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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 2014

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 2014, together with the comparative figures summarised as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	4	4,113,381	4,189,258
Cost of sales		<u>(3,046,603)</u>	<u>(3,087,616)</u>
Gross profit		1,066,778	1,101,642
Other income, net	5	118,273	147,196
Other gains, net	6	175,274	617,039
Selling and distribution costs		<u>(496,981)</u>	<u>(507,319)</u>
Administrative expenses		<u>(220,579)</u>	<u>(196,340)</u>
Operating profit		642,765	1,162,218
Share of results of associates		79,376	96,583
Share of results of joint ventures		<u>(9,033)</u>	<u>(18,611)</u>
		713,108	1,240,190
Finance income	7	14,355	14,606
Finance costs	7	<u>(117,012)</u>	<u>(74,403)</u>
Finance costs, net	7	<u>(102,657)</u>	<u>(59,797)</u>
Profit before taxation	8	610,451	1,180,393
Income tax expenses	9	<u>(84,270)</u>	<u>(97,107)</u>
Profit for the year		<u>526,181</u>	<u>1,083,286</u>

	Note	2014 HK\$'000	2013 HK\$'000
Attributable to:			
Equity holders of the Company		470,369	1,011,923
Non-controlling interests		55,812	71,363
		<u>526,181</u>	<u>1,083,286</u>
Earnings per share			
– basic (HK\$ per share)	10	<u>1.65</u>	<u>3.64</u>
– diluted (HK\$ per share)	10	<u>1.65</u>	<u>3.64</u>
Dividends	11	<u>248,406</u>	<u>238,414</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014**

	2014 HK\$'000	2013 HK\$'000
Profit for the year	526,181	1,083,286
Other comprehensive income for the year		
Items that may not be reclassified to profit or loss		
Fair value surplus of properties upon transfer to investment properties	33,540	31,833
Fair value surplus of properties for own use	349,790	–
Release upon disposal of a property for own use	(123)	–
Share of other comprehensive income of an associate	3,865	–
Items that may be reclassified subsequently to profit or loss		
Impairment loss on available-for sale investments transferred to consolidated income statement	10,532	4,639
Gain on disposal of available-for-sale investments transferred to consolidated income statement	–	(289)
Exchange difference on translation of operations of overseas subsidiaries, associates and joint ventures	(15,466)	18,358
Change in fair value of available-for-sale investments, net	23,348	(15,462)
Fair value adjustments on the derivative financial instruments designated as cash flow hedge in respect of interest rate swap contracts	1,041	41
Other comprehensive income for the year, net of tax	<u>406,527</u>	<u>39,120</u>
Total comprehensive income for the year	<u>932,708</u>	<u>1,122,406</u>
Attributable to:		
Equity holders of the Company	875,963	1,050,029
Non-controlling interests	56,745	72,377
	<u>932,708</u>	<u>1,122,406</u>

Note: Items shown within other comprehensive income are disclosed net of tax.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014**

	Note	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Investment properties		3,646,873	3,407,266
Property, plant and equipment		2,094,523	1,678,889
Goodwill		681,743	681,743
Other intangible assets		26,199	28,023
Interests in associates		749,811	973,514
Interests in joint ventures		1,507,333	1,223,129
Available-for-sale investments		456,041	192,892
Properties under development		757,459	702,569
Deferred tax assets		33,856	26,323
Other non-current assets		133,859	106,137
		<u>10,087,697</u>	<u>9,020,485</u>
Current assets			
Amounts due from associates		318,122	33,830
Amounts due from joint ventures		128,799	378,065
Amounts due from non-controlling interests		20,281	—
Investments at fair value through profit or loss		320,732	405,694
Inventories		169,506	203,694
Properties for sale		54,808	57,248
Properties under development		410,748	211,974
Debtors, deposits and prepayments	12	1,025,520	942,101
Amounts due from customers for contract work		171,754	175,155
Derivative financial instruments		10,342	82,364
Prepaid tax		6,282	5,153
Bank balances and cash		1,200,835	1,280,016
		<u>3,837,729</u>	<u>3,775,294</u>

