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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)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2019

#### RESULTS

The Directors of Chevalier International Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 March 2019, together with the comparative figures summarised as follows:

#### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	5	<b>6,892,714</b>	6,980,400
Cost of sales		<b>(6,005,433)</b>	(6,105,507)
Gross profit		<b>887,281</b>	874,893
Other income, net	6	<b>68,327</b>	73,878
Other gains, net	7	<b>182,400</b>	154,484
Gain on disposals of subsidiaries	7	<b>231</b>	715,075
Selling and distribution costs		<b>(157,438)</b>	(146,941)
Administrative expenses		<b>(357,347)</b>	(330,318)
Operating profit		<b>623,454</b>	1,341,071
Share of results of associates		<b>125,003</b>	57,918
Share of results of joint ventures		<b>171,448</b>	(60,490)
		<b>919,905</b>	1,338,499
Finance income	8	<b>43,216</b>	21,636
Finance costs	8	<b>(123,239)</b>	(92,309)
Finance costs, net	8	<b>(80,023)</b>	(70,673)

	Note	2019 HK\$'000	2018 HK\$'000
Profit before taxation	9	839,882	1,267,826
Taxation	10	<u>(140,480)</u>	<u>(296,344)</u>
<b>Profit for the year</b>		<b><u>699,402</u></b>	<b><u>971,482</u></b>
<b>Attributable to:</b>			
Shareholders of the Company		654,561	907,929
Non-controlling interests		<u>44,841</u>	<u>63,553</u>
		<b><u>699,402</u></b>	<b><u>971,482</u></b>
<b>Earnings per share</b>			
– basic and diluted (HK\$ per share)	11	<b><u>2.17</u></b>	<b><u>3.01</u></b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2019**

	2019 HK\$'000	2018 HK\$'000
<b>Profit for the year</b>	<u>699,402</u>	<u>971,482</u>
<b>Other comprehensive (expenses)/income for the year</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Change in fair value of investments at fair value through other comprehensive income	(16,154)	–
Fair value gain/(loss) of properties for own use	1,447	(22,447)
<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	(251,026)	393,900
Change in fair value of available-for-sale investments	–	1,248
Impairment loss on available-for-sale investments transferred to consolidated income statement	–	3,377
Fair value adjustments on the derivative financial instruments designated as cash flow hedge	<u>162</u>	<u>2,443</u>
Other comprehensive (expenses)/income for the year, net of tax	<u>(265,571)</u>	<u>378,521</u>
<b>Total comprehensive income for the year</b>	<u><u>433,831</u></u>	<u><u>1,350,003</u></u>
<b>Attributable to:</b>		
Shareholders of the Company	406,960	1,259,846
Non-controlling interests	<u>26,871</u>	<u>90,157</u>
	<u><u>433,831</u></u>	<u><u>1,350,003</u></u>

Note:

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019**

	Note	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Investment properties		3,769,835	3,791,245
Property, plant and equipment		3,161,325	2,784,738
Goodwill		684,138	681,839
Other intangible assets		63,521	31,352
Interests in associates		474,452	468,411
Interests in joint ventures		1,258,318	1,112,486
Investments at fair value through other comprehensive income		47,404	–
Available-for-sale investments		–	265,766
Investments at fair value through profit or loss		331,013	–
Investments at amortised cost		30,851	–
Properties under development		434,051	642,713
Deferred tax assets		29,916	42,171
Other non-current assets		107,615	89,536
		<u>10,392,439</u>	<u>9,910,257</u>
<b>Current assets</b>			
Amounts due from associates		18,371	18,575
Amounts due from joint ventures		56	9,085
Amounts due from non-controlling interests		41,382	39,025
Investments at fair value through profit or loss		415,261	430,805
Investments at amortised cost		3,970	–
Inventories		326,865	344,577
Properties for sale		366,619	578,665
Properties under development		1,779,646	1,485,581
Debtors, contract assets, deposits and prepayments	13	1,375,643	1,466,445
Amounts due from customers for contract work		–	88,563
Derivative financial instruments		397	373
Prepaid tax		23,069	9,138
Bank balances and cash		1,833,084	1,723,452
		<u>6,184,363</u>	<u>6,194,284</u>
Assets held-for-sale	18	516,549	–
		<u>6,700,912</u>	<u>6,194,284</u>

	Note	2019 HK\$'000	2018 HK\$'000
<b>Current liabilities</b>			
Amounts due to joint ventures		6,490	7,524
Amounts due to non-controlling interests		259,713	325,166
Amounts due to customers for contract work		–	639,791
Derivative financial instruments		66	233
Creditors, bills payable, deposits, contract liabilities and accruals	14	2,523,047	1,642,245
Unearned insurance premiums and unexpired risk reserves		47,028	59,536
Outstanding insurance claims		237,913	255,438
Deferred income		–	22,403
Current income tax liabilities		66,276	69,028
Bank and other borrowings		1,109,840	767,670
		<u>4,250,373</u>	<u>3,789,034</u>
Liabilities directly associated with assets held-for-sale	18	34	–
		<u>4,250,407</u>	<u>3,789,034</u>
<b>Net current assets</b>		<u>2,450,505</u>	<u>2,405,250</u>
<b>Total assets less current liabilities</b>		<u><u>12,842,944</u></u>	<u><u>12,315,507</u></u>
<b>Capital and reserves</b>			
Share capital		377,411	377,411
Reserves		8,644,073	8,355,324
		<u>9,021,484</u>	<u>8,732,735</u>
Shareholders' funds		9,021,484	8,732,735
Non-controlling interests		620,589	603,005
		<u>9,642,073</u>	<u>9,335,740</u>
<b>Total equity</b>		<u>9,642,073</u>	<u>9,335,740</u>
<b>Non-current liabilities</b>			
Amount due to a non-controlling interest		118,137	–
Unearned insurance premiums		89,500	30,606
Bank and other borrowings		2,630,370	2,608,832
Deferred tax liabilities		362,864	340,329
		<u>3,200,871</u>	<u>2,979,767</u>
<b>Total equity and non-current liabilities</b>		<u><u>12,842,944</u></u>	<u><u>12,315,507</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These financial statements also complied with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, staff quarters, investments at fair value through other comprehensive income (“FVOCI”) and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss (“FVPL”).

## 2 Accounting policies

### (a) New standards, amendments, interpretation and improvements to existing standards that are effective for the Group’s financial year beginning on 1 April 2018

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 9”)
- HKFRS 15, “Revenue from contracts with customers” (“HKFRS 15”)
- HKFRS 15 (amendment), “Clarifications of HKFRS 15 Revenue from contracts with customers”

The impact of the adoption of these standards and amendment is 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 these 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 consolidated financial statements.

