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 2018

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 (together, the "Group") for the six months ended 30 September 2018, together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		Unaudited Six months ended 30 September	
		2018	2017
	Note	**HK$'000**	HK$'000
Revenue	4	**3,459,535**	3,110,305
Cost of sales		**(3,025,754)**	(2,736,338)
Gross profit		**433,781**	373,967
Other income, net	5	**44,011**	52,431
Other (losses)/gains, net	6	**(5,315)**	475,549
Selling and distribution costs		**(85,058)**	(65,301)
Administrative expenses		**(166,473)**	(156,495)
Operating profit		**220,946**	680,151
Share of results of associates		**52,193**	29,149
Share of results of joint ventures		**48,651**	(6,198)
		321,790	703,102
Finance income	7	**12,061**	9,768
Finance costs	7	**(63,250)**	(41,674)
Finance costs, net	7	**(51,189)**	(31,906)
Profit before taxation	8	**270,601**	671,196
Taxation	9	**(56,280)**	(53,930)
Profit for the period		**214,321**	617,266
Attributable to:			
Shareholders of the Company		**194,038**	601,548
Non-controlling interests		**20,283**	15,718
		214,321	617,266
Earnings per share			
– basic (HK$ per share)	10	**0.64**	1.99
– diluted (HK$ per share)	10	**0.64**	1.99

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited	
	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Profit for the period	**214,321**	617,266
Other comprehensive (expenses)/income for the period		
Item that may not be reclassified to profit or loss		
Change in fair value of investments at fair value through other comprehensive income	**(13,212)**	–
Fair value loss of properties for own use	**–**	(23,765)
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translation of operations of overseas subsidiaries, associates and joint ventures	**(320,455)**	151,295
Change in fair value of available-for-sale investments	**–**	3,530
Fair value adjustments on the derivative financial instruments designated as cash flow hedge in respect of interest rate swap contracts and cross currency swap	**(81)**	965
Other comprehensive (expenses)/income for the period, net of tax	**(333,748)**	132,025
Total comprehensive (expenses)/income for the period	**(119,427)**	749,291
Attributable to:		
Shareholders of the Company	**(115,436)**	724,955
Non-controlling interests	**(3,991)**	24,336
	(119,427)	749,291

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	**Unaudited 30 September 2018 HK$'000**	Audited 31 March 2018 HK$'000
Non-current assets			
Investment properties		**3,697,915**	3,791,245
Property, plant and equipment		**3,168,033**	2,784,738
Goodwill		**686,020**	681,839
Other intangible assets		**34,263**	31,352
Interests in associates		**476,042**	468,411
Interests in joint ventures		**1,148,845**	1,112,486
Investments at fair value through other comprehensive income		**50,346**	–
Investments at fair value through profit or loss		**266,743**	–
Investments at amortised cost		**27,073**	–
Available-for-sale investments		**–**	265,766
Properties under development		**586,038**	642,713
Deferred tax assets		**36,660**	42,171
Other non-current assets		**83,547**	89,536
		10,261,525	9,910,257
Current assets			
Amount due from an associate		**8,930**	18,575
Amounts due from joint ventures		**15**	9,085
Amounts due from non-controlling interests		**35,653**	39,025
Investments at fair value through profit or loss		**386,682**	430,805
Investments at amortised cost		**5,797**	–
Inventories		**351,373**	344,577
Properties for sale		**343,873**	578,665
Properties under development		**2,026,533**	1,485,581
Debtors, deposits and prepayments	12	**1,297,072**	1,466,445
Amounts due from customers for contract work		**–**	88,563
Derivative financial instruments		**772**	373
Prepaid tax		**11,069**	9,138
Bank balances and cash		**1,593,338**	1,723,452
		6,061,107	6,194,284

	Note	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
Current liabilities			
Amounts due to joint ventures		**6,498**	7,524
Amounts due to non-controlling interests		**259,773**	325,166
Amounts due to customers for contract work		**–**	639,791
Derivative financial instruments		**438**	233
Creditors, bills payable, deposits and accruals	13	**2,304,135**	1,642,245
Unearned insurance premiums and unexpired risk reserves		**53,310**	59,536
Outstanding insurance claims		**246,721**	255,438
Deferred income		**–**	22,403
Current income tax liabilities		**84,255**	69,028
Bank and other borrowings		**988,143**	767,670
		3,943,273	3,789,034
Net current assets		**2,117,834**	2,405,250
Total assets less current liabilities		**12,379,359**	12,315,507
Capital and reserves			
Share capital		**377,411**	377,411
Reserves		**8,170,408**	8,355,324
Shareholders' funds		**8,547,819**	8,732,735
Non-controlling interests		**599,819**	603,005
Total equity		**9,147,638**	9,335,740
Non-current liabilities			
Amount due to a non-controlling interest		**90,416**	–
Unearned insurance premiums		**28,060**	30,606
Bank and other borrowings		**2,798,137**	2,608,832
Deferred tax liabilities		**315,108**	340,329
		3,231,721	2,979,767
Total equity and non-current liabilities		**12,379,359**	12,315,507

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2018, 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 as described in the annual consolidated financial statements for the year ended 31 March 2018.

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

The HKICPA has issued the following new standards and amendment which are effective for accounting period beginning on 1 April 2018:

- HKFRS 9, "Financial instruments"
- HKFRS 15, "Revenue from contracts with customers"
- HKFRS 15 (amendment), "Clarifications of HKFRS 15 Revenue from contracts with customers"

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below.