	Note	2014 HK\$'000	2013 HK\$'000
Current liabilities			
Amount due to an associate		29,372	–
Amount due to a non-controlling interest		4,154	4,644
Dividend payable to a non-controlling interest		1,400	2,400
Amounts due to customers for contract work		549,509	582,625
Derivative financial instruments		7,094	30,921
Creditors, bills payable, deposits and accruals	13	1,214,569	912,430
Unearned insurance premiums and unexpired risk reserves		126,170	111,391
Outstanding insurance claims		368,327	276,931
Deferred income		23,250	23,628
Current income tax liabilities		53,591	55,990
Bank and other borrowings		653,968	944,285
		<u>3,031,404</u>	<u>2,945,245</u>
Net current assets		<u>806,325</u>	<u>830,049</u>
Total assets less current liabilities		<u>10,894,022</u>	<u>9,850,534</u>
Capital and reserves			
Share capital	14	366,093	351,734
Reserves		6,248,138	5,469,085
		<u>6,614,231</u>	<u>5,820,819</u>
Shareholders' funds		6,614,231	5,820,819
Non-controlling interests		462,568	390,223
		<u>7,076,799</u>	<u>6,211,042</u>
Non-current liabilities			
Unearned insurance premiums		141,715	75,476
Bank and other borrowings		3,413,087	3,378,506
Deferred tax liabilities		262,421	185,510
		<u>3,817,223</u>	<u>3,639,492</u>
Total equity and non-current liabilities		<u>10,894,022</u>	<u>9,850,534</u>

NOTES

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. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, staff quarters, available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2 Accounting policies

As at 31 March 2014, the Group has changed its accounting policy for the remeasurement of staff quarters to the revaluation model. This change in accounting policy has been dealt with as a revaluation in accordance with HKAS 16 “Property, plant and equipment”.

(i) New or revised standards and amendments and improvements to existing standards that are effective for the Group’s financial year beginning on 1 April 2013

The following new or revised standards and amendments and improvements to existing standards, that are relevant to the Group’s operation, are mandatory for the financial year of the Group beginning on 1 April 2013:

- HKAS 1 (amendment), “Presentation of items of other comprehensive income”
- HKAS 19 (2011), “Employee benefits”
- HKAS 27 (2011), “Separate financial statements”
- HKAS 28 (2011), “Investments in associates and joint ventures”
- HKFRS 7 (amendment), “Disclosures – Offsetting financial assets and financial liabilities”
- HKFRS 10, “Consolidated financial statements”
- HKFRS 10 (amendment), “Consolidated financial statements – Transition guidance”
- HKFRS 11, “Joint arrangements”
- HKFRS 11 (amendment), “Joint arrangements – Transition guidance”
- HKFRS 12, “Disclosure of interests in other entities”
- HKFRS 12 (amendment), “Disclosure of interests in other entities – Transition guidance”
- HKFRS 13, “Fair value measurement”
- Annual Improvements Project – Improvements to HKFRS published in June 2012

The amendment to HKAS 1 focuses on improving the presentation of components of other comprehensive income items. It requires items presented in other comprehensive income to be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently or not. The Group’s presentation of other comprehensive income in the consolidated financial statements has been modified accordingly.

HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns. The application of this new standard has no impact on the consolidation of investments held by the Group.

Under HKFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The application of this new standard has no impact on the Group’s results of operation or financial position while “jointly controlled entities” and “jointly controlled assets” have been superseded by “joint ventures” and “joint operations” respectively following the adoption of HKFRS 11.

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

HKFRS 13 measurement and disclosure requirements are applicable for the year ended 31 March 2014.

The adoption of the other standards and amendments and improvements to existing standards does not have significant impact on the Group's consolidated results and financial position nor any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements.

