business in Australia has yet to reach the expected level. Management changes were made during this period and the Group is looking forward to have better performance in the second half of this financial year.

FINANCIAL REVIEW

As at 30 September 2014, the Group's net assets attributable to equity holders of the Company amounted to HK\$6,681 million, an increase of HK\$66.5 million when compared with 31 March 2014 of HK\$6,614 million. Such increase was mainly resulted from the profit attributable to equity holders of the Company of HK\$263 million, offsetting partially by the 2013/14 final dividend of HK\$190 million appropriated.

As at 30 September 2014, the Group's bank and other borrowings decreased to HK\$3,869 million (31 March 2014: HK\$4,067 million) while the Group's cash and bank balances increased to HK\$1,681 million (31 March 2014: HK\$1,201 million) due to the proceeds from pre-sale of properties under development and repayment of amount due from an associate.

EMPLOYEES AND REMUNERATION POLICIES

The Group employed approximately 3,300 full-time staff under its subsidiaries globally as at 30 September 2014. Total staff costs amounted to HK\$511 million for the period under review. The remuneration policies of the Group 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 and retirement schemes.

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 30 September 2014.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2014, except for the following deviations:-

Code Provision A.4.1 stipulates that Non-Executive Directors should be appointed for a specific term and subject to re-election. As stated in the Company's Annual Report 2014, all the Non-Executive Directors of the Company are not appointed for a specific term but subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Bye-Laws.

Code Provision A.6.7 stipulates that the Independent Non-Executive Directors and other Non-Executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr Sun Kai Dah, George, an Independent Non-Executive Director, was unable to attend the annual general meeting of the Company held on 29 August 2014 due to other commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following a specific enquiry, each of the Directors confirmed that he/she has complied with the Model Code throughout the six months ended 30 September 2014.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-Executive Directors of the Company, namely Mr Yang Chuen Liang, Charles as Committee Chairman, Dr Chow Ming Kuen, Joseph and Mr Sun Kai Dah, George.

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, risk management systems of the Group and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2014.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The interim results announcement of the Company for the six months ended 30 September 2014 is published on the Stock Exchange's website at <http://www.hkexnews.hk> and the Company's website at <http://www.chevalier.com>. The interim report of the Company for the six months ended 30 September 2014 containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

I would like to thank all our business partners and shareholders for their continuous support, and to our staff for their hard work and dedication throughout this period.

By Order of the Board
Chevalier International Holdings Limited
CHOW Yei Ching
Chairman

Hong Kong, 27 November 2014

As at the date of this announcement, the Board of the Company comprises Dr Chow Yei Ching (Chairman), Messrs Kuok Hoi Sang (Vice Chairman and Managing Director), Tam Kwok Wing (Deputy Managing Director), Chow Vee Tsung, Oscar, Ho Chung Leung, Ma Chi Wing and Miss Lily Chow as Executive Directors; Dr Chow Ming Kuen, Joseph, Messrs Sun Kai Dah, George, Yang Chuen Liang, Charles and Professor Poon Chung Kwong as Independent Non-Executive Directors and Dr Ko Chan Gock, William as Non-Executive Director.

* *For identification purpose only*