The following amendments, interpretation and improvements to existing standards, that are relevant to the Group's operation, are also mandatory for the financial year of the Group beginning on 1 April 2018:

- HKAS 40 (amendment), "Transfers of investment property"
- HKFRS 4 (amendment), "Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts"
- HK(IFRIC)-Int 22, "Foreign currency transactions and advance consideration"
- Amendments to HKFRS 1 and HKAS 28 as part of the Annual Improvements to HKFRS 2014 - 2016 Cycle

The adoption of the amendments, interpretation and improvements to existing standards neither have significant impact on the Group's consolidated results 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 standards, amendments, interpretation and improvements to existing standards, that are relevant to the Group's operation, have been issued but not yet effective or early adopted for the financial year of the Group beginning on 1 April 2018:

- HKAS 19 (amendment), "Employee benefits"[1]
- HKAS 28 (amendment), "Long term interests in an associate and joint venture"[1]
- HKFRS 9 (amendment), "Prepayment features with negative compensation"[1]
- HKFRS 10 and HKAS 28 (amendment), "Sale or contribution of assets between an investor and its associate or joint venture"[2]
- HKFRS 16, "Leases"[1]
- HKFRS 17, "Insurance contracts"[3]
- HK(IFRIC)-Int 23, "Uncertainty over income tax treatments"[1]
- Annual Improvements Project – Improvements to HKFRS 2015 - 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021 or when apply HKFRS 15 and HKFRS 9

The Group is in the process of assessing the impact of these new standards, amendments, interpretation and improvements to existing standards on the Group's consolidated financial statements and is not yet in a position to state the effect and its significance.

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, 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 consolidated financial statements for the year ended 31 March 2018.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The impact of the adoption of HKFRS 9, "Financial instruments" ("HKFRS 9") and HKFRS 15, "Revenue from contracts with customers" ("HKFRS 15") on the Group's consolidated financial statements are detailed below and it also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on the consolidated financial statements

As explained in note 3(b) below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. The reclassifications are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the opening consolidated statement of financial position as at 1 April 2018.

The following table shows the adjustments recognised for each individual financial statement line item. Financial statement line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

	31 March 2018 As previously reported	**Effect on adoption of HKFRS 9**	**Effect on adoption of HKFRS 15**	**1 April 2018 As adjusted**
	HK$'000	HK$'000	HK$'000	HK$'000
Consolidated statement of financial position (extract)				
Interests in associates	468,411	–	314	468,725
Investments at fair value through other comprehensive income ("FVOCI")	–	63,558	–	63,558
Investments at amortised cost	–	33,182	–	33,182
Available-for-sale investments	265,766	(265,766)	–	–
Investments at fair value through profit or loss ("FVPL")	430,805	193,380	–	624,185
Inventories	344,577	–	15,498	360,075
Debtors, deposits and prepayments	1,466,445	(24,354)	78,570	1,520,661
Amounts due from customers for contract work	88,563	–	(88,563)	–
Amounts due to customers for contract work	639,791	–	(639,791)	–
Creditors, bills payable, deposits and accruals	1,642,245	–	660,887	2,303,132
Deferred income	22,403	–	(22,403)	–
Current income tax liabilities	69,028	–	1,124	70,152
Investment revaluation reserve	62,407	(28,596)	–	33,811
Retained profits	6,505,177	28,596	6,002	6,539,775

(b) HKFRS 9 and HKFRS 15 – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of HKFRS 9 and HKFRS 15 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in notes 3(c) and 3(d) below. In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, comparative figures have not been restated.

The total impact on application of HKFRS 9 and HKFRS 15 on the Group's retained profits as at 1 April 2018 is as follows:

	Note	HK$'000
Closing retained profits at 31 March 2018		6,505,177
Reclassify investments from available-for-sale to FVPL	*(i)(a)*	28,596
Adjustments to amount due from customers for contract work	*(iii)(b)*	6,812
Adjustments of interests in associates	*(iii)(a)*	314
Tax effect	*(iii)(b)*	(1,124)
Opening retained profits at 1 April 2018 – HKFRS 9 and HKFRS 15		6,539,775

(i) HKFRS 9 – Classification and measurement

On 1 April 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Note	**Available-for-sale** HK$'000	**FVPL** HK$'000	**FVOCI** HK$'000	**Amortised cost** HK$'000
Financial assets					
Closing balance at 31 March 2018 – HKAS 39		265,766	430,805	–	–
Reclassify investments from available-for-sale to FVPL	*(a)*	(202,208)	202,208	–	–
Reclassify equity securities from available-for-sale to FVOCI	*(b)*	(63,558)	–	63,558	–
Reclassify debt securities from FVPL to amortised cost	*(c)*	–	(33,182)	–	33,182
Reclassify income provident fund from other debtors to FVPL	*(d)*	–	24,354	–	–
Opening balance at 1 April 2018 – HKFRS 9		–	624,185	63,558	33,182

The impact (net of tax) of these changes on the Group's equity is as follows:

	Note	Effect on investment revaluation reserve (available-for-sale) HK$'000	Effect on investment revaluation reserve (FVOCI) HK$'000	Effect on retained profits HK$'000
Opening balance – HKAS 39		62,407	–	6,505,177
Reclassify investments from available-for-sale to FVPL	*(a)*	(28,596)	–	28,596
Reclassify equity securities from available-for-sale to FVOCI	*(b)*	(33,811)	33,811	–
Total impact		(62,407)	33,811	28,596
Opening balance – HKFRS 9		–	33,811	6,533,773*

* The amount is before the adjustments from the application of HKFRS 15.

Notes:

(a) Reclassification from available-for-sale to FVPL

Certain investments were reclassified from available-for-sale investments to FVPL. Related fair value gains (net of tax) of HK$28,596,000 were reclassified from investment revaluation reserve to retained profits on 1 April 2018.

(b) Equity securities previously classified as available-for-sale

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of its equity securities previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$63,558,000 were reclassified from available-for-sale investments to FVOCI and fair value gains (net of tax) of HK$33,811,000 were recognised from the available-for-sale reserve to the FVOCI reserve on 1 April 2018.

(c) Reclassification from FVPL to amortised cost

Certain listed debt securities were reclassified from FVPL to amortised cost. At the date of initial application of the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest. The fair value of HK$33,182,000 as at 1 April 2018 was equivalent to the amortised cost of these assets. There was no impact on retained profits at 1 April 2018.

(d) Reclassification from other debtors to FVPL

The Group's money placed in income provident fund in Mainland China for car dealership business was reclassified from other debtors to FVPL. It does not meet the criteria to be classified as amortised cost and FVOCI because its cash flows do not represent solely payments of principal and interest.

(e) Other financial assets

Certain equity securities, debt securities, and mutual and hedge funds – held for trading are required to be held at FVPL under HKFRS 9, but there was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

(ii) HKFRS 9 – Impairment of financial assets

The Group's significant financial assets which are subject to HKFRS 9's new expected credit loss model include:

- trade debtors and contract assets,
- other debtors and amounts due from associates, joint ventures and non-controlling interests, and
- debt investments carried at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and classify the inputs to the impairment calculation, based on Group's past history, existing market conditions as well as forward looking at the end of each reporting period. The results of the revision at 1 April 2018 are described below:

Trade debtors and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade debtors and contract assets. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade debtors and contract assets as at 1 April 2018.

Other debtors and amounts due from associates, joint ventures and non-controlling interests

The loss allowance for other debtors and amounts due from associates, joint ventures and non-controlling interests as a result of applying the expected credit risk model was immaterial.

Debt investments carried at amortised cost

All of the Group's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider low credit risk for debt investments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(iii) ***HKFRS 15 – Classification and measurement***

The following table shows the adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Financial statement line items that were not affected by the changes have not been included.

	Note	**31 March 2018 As previously reported** HK$'000	**Effect on adoption of HKFRS 15** HK$'000	**1 April 2018 As adjusted** HK$'000
Consolidated statement of financial position (extract)				
Interests in associates	*(a)*	468,411	314	468,725
Inventories	*(b)*	344,577	15,498	360,075
Debtors, deposits and prepayments	*(b)*	1,466,445	78,570	1,545,015*
Amounts due from customers for contract work	*(b)*	88,563	(88,563)	–
Amounts due to customers for contract work	*(c)*	639,791	(639,791)	–
Creditors, bills payable, deposits and accruals	*(c)&(d)*	1,642,245	660,887	2,303,132
Deferred income	*(d)*	22,403	(22,403)	–
Current income tax liabilities	*(b)*	69,028	1,124	70,152
Retained profits	*(a)&(b)*	6,505,177	6,002	6,511,179*

* The amounts are before the adjustments from the application of HKFRS 9.

Notes:

(a) *The net effect arising from the initial application of HKFRS 15 by an associate of the Group resulted in an increase in the carrying amount of interests in associates of HK$314,000 with corresponding adjustment to retained profits.*

(b) *Under HKFRS 15, contract costs that related to satisfied performance obligations are expensed as incurred. The unbilled revenue of HK$72,656,000 included as contract assets under debtors, deposits and prepayments were credited to retained profits while contract costs of HK$65,844,000 incurred under HKAS 11 were charged to retained profits. The related tax effect of HK$1,124,000 was recognised in current income tax liabilities and included in adjustment to retained profits. Construction materials not yet delivered of HK$15,498,000 were reclassified from amounts due from customers for contract work to inventories.*

(c) *The reclassification from amounts due to customers for contract work to accrued contract costs under creditors, bills payable, deposits and accruals under HKFRS 15.*

(d) *The reclassification from deferred income to contract liabilities under creditors, bills payable, deposits and accruals under HKFRS 15 represented the Group's obligations to transfer to the customers of the services and the Group has received consideration from the customers.*

(c) HKFRS 9, "Financial instruments" – Accounting policies applied from 1 April 2018

(i) Investment and other financial assets

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVOCI"),
- those to be measured subsequently at fair value through profit or loss ("FVPL"), or
- those to be measured at amortised cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in OCI or profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

- Debt instruments

  Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

  – Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

  – FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversals, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to, and recognised in profit or loss.

  – FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

- Equity instruments

  The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's rights to receive payment have been established.

  Changes in the fair value of financial assets at FVPL are recognised in profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with other debtors and amounts due from associates, joint ventures and non-controlling interests and debt investments measured at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debtors and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors.

(ii) Derivatives and hedging activities

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(d) HKFRS 15, "Revenue from contracts with customers" – Accounting policies applied from 1 April 2018

As explained in note 2 above, the Group has adopted HKFRS 15 from 1 April 2018, which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated. The accounting policies were changed to comply with HKFRS 15, which replaces both the provisions of HKAS 18, "Revenue" and HKAS 11, "Construction contracts" ("HKAS 11") and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with a customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

From 1 April 2018 onwards, the Group has adopted the following accounting policies on revenues:

Revenues are recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer,
- creates or enhances an asset that the customer controls as the Group performs, or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

The adoption does not have a material impact over revenue from sales of information technology equipment, motor vehicles and others, senior housing operations and maintenance and property management services. In relation to sales of properties, revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Based on the terms of the contract and laws that apply to the contract, control of the properties under development transfer at a point in time. The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model. Rental income from lease agreements and brokerage income from insurance contracts are specifically excluded from the scope of the new standard.

Presentation of contract assets/liabilities

The adoption of HKFRS 15 also resulted in changes in terminology used. "Amounts due from/to customers for contract work" previously used under HKAS 11 in relation to construction contracts were reclassified as "Contract assets/liabilities" under HKFRS 15. Contract liabilities in relation to advance received from customers were previously presented as deposits received within creditors, bills payable, deposits and accruals.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

4 SEGMENT INFORMATION

(a) Revenue and results

The Board reviewed the Group's internal reports to assess the Group's performance and to allocate resources.

Reportable segment information is presented below:

	Construction and Engineering HK$'000	Property Investment HK$'000	Property Development and Operations HK$'000	Healthcare Investment HK$'000	Car Dealership HK$'000	Others HK$'000	Total HK$'000
For the six months ended 30 September 2018							
REVENUE							
Total revenue	1,285,569	69,147	486,488	337,804	1,080,386	242,298	3,501,692
Inter-segment revenue	–	–	(22,153)	–	–	(20,004)	(42,157)
Group revenue	1,285,569	69,147	464,335	337,804	1,080,386	222,294	3,459,535
Share of revenue of associates and joint ventures	801,860	–	265,755	60,884	231,000	76,407	1,435,906
Proportionate revenue from a joint venture eliminated	(14,666)	–	–	–	–	–	(14,666)
Segment revenue	2,072,763	69,147	730,090	398,688	1,311,386	298,701	4,880,775
Revenue from contracts with customers:							
– recognised at a point in time	20,081	–	310,343	337,804	1,080,386	182,323	1,930,937
– recognised over time	1,265,470	–	150,249	–	–	14,014	1,429,733
Revenue from other sources	18	69,147	3,743	–	–	25,957	98,865
Group revenue	1,285,569	69,147	464,335	337,804	1,080,386	222,294	3,459,535
RESULTS							
Segment profit	108,141	49,994	112,642	41,773	4,899	21,691	339,140
Included in segment profit are:							
Share of results of associates	53,501	–	845	–	–	(2,153)	52,193
Share of results of joint ventures	172	–	11,359	34,118	3,002	–	48,651
Depreciation and amortisation, net of capitalisation	(3,987)	(291)	(27,405)	(27,281)	(11,402)	(1,251)	(71,617)
Unrealised gain on derivative financial instruments	416	–	–	–	–	–	416
Unrealised gain on investments at fair value through profit or loss	–	–	–	–	–	78	78
Provision written back/(recognised) for inventories to net realisable value, net	4	–	–	–	(665)	(556)	(1,217)
Provision written back/(recognised) on trade and other debtors, net	1,486	(6)	–	(3,099)	–	(93)	(1,712)

	Construction and Engineering HK$'000	Property Investment HK$'000	Property Development and Operations HK$'000	Healthcare Investment HK$'000	Car Dealership HK$'000	Others HK$'000	Total HK$'000
For the six months ended 30 September 2017							
REVENUE							
Total revenue	1,311,108	67,760	202,830	289,204	1,093,770	183,056	3,147,728
Inter-segment revenue	–	–	(19,563)	–	–	(17,860)	(37,423)
Group revenue	1,311,108	67,760	183,267	289,204	1,093,770	165,196	3,110,305
Share of revenue of associates and joint ventures	882,581	–	27,960	–	243,012	95,850	1,249,403
Proportionate revenue from a joint venture eliminated	(8,855)	–	–	–	–	–	(8,855)
Segment revenue	2,184,834	67,760	211,227	289,204	1,336,782	261,046	4,350,853
RESULTS							
Segment profit	120,847	47,859	480,225	18,164	2,148	51,747	720,990
Included in segment profit are:							
Share of results of associates	29,122	–	148	–	–	(121)	29,149
Share of results of joint ventures	90	–	(6,313)	–	25	–	(6,198)
Depreciation and amortisation, net of capitalisation	(4,180)	(382)	(17,462)	(24,398)	(9,413)	(769)	(56,604)
Unrealised loss on derivative financial instruments	(38)	–	–	–	–	(353)	(391)
Unrealised gain on investments at fair value through profit or loss	–	–	–	–	–	14,350	14,350
Provision for inventories to net realisable value	(63)	–	–	–	(538)	(505)	(1,106)
Provision written back/(recognised) on trade and other debtors, net	4,106	–	–	(2,661)	–	(71)	1,374

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 2018 HK$'000	Six months ended 30 September 2017 HK$'000
Segment profit	**339,140**	720,990
Unallocated corporate expenses	**(17,350)**	(17,888)
Finance income	**12,061**	9,768
Finance costs	**(63,250)**	(41,674)
Profit before taxation	**270,601**	671,196

(b) Assets and liabilities

	Construction and Engineering HK$'000	Property Investment HK$'000	Property Development and Operations HK$'000	Healthcare Investment HK$'000	Car Dealership HK$'000	Others HK$'000	Total HK$'000
At 30 September 2018							
ASSETS							
Segment assets	**1,506,226**	**4,074,892**	**5,580,207**	**2,749,375**	**1,047,738**	**1,194,308**	**16,152,746**
Included in segment assets are:							
Interests in associates	**434,857**	**–**	**1,322**	**–**	**–**	**39,863**	**476,042**
Interests in joint ventures	**12,249**	**–**	**517,336**	**540,240**	**79,020**	**–**	**1,148,845**
Amount due from an associate	**8,930**	**–**	**–**	**–**	**–**	**–**	**8,930**
Amount due from a joint venture	**–**	**–**	**15**	**–**	**–**	**–**	**15**
Additions to non-current assets (note)	**4,695**	**709**	**549,085**	**482,101**	**6,298**	**6,026**	**1,048,914**
LIABILITIES							
Segment liabilities	**1,518,802**	**40,184**	**331,936**	**226,842**	**407,392**	**412,368**	**2,937,524**
Included in segment liabilities are:							
Amounts due to joint ventures	**71**	**–**	**6,138**	**–**	**289**	**–**	**6,498**
At 31 March 2018							
ASSETS							
Segment assets	1,528,440	4,399,842	5,041,482	2,319,674	1,126,680	1,096,737	15,512,855
Included in segment assets are:							
Interests in associates	425,719	–	626	–	–	42,066	468,411
Interests in joint ventures	12,076	–	500,494	516,452	83,464	–	1,112,486
Amount due from an associate	18,575	–	–	–	–	–	18,575
Amounts due from joint ventures	9,068	–	17	–	–	–	9,085
Additions to non-current assets (note)	51,519	344,334	164,058	300,239	19,448	8,491	888,089
LIABILITIES							
Segment liabilities	1,508,957	37,619	413,708	138,743	409,177	440,138	2,948,342
Included in segment liabilities are:							
Amounts due to joint ventures	–	–	6,730	–	794	–	7,524

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 2018 HK$'000	As at 31 March 2018 HK$'000
Segment assets	**16,152,746**	15,512,855
Prepaid tax	**11,069**	9,138
Unallocated bank balances and cash	**112,827**	524,647
Deferred tax assets	**36,660**	42,171
Other unallocated assets	**9,330**	15,730
Total assets	**16,322,632**	16,104,541
Segment liabilities	**2,937,524**	2,948,342
Current income tax liabilities	**84,255**	69,028
Bank and other borrowings	**3,786,280**	3,376,502
Deferred tax liabilities	**315,108**	340,329
Other unallocated liabilities	**51,827**	34,600
Total liabilities	**7,174,994**	6,768,801

(c) Geographical information

The Group's operations in construction and engineering businesses are mainly carried out in Hong Kong, Mainland China, Macau and Australia. Property investment businesses are mainly carried out in Hong Kong, Mainland China, Canada and Singapore. Property development and operations businesses are mainly carried out in Hong Kong, Mainland China and Canada. Healthcare investment businesses are carried out in Hong Kong and the United States of America ("US"). Car dealership businesses are carried out in Mainland China and Canada. Other businesses are mainly carried out in Hong Kong, the US and Thailand.

The associates' and joint ventures' operations in construction and engineering businesses are mainly carried out in Hong Kong, Mainland China, Singapore and Macau. Property development and operations businesses are mainly carried out in Hong Kong and Mainland China. Healthcare investment businesses are carried out in the US. Car dealership businesses are carried out in Mainland China. Other businesses are carried out in Hong Kong, Macau and Australia.

Segment revenue by geographical areas

	Company and subsidiaries HK$'000	**Associates and joint ventures HK$'000**	**Six months ended 30 September 2018 Total HK$'000**	**%**	Company and subsidiaries HK$'000	Associates and joint ventures HK$'000	Six months ended 30 September 2017 Total HK$'000	%
Mainland China	**1,164,995**	**681,795**	**1,846,790**	**38**	927,739	749,810	1,677,549	39
Hong Kong	**1,290,435**	**535,233***	**1,825,668**	**37**	1,467,787	337,550*	1,805,337	41
US	**404,032**	**60,884**	**464,916**	**10**	340,421	–	340,421	8
Macau	**274,760**	**20,391**	**295,151**	**6**	61,322	13,786	75,108	2
Canada	**235,568**	**–**	**235,568**	**5**	222,191	–	222,191	5
Singapore	**5,889**	**109,684**	**115,573**	**2**	6,057	125,969	132,026	3
Australia	**57,015**	**13,038**	**70,053**	**1**	49,605	13,225	62,830	1
Thailand	**26,841**	**–**	**26,841**	**1**	27,679	–	27,679	1
Others	**–**	**215**	**215**	**–**	7,504	208	7,712	–
	3,459,535	**1,421,240**	**4,880,775**	**100**	3,110,305	1,240,548	4,350,853	100

* 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 periods ended 30 September 2018 and 2017.

5 OTHER INCOME, NET

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Included in other income, net are:		
Gain on investments at fair value through profit or loss	**2,555**	15,638
Loss on derivative financial instruments	**(515)**	(633)
Sales and marketing services income from an associate	**15,487**	14,576
Management fee income from associates and joint ventures	**11,625**	11,175
Interest income from a joint venture	**9,183**	–

6 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Included in other (losses)/gains, net are:		
(Loss)/gain on disposal of property, plant and equipment	**(675)**	481
Provision (recognised)/written back on trade and other debtors, net	**(1,712)**	1,374
Exchange (loss)/gain	**(2,928)**	6,347
Gain on acquisition of Moon Colour (note 14(c))	**–**	2,916
Gain on disposal of Chinaford and Dolce Field (note 14(d))	**–**	459,745
Remeasurement of goodwill	**–**	4,686

7 FINANCE COSTS, NET

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Interest expenses on bank overdrafts and bank and other borrowings	**63,250**	46,293
Less: Amounts capitalised to properties under development (note)	**–**	(4,619)
	63,250	41,674
Less: Interest income from bank deposits	**(12,061)**	(9,768)
	51,189	31,906

Note: The capitalisation rate applied to funds borrowed and used for the development of properties was between 4.8% and 5.5% per annum during the six months ended 30 September 2017.

8 PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging the following:		
Cost of inventories recognised as expenses	**1,032,457**	1,110,538
Provision for inventories to net realisable value, net	**1,217**	1,106
Staff costs	**543,127**	495,749
Less: Amounts capitalised to contract work	**(87,823)**	(101,013)
	455,304	394,736
Operating lease payments in respect of leasing of		
– premises	**8,517**	26,521
– equipment	**1,485**	1,235
	10,002	27,756
Depreciation of property, plant and equipment	**67,597**	53,892
Less: Amounts capitalised to contract work	**(1,006)**	(1,221)
	66,591	52,671
Amortisation of other intangible assets	**5,026**	3,933
Acquisition related expenses	**10,734**	7,936

9 TAXATION

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Current tax		
Hong Kong	**25,576**	33,453
Mainland China	**11,318**	2,028
Overseas	**14,073**	13,045
Over-provision in prior years	**(476)**	(1,443)
	50,491	47,083
Deferred tax		
Origination and reversal of temporary differences	**5,789**	6,847
	56,280	53,930

Hong Kong profits tax is calculated at the rate of 16.5% (2017: 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.

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company of HK$194,038,000 (2017: HK$601,548,000) by the weighted average number of 301,928,440 (2017: 301,928,440) 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 2018 and 2017, the Group had potential ordinary shares in an associate, which were issuable upon exercise of share option granted. There was no potential dilutive effect from such share option held during both periods. As at 30 September 2018 and 2017, an associate of the Group had potential ordinary shares which were issuable upon exercise of share option granted. There were no potential dilutive effect from such share option during both periods.

11 DIVIDEND

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Interim dividend of HK$0.15 (2017: HK$0.10) per share	**45,289**	30,193
Special interim dividend of nil (2017: HK$1.40) per share	**–**	422,700
	45,289	452,893

On 29 November 2018, the Board of Directors declared an interim dividend of HK$0.15 per share. 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 2019.

The 2017/18 final dividend of HK$0.25 per share totaling HK$75,482,000 was declared and approved at the annual general meeting held on 29 August 2018 and paid on 18 September 2018. The 2017/18 final dividend has been reflected as an appropriation of the retained profits for the six months ended 30 September 2018.

12 DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
Trade debtors	**475,461**	448,707
Less: Provision for impairment	**(32,392)**	(33,644)
Trade debtors, net	**443,069**	415,063
Retention receivables	**268,402**	288,760
Less: Provision for impairment	**(9,186)**	(9,186)
Retention receivables, net	**259,216**	279,574
Contract assets	**92,958**	–
Other debtors, deposits and prepayments	**501,829**	771,808
	1,297,072	1,466,445

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 period granted to certain debtors is over 60 days.

The ageing analysis of trade debtors, net is as follows:

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
0 – 60 days	**395,139**	366,832
61 – 90 days	**16,368**	12,719
Over 90 days	**31,562**	35,512
	443,069	415,063

13 CREDITORS, BILLS PAYABLE, DEPOSITS AND ACCRUALS

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
Trade creditors and bills payable	**311,657**	282,234
Retention payables	**203,279**	202,491
Deposits received	**34,035**	96,399
Accrued contract costs	**1,137,277**	578,798
Contract liabilities	**41,079**	–
Other creditors, provisions and accruals	**576,808**	482,323
	2,304,135	1,642,245

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

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
0 – 60 days	**290,098**	257,587
61 – 90 days	**4,750**	6,628
Over 90 days	**16,809**	18,019
	311,657	282,234

14 ACQUISITION AND DISPOSAL OF BUSINESSES

(a) Acquisition of senior housing properties

On 25 May 2018, the Group announced the acquisition of ten senior housing properties in the US at the consideration of US$65,750,000 (equivalent to approximately HK$516,000,000). Completion of acquisition of nine senior housing properties took place in July 2018 and September 2018. The remaining is expected to complete by the end of 2018.

	2018 HK$'000
Purchase consideration satisfied by:	
Cash paid	**417,899**
Provisional fair value of net assets acquired:	
Property, plant and equipment	**409,894**
Intangible assets	**8,005**
	417,899
Acquisition related expenses (included in administrative expenses)	**10,734**
Net cash outflow arising from the acquisition:	
Cash consideration paid	**(417,899)**

As at 30 September 2018, the fair values of the acquired identifiable property, plant and equipment of HK$409,894,000 and intangible assets of HK$8,005,000 are provisional pending receipt of the final valuations for those assets.

On 3 April 2017, the Group entered into an agreement to acquire 100% interest in two senior housing properties located in Michigan, the US, at the consideration of US$33,000,000 (equivalent to approximately HK$257,400,000). The transaction completed in June 2017.

	2017
	HK$'000
Purchase consideration satisfied by:	
Cash paid	257,785
Provisional fair value of net assets acquired:	
Property, plant and equipment	217,134
Intangible assets	40,456
Inventories	140
Debtors, deposits and prepayments	55
	257,785
Acquisition related expenses (included in administrative expenses)	2,293
Net cash outflow arising from the acquisition:	
Cash consideration paid	(257,785)

As at 30 September 2017, the fair values of the acquired identifiable property, plant and equipment of HK$217,134,000 and intangible assets of HK$40,456,000 are provisional pending receipt of the final valuations for those assets.

(b) Acquisition of 100% equity interest in Silver Prosper Holdings Limited ("Silver Prosper")

On 18 May 2017, the Group entered into a provisional agreement to acquire 100% equity interest in Silver Prosper where the principal asset is the property located at Davis Street, Hong Kong, which is for residential and commercial use at a consideration of approximately HK$228,000,000. The transaction completed in August 2017.

	2017
	HK$'000
Purchase consideration satisfied by:	
Cash paid	225,212
Fair value of net assets acquired:	
Investment property	228,000
Debtors, deposits and prepayments	59
Creditors, deposits and accruals	(2,768)
Current income tax liabilities	(79)
	225,212
Acquisition related expenses (included in administrative expenses)	2,630
Net cash outflow arising from the acquisition:	
Cash consideration paid	(225,212)

(c) Acquisition of 100% equity interest in Moon Colour Holdings Limited ("Moon Colour")

On 10 August 2017, the Group entered into an agreement to acquire 100% equity interest in Moon Colour where the principal asset is the property located at Tai Yip Street, Kowloon which is an industrial building at a consideration of approximately HK$360,000,000. The transaction completed in August 2017.

	2017 HK$'000
Purchase consideration satisfied by:	
Cash paid	360,272
Fair value of net assets acquired:	
Property under development	360,000
Deferred tax assets	2,916
Debtors, deposits and prepayments	272
	363,188
Gain on acquisition (note 6)	2,916
Acquisition related expenses (included in administrative expenses)	3,013
Net cash outflow arising from the acquisition:	
Cash consideration paid	(360,272)

(d) Disposal of Chinaford Investment Limited ("Chinaford") and Dolce Field Limited ("Dolce Field")

On 1 June 2017, the Group entered into a framework agreement to dispose the entire issued share capital in Chinaford and Dolce Field (investment holding companies which hold the entire interest in 成都其士房地產發展有限公司) and assignment of debt at an aggregate cash consideration of RMB1,570,000,000 (equivalent to approximately HK$1,815,000,000). The transaction completed in August 2017.

	2017 HK$'000
Cash consideration	1,815,109
Less: professional fees and other expenses	(204,812)
	1,610,297
Net assets disposed of:	
Assets held-for-sale	1,233,787
Liabilities directly associated with assets held-for-sale	(148,268)
Exchange fluctuation reserve released upon disposal	65,033
	1,150,552
Gain on disposal, net (note 6)	459,745
Net cash inflow arising from the disposal:	
Cash consideration received	1,293,404
Professional fees and other expenses	(27,845)
	1,265,559

The professional fees and other expenses of HK$204,812,000 for the six months ended 30 September 2017 include provisional tax expenses pending for final assessment from tax authority.

(e) Disposal of 40% interest in NC1 Sandhill Limited ("NC1 Sandhill") without loss of control

On 25 September 2017, the Group disposed of 40% interest in NC1 Sandhill at a consideration of HK$12,000,000. The effect of change in the ownership interest of NC1 Sandhill on the equity attributable to shareholders of the Company during the period is summarised as follows:

	2017 HK$'000
Consideration received from non-controlling interests	12,000
Less: net liabilities of 40% interest disposed of	64
Gain on disposal recognised within equity	12,064

The transaction completed in September 2017 and the Group continues to possess the control over NC1 Sandhill.

15 CONTINGENT LIABILITIES

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

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
Banking facilities granted to associates	**2,046**	3,008
Banking facilities granted to a joint venture	**19,500**	318,645
Guarantees given to banks and housing retirement fund management centers for mortgage facilities granted to certain buyers of properties	**582,882**	545,738
	604,428	867,391

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

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
Guarantees given to banks for mortgage facilities granted to certain buyers of the joint ventures' properties	**2,498**	2,739

16 COMMITMENT

The Group had commitment as follows:

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
Contracted but not provided for in the condensed consolidated interim financial statements in respect of		
– property development projects	**351,363**	733,446
– acquisition of property, plant and equipment	**1,519**	5,773
	352,882	739,219

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

	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
Contracted but not provided for	**11,861**	12,381

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK$0.15 (2017: an interim dividend of HK$0.10 and a one-off special interim dividend of HK$1.40) per share for the six months ended 30 September 2018. The interim dividend will be payable on or about Friday, 21 December 2018 to those shareholders whose names appear on the Register of Members of the Company on Monday, 17 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Monday, 17 December 2018, during which no transfer of shares of the Company 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited interim results for the six months ended 30 September 2018 recorded an increase in consolidated revenue with a decrease in profit as compared to the same period last year. Consolidated revenue of the Group increased by 11% to HK$3,460 million (2017: HK$3,110 million). Taking into account the share of revenue of associates and joint ventures, total segment revenue was HK$4,881 million (2017: HK$4,351 million), representing an increase of 12%. Excluding the one-off contribution of HK$460 million from the disposal of interest in the Chengdu project for the corresponding period last year, profit under review reported an increase from HK$157 million to HK$214 million. Profit attributable to the Company's shareholders was HK$194 million (2017: HK$602 million) and earnings per share was HK$0.64 (2017: HK$1.99) for the period.

CONSTRUCTION AND ENGINEERING

Both revenue and segment profit of the construction and engineering segment decreased when compared to the same period last year. Revenue decreased by 5% from HK$2,185 million to HK$2,073 million and segment profit decreased by 11% to HK$108 million (2017: HK$121 million) mainly due to keen market competition in the construction industry. The performance of our lifts and escalators associates improved during the period under review and made positive contribution to this segment.

As at 30 September 2018, the total value of the Group's outstanding construction and engineering contracts in hand amounted to HK$5,519 million. Major contracts are:

1. Construction of the proposed residential development at Lot 758, D.D. 332, Cheung Sha, Lantau Island, New Territories;

2. Construction of the expansion of the blood transfusion service headquarters of the Red Cross at Homantin, Kowloon;

3. Construction of the extension of Operating Theatre Block for Tuen Mun Hospital, New Territories;

4. Upgrade of Kwun Tong Preliminary Treatment Works;

5. Mechanical and electrical works for a casino in Macau; and

6. Design, supply and installation of curtain wall and aluminium cladding for No. 3, A Kung Ngam Village Road, Shau Kei Wan, Hong Kong.

PROPERTY INVESTMENT

The Property Investment segment comprising property letting business experienced a slight increase in both its revenue and segment profit from HK$68 million to HK$69 million and from HK$48 million to HK$50 million, respectively, during the recorded period. The slight increase was mainly attributable from the stable rental income arising from the letting of the properties.

PROPERTY DEVELOPMENT AND OPERATIONS

During the period under review, the revenue of this segment increased drastically from HK$211 million to HK$730 million, representing an increase of 246%. The increase was mainly due to the disposal of residential units and carparks of "Chevalier City" in Changchun with over 90% of the residential units sold and recognised. In addition, the disposal of residential units of City Hub, a 50-50 joint venture Urban Renewal Authority redevelopment project at Chi Kiang Street/Ha Heung Road during the period under review also contributed to this substantial increase in revenue. Due to the absence of the one-off disposal gain of HK$460 million from the Chengdu project as recorded in last corresponding period, segment profit during the period under review dropped from last year's HK$480 million to HK$113 million.

HEALTHCARE INVESTMENT

During the period under review, the revenue of the healthcare investment segment increased by 38% from HK$289 million to HK$399 million after taking into consideration the share of revenue of a joint venture which acquired three medical office buildings in February 2018, the acquisition of 9 senior housing properties in the US, organic growth of existing portfolio and the full six months result of 2 senior housing properties in Michigan acquired in June 2017. The profit segment reported a significant increase by 133% from HK$18 million to HK$42 million after taking into consideration the share of results of the joint venture which acquired the three medical office buildings.

During the period under review, the Group completed the acquisition of 9 senior housing properties with an aggregate of approximately 900 units. As at 30 September 2018, the Group owned 34 senior housing facilities across 6 States in the US providing over 3,000 units or beds covering a wide spectrum of independent living, assisted living and memory care and skilled nursing; in addition to 3 medical office buildings located in New York, Pennsylvania and Rhode Island comprising a total gross floor area of approximately 428,000 square feet.

Leveraging on our healthcare business experience in the US, the Group has partnered with Mitsui & Company (Hong Kong) Limited and Hong Kong-Macao Conference Limited to engage in the redevelopment of Ventria Residence in Happy Valley, Hong Kong. Foundation works of the site has commenced and completion of the construction works is expected to be in 2021/2022.

CAR DEALERSHIP

The revenue of the Car Dealership segment recorded a slight decrease from HK$1,337 million to HK$1,311 million during the period while the segment profit reported an increase from HK$2 million to HK$5 million, representing an increase of 150%.

As at 30 September 2018, there were 6 import and domestic car brands and 14 4S shops operated by our Chengdu team and 2 automobile dealerships operated by our Canadian team in Ontario, Canada.

OTHERS

This segment covers the businesses of the computer and information technology, insurance and investment, freight logistic services and food and beverage. During the six months ended 30 September 2018, segment revenue recorded an increase from HK$261 million to HK$299 million though segment profit decreased from HK$52 million to HK$22 million which was mainly due to the decrease in the realised and unrealised gain in investment.

FUTURE PROSPECTS

The Chief Executive's 2018 Policy Address echoes last year's Policy Address and the increase of land and housing supply remains the long-term housing strategy of the HKSAR Government. The proposed approach is to increase usable land through re-development of aged estates, reclamation to develop artificial islands near Lantau Island (Lantau Tomorrow Project) and development of Brownfield sites in the New Territories. With the implementation of the abovementioned initiatives, it will provide solid opportunities for all the players in the construction and engineering industry in the medium to long term. Nevertheless, the severe shortage of both skilled and non-skilled labors and the increase in construction costs will continue to impact on the profitability of market players. The Group will take prudent approach while capturing the opportunities arising from the 2018 Policy Address.

It is anticipated that the property market in Hong Kong will become volatile and uncertain as a result of US-China trade frictions over tariff, interest rate hikes in the US, Brexit negotiations between the United Kingdom and European Union as well as various regulatory measures imposed by the Hong Kong Government. However, given end-user demand for residential properties will not cease, the Group has confidence in the long-term prospects of the property development business in Hong Kong.

With the advancement of medicine and technology and the increasing awareness of healthy lifestyles among the rapidly ageing population, it is anticipated that demand for senior housing facilities will continue to rise. With our experience gained in the senior housing business in the past years, coupled with the expertise provided by our partners, we are well positioned to capture opportunities in the healthcare industry and we will continue to explore quality healthcare portfolio.

FINANCIAL REVIEW

As at 30 September 2018, the Group's net assets attributable to shareholders of the Company amounted to HK$8,548 million, a decrease of HK$185 million when compared with 31 March 2018 of HK$8,733 million. Such decrease mainly resulted from the exchange difference on translation of operations of overseas subsidiaries, associates and joint ventures of HK$296 million and appropriation of 2017/18 final dividend of HK$75 million, offset by the profit attributable to shareholders of the Company of HK$194 million.

As at 30 September 2018, the Group's bank and other borrowings increased to HK$3,786 million (31 March 2018: HK$3,377 million) while bank balances and cash decreased to HK$1,593 million (31 March 2018: HK$1,723 million) as a result of payments for acquiring new properties and projects during the period.

EMPLOYEES AND REMUNERATION POLICIES

The Group employed approximately 4,000 full-time staff under its subsidiaries globally as at 30 September 2018. Total staff costs amounted to HK$543 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 2018.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2018, except for the following deviations:

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive should be clearly established. Mr. Kuok Hoi Sang serves as both the Chairman and Managing Director of the Company. The Board believes that with Mr. Kuok's comprehensive knowledge in the history and various business segments, and his extensive experience in the operation of the Group, vesting the roles of both Chairman and Managing Director in Mr. Kuok provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interest of the Company.

Code Provision A.4.1 of the CG Code 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 2018, 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 of the CG Code 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. Ir. Dr. Chow Ming Kuen, Joseph was not able to attend the annual general meeting of the Company held on 29 August 2018 due to health condition.

Following the passing of Ir. Dr. Chow Ming Kuen, Joseph, an Independent Non-Executive Director, chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee of the Company, on 13 October 2018, the number of the independent non-executive directors the Company fell below the minimum number required under Rules 3.10A and 3.21 of the Listing Rules. In addition, the Company no longer meets the composition requirement of the Remuneration Committee under Rule 3.25 of the Listing Rules, the composition requirement of the Nomination Committee under Code Provision A.5.1 of the CG Code and the relevant terms of references of those Committees. The Company endeavours to identify a suitable candidate to fill the vacancy as soon as practicable and in any event, within three months from 13 October 2018 in accordance to Rules 3.11, 3.23 and 3.27 of the Listing Rule.

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 of all Directors, each of the Directors confirmed that he/she has complied with the Model Code throughout the six months ended 30 September 2018.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-Executive Directors of the Company, namely Mr. Yang Chuen Liang, Charles as Committee chairman, Ir. Dr. Chow Ming Kuen, Joseph (deceased on 13 October 2018) and Professor Poon Chung Kwong as Committee members.

During the period, the Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed the auditing, risk management and internal controls systems of the Group and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2018.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The interim results announcement of the Company for the six months ended 30 September 2018 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 2018 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

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the management team and employees for their commitment and diligence, and to thank our shareholders and business associates for their continued strong support to the Group throughout this period.

By Order of the Board
Chevalier International Holdings Limited
KUOK Hoi Sang
Chairman and Managing Director

Hong Kong, 29 November 2018

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

* *For identification purpose only*