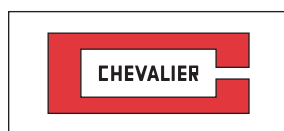


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## CHEVALIER INTERNATIONAL HOLDINGS LIMITED

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 2020

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 2020, together with the comparative figures for the corresponding period in 2019 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Unaudited	
		Six months ended 30 September 2020	2019
		HK\$'000	HK\$'000
<b>Revenue</b>	3(a)	3,227,537	3,118,787
Cost of sales		(2,790,012)	(2,676,358)
Gross profit		437,525	442,429
Other income, net	4	96,309	30,128
Other gains, net	5	2,607	20,632
Gain on disposals of subsidiaries	5	–	205,427
Selling and distribution costs		(85,291)	(57,151)
Administrative expenses		(181,444)	(184,765)
Operating profit		269,706	456,700
Share of results of associates		105,809	80,447
Share of results of joint ventures		18,751	(5,484)
		394,266	531,663
Finance income	6	23,049	28,969
Finance costs	6	(42,580)	(64,043)
Finance costs, net	6	(19,531)	(35,074)
Profit before taxation	7	374,735	496,589
Taxation	8	(60,601)	(66,989)
<b>Profit for the period</b>		314,134	429,600
<b>Attributable to:</b>			
Shareholders of the Company		293,519	414,897
Non-controlling interests		20,615	14,703
		314,134	429,600
<b>Earnings per share</b>			
– basic and diluted (HK\$ per share)	9	0.97	1.37

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>314,134</b>	<b>429,600</b>
<b>Other comprehensive income/(expenses) for the period</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Exchange difference attributable to non-controlling interests on translation of operations of overseas subsidiaries	<b>10,686</b>	–
Change in fair value of investments at fair value through other comprehensive income	<b>23,812</b>	4,753
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange difference on translation of operations of overseas subsidiaries, associates and joint ventures	<b>164,497</b>	(234,520)
Fair value adjustments on the derivative financial instruments designated as cash flow hedge	<b>200</b>	(333)
Other comprehensive income/(expenses) for the period, net of tax	<b>199,195</b>	(230,100)
<b>Total comprehensive income for the period</b>	<b>513,329</b>	<b>199,500</b>
<b>Attributable to:</b>		
Shareholders of the Company	<b>482,028</b>	200,178
Non-controlling interests	<b>31,301</b>	(678)
	<b>513,329</b>	<b>199,500</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2020**

		<b>Unaudited 30 September 2020 HK\$'000</b>	<b>Audited 31 March 2020 HK\$'000</b>
	Note		
<b>Non-current assets</b>			
Investment properties		3,513,233	3,431,894
Property, plant and equipment		3,172,775	3,034,454
Goodwill		649,562	643,979
Other intangible assets		28,919	36,286
Interests in associates		568,087	497,752
Interests in joint ventures		1,045,690	1,033,798
Investments at fair value through other comprehensive income		58,595	34,317
Investments at fair value through profit or loss		545,237	465,907
Investments at amortised cost		27,219	23,003
Properties under development		422,908	404,528
Deferred tax assets		39,945	45,102
Other non-current assets		95,697	138,354
		<u>10,167,867</u>	<u>9,789,374</u>
<b>Current assets</b>			
Amounts due from associates		15,091	20,971
Amounts due from joint ventures		47,545	46,694
Amounts due from non-controlling interests		45,363	41,250
Investments at fair value through profit or loss		267,479	287,406
Investments at amortised cost		23,223	7,778
Inventories		354,063	275,037
Properties for sale		269,481	267,131
Properties under development		2,098,006	1,919,611
Debtors, contract assets, deposits and prepayments	11	1,497,313	1,352,348
Derivative financial instruments		–	242
Prepaid tax		27,168	31,221
Bank balances and cash		2,629,902	2,824,666
		<u>7,274,634</u>	<u>7,074,355</u>
Assets held-for-sale		181,106	175,489
		<u>7,455,740</u>	<u>7,249,844</u>

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2020</b>	2020
	Note	<b>HK\$'000</b>	HK\$'000
<b>Current liabilities</b>			
Amounts due to joint ventures		6,382	6,050
Amounts due to non-controlling interests		258,119	257,900
Derivative financial instruments		199	399
Creditors, bills payable, deposits, contract liabilities and accruals	12	2,657,187	2,530,774
Unearned insurance premiums and unexpired risk reserves		132,346	98,158
Outstanding insurance claims		227,660	209,444
Current income tax liabilities		70,449	54,980
Bank and other borrowings		1,144,250	885,078
Lease liabilities		11,286	17,159
		<u>4,507,878</u>	<u>4,059,942</u>
Liabilities directly associated with assets held-for-sale		85,198	128,350
		<u>4,593,076</u>	<u>4,188,292</u>
<b>Net current assets</b>		<u>2,862,664</u>	<u>3,061,552</u>
<b>Total assets less current liabilities</b>		<u>13,030,531</u>	<u>12,850,926</u>
<b>Capital and reserves</b>			
Share capital		377,411	377,411
Reserves		9,080,059	8,694,648
		<u>9,457,470</u>	<u>9,072,059</u>
Shareholders' funds		9,457,470	9,072,059
Non-controlling interests		627,313	611,012
		<u>10,084,783</u>	<u>9,683,071</u>
<b>Total equity</b>		<u>10,084,783</u>	<u>9,683,071</u>
<b>Non-current liabilities</b>			
Amount due to a non-controlling interest		197,452	169,880
Unearned insurance premiums		159,759	128,437
Bank and other borrowings		2,191,614	2,482,989
Lease liabilities		45,968	45,664
Deferred tax liabilities		350,955	340,885
		<u>2,945,748</u>	<u>3,167,855</u>
<b>Total equity and non-current liabilities</b>		<u>13,030,531</u>	<u>12,850,926</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the 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”). The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The outbreak of the Novel Coronavirus (“COVID-19”) since January 2020, followed by declaration by the World Health Organisation as a “Global Pandemic” on 11 March 2020, to a certain extent, brought challenges to the Group’s business performance during the period and ahead. The Group’s businesses are diversified which enabled the Group to have a strong resilience to the impact of economic downturns. The Directors have considered the existing and potential impact arising from the outbreak of COVID-19 in the preparation of the condensed consolidated financial statements. The Directors will remain cautious on the ongoing development of COVID-19 that may cause further volatility and uncertainty in the global financial market and economy, and will take necessary measures to address the impact arising therefrom.

## 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 2020.

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 amendments 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 2020:

- Amendments to HKFRS 3, “Definition of a Business”
- Amendments to HKAS 1 and HKAS 8, “Definition of Material”
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, “Interest Rate Benchmark Reform”
- Conceptual Framework for Financial Reporting 2018 — “Revised Conceptual Framework for Financial Reporting”

The adoption of the above Amendments to the Conceptual Framework for financial reporting and existing standards had no material impact on the condensed consolidated financial statements in the current and prior periods. Their impacts on presentation and disclosures, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

The following new standard, amendments 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 2020:

- HKAS 1 (amendment), "Classification of Liabilities as Current or Non-current"<sup>3</sup>
- HKAS 16 (amendment), "Proceeds before Intended Use"<sup>2</sup>
- HKAS 37 (amendment), "Cost of Fulfilling a Contract"<sup>2</sup>
- HKFRS 3 (amendment), "Reference to the Conceptual Framework"<sup>2</sup>
- HKFRS 10 and HKAS 28 (amendment), "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"<sup>4</sup>
- HKFRS 16 (amendment), "COVID-19-Related Rent Concessions"<sup>1</sup>
- HKFRS 17, "Insurance Contracts"<sup>3</sup>
- Annual Improvement Project – Annual Improvements to HKFRSs 2018–2020 Cycle<sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The Group is in the process of assessing the impact of these new standard, amendments 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 2020.

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### **Lease modifications (the Group as a lessee)**

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### 3 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
<b>For the six months ended</b>							
<b>30 September 2020</b>							
<b>REVENUE</b>							
Total revenue	1,115,029	70,180	219,539	504,030	975,747	401,886	3,286,411
Inter-segment revenue	–	–	(22,068)	–	–	(36,806)	(58,874)
Group revenue	1,115,029	70,180	197,471	504,030	975,747	365,080	3,227,537
Share of revenue of associates and joint ventures	881,781	–	23,357	58,764	264,004	25,647	1,253,553
Proportionate revenue from a joint venture eliminated	(11,344)	–	–	–	–	–	(11,344)
<b>Segment revenue</b>	<b>1,985,466</b>	<b>70,180</b>	<b>220,828</b>	<b>562,794</b>	<b>1,239,751</b>	<b>390,727</b>	<b>4,469,746</b>
<b>Revenue from contracts with customers:</b>							
– recognised at a point in time	10,563	–	27,400	–	969,569	209,479	1,217,011
– recognised over time	1,104,466	–	168,342	504,030	–	19,779	1,796,617
Revenue from other sources	–	70,180	1,729	–	6,178	135,822	213,909
<b>Group revenue</b>	<b>1,115,029</b>	<b>70,180</b>	<b>197,471</b>	<b>504,030</b>	<b>975,747</b>	<b>365,080</b>	<b>3,227,537</b>
<b>RESULTS</b>							
<b>Segment profit</b>	<b>202,212</b>	<b>52,337</b>	<b>38,753</b>	<b>70,053</b>	<b>9,729</b>	<b>40,631</b>	<b>413,715</b>
Included in segment profit are:							
Share of results of associates	106,769	–	(2)	–	–	(958)	105,809
Share of results of joint ventures	304	–	(2,466)	15,095	5,818	–	18,751
Depreciation and amortisation, net of amount allocated to contract work	(4,614)	(272)	(28,295)	(40,772)	(16,500)	(5,942)	(96,395)
Unrealised loss on derivative financial instruments	–	–	–	–	–	(242)	(242)
Unrealised loss on investments at fair value through profit or loss	–	–	–	–	–	(2,841)	(2,841)
Provision (recognised)/written back for inventories to net realisable value, net	(2)	–	–	–	(492)	783	289
Provision written back/(recognised) on trade and other debtors, net	219	6	–	(3,225)	–	1,737	(1,263)

	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
<b>For the six months ended</b>							
<b>30 September 2019</b>							
<b>REVENUE</b>							
Total revenue	1,105,359	73,277	325,078	420,454	961,743	284,728	3,170,639
Inter-segment revenue	–	–	(22,346)	–	–	(29,506)	(51,852)
Group revenue	1,105,359	73,277	302,732	420,454	961,743	255,222	3,118,787
Share of revenue of associates and joint ventures	959,810	–	127,542	59,065	264,028	63,057	1,473,502
Proportionate revenue from a joint venture eliminated	(58,644)	–	–	–	–	–	(58,644)
<b>Segment revenue</b>	<b>2,006,525</b>	<b>73,277</b>	<b>430,274</b>	<b>479,519</b>	<b>1,225,771</b>	<b>318,279</b>	<b>4,533,645</b>

<b>Revenue from contracts with customers:</b>							
– recognised at a point in time	12,136	–	135,629	–	955,603	201,251	1,304,619
– recognised over time	1,093,206	–	147,237	420,454	–	16,474	1,677,371
Revenue from other sources	17	73,277	19,866	–	6,140	37,497	136,797
<b>Group revenue</b>	<b>1,105,359</b>	<b>73,277</b>	<b>302,732</b>	<b>420,454</b>	<b>961,743</b>	<b>255,222</b>	<b>3,118,787</b>

## RESULTS

<b>Segment profit/(loss)</b>	<b>179,837</b>	<b>118,489</b>	<b>263,075</b>	<b>(18,848)</b>	<b>(3,599)</b>	<b>15,969</b>	<b>554,923</b>
Included in segment profit/(loss) are:							
Share of results of associates	88,231	–	–	–	–	(7,784)	80,447
Share of results of joint ventures	481	–	875	(9,804)	2,964	–	(5,484)
Depreciation and amortisation, net of amount allocated to contract work	(13,968)	(240)	(29,872)	(41,930)	(13,003)	(5,513)	(104,526)
Unrealised gain on derivative financial instruments	32	–	–	–	–	–	32
Unrealised loss on investments at fair value through profit or loss	–	–	–	–	–	(1,600)	(1,600)
Provision recognised for inventories to net realisable value, net	(4)	–	–	–	(571)	(1,375)	(1,950)
Provision written back/(recognised) on trade and other debtors, net	368	–	–	(2,969)	–	(6)	(2,607)

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:

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Segment profit	413,715	554,923
Unallocated corporate expenses	(19,449)	(23,260)
Finance income	23,049	28,969
Finance costs	(42,580)	(64,043)
	<u>374,735</u>	<u>496,589</u>
Profit before taxation	<u><u>374,735</u></u>	<u><u>496,589</u></u>

**(b) Assets and liabilities**

	<b>Construction and engineering HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Property development and operations HK\$'000</b>	<b>Healthcare investment HK\$'000</b>	<b>Car dealership HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>At 30 September 2020</b>							
<b>ASSETS</b>							
<b>Segment assets</b>	<u>1,534,488</u>	<u>4,872,492</u>	<u>4,397,223</u>	<u>2,901,416</u>	<u>848,351</u>	<u>1,778,911</u>	<u>16,332,881</u>
Included in segment assets are:							
Interests in associates	549,122	–	–	–	–	18,965	568,087
Interests in joint ventures	13,760	–	340,119	608,667	83,144	–	1,045,690
Amounts due from associates	9,781	–	–	–	–	5,310	15,091
Amounts due from joint ventures	170	–	47,375	–	–	–	47,545
Additions to non-current assets (note)	2,795	633	165,957	97,472	114,653	10,093	391,603
	<u>1,653,086</u>	<u>42,604</u>	<u>515,825</u>	<u>412,662</u>	<u>436,334</u>	<u>655,238</u>	<u>3,715,749</u>
<b>LIABILITIES</b>							
<b>Segment liabilities</b>	<u>1,653,086</u>	<u>42,604</u>	<u>515,825</u>	<u>412,662</u>	<u>436,334</u>	<u>655,238</u>	<u>3,715,749</u>
Included in segment liabilities are:							
Amounts due to joint ventures	–	–	6,138	–	244	–	6,382

	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
<b>At 31 March 2020</b>							
<b>ASSETS</b>							
<b>Segment assets</b>	<u>1,570,790</u>	<u>3,758,183</u>	<u>4,952,662</u>	<u>2,687,648</u>	<u>987,132</u>	<u>1,554,749</u>	<u>15,511,164</u>
Included in segment assets are:							
Interests in associates	475,744	–	–	–	–	22,008	497,752
Interests in joint ventures	13,455	–	334,801	608,849	76,693	–	1,033,798
Amounts due from associates	19,584	–	–	–	–	1,387	20,971
Amount due from a joint venture	–	–	46,694	–	–	–	46,694
Additions to non-current assets (note)	<u>4,939</u>	<u>769</u>	<u>47,564</u>	<u>43,681</u>	<u>128,759</u>	<u>2,851</u>	<u>228,563</u>
<b>LIABILITIES</b>							
<b>Segment liabilities</b>	<u>1,714,398</u>	<u>37,594</u>	<u>420,305</u>	<u>405,145</u>	<u>419,563</u>	<u>545,206</u>	<u>3,542,211</u>
Included in segment liabilities are:							
Amounts due to joint ventures	<u>–</u>	<u>–</u>	<u>5,869</u>	<u>–</u>	<u>181</u>	<u>–</u>	<u>6,050</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:

	<b>As at 30 September 2020 HK\$'000</b>	<b>As at 31 March 2020 HK\$'000</b>
Segment assets	<b>16,332,881</b>	15,511,164
Prepaid tax	<b>27,168</b>	31,221
Unallocated bank balances and cash	<b>1,211,433</b>	1,442,401
Deferred tax assets	<b>39,945</b>	45,102
Other unallocated assets	<b>12,180</b>	9,330
<b>Total assets</b>	<b><u>17,623,607</u></b>	<u>17,039,218</u>
Segment liabilities	<b>3,715,749</b>	3,542,211
Current income tax liabilities	<b>70,449</b>	54,980
Bank and other borrowings	<b>3,335,864</b>	3,368,067
Deferred tax liabilities	<b>350,955</b>	340,885
Other unallocated liabilities	<b>65,807</b>	50,004
<b>Total liabilities</b>	<b><u>7,538,824</u></b>	<u>7,356,147</u>

(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 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							
	Six months ended				Six months ended			
	Company and subsidiaries	Associates and joint ventures	30 September 2020	%	Company and subsidiaries	Associates and joint ventures	30 September 2019	%
HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000		
Mainland China	859,767	770,903	1,630,670	36	886,319	784,012	1,670,331	36
Hong Kong	1,209,900	310,297 <sup>1</sup>	1,520,197	34	1,048,147	379,613 <sup>1</sup>	1,427,760	31
The US	651,817	58,764	710,581	16	554,415	59,065	613,480	14
Macau	253,076	18,669	271,745	6	357,803	9,036	366,839	8
Canada	167,691	–	167,691	4	217,574	–	217,574	5
Singapore	6,199	78,742	84,941	2	6,124	170,345	176,469	4
Australia	52,530	4,583	57,113	1	20,171	12,564	32,735	1
Thailand	26,557	–	26,557	1	28,234	–	28,234	1
Others	–	251	251	–	–	223	223	–
	<b>3,227,537</b>	<b>1,242,209</b>	<b>4,469,746</b>	<b>100</b>	<b>3,118,787</b>	<b>1,414,858</b>	<b>4,533,645</b>	<b>100</b>

<sup>1</sup> 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 2020 and 2019.

**4 OTHER INCOME, NET**

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Included in other income, net are:		
Gain/(loss) on investments at fair value through profit or loss	1,870	(3,944)
(Loss)/gain on derivative financial instruments	(242)	32
Sales and marketing services income from an associate	17,280	16,529
Management fee income from an associate and joint ventures	11,184	11,146
Government grants	61,427	–

## 5 OTHER GAINS, NET

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Included in other gains/(losses), net are:		
Gain on disposal of property, plant and equipment	1,474	913
Provision recognised on trade and other debtors, net	(1,263)	(2,607)
Exchange gain	4,045	22,326
	<u>4,045</u>	<u>22,326</u>
<b>Gain on disposals of subsidiaries</b>		
Gain on disposals of		
– Moon Colour Group	–	166,747
– New Rise	–	38,680
	<u>–</u>	<u>38,680</u>

## 6 FINANCE COSTS, NET

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Interest expenses on bank overdrafts and bank and other borrowings	52,130	79,437
Less: Amounts capitalised to properties under development (note)	(10,812)	(16,817)
	<u>41,318</u>	<u>62,620</u>
Interest expenses on lease liabilities	1,283	1,473
Less: Amounts allocated to contract work (note)	(21)	(50)
	<u>1,262</u>	<u>1,423</u>
Less: Interest income from bank deposits and a joint venture	(23,049)	(28,969)
	<u>19,531</u>	<u>35,074</u>

Note: The interest rate applied to funds borrowed and used for the development of properties and contract work was between 1.19% and 3.00% per annum during the six months ended 30 September 2020.

## 7 PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging/(crediting) the following:		
Cost of inventories recognised as expenses	969,340	928,130
Cost of construction	1,019,263	992,989
Provision (written back)/recognised for inventories to net realisable value, net	(289)	1,950
Staff costs	632,114	598,916
Less: Amounts allocated to contract work	(96,321)	(95,082)
	535,793	503,834
Short term lease payments in respect of leasing of		
– premises	4,653	3,794
– equipment	1,676	1,286
	6,329	5,080
Depreciation of property, plant and equipment	87,173	92,595
Less: Amounts allocated to contract work	(1,402)	(1,603)
	85,771	90,992
Amortisation of other intangible assets	10,624	13,534
Government grants	(61,427)	–

## 8 TAXATION

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	33,317	30,688
– Mainland China	7,560	11,622
– Overseas	17,031	16,159
Over-provision in prior years	(5,430)	(573)
	52,478	57,896
Deferred tax		
– Origination and reversal of temporary differences	8,123	9,093
	60,601	66,989

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 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

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company of HK\$293,519,000 (2019: HK\$414,897,000) by the weighted average number of 301,928,440 (2019: 301,928,440) ordinary shares in issue during the period.

## 10 DIVIDEND

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Interim dividend of HK\$0.16 (2019: HK\$0.20) per share	<b>48,309</b>	60,386

On 27 November 2020, the Board of Directors declared an interim dividend of HK\$0.16 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 2021.

The 2019/20 final dividend of HK\$0.32 per share totaling HK\$96,617,000 was declared and approved at the annual general meeting held on 28 August 2020 and paid on 18 September 2020. The 2019/20 final dividend has been reflected as an appropriation of the retained profits for the six months ended 30 September 2020.

## 11 DEBTORS, CONTRACT ASSETS, DEPOSITS AND PREPAYMENTS

	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>HK\$'000</b>	HK\$'000
Trade debtors	<b>603,819</b>	611,303
Less: Provision for impairment	<b>(25,461)</b>	(28,962)
Trade debtors, net	<b>578,358</b>	582,341
Retention receivables	<b>225,941</b>	221,142
Less: Provision for impairment	<b>(8,597)</b>	(9,186)
Retention receivables, net	<b>217,344</b>	211,956
Contract assets	<b>137,899</b>	79,635
Other debtors, deposits and prepayments	<b>563,712</b>	478,416
	<b>1,497,313</b>	1,352,348

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 of impairment provision, is presented based on the invoice date as follows:

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
0–60 days	453,257	485,432
61–90 days	22,089	40,774
Over 90 days	103,012	56,135
	<u>578,358</u>	<u>582,341</u>

## 12 CREDITORS, BILLS PAYABLE, DEPOSITS, CONTRACT LIABILITIES AND ACCRUALS

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Trade creditors and bills payable	357,035	292,561
Retention payables	185,416	166,542
Deposits received	52,568	44,216
Contract liabilities	271,183	233,394
Accrued contract costs	1,216,471	1,309,658
Other creditors and accruals	574,514	484,403
	<u>2,657,187</u>	<u>2,530,774</u>

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

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
0–60 days	305,943	257,043
61–90 days	29,705	7,878
Over 90 days	21,387	27,640
	<u>357,035</u>	<u>292,561</u>

### 13 ACQUISITION OF BUSINESSES

On 1 May 2020, the Group acquired a senior housing property in the US at the consideration of US\$19,500,000 (equivalent to approximately HK\$151,125,000).

	<b>2020</b>
	HK\$'000
Purchase consideration satisfied by:	
Cash paid	151,125
Provisional fair value of net assets acquired:	
Property, plant and equipment	145,622
Goodwill	5,503
	<u>151,125</u>
Acquisition related expenses (included in administrative expenses)	<u>863</u>
Net cash outflow arising from the acquisition:	
Cash consideration paid	<u>(151,125)</u>

As at 30 September 2020, the fair value of the acquired identifiable property, plant and equipment of HK\$145,622,000 and goodwill of HK\$5,503,000 are provisional and pending for final valuation of those assets.

### 14 CONTINGENT LIABILITIES

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

	<b>As at 30 September 2020 HK\$'000</b>	As at 31 March 2020 HK\$'000
Banking facilities granted to associates	1,245	1,368
Guarantees given to banks and housing retirement fund management centres for mortgage facilities granted to certain buyers of properties	<u>183,175</u>	<u>548,760</u>
	<u><b>184,420</b></u>	<u>550,128</u>

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

	<b>As at 30 September 2020 HK\$'000</b>	As at 31 March 2020 HK\$'000
Guarantees given to banks for mortgage facilities granted to certain buyers of the joint ventures' properties	<u>280</u>	<u>268</u>



## 15 COMMITMENT

The Group had commitment as follows:

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Contracted but not provided for in the condensed consolidated interim financial statements in respect of		
– property development projects	332,305	474,492
– acquisition of property, plant and equipment	2,618	3,018
– acquisition of a senior housing property ( <i>Note 13</i> )	–	151,125
	<u>334,923</u>	<u>628,635</u>

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

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Contracted but not provided for	<u>9,795</u>	<u>8,215</u>

## **INTERIM DIVIDEND**

The Board of Directors has resolved to declare an interim dividend of HK\$0.16 (2019: HK\$0.20) per share for the six months ended 30 September 2020. The interim dividend will be payable on or about Tuesday, 22 December 2020 to those shareholders whose names appear on the Register of Members of the Company on Thursday, 17 December 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Tuesday, 15 December 2020 to Thursday, 17 December 2020, both days inclusive, during which period 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 and transfer office in Hong Kong, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 14 December 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the six months ended 30 September 2020, the Group's unaudited interim results recorded a slight growth in consolidated revenue from HK\$3,119 million to HK\$3,228 million, representing an increase of 3% while the consolidated profit decreased from HK\$430 million to HK\$314 million, representing a drop of 27% as compared to the corresponding period last year. Taking into account the share of revenue of associates and joint ventures, the Group's total revenue was HK\$4,470 million (2019: HK\$4,534 million), representing a decrease of 1%. The decline in the Group's profit was mainly due to the absence of non-recurring items, namely, one-off gains on disposal of properties and recognised exchange gain that were present in the corresponding period last year. Profit attributable to the Company's shareholders dropped to HK\$294 million (2019: HK\$415 million) and hence, earnings per share was HK\$0.97 (2019: HK\$1.37) for the period under review.

## **CONSTRUCTION AND ENGINEERING**

During the period under review, revenue of the Construction and Engineering segment reported a slight decrease of 1% from HK\$2,007 million to HK\$1,985 million and segment profit increased from HK\$180 million to HK\$202 million representing a growth of 12% as compared to the same period last year. The increase in profit was mainly due to the satisfactory performance of various business divisions within the segment during the period under review.

As at 30 September 2020, the total value of the Group's outstanding construction and engineering contracts in hand amounted to HK\$5,755 million. Major contracts are:

1. Construction of the extension of the operating theatre block for Tuen Mun Hospital, New Territories;
2. Construction of superstructure work at Y.L.T.L. 532, Tung Tau industrial area, Yuen Long, New Territories;
3. Construction of proposed church facilities, residential care home and senior hostel at 17A & B Ventris Road, Happy Valley, Hong Kong;

4. Construction of a commercial development at A.I.L. 462 Yip Kan Street and Wong Chuk Hang Road, Hong Kong;
5. Upgrade of Kwun Tong Preliminary Treatment Works;
6. Design, supply and installation of kitchen cabinets for the proposed residential development at N.K.I.L. 6575, Kai Tak, Kowloon;
7. Mechanical and electrical works for Galaxy Resort and Casino Phase 3C Multi-Functional Hall Convention Complex and Hotel at Cotai City, Macau; and
8. Design, supply and installation of curtain walls, windows, metal claddings, acoustic panels and glass balustrades for proposed residential development at No. 547 Castle Peak Road, Tuen Mun, New Territories.

Subsequent to the reporting period, BUCG-CCCL Joint Venture (a joint venture company formed by Chevalier (Construction) Company Limited (“CCCL”), a subsidiary of the Company, and Beijing Urban Construction Group Co., Ltd. 北京城建集團有限責任公司 (“BUCG”)) was awarded a contract by the Hong Kong Airport Authority for the construction works of the Third Runway Concourse and the Apron (the “Third Runway Project”). BUCG is a large international comprehensive construction group that has participated in many prestigious and renowned projects worldwide including the Beijing Daxing International Airport. The project is expected to complete in the fourth quarter of 2024.

## **PROPERTY INVESTMENT**

The Property Investment segment comprising the property letting business recorded a decrease in its revenue from HK\$73 million to HK\$70 million, representing a 4% decrease as compared to the same period last year. Segment profit decreased by 56% from HK\$118 million to HK\$52 million during the recorded period. Decline in segment profit was mainly due to the absence of one-off gain on disposal of a commercial property and the exchange gain recognised from the property investment in Shanghai during the period under review.

## **PROPERTY DEVELOPMENT AND OPERATIONS**

The revenue of this segment dropped from HK\$430 million to HK\$221 million, representing a decrease of 49% during the period under review. The decline was caused by the decrease in the sales of the residential and commercial units of Phase I of “Chevalier City” in Changchun. Segment profit decreased by 85% from HK\$263 million to HK\$39 million during the reporting period. Decline in segment profit was mainly due to the absence of contribution from the one-off disposal gain of the commercial property and the slowdown in the sales of residential and commercial units of “Chevalier City” in Changchun and the residential units of “City Hub” in Hong Kong.

“Sablier”, a Urban Renewal Authority re-development project located at Fuk Chak Street, Tai Kok Tsui, was launched for pre-sale in September 2020. It will provide 144 small to medium size residential units with residential gross floor area of about 55,000 square feet and commercial area of 7,000 square feet. The project is expected to complete by 2021.

## **HEALTHCARE INVESTMENT**

During the period under review, the revenue of the Healthcare Investment segment reported an increase from HK\$480 million to HK\$563 million, representing an increase of 17% as compared to last year. Such increase was mainly due to additional income derived from providing care services to COVID-19 patients and related services. Segment profit turn from a loss of HK\$19 million to a profit of HK\$70 million as compared to last year which was mainly due to an increase in revenue this year, and the turnaround of the unrealised fair value loss of financial instruments in a joint venture last year to the unrealised fair value gain this year.

As at 30 September 2020, the Group owned 36 senior housing facilities across 7 States in the US providing over 3,000 units/beds covering a wide spectrum of services including independent living, assisted living, memory care and skilled nursing. The Group also owns 3 medical office buildings located in New York, Pennsylvania and Rhode Island comprising a total gross floor area of approximately 428,000 square feet through a joint venture.

Armed with our extensive experience in the healthcare business in the US, the Group has engaged in the development of a senior housing project in Happy Valley, Hong Kong. Foundation works has completed and the main construction works started in August 2020. The project is expected to complete in 2022/23.

## **CAR DEALERSHIP**

Revenue of this segment slightly increased from HK\$1,226 million to HK\$1,240 million and a positive result of HK\$10 million was reported as compared to a loss of HK\$4 million last period. The turnaround was largely driven by the strong demand for automobiles after the lifting of the COVID-19 lockdown in Mainland China. New stimulus policies launched by the Chinese Government also helped to boost the demand for automobiles in Mainland China.

Performance of the car dealership in Canada was also affected by the pandemic. Nevertheless, the automobile industry maintained its stability due to subsidies from the Canadian Government to ease the negative impact caused by COVID-19.

## **OTHERS**

Businesses of this segment cover computer and information technology, insurance and investment, freight logistic services, food trading and food and beverage. Segment revenue recorded an increase of 23% from HK\$318 million to HK\$391 million. The main contributor to this increase in revenue was the insurance operation and the increase in employees' compensation insurance for the numerous large and small scale construction projects in Hong Kong. Segment profit soared from HK\$16 million to HK\$41 million, representing a 156% growth during the period under review. Such increase was mainly due to the decrease in fair value loss in securities under investments business.

## **FUTURE PROSPECTS**

During the period under review, the challenges and uncertainties that have arisen as result of the outbreak of the COVID-19 pandemic have severely weakened the momentum in business globally. Many business sectors and companies in Hong Kong, including the Group, were inevitably exposed to the slowdown in global economic activities and the negative effects caused by the precautionary measures adopted by various governments worldwide including border controls, mandatory lockdowns and quarantine requirements.

Involvement of the Group in the Third Runway Project will not only bring about a golden opportunity for the Group to participate in a large infrastructure project but also further enhance the portfolio and reputation of the Group. In anticipation of a positive demand in the Hong Kong property market, the Group will remain on the lookout for opportunities to replenish its land bank. Nevertheless, the pace of recovery of the economy in Hong Kong will very much hinge on the relaxation of border restrictions worldwide.

With the Group's solid financial position, its committed management complemented by a professional team and dedicated staff, we are confident that we can tackle the prevailing challenges in the business environment. We will cautiously seek investment opportunities with a pragmatic approach.

## **FINANCIAL REVIEW**

As at 30 September 2020, the Group's net assets attributable to shareholders of the Company amounted to HK\$9,457 million, an increase of HK\$385 million when compared with 31 March 2020 of HK\$9,072 million. Such increase mainly resulted from the profit attributable to shareholders of the Company of HK\$294 million and exchange difference on translation of operations of overseas subsidiaries, associates and joint ventures of HK\$164 million offset by dividend payment of HK\$97 million.

As at 30 September 2020, the Group's bank and other borrowings decreased to HK\$3,336 million (31 March 2020: HK\$3,368 million) as a result of the repayment of bank loan during the period. 59.4% and 35.2% of the balance as at 30 September 2020 (31 March 2020: 63.2% and 33.3%) were denominated in Hong Kong dollar and US dollar respectively.

The Group's within one year bank and other borrowings in respect of the portion was increased from 26.3% as at 31 March 2020 to 34.3% as at 30 September 2020.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group employed approximately 4,000 full-time staff under its subsidiaries globally as at 30 September 2020. Total staff costs amounted to HK\$632 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 2020.

## **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 contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2020, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Chairman is responsible for overseeing the Board while the Managing Director is responsible for managing the Group's businesses. 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 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 2020, all the Non-Executive Directors of the Company are not appointed for a specific term but are instead subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Bye-Laws.

## **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 2020.

## **AUDIT COMMITTEE**

The Audit Committee comprises four Independent Non-Executive Directors of the Company, namely Mr. Yang Chuen Liang, Charles as Committee chairman, Professor Poon Chung Kwong, Mr. Irons Sze and Mr. Sun Leland Li Hsun 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 control 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 2020.

## **PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

The interim results announcement of the Company for the six months ended 30 September 2020 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 2020 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 express my sincere gratitude and appreciation to our management team and staff for their hard work, and to our shareholders and business partners for their staunch support throughout this period.

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

Hong Kong, 27 November 2020

*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, Mr. Irons Sze and Mr. Sun Leland Li Hsun as Independent Non-Executive Directors; Dr. Ko Chan Gock, William and Mr. Chow Vee Tsung, Oscar as Non-Executive Directors.*

\* *For identification purpose only*