(ii) New or revised standards, interpretation and amendments 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 or revised standards, interpretation and amendments and improvements to existing standards, that are relevant to the Group's operation, have been issued but not yet effective for the financial year of the Group beginning on 1 April 2013 and have not been early adopted:

- HKAS 16 and HKAS 38 (amendment), "Clarification of acceptable methods of depreciation and amortisation"
- HKAS 19 (2011) (amendment), "Defined benefit plans – Employee contributions"
- HKAS 32 (amendment), "Offsetting financial assets and financial liabilities"
- HKAS 36 (amendment), "Recoverable amount disclosures for non-financial assets"
- HKAS 39 (amendment), "Novation of derivatives and continuation of hedge accounting"
- HKFRS 9 and HKFRS 7 (amendment), "Mandatory effective date of HKFRS 9 and transition disclosures"
- HKFRS 9, "Financial instruments"
- HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment), "Investment entities"
- HKFRS 11 (amendment), "Accounting for acquisition of interests in joint operation"
- HKFRS 14, "Regulatory deferral accounts"
- HK(IFRIC) – Int 21, "Levies"
- Annual Improvements Project – Improvements to HKFRS published in February 2014

The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether there will be any substantial changes to the Group's significant accounting policies and presentation of financial information.

3 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 building materials and curtain walls, building construction, electrical and mechanical, lift and escalator, pipe technology and environmental contracts.

Insurance and investment: General insurance business except aircraft, aircraft liabilities and credit insurance, and investment in securities.

Property: Property investment, development and management, cold storage and logistics, senior housing and hotel operations.

Food and beverage: Restaurant and bar.

Others: Sale and servicing of information technology equipment and business machines, retailing, trading and servicing of motor vehicles, grocery trading and fresh produce supply.

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, income tax expenses 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.

Revenue and results

	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property HK\$'000	Food and beverage HK\$'000	Others HK\$'000	Total HK\$'000
For the year ended 31 March 2014						
REVENUE						
Total revenue	1,606,628	363,623	973,252	572,114	704,539	4,220,156
Inter-segment revenue	–	(45,446)	(47,962)	–	(13,367)	(106,775)
Group revenue	1,606,628	318,177	925,290	572,114	691,172	4,113,381
Share of revenue of associates and joint ventures	2,120,165	–	118,217	86,698	2,252,686	4,577,766
Proportionate revenue from a joint venture eliminated	(30,424)	–	–	–	–	(30,424)
Segment revenue	3,696,369	318,177	1,043,507	658,812	2,943,858	8,660,723
RESULTS						
Segment profit/(loss)	292,536	61,730	407,300	22,276	(41,569)	742,273
Included in segment profit/(loss) are:						
Share of results of associates	119,419	–	363	(2,745)	(37,661)	79,376
Share of results of joint ventures	514	–	(9,547)	–	–	(9,033)
Depreciation and amortisation, net of capitalisation	(6,339)	(1,315)	(61,451)	(28,783)	(7,279)	(105,167)
Increase in fair value of investment properties	–	–	201,510	–	–	201,510
Impairment loss on available-for-sale investments	–	(10,532)	–	–	–	(10,532)
Impairment loss on amount due from an associate	–	–	–	(908)	–	(908)
Impairment loss on amount due from a joint venture	–	–	(14,087)	–	–	(14,087)
Unrealised loss on investments at fair value through profit or loss	–	(863)	–	–	–	(863)
Write down of inventories to net realisable value, net	3	–	–	–	971	974
Impairment loss written back/(recognised) on trade and other debtors	1,541	(118)	(4,120)	–	8	(2,689)
Impairment loss written back on retention receivables	25	–	–	–	–	25
Unrealised (loss)/gain on derivative financial instruments	(2)	5,842	–	5,685	(1,011)	10,514

	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property HK\$'000	Food and beverage HK\$'000	Others HK\$'000	Total HK\$'000
For the year ended 31 March 2013						
REVENUE						
Total revenue	1,952,629	220,371	811,273	589,443	678,658	4,252,374
Inter-segment revenue	–	(9,782)	(42,943)	–	(10,391)	(63,116)
Group revenue	1,952,629	210,589	768,330	589,443	668,267	4,189,258
Share of revenue of associates and joint ventures	1,979,322	–	62,454	166,401	753,261	2,961,438
Proportionate revenue from a joint venture eliminated	(59,894)	–	–	–	–	(59,894)
Segment revenue	3,872,057	210,589	830,784	755,844	1,421,528	7,090,802
RESULTS						
Segment profit/(loss)	301,614	96,037	919,154	(11,190)	(38,658)	1,266,957
Included in segment profit/(loss) are:						
Share of results of associates	110,615	–	43,070	(32,203)	(24,899)	96,583
Share of results of joint ventures	872	–	(19,483)	–	–	(18,611)
Depreciation and amortisation, net of capitalisation	(6,420)	(1,064)	(44,173)	(30,269)	(8,029)	(89,955)
Increase in fair value of investment properties	–	–	670,113	–	–	670,113
Impairment loss on property, plant and equipment	–	–	–	(4,516)	–	(4,516)
Impairment loss on goodwill	–	–	–	(6,805)	–	(6,805)
Impairment loss on available-for-sale investments	–	(4,639)	–	–	–	(4,639)
Impairment loss on amount due from an associate	–	–	–	(2,316)	–	(2,316)
Unrealised gain on investments at fair value through profit or loss	–	41,886	–	–	–	41,886
Write back/(down) of inventories to net realisable value, net	124	–	–	–	(7,835)	(7,711)
Write down of properties for sale to net realisable value, net	–	–	(199)	–	–	(199)
Impairment loss (recognised)/written back on trade and other debtors	(1,675)	56	(734)	(1,229)	(190)	(3,772)
Impairment loss on retention receivables	(32,606)	–	–	–	–	(32,606)
Unrealised gain on derivative financial instruments	–	15,940	–	39,356	–	55,296

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:

	2014	2013
	HK\$'000	HK\$'000
Total segment revenue	8,660,723	7,090,802
Add: Proportionate revenue from a joint venture eliminated	30,424	59,894
Less: Share of revenue of associates and joint ventures		
Construction and installation contracts	1,759,390	1,657,212
Fresh produce supply	1,344,964	–
Sale of motor vehicles and others	907,307	752,896
Provision of maintenance and other services	361,436	322,746
Food and beverage	86,698	166,401
Sales and leasing of properties	81,986	24,001
Hotel operations	35,985	38,182
	4,577,766	2,961,438
Total revenue in the consolidated income statement	4,113,381	4,189,258

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

	2014	2013
	HK\$'000	HK\$'000
Segment profit	742,273	1,266,957
Unallocated corporate expenses	(29,165)	(26,767)
Finance income	14,355	14,606
Finance costs	(117,012)	(74,403)
Profit before taxation	610,451	1,180,393

Assets and liabilities

	Construction and engineering HK\$'000	Insurance and investment HK\$'000	Property HK\$'000	Food and beverage HK\$'000	Others HK\$'000	Total HK\$'000
As at 31 March 2014						
ASSETS						
Segment assets	<u>1,246,655</u>	<u>1,182,600</u>	<u>9,578,653</u>	<u>329,720</u>	<u>1,161,916</u>	<u>13,499,544</u>
Included in segment assets are:						
Interests in associates	423,806	–	30,627	41,553	253,825	749,811
Interests in joint ventures	11,454	–	1,495,879	–	–	1,507,333
Amounts due from associates	14,593	–	38	20,222	283,269	318,122
Amounts due from joint ventures	64	–	128,735	–	–	128,799
Additions to non-current assets (note)	<u>8,209</u>	<u>96</u>	<u>158,685</u>	<u>13,126</u>	<u>7,372</u>	<u>187,488</u>
LIABILITIES						
Segment liabilities	<u>1,003,350</u>	<u>655,327</u>	<u>608,506</u>	<u>98,467</u>	<u>64,514</u>	<u>2,430,164</u>
Included in segment liabilities is:						
Amount due to an associate	<u>–</u>	<u>–</u>	<u>29,372</u>	<u>–</u>	<u>–</u>	<u>29,372</u>
As at 31 March 2013						
ASSETS						
Segment assets	<u>1,127,915</u>	<u>1,069,473</u>	<u>8,879,226</u>	<u>369,499</u>	<u>893,354</u>	<u>12,339,467</u>
Included in segment assets are:						
Interests in associates	382,145	–	165,525	6,683	419,161	973,514
Interests in joint ventures	10,941	–	1,212,188	–	–	1,223,129
Amounts due from associates	12,271	–	32	18,748	2,779	33,830
Amounts due from joint ventures	78	–	377,987	–	–	378,065
Additions to non-current assets (note)	<u>10,619</u>	<u>112</u>	<u>1,050,244</u>	<u>49,613</u>	<u>41,727</u>	<u>1,152,315</u>
LIABILITIES						
Segment liabilities	<u>1,070,565</u>	<u>509,319</u>	<u>231,745</u>	<u>99,945</u>	<u>77,228</u>	<u>1,988,802</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:

	2014 HK\$'000	2013 HK\$'000
Segment assets	13,499,544	12,339,467
Prepaid tax	6,282	5,153
Unallocated bank balances and cash	383,115	422,207
Deferred tax assets	33,856	26,323
Other unallocated assets	<u>2,629</u>	<u>2,629</u>
Total assets	<u>13,925,426</u>	<u>12,795,779</u>

	2014 HK\$'000	2013 HK\$'000
Segment liabilities	2,430,164	1,988,802
Current income tax liabilities	53,591	55,990
Bank and other borrowings	4,067,055	4,322,791
Deferred tax liabilities	262,421	185,510
Other unallocated liabilities	35,396	31,644
Total liabilities	<u>6,848,627</u>	<u>6,584,737</u>

Geographical information

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

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

	Segment revenue by geographical areas							
	Company and subsidiaries		Associates and joint ventures		2014 Total		2013 Total	
	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	HK\$'000	%
Hong Kong	2,213,545	486,850 ¹	2,700,395	31	2,864,052	520,414 ¹	3,384,466	48
Mainland China	64,505	2,365,031	2,429,536	28	52,777	2,124,392	2,177,169	31
Australia	175,991	1,344,964	1,520,955	17	179,967	–	179,967	2
Macau	570,681	47,402	618,083	7	284,853	11,590	296,443	4
US	587,943	–	587,943	7	366,194	–	366,194	5
Canada	396,526	–	396,526	5	352,384	–	352,384	5
Singapore	12,880	302,552	315,432	4	12,576	244,610	257,186	4
Thailand	72,442	–	72,442	1	62,443	–	62,443	1
Others	18,868	543	19,411	–	14,012	538	14,550	–
	<u>4,113,381</u>	<u>4,547,342</u>	<u>8,660,723</u>	<u>100</u>	<u>4,189,258</u>	<u>2,901,544</u>	<u>7,090,802</u>	<u>100</u>

¹ The proportionate revenue from a joint venture is eliminated.

The Group maintains healthy and balanced portfolio of customer basis. No customer accounted for 10% or more of the total revenue of the Group for the year ended 31 March 2014 (2013: nil).

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	
	2014 HK\$'000	2013 HK\$'000
Hong Kong	3,655,977	3,454,045
Mainland China	1,596,188	1,438,678
US	1,298,459	507,617
Singapore	523,946	869,407
Canada	163,826	184,035
Macau	25,645	27,697
Australia	11,749	13,201
Others	20,095	19,640
	<u>7,295,885</u>	<u>6,514,320</u>

4 Revenue

2014
HK\$'000

2013
HK\$'000

Revenue represents amounts received and receivable from:

Construction and installation contracts	1,471,011	1,755,751
Sale of information