### (b) New standards, amendments, interpretation and improvements to existing standards that have been issued but not yet effective and have not been early adopted by the Group

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 for the financial year of the Group beginning on 1 April 2018 and have not been early adopted:

- HKAS 1 and HKAS 8 (amendment), “Definition of material”<sup>2</sup>
- HKAS 19 (amendment), “Employee benefits”<sup>1</sup>
- HKAS 28 (amendment), “Long term interests in associates and joint ventures”<sup>1</sup>
- HKFRS 3 (amendment), “Business combinations”<sup>2</sup>
- HKFRS 9 (amendment), “Prepayment features with negative compensation”<sup>1</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, “Leases”<sup>1</sup>
- HKFRS 17, “Insurance contracts”<sup>3</sup>
- HK(IFRIC)-Int 23, “Uncertainty over income tax treatments”<sup>1</sup>
- Annual Improvements Project-Improvements to HKFRS 2015-2017 Cycle<sup>1</sup>
- Conceptual Framework for Financial Reporting 2018 – “Revised conceptual framework for financial reporting 2018”<sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

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

## HKFRS 16, “Leases” (“HKFRS 16”)

### Nature of changes

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

### Potential impact

The standard will affect primarily the accounting for the Group’s operating leases. As at the end of the reporting period, the Group has non-cancellable operating lease commitments of HK\$105 million. Based on the preliminary assessment undertaken to date, it is estimated that the adoption of HKFRS 16 would result in recognition of right-of-use assets and financial liabilities in the consolidated statement of financial position primarily arising from leases of land and buildings. The interest expenses on the lease liabilities and the depreciation expenses on the right-of-use assets under HKFRS 16 will replace the rental charge under HKAS 17, “Leases” in the profit or loss. The new standard is mandatory for financial years commencing on or after 1 January 2019. The Group will adopt the standard from 1 April 2019 and will not restate comparative amounts for the year prior to first adoption.

The accounting for lessors will not significantly change. The Group does not expect any significant impact on the consolidated financial statements. However, some additional disclosures will be required next year.

## HKFRS 17, “Insurance contracts” (“HKFRS 17”)

HKFRS 17 will replace the current HKFRS 4, “Insurance contracts”. HKFRS 17 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, HKFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. The Group is yet to undertake a detailed assessment of the new standard. The standard is mandatorily effective for financial periods beginning on or after 1 January 2021, however in November 2018, IASB proposed to defer IFRS 17 and temporary IFRS 9 exemption available to insurers until the financial period beginning on or after 1 January 2022. The proposed deferral is subject to public consultation, which is expected in 2019.

Other than the above, the Group anticipates that the application of amendments, interpretation and improvements to existing standards that have been issued but are not yet effective may have no material impact on the results of operations and financial position.

### 3 Changes in significant accounting policies

#### (a) Impact on the consolidated financial statements

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. In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, comparative figures have not been restated. 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 details as below.

	<b>31 March 2018</b> <b>As previously</b> <b>reported</b> <b>HK\$'000</b>	<b>Effect on</b> <b>adoption of</b> <b>HKFRS 9</b> <b>HK\$'000</b>	<b>Effect on</b> <b>adoption of</b> <b>HKFRS 15</b> <b>HK\$'000</b>	<b>1 April 2018</b> <b>As adjusted</b> <b>HK\$'000</b>
<b>Consolidated statement of financial position (extract)</b>				
Interests in associates	468,411	–	314	468,725
Investments at FVOCI	–	63,558	–	63,558
Investments at FVPL	430,805	193,380	–	624,185
Investments at amortised cost	–	33,182	–	33,182
Available-for-sale investments	265,766	(265,766)	–	–
Inventories	344,577	–	15,498	360,075
Debtors, contract assets, 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, contract liabilities 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, “Financial instruments: Recognition and measurement” that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

HKFRS 15 replaces both the provisions of HKAS 18, “Revenue” (“HKAS 18”) and HKAS 11, “Construction contracts” (“HKAS 11”) and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

Details of accounting policies will be set out in the annual report.



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
<b>Closing retained profits at 31 March 2018</b>		6,505,177
Reclassify investment revaluation reserve	(i)(a)	28,596
Adjustments for unbilled revenue	(iii)(b)	6,812
Adjustment to interests in associates	(iii)(a)	314
Tax effect	(iii)(b)	(1,124)
<b>Opening retained profits at 1 April 2018</b>		
– HKFRS 9 and HKFRS 15		<u>6,539,775</u>

(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:

Financial assets	Note	Available-for-sale HK\$'000	FVPL HK\$'000	FVOCI HK\$'000	Amortised cost HK\$'000
<b>Closing balance at 31 March</b>					
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	–	–
<b>Opening balance at 1 April</b>					
2018 – HKFRS 9		<u>–</u>	<u>624,185</u>	<u>63,558</u>	<u>33,182</u>

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
<b>Opening balance – HKAS 39</b>		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
<b>Opening balance – HKFRS 9</b>		–	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 financial assets at 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 the other comprehensive income 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 approximated 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;
- debt investments carried at amortised cost; and
- bank balances and cash.

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 experience, 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:

While bank balances and cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

*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 as there is no increase in credit risk during the year.

*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 issuers have a strong capability to meet its contractual cash flow obligations in the near term.

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

The following table shows the adjustments made to the amounts recognised in the 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
<b>Consolidated statement of financial position (extract)</b>				
Interests in associates	(a)	468,411	314	468,725
Inventories	(b)	344,577	15,498	360,075
Debtors, contract assets, 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, contract liabilities 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, contract assets, 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, contract liabilities and accruals under HKFRS 15.
- (d) The reclassification from deferred income to contract liabilities under creditors, bills payable, deposits, contract liabilities 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.

The amount by each financial statement line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

**For the year ended 31 March 2019**

	<b>Amounts before the adoption of HKFRS 15 HK\$'000</b>	<b>Effect on adoption of HKFRS 15 HK\$'000</b>	<b>Amounts as reported HK\$'000</b>
<b>Consolidated income statement (extract)</b>			
Revenue	6,932,163	(39,449)	6,892,714
Cost of sales	(6,035,983)	30,550	(6,005,433)
Share of results of associates	118,454	6,549	125,003
Taxation	(141,948)	1,468	(140,480)
Profit for the year attributable to Shareholders of the Company	655,443	(882)	654,561
Earnings per share			
Basic and diluted (HK\$ per share)	2.17	–	2.17

**At 31 March 2019**

	<b>Amounts before the adoption of HKFRS 15 HK\$'000</b>	<b>Effect on adoption of HKFRS 15 HK\$'000</b>	<b>Amounts as reported HK\$'000</b>
<b>Consolidated statement of financial position (extract)</b>			
Interests in associates	467,903	6,549	474,452
Debtors, contract assets, deposits and prepayments	1,309,654	65,989	1,375,643
Amounts due from customers for contract work	74,888	(74,888)	–
Amounts due to customers for contract work	(679,290)	679,290	–
Creditors, bills payable, deposits, contract liabilities and accruals	(1,751,888)	(771,159)	(2,523,047)
Deferred income	(91,869)	91,869	–
Current income tax liabilities	(67,744)	1,468	(66,276)
Reserves	(8,644,955)	882	(8,644,073)

**For the year ended 31 March 2019**

	<b>Amounts before the adoption of HKFRS 15 HK\$'000</b>	<b>Effect on adoption of HKFRS 15 HK\$'000</b>	<b>Amounts as reported HK\$'000</b>
<b>Consolidated statement of cash flows (extract)</b>			
Profit before taxation	842,232	(2,350)	839,882
Adjustment for:			
Share of results of associates	(118,454)	(6,549)	(125,003)
Changes in working capital:			
Debtors, contract assets, deposits and prepayments	210,639	(65,989)	144,650
Amounts due from customers for contract work	(74,888)	74,888	–
Amounts due to customers for contract work	679,290	(679,290)	–
Creditors, bills payable, deposits, contract liabilities and accruals	(563,489)	771,159	207,670
Deferred income	91,869	(91,869)	–

#### 4 Segment information

Management has determined the operating segments based on the reports reviewed by the Directors, the chief operating decision-maker, that are used to make strategic decisions. The Directors consider the business from a product/service perspective.

Principal activities of the segments are as follows:

**Construction and engineering:** Construction and engineering work for aluminium window and curtain walls, building construction, building supplies, electrical and mechanical and environmental engineering, lift and escalator and pipe technology.

**Property investment:** Properties rental business.

**Property development and Operations:** Property development and management, cold storage and logistics and hotel operations.

**Healthcare investment:** Senior housing business and medical office building investment.

**Car dealership:** Retailing, trading and servicing of motor vehicles.

**Others:** Sale and servicing of information technology equipment and business machines, food trading, general insurance business (except aircraft, aircraft liabilities and credit insurance), investment in securities and restaurant and bar.

Segment revenue is measured in a manner consistent with that in the consolidated income statement, except that it also includes the Group's share of revenue of associates and joint ventures on a proportionate consolidated basis. The sales from associates and joint ventures to the Group and sales between individual associates and joint ventures are not eliminated.

The Directors assess the performance of the operating segments based on a measure of segment results. This measurement includes the Group's share of results of associates and joint ventures on a proportionate consolidated basis. Unallocated corporate expenses, finance income and costs, taxation and other major items that are isolated and non-recurring in nature are not included in segment results.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except prepaid tax, unallocated bank balances and cash, deferred tax assets and other unallocated assets.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the consolidated statement of financial position except current income tax liabilities, bank and other borrowings, deferred tax liabilities and other unallocated liabilities.

**(a) Revenue and results**

	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 year ended 31 March 2019</b>							
<b>REVENUE</b>							
Total revenue	2,678,957	140,579	719,428	743,018	2,127,864	556,724	6,966,570
Inter-segment revenue	–	–	(44,765)	–	–	(29,091)	(73,856)
Group revenue	2,678,957	140,579	674,663	743,018	2,127,864	527,633	6,892,714
Share of revenue of associates and joint ventures	1,657,039	–	346,529	122,669	467,672	151,053	2,744,962
Proportionate revenue from a joint venture eliminated	(74,387)	–	–	–	–	–	(74,387)
Segment revenue	<u>4,261,609</u>	<u>140,579</u>	<u>1,021,192</u>	<u>865,687</u>	<u>2,595,536</u>	<u>678,686</u>	<u>9,563,289</u>

<b>Revenue from contracts with customers:</b>							
– recognised at a point in time	34,335	–	366,104	–	2,113,721	349,072	2,863,232
– recognised over time	2,644,587	–	301,535	743,018	–	28,966	3,718,106
Revenue from other sources	35	140,579	7,024	–	14,143	149,595	311,376
Group revenue	<u>2,678,957</u>	<u>140,579</u>	<u>674,663</u>	<u>743,018</u>	<u>2,127,864</u>	<u>527,633</u>	<u>6,892,714</u>

**RESULTS**

<b>Segment profit</b>	<u>293,763</u>	<u>269,219</u>	<u>217,798</u>	<u>144,109</u>	<u>(9,610)</u>	<u>46,817</u>	<u>962,096</u>
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Included in segment profit/(loss) are:

Share of results of associates	127,452	–	873	–	–	(3,322)	125,003
Share of results of joint ventures	428	–	17,361	150,487	3,172	–	171,448
Increase in fair value of investment properties	–	166,406	–	–	–	–	166,406
Depreciation and amortisation, net of capitalisation	(8,254)	(457)	(55,555)	(66,491)	(20,921)	(2,595)	(154,273)
Unrealised loss on derivative financial instruments	(129)	–	–	–	–	–	(129)
Unrealised loss on investments at fair value through profit or loss	–	–	–	–	–	(12)	(12)
Provision written back/(recognised) for inventories to net realisable value, net	28	–	–	–	(1,182)	(71)	(1,225)
Provision written back/(recognised) on trade and other debtors, net	<u>1,497</u>	<u>–</u>	<u>–</u>	<u>(6,187)</u>	<u>–</u>	<u>(309)</u>	<u>(4,999)</u>

	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 year ended 31 March 2018</b>							
<b>REVENUE</b>							
Total revenue	2,582,734	136,430	1,097,095	582,769	2,276,770	394,826	7,070,624
Inter-segment revenue	–	–	(41,662)	–	–	(48,562)	(90,224)
Group revenue	2,582,734	136,430	1,055,433	582,769	2,276,770	346,264	6,980,400
Share of revenue of associates and joint ventures	1,607,212	–	49,222	15,515	477,488	186,762	2,336,199
Proportionate revenue from a joint venture eliminated	(15,456)	–	–	–	–	–	(15,456)
Segment revenue	<u>4,174,490</u>	<u>136,430</u>	<u>1,104,655</u>	<u>598,284</u>	<u>2,754,258</u>	<u>533,026</u>	<u>9,301,143</u>
<b>RESULTS</b>							
Segment profit	<u>172,173</u>	<u>278,834</u>	<u>859,516</u>	<u>3,098</u>	<u>4,832</u>	<u>72,588</u>	<u>1,391,041</u>
Included in segment profit/(loss) are:							
Share of results of associates	56,789	–	99	–	–	1,030	57,918
Share of results of joint ventures	235	–	(29,730)	(32,849)	1,854	–	(60,490)
Increase in fair value of investment properties	–	190,683	–	–	–	–	190,683
Depreciation and amortisation, net of capitalisation	(5,512)	(404)	(40,089)	(48,456)	(21,447)	(1,659)	(117,567)
Impairment loss on property, plant and equipment	(1,572)	–	–	–	–	–	(1,572)
Impairment loss on available-for-sale investments	–	–	–	–	–	(3,377)	(3,377)
Unrealised loss on derivative financial instruments	–	–	–	–	–	(932)	(932)
Unrealised gain on investments at fair value through profit or loss	–	–	–	–	–	13,161	13,161
Provision written back/(recognised) for inventories to net realisable value, net	33	–	–	–	(3,342)	(761)	(4,070)
Provision written back/(recognised) on trade and other debtors, net	8,993	(2,500)	–	(4,382)	–	(106)	2,005
Provision for impairment loss on properties for sale	–	–	(22,015)	–	–	–	(22,015)
Impairment loss on retention receivables	(8,597)	–	–	–	–	–	(8,597)

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



Total segment revenue are reconciled to the Group's revenue in the consolidated income statement as follows:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Total segment revenue	<u>9,563,289</u>	<u>9,301,143</u>
Add: Proportionate revenue from a joint venture eliminated	<u>74,387</u>	<u>15,456</u>
Less: Share of revenue of associates and joint ventures		
Construction and installation contracts	<b>1,086,836</b>	1,102,179
Sales of motor vehicles and others	<b>467,672</b>	477,488
Maintenance and other services	<b>570,573</b>	527,362
Food and beverage	<b>151,053</b>	164,709
Hotel operations	<b>36,518</b>	37,525
Sales and leasing of properties	<b>432,310</b>	26,936
	<u>2,744,962</u>	<u>2,336,199</u>
Total revenue in the consolidated income statement (note 5)	<u><b>6,892,714</b></u>	<u>6,980,400</u>

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

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Segment profit	<b>962,096</b>	1,391,041
Unallocated corporate expenses	<b>(42,191)</b>	(52,542)
Finance income	<b>43,216</b>	21,636
Finance costs	<b>(123,239)</b>	(92,309)
Profit before taxation	<u><b>839,882</b></u>	<u>1,267,826</u>

**(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
<b>At 31 March 2019</b>							
<b>ASSETS</b>							
Segment assets	<u>1,584,159</u>	<u>4,295,194</u>	<u>5,521,114</u>	<u>2,806,904</u>	<u>1,015,704</u>	<u>1,456,845</u>	<u>16,679,920</u>
Included in segment assets are:							
Interests in associates	431,656	-	1,381	-	-	41,415	474,452
Interests in joint ventures	12,506	-	516,578	651,060	78,174	-	1,258,318
Amounts due from associates	17,684	-	-	-	-	687	18,371
Amounts due from joint ventures	50	-	6	-	-	-	56
Additions to non-current assets (note)	<u>13,885</u>	<u>1,077</u>	<u>522,450</u>	<u>551,615</u>	<u>21,475</u>	<u>9,929</u>	<u>1,120,431</u>
<b>LIABILITIES</b>							
Segment liabilities	<u>1,615,001</u>	<u>68,067</u>	<u>462,093</u>	<u>223,650</u>	<u>403,534</u>	<u>460,688</u>	<u>3,233,033</u>
Included in segment liabilities are:							
Amounts due to joint ventures	<u>-</u>	<u>-</u>	<u>6,299</u>	<u>-</u>	<u>191</u>	<u>-</u>	<u>6,490</u>
<b>At 31 March 2018</b>							
<b>ASSETS</b>							
Segment assets	<u>1,528,440</u>	<u>4,399,842</u>	<u>5,041,482</u>	<u>2,319,674</u>	<u>1,126,680</u>	<u>1,096,737</u>	<u>15,512,855</u>
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
Amounts due from associates	18,575	-	-	-	-	-	18,575
Amounts due from joint ventures	9,068	-	17	-	-	-	9,085
Additions to non-current assets (note)	<u>51,519</u>	<u>344,334</u>	<u>164,058</u>	<u>300,239</u>	<u>19,448</u>	<u>8,491</u>	<u>888,089</u>
<b>LIABILITIES</b>							
Segment liabilities	<u>1,508,957</u>	<u>37,619</u>	<u>413,708</u>	<u>138,743</u>	<u>409,177</u>	<u>440,138</u>	<u>2,948,342</u>
Included in segment liabilities are:							
Amounts due to joint ventures	<u>-</u>	<u>-</u>	<u>6,730</u>	<u>-</u>	<u>794</u>	<u>-</u>	<u>7,524</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>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Segment assets	<b>16,679,920</b>	15,512,855
Prepaid tax	<b>23,069</b>	9,138
Unallocated bank balances and cash	<b>351,116</b>	524,647
Deferred tax assets	<b>29,916</b>	42,171
Other unallocated assets	<b>9,330</b>	15,730
	<hr/>	<hr/>
Total assets	<b><u>17,093,351</u></b>	<b><u>16,104,541</u></b>
Segment liabilities	<b>3,233,033</b>	2,948,342
Current income tax liabilities	<b>66,276</b>	69,028
Bank and other borrowings	<b>3,740,210</b>	3,376,502
Deferred tax liabilities	<b>362,864</b>	340,329
Other unallocated liabilities	<b>48,895</b>	34,600
	<hr/>	<hr/>
Total liabilities	<b><u>7,451,278</u></b>	<b><u>6,768,801</u></b>

**(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 business 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 mainly carried out in Hong Kong, Mainland China and Australia.

	Segment revenue by geographical areas							
	Company and subsidiaries	Associates and joint ventures	2019		Company and subsidiaries	Associates and joint ventures	2018	
	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	HK\$'000	%
Hong Kong	2,809,371	905,084 <sup>1</sup>	3,714,455	39	2,960,677	625,298 <sup>1</sup>	3,585,975	39
Mainland China	2,115,216	1,284,521	3,399,737	36	2,666,279	1,353,363	4,019,642	43
The US	981,846	122,669	1,104,515	11	690,687	15,515	706,202	8
Macau	418,897	34,261	453,158	5	85,968	27,102	113,070	1
Canada	390,443	–	390,443	4	400,740	–	400,740	4
Singapore	12,101	295,666	307,767	3	11,949	270,509	282,458	3
Australia	110,968	27,938	138,906	1	107,724	28,536	136,260	1
Thailand	53,872	–	53,872	1	56,376	–	56,376	1
Others	–	436	436	–	–	420	420	–
	<b>6,892,714</b>	<b>2,670,575</b>	<b>9,563,289</b>	<b>100</b>	<b>6,980,400</b>	<b>2,320,743</b>	<b>9,301,143</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 years ended 31 March 2019 and 2018.

The following is an analysis of the carrying amounts of non-current assets other than financial instruments (including interests in associates and joint ventures) and deferred tax assets analysed by geographical areas:

	Non-current assets	
	2019 HK\$'000	2018 HK\$'000
Hong Kong	3,462,181	3,555,346
Mainland China	1,988,859	2,168,161
The US	2,021,488	1,511,024
Singapore	475,082	469,146
Canada	215,542	207,764
Macau	48,814	45,189
Thailand	8,171	8,502
Others	348	431
	<b>8,220,485</b>	<b>7,965,563</b>

## 5 Revenue

2019  
HK\$'000

2018  
HK\$'000

Revenue represents amounts received and receivable from:

Construction and installation contracts	<b>2,505,795</b>	2,399,483
Sale of information technology equipment, motor vehicles and others	<b>2,233,628</b>	2,462,214
Senior housing operations	<b>743,018</b>	582,769
Sales and leasing of properties	<b>437,519</b>	843,978
Warehouse and logistics services	<b>372,176</b>	214,570
Maintenance and property management services	<b>392,207</b>	355,012
Hotel operations	<b>50,146</b>	47,953
Insurance premium	<b>133,413</b>	33,601
Interest income from investments	<b>13,040</b>	14,747
Dividend income from investments	<b>2,555</b>	18,974
Leasing of vehicles and equipment	<b>9,217</b>	7,099
	<hr/>	<hr/>
Total revenue (note 4)	<b><u>6,892,714</u></b>	<b><u>6,980,400</u></b>

## 6 Other income, net

2019  
HK\$'000

2018  
HK\$'000

Gain on investments at fair value through profit or loss	<b>887</b>	11,912
Loss on derivative financial instruments	<b>(590)</b>	(993)
Sales and marketing services income from an associate	<b>31,901</b>	29,906
Management fee income from an associate and joint ventures	<b>22,936</b>	22,664
Other investment gain/(loss)	<b>2,263</b>	(1,893)
Others	<b>10,930</b>	12,282
	<hr/>	<hr/>
	<b><u>68,327</u></b>	<b><u>73,878</u></b>

## 7 Other gains, net

	2019 HK\$'000	2018 HK\$'000
Increase in fair value of investment properties	166,406	190,683
Remeasurement gain on transfer from properties for sale to investment properties	25,838	–
Gain/(loss) on disposal of property, plant and equipment	105	(3,721)
Provision (recognised)/written back on trade and other debtors	(4,999)	2,005
Gain on disposal of an associate	–	4,848
Deemed disposal loss on step-up acquisition of an associate and become a subsidiary	–	(3,004)
Impairment loss on property, plant and equipment	–	(1,572)
Remeasurement of goodwill	–	4,686
Impairment loss on interest in an associate	–	(18,101)
Impairment loss on available-for-sale investments	–	(3,377)
Provision for impairment loss on properties for sale	–	(22,015)
Impairment loss on retention receivables	–	(8,597)
Exchange (loss)/gain	(4,950)	12,649
	<u>182,400</u>	<u>154,484</u>

### Gain on disposals of subsidiaries

	2019 HK\$'000	2018 HK\$'000
Gain on disposals of		
– Chinaford and Dolce Field (note 15(g))	–	619,941
– Talent Luck (note 15(i))	–	92,927
– other subsidiaries	231	2,207
	<u>231</u>	<u>715,075</u>

## 8 Finance costs, net

	2019 HK\$'000	2018 HK\$'000
Interest expenses on bank overdrafts and bank and other borrowings	142,500	100,323
Less: Amounts capitalised to properties under development (note)	(19,261)	(8,014)
	<u>123,239</u>	<u>92,309</u>
Less: Interest income from bank deposits and a joint venture	(43,216)	(21,636)
	<u>80,023</u>	<u>70,673</u>

Note: The capitalisation rate applied to funds borrowed and used for the development of properties was between 1.6% and 3.0% per annum (2018: between 5.5% and 5.8% per annum).

## 9 Profit before taxation

	2019 HK\$'000	2018 HK\$'000
Profit before taxation has been arrived at after charging/(crediting) the following:		
Depreciation of property, plant and equipment	137,290	111,880
Less: Amount capitalised to contract work	(2,002)	(2,085)
	135,288	109,795
Staff costs	1,148,752	1,034,119
Less: Amount capitalised to contract work	(186,154)	(206,121)
	962,598	827,998
Operating lease payments in respect of leasing of		
– premises	15,108	54,168
– equipment	2,832	2,290
	17,940	56,458
Auditors' remuneration		
– audit services	14,115	14,741
– non-audit services	4,314	3,194
– under-provision in prior years	470	1,098
	18,899	19,033
Amortisation of other intangible assets	18,985	7,772
Provision for inventories to net realisable value, net	1,225	4,070
Provision recognised/(written back) on trade and other debtors, net	4,999	(2,005)
Provision for impairment loss on properties for sale	–	22,015
Gross rental income of HK\$156,322,000 (2018: HK\$148,236,000) from properties less direct operating expenses	(134,479)	(124,252)

## 10 Taxation

	2019 HK\$'000	2018 HK\$'000
Current tax		
Hong Kong	52,552	48,390
Mainland China	20,046	195,767
Overseas	25,926	23,502
(Over)/under-provision in prior years	(8,366)	3,421
	<u>90,158</u>	<u>271,080</u>
Deferred tax		
Origination and reversal of temporary differences	50,322	25,264
	<u>140,480</u>	<u>296,344</u>

Hong Kong profits tax is calculated at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits. Taxation on Mainland China and overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

## 11 Earnings per share

The earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 March 2019.

	2019 HK\$'000	2018 HK\$'000
Profit attributable to shareholders of the Company	<u>654,561</u>	<u>907,929</u>
	2019	2018
Weighted average number of ordinary shares in issue ('000 shares)	<u>301,928</u>	<u>301,928</u>
Basic and diluted earnings per share (HK\$)	<u>2.17</u>	<u>3.01</u>

There were no potential diluted ordinary shares in existence during the years ended 31 March 2019 and 2018.

## 12 Dividends

	2019 HK\$'000	2018 HK\$'000
Interim dividend of HK\$0.15 (2018: HK\$0.10) per share paid	45,289	30,193
Final dividend of HK\$0.35 (2018: HK\$0.25) per share proposed	105,675	75,482
Special interim dividend of nil (2018: HK\$1.40) per share paid	–	422,700
	<u>150,964</u>	<u>528,375</u>

Final dividend of HK\$0.35 per share totaling HK\$105,675,000 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The amount will be reflected as an appropriation of retained profits for the year ending 31 March 2020.



### 13 Debtors, contract assets, deposits and prepayments

	2019 HK\$'000	2018 HK\$'000
Trade debtors	553,658	448,707
Less: Provision for impairment	<u>(30,865)</u>	<u>(33,644)</u>
Trade debtors, net	----- 522,793	----- 415,063
Retention receivables	297,254	288,760
Less: Provision for impairment	<u>(9,186)</u>	<u>(9,186)</u>
Retention receivables, net	----- 288,068	----- 279,574
Contract assets	----- 61,702	----- -
Other debtors, deposits and prepayments	----- 503,080	----- 771,808
	<u>-----</u> <u>1,375,643</u>	<u>-----</u> <u>1,466,445</u>

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

	2019 HK\$'000	2018 HK\$'000
0-60 days	360,692	366,832
61-90 days	74,611	12,719
Over 90 days	<u>87,490</u>	<u>35,512</u>
	<u>-----</u> <u>522,793</u>	<u>-----</u> <u>415,063</u>

## 14 Creditors, bills payable, deposits, contract liabilities and accruals

	2019 HK\$'000	2018 HK\$'000
Trade creditors and bills payable	287,318	282,234
Retention payables	208,431	202,491
Deposits received	177,441	96,399
Contract liabilities	97,431	–
Accrued contract costs	1,246,367	578,798
Other creditors and accruals	506,059	482,323
	<u>2,523,047</u>	<u>1,642,245</u>

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

	2019 HK\$'000	2018 HK\$'000
0-60 days	265,795	257,587
61-90 days	6,261	6,628
Over 90 days	15,262	18,019
	<u>287,318</u>	<u>282,234</u>

## 15 Acquisitions and disposals

### (a) Acquisitions 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\$65,000,000 (equivalent to approximately HK\$509,600,000). The transaction completed in January 2019.

	2019 HK\$'000
Purchase consideration satisfied by:	
Cash paid	<u>509,600</u>
Fair value of net assets acquired:	
Property, plant and equipment	458,640
Intangible assets	<u>50,960</u>
	<u>509,600</u>
Acquisition related expenses (included in administrative expenses)	<u>11,342</u>
Net cash outflow arising from the acquisition:	
Cash consideration paid	<u>(509,600)</u>

The acquired business contributed revenue of HK\$122,617,000, earnings before interest, tax, depreciation and amortisation (before deducting the acquisition related expenses of HK\$11,342,000) of HK\$4,454,000 and net loss of HK\$35,684,000 to the Group for the period from 1 July 2018 to 31 March 2019.

If the acquisition had occurred on 1 April 2018, consolidated pro-forma revenue and net loss for the year ended 31 March 2019 would have been HK\$214,352,000 and HK\$48,488,000 respectively. The information is for illustrative purpose only and does not represent actual results for the year.

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.

	2018 HK\$'000
Purchase consideration satisfied by:	
Cash paid	257,785
Fair value of net assets acquired (as shown below)	<u>(221,346)</u>
Goodwill	<u>36,439</u>
Fair value of net assets acquired:	
Property, plant and equipment	191,896
Intangible assets	29,396
Debtors, deposits and prepayments	<u>54</u>
	<u>221,346</u>
Acquisition related expenses (included in administrative expenses)	<u>2,293</u>
Net cash outflow arising from the acquisition:	
Cash consideration paid	<u>(257,785)</u>

**(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.

	2018 HK\$'000
Purchase consideration satisfied by:	
Cash paid	<u>225,212</u>
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	<u>(79)</u>
	<u>225,212</u>
Acquisition related expenses (included in administrative expenses)	<u>2,630</u>
Net cash outflow arising from the acquisition:	
Cash consideration paid	<u>(225,212)</u>

**(c) Acquisition of development right for the land**

On 13 June 2017, Urban Renewal Authority (“URA”) notified the Group that URA has accepted the offer submitted by and awarded the development right in respect of the development site at Fuk Chak Street/Li Tak Street at Tai Kok Tsui, Kowloon at a consideration of HK\$680,000,000.

**(d) 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.

	2018 HK\$'000
Purchase consideration satisfied by:	
Cash paid	<u>360,272</u>
Fair value of net assets acquired:	
Property under development	357,084
Deferred tax assets	2,916
Debtors, deposits and prepayments	<u>272</u>
	<u>360,272</u>
Net cash outflow arising from the acquisition:	
Cash consideration paid	<u>(360,272)</u>

**(e) Acquisition of residential properties at Nos. 292A-D Prince Edward Road West, Kowloon**

On 3 November 2017, the Group submitted the offer to acquire the residential properties at Nos. 292A-D Prince Edward Road West, Homantin, Kowloon at a consideration of HK\$333,800,000 through public tender process. The transaction completed in November 2017.

**(f) Step-up acquisition of Chevalier AOC Freight Express Holdings Limited (formerly known as “AOC Limited”) (“AOC”) and become a subsidiary**

On 13 December 2017, the Group exercised its option to acquire additional 30% equity interest in AOC at a consideration of HK\$9,450,000. AOC became a 60% subsidiary of the Company since then.

	2018 HK\$'000
Total consideration satisfied by:	
Fair value of the previously held equity interest in an associate at the acquisition date	9,450
Cash paid	<u>9,450</u>
	----- 18,900
Fair value of net assets acquired:	
Property, plant and equipment	1,940
Debtors, deposits and prepayments	19,060
Bank balances and cash	18,186
Creditors, deposits and accruals	(15,924)
Non-controlling interests	<u>(9,305)</u>
	----- 13,957
Goodwill	<u><u>4,943</u></u>
Net cash inflow arising from the step-up acquisition:	
Cash consideration paid	(9,450)
Bank balances and cash	<u>18,186</u>
	<u><u>8,736</u></u>

The non-controlling interest of AOC was determined based on proportionate of net assets of AOC.

**(g) 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 of 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(“CCPD”)) 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.

	2018 HK\$'000
Cash consideration	1,815,109
Less: professional fees and other expenses	<u>(44,616)</u>
	----- 1,770,493
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	<u>65,033</u>
	----- 1,150,552
Gain on disposal (note 7)	619,941
Taxation	<u>(160,196)</u>
Gain on disposal, net	<u><u>459,745</u></u>
Net cash inflow arising from the disposal:	
Cash consideration received	1,554,256
Professional fees and other expenses	<u>(36,427)</u>
	----- <u><u>1,517,829</u></u>

**(h) 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 year is summarised as follows:

	2018 HK\$'000
Consideration received from non-controlling interests	12,000
Less: net liabilities of 40% interest disposed	<u>64</u>
Gain on disposal recognised within equity	<u><u>12,064</u></u>

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

(i) **Disposal of Talent Luck Limited (“Talent Luck”)**

On 30 August 2017, the Group entered into a framework agreement to dispose of the entire issued share capital in Talent Luck at a cash consideration of HK\$610,000,000. The transaction completed in October 2017.

	2018 HK\$'000
Cash consideration	610,022
Less: professional fees and other expenses	<u>(1,517)</u>
	----- 608,505
Less: Net assets disposed of:	
Property, plant and equipment	605,360
Debtors, deposits and prepayments	97
Bank balances and cash	6
Creditors, deposits and accruals	(81)
Deferred tax liabilities	<u>(89,804)</u>
	----- 515,578
Gain on disposal (note 7)	<u><u>92,927</u></u>
Net cash inflow arising from the disposal:	
Cash consideration received	610,022
Professional fees and other expenses	(1,517)
Bank balances and cash	<u>(6)</u>
	<u><u>608,499</u></u>

**16 Contingent liabilities**

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

	2019 HK\$'000	2018 HK\$'000
Banking facilities granted to associates	1,398	3,008
Banking facilities granted to a joint venture	–	318,645
Guarantees given to banks and housing retirement fund management centres for mortgage facilities granted to certain buyers of properties	<u>521,960</u>	<u>545,738</u>
	<u><u>523,358</u></u>	<u><u>867,391</u></u>

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

	2019 HK\$'000	2018 HK\$'000
Guarantees given to banks for mortgage facilities granted to certain buyers of the joint ventures' properties	<u>287</u>	<u>2,739</u>

## 17 Commitment

The Group had commitment as follows:

	2019 HK\$'000	2018 HK\$'000
Contracted but not provided for in the consolidated financial statements in respect of		
– property development projects	342,284	733,446
– acquisition of property, plant and equipment	<u>1,083</u>	<u>5,773</u>
	<u><u>343,367</u></u>	<u><u>739,219</u></u>

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

	2019 HK\$'000	2018 HK\$'000
Contracted but not provided for	<u><u>8,699</u></u>	<u><u>12,381</u></u>

## 18 Assets held-for-sale/liabilities directly associated with assets held-for-sale

In December 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire interest in Moon Colour Holdings Limited and its wholly owned subsidiaries (together, "Moon Colour group", the group engaged in the property development project located at Tai Yip Street, Kwun Tong), at a consideration of HK\$540 million as disclosed in note 19(a).

In March 2019, the Group entered into an option agreement with an independent third party. Under the option agreement, the counterparty has right to acquire New Rise Properties Limited ("New Rise", a wholly owned subsidiary of the Group which holds the interest in the property situated at the Ground Floor of Block A and the Ground Floor of Block B, East Sun Industrial Centre together with Car Park Space Nos. 23 and 24, Ground Floor, East Sun Industrial Centre, Kwun Tong) as disclosed in note 19(b).

As a result of these transactions, the assets and liabilities of Moon Colour group and New Rise were reclassified as assets and liabilities held-for-sale respectively as at 31 March 2019.

	2019 HK\$'000
Assets	
Investment properties	146,000
Properties under development	367,498
Deferred tax assets	3,028
Debtors, deposits and prepayments	<u>23</u>
Assets of subsidiaries reclassified as held-for-sale	<u><u>516,549</u></u>
Liabilities of subsidiaries reclassified as held-for-sale	
Creditors, deposits and accruals	<u><u>34</u></u>



## **19 Events after the end of the reporting period**

### **(a) Disposal of the entire equity interest in a property development project located at Tai Yip Street, Kwun Tong**

In December 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire interest in Moon Colour group at a consideration of HK\$540 million. The transaction completed in April 2019, resulting in a gain on disposal of approximately HK\$165 million (net of transaction costs) recognised in the consolidated income statement for the year ending 31 March 2020.

### **(b) Disposal of the entire equity interest in a property located at Kwun Tong**

In March 2019, the Group entered into an option agreement with an independent third party. Under the option agreement, the counterparty has right to acquire New Rise. In June 2019, the counterparty has exercised the option to acquire New Rise at a consideration of HK\$187 million. The transaction completed in the same month, resulting in a gain on disposal of approximately HK\$39 million (net of transaction costs) recognised in the consolidated income statement for the year ending 31 March 2020.

### **(c) Disposal of the entire equity interest in a property located at Davis Street, Hong Kong**

In June 2019, the Group entered into a provisional agreement with an independent third party to dispose of the Group's entire interest in Jumbo Rainbow Limited and its subsidiary at a consideration of HK\$280 million. The transaction will be taken place on or before 31 October 2019 subject to the due diligence investigation by the purchaser. Upon completion, the gain on disposal of approximately HK\$71 million (net of transaction costs) will be recognised in the consolidated income statement for the year ending 31 March 2020.

## **DIVIDEND**

The Board of Directors recommends the payment of a final dividend of HK\$0.35 (2018: HK\$0.25) per share payable in cash to shareholders whose names appear on the Register of Members of the Company on Wednesday, 11 September 2019. Together with an interim dividend of HK\$0.15 (2018: HK\$0.10) and a one-off special interim dividend of HK\$1.40) per share paid on Friday, 21 December 2018, the total dividends for the year amounted to HK\$0.50 (2018: HK\$1.75) per share.

Subject to the approval by shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 28 August 2019 (the "AGM"), the proposed final dividend will be payable in cash to shareholders on or about Wednesday, 18 September 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Thursday, 22 August 2019 to Wednesday, 28 August 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 21 August 2019.

For determining entitlement to the proposed final dividend (subject to the passing of an ordinary resolution by the shareholders of the Company at the AGM), the Register of Members of the Company will be closed from Thursday, 5 September 2019 to Wednesday, 11 September 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 4 September 2019.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group's consolidated revenue was HK\$6,893 million (2018: HK\$6,980 million), representing a slight decrease of 1% when compared with the last financial year. Taking into account its share of revenue in its associates and joint ventures, total segment revenue was HK\$9,563 million (2018: HK\$9,301 million), representing an increase of 3%. Excluding the one-off gains resulting from the disposal of an interest in the Chengdu project and the disposal of an interest in a wholly-owned subsidiary in Hong Kong in the last financial year, profit for the year ended 31 March 2019 reported a healthy increase of 67% to HK\$699 million. Profit attributable to the Company's shareholders for the year ended 31 March 2019 was HK\$655 million (2018: HK\$908 million), and earnings per share was HK\$2.17 (2018: HK\$3.01).

## **CONSTRUCTION AND ENGINEERING**

The Construction and Engineering segment's revenue for the year ended 31 March 2019 recorded a slightly increase of 2% to HK\$4,262 million (2018: HK\$4,175 million) while segment profit increased by 71% from HK\$172 million to HK\$294 million. The increase in profit was mainly due to the increase in the contribution from the Group's associates.

Private and public sectors projects remained as the core businesses of our building construction division. Innovative construction methods such as Building Information Modelling has been used to enhance the productivity while the application of automation technology like pre-fabricated parts or the Modular Integrated Construction (MiC) has eased the setback caused by manpower shortage in the industry. Through innovations and technologies, we believe that the construction industry can save costs and improve workforce productivity in the long-run.

Contribution from the electrical and mechanical engineering division maintained steady growth in Hong Kong and Macau. The division continued to secure major contracts from Galaxy Resort & Casino at Cotai City, Macau for the provision of mechanical, electrical and plumbing works during the year under review.

The aluminium windows and curtain walls division maintained steady growth in profit during the year in spite of stretched labour supply. This division will actively look for opportunities in both Hong Kong and Australia in the coming year.

The building supply division experienced decrease in both revenue and profit due to keen market competition during the year. This division will continue to seek reliable suppliers to explore and expand business opportunities.

The environmental engineering division reported loss during the year due to the increase in labour cost. With seasoned experts in this field, this division has formed joint ventures with partners in carrying out sewage treatment and water treatment works projects for the Drainage Services Department and Water Supplies Department, respectively. Given there will be a number of large-scale sewage and water treatment tenders to be issued by the Government of the HKSAR in the coming financial year, it is expected that the contribution performance of this division will turnaround in the coming year.

As a result of positive contribution from associates in Mainland China, the lift and escalator division recorded an encouraging result during the year. With an increase in the awareness of lift safety and the advocacy for rehabilitation of lifts in ageing buildings in Hong Kong, it is anticipated that the demand for the supply and installation of lifts and related equipment to replace aged lifts under the Government Lift Modernisation Subsidy Scheme will increase. The Group believes that it will bring lots of opportunities to this division in the coming years.

As at 31 March 2019, the total value of all outstanding construction and engineering contracts of the Group's subsidiaries amounted to HK\$5,885 million. Major contracts include:

1. Construction of the extension of Operating Theatre Block for Tuen Mun Hospital, New Territories;
2. Construction of Commercial Development at A.I.L. 462 Yip Kan Street & Wong Chuk Hang Road;
3. Construction of Heated Swimming Pool at Morse Park;
4. Upgrade of Kwun Tong Preliminary Treatment Works;
5. Mechanical and Electrical works for Galaxy Resort & Casino Phase 3C Multi-Functional Hall Convention Complex and Hotel at Cotai City, Macau;
6. Design, supply and installation of tower and podium facade for No. 3, A Kung Ngam Village Road, Shau Kei Wan, Hong Kong; and
7. Supply of kitchen cabinets for residential units at Lohas Park 6, Tseung Kwan O, New Territories.

## **PROPERTY INVESTMENT**

The Property Investment segment primarily comprised of the properties rental businesses in Hong Kong, Singapore and Mainland China during the year under review. This segment experienced a slight increase in revenue from HK\$136 million to HK\$140 million, representing an increase of 3% while profit decreased by 4% from HK\$279 million to HK\$269 million. The slight increase in revenue was mainly attributable from the stable income arising from the letting of the properties.

The Group acquired a property located at 1B and 1C Davis Street, Hong Kong in the last financial year. The property comprises of residential and commercial units and has a total gross floor area of about 9,100 square feet. The property provided stable rental income during the year and offers potential capital appreciation of the properties to the Group. Subsequent to the financial year, the Group disposed the property at the consideration of HK\$280 million. The transaction will be completed on or before 31 October 2019 subject to the satisfaction of due diligence.

## **PROPERTY DEVELOPMENT AND OPERATIONS**

During the year under review, the Property Development and Operations segment recorded a decrease in both revenue and profit by 8% from HK\$1,105 million to HK\$1,021 million and by 75% from HK\$859 million to HK\$218 million. The decline of the results were mainly due to the exclusion of the disposal of an interest in (i) the Chengdu project and a wholly-owned subsidiary in Hong Kong, and (ii) the reduced recognition of the sales of residential properties in Changchun.

City Hub, a project of a development right granted to a 50-50 joint venture of the Group by Urban Renewal Authority (“URA”) for the redevelopment of the site located at Chi Kiang Street/Ha Heung Road, To Kwa Wan, Kowloon. It is a 28-storey building which comprises residential units and two-level shopping center. Saleable area of the residential units fall between 221 to 1,551 square feet. Almost 90% of the total residential units have been sold since the issuance of the Certificate of Compliance in January 2018. The remaining residential units and shopping center are open to market for sale.

Foundation works of the redevelopment project jointly developed by URA and the Group at 8 Fuk Chak Street, Tai Kok Tsui, Kowloon was completed at the end of May 2019 and superstructure works commenced in June 2019. Leased site area of this project is approximately 8,200 square feet and the project will be developed into small to medium sized residential units with gross floor area of about 55,000 square feet and commercial area of 7,000 square feet. The project is scheduled for completion by 2020/2021.

The Group commenced and completed relevant demolition work at the redevelopment project located at 4 Tai Yip Street, Kowloon during the year. The site was subsequently sold to Hong Kong Baptist Hospital in April 2019 and the Group has since the disposal been appointed as Project Manager for this project.

Demolition works of the redevelopment project at 292A-D Prince Edward Road West, Homantin, Kowloon was completed during the year under review. Foundation works commenced in April 2019. Since the site is situated in an upmarket area in Kowloon, the Group intended to redevelop it into a luxurious residential block with a total gross floor area of approximately 39,000 square feet. The project is expected to complete in 2021/2022.

Demolition works for the redevelopment project at 5 Hang Lok Lane, Shatin completed in April 2019 and the Group intended to redevelop this project into a luxurious residential development. The Group believes that, in view of demands of the Hong Kong property market, together with the Group’s past experience in real estate projects, the acquisition represents a good opportunity for the Group to further expand its property development business.

Units of “My Villa” in Beijing and units of Phase II of “Chevalier City” in Changchun remain for sale in the market during the year. Construction work of Phase III of “Chevalier City”, covering approximately 100,000 square metres and providing about 1,100 residential units, commenced during the year. It is expected to complete by 2020/2021.

The cold storage and logistics business maintained growth both in its turnover and profit. The improvement in the occupancy rate of two cold storage warehouses located at Kwai Chung led to the rise in contribution from this division is arising during the year under review. For the logistics business, the Group will continue to focus on its cold chain logistics business in international freight forwarding, and maintain close co-operation with key account clients by providing additional quality in-store service and all-in-one total logistics reefer service solution to back those clients in facing the keen competitive and demanding market.

## **HEALTHCARE INVESTMENT**

This segment’s revenue experienced an increase in revenue by 45% from HK\$598 million to HK\$866 million and an increase in profit from HK\$3 million to HK\$144 million after taking into consideration the transaction costs of the acquisition of various new investments in this segment.

During the year, the Group completed the acquisition of 10 senior housing properties with an aggregate of approximately 1,000 units. As at 31 March 2019, the Group owned 35 senior housing facilities across 6 states in the United States providing over 3,000 units or beds covering a wide spectrum of independent living, assisted living and memory care and skilled nursing services; which are 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. In view of the expected rise in aged population and increase in healthcare spending, the Group believes that demand for senior housing facilities and medical office buildings will continue to grow in the United States.

Leveraging on our experience in the healthcare business in the United States, the Group has partnered with Mitsui & Company (Hong Kong) Limited and Hong Kong-Macao Conference Limited, to engage in the redevelopment of Ventría Residence in Happy Valley, Hong Kong. Construction works are underway and the target opening date of the residence is in 2021/2022.

## **CAR DEALERSHIP**

During the year, revenue of this segment reported a slight decrease by 6% from HK\$2,754 million to HK\$2,595 million. According to the China Association of Automobile Manufacturers, China’s auto sales negative growth rate in 2018 was 2.8%, making it the first negative growth in the past 28 years. Adverse factors of Sino-US trade dispute, slowing macroeconomic growth, exit of car purchase tax preferential policy, stock clearance of National V Emission Standard vehicles in order to meet the implementation of the National Six Emission Standards on 1 July 2019 and lack of tax incentives for new energy vehicle buyers in Chengdu affected the results of this segment.

In Chengdu, a group of companies which generates over 86% revenue of this segment provides coverage of 6 import and domestic car brands and operates a total of 12 4S shops. About 14,000 units of cars were sold during the year putting us in a leading position in Chengdu's domestic car market.

In Canada, the overall performance of our two automobile dealerships was also affected by the slowing of the macroeconomic growth for the year under review. Our Canada team will continue to explore opportunities for car dealership business.

## **OTHERS**

During the year, segment revenue recorded an increase from HK\$533 million to HK\$679 million. Segment profit recorded decrease of 36% from HK\$73 million to HK\$47 million. The decrease of profit was mainly due to the decrease in the realised and unrealised gain in investment.

The contribution of the Total Gross Premium Written of the insurance maintained a steady increase during the year under review, supported by expanding Employees' Compensation Insurance business with underwriting numerous construction projects including the construction of Integrated Retail, Dining and Entertainment Development in SKYCITY at Hong Kong International Airport. The performance of the Employees' Compensation Insurance and Property Insurance maintained positive and continues to contribute significantly to this segment's revenue and profit. To diversify the risks and to protect against extreme events, the Group always reviews and ensures its reinsurance programs are sufficient in meeting current and future situations. In the volatile and competitive market in Hong Kong, the business will continue to adopt a prudential underwriting approach and focus on building its capability to ensure sustainable growth.

## **FINANCIAL REVIEW**

As at 31 March 2019, the Group's net assets attributable to shareholders of the Company amounted to HK\$9,021 million, an increase of HK\$288 million when compared with 31 March 2018 of HK\$8,733 million. Such increase was mainly resulted from the profit attributable to shareholders of the Company of HK\$655 million offset by exchange difference on translation of operations of overseas subsidiaries, associates and joint ventures of HK\$233 million and dividend payment of HK\$121 million.

As at 31 March 2019, bank balances and cash increased to HK\$1,833 million (2018: HK\$1,723 million). Bank and other borrowings increased to HK\$3,740 million as at 31 March 2019 (2018: HK\$3,377 million) as a result of payment for acquiring ten senior housing properties during the year. 57.8% and 38.3% of the balance as at 31 March 2019 (2018: 62.1% and 33.8%) 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 22.7% as at 31 March 2018 to 29.7% as at 31 March 2019.



## **EMPLOYEES AND REMUNERATION POLICIES**

The Group employed approximately 4,000 full-time staff under its subsidiaries globally as at 31 March 2019. Total staff costs amounted to HK\$1,149 million for the year ended 31 March 2019. 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 year.

## **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 (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 March 2019, 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. 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.

Code Provision A.6.7 stipulates that the Independent Non-Executive Directors and other Non-Executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. The late Ir. Dr. Chow Ming Kuen, Joseph was unable 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 of 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 and the composition requirement of the Nomination Committee under Code Provision A.5.1 of the CG Code. Following the announcement of the Company made on 26 February 2019 regarding the appointment of Mr. Sun Leland Li Hsun as Independent Non-Executive Director and a member of the Audit Committee of the Company, Professor Poon Chung Kwong as a member and chairman of Remuneration Committee and a member of the Nomination Committee, and Mr. Irons Sze as a member of the Audit Committee of the Company, the Company is now in compliance with Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **AUDIT COMMITTEE**

The Audit Committee comprises of four 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), Professor Poon Chung Kwong, Mr. Irons Sze (appointed on 26 February 2019) and Mr. Sun Leland Li Hsun (appointed on 26 February 2019).

During the year, the Audit Committee reviewed with the management the accounting policies and practices adopted by the Group and discussed auditing, risk management, internal controls systems of the Group and financial reporting matters including the audited consolidated financial statements of the Group for the year ended 31 March 2019. They also reviewed and approved the engagement of external auditors for providing non-audit services, the remuneration in respect of audit and non-audit services provided by external auditors, risk management and internal control systems and the effectiveness of the internal audit function.

## **PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE’S WEBSITE**

The annual results announcement of the Company for the year ended 31 March 2019 is published on the Stock Exchange’s website at <http://www.hkexnews.hk> and the Company’s website at <http://www.chevalier.com>. The annual report of the Company for the year ended 31 March 2019 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 wish to extend my sincere appreciation to my fellow directors, our management and all employees of the Group for their passion and professionalism, as well as to all stakeholders for their unwavering support.

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

Hong Kong, 26 June 2019

*As at the date of this announcement, the Board of Directors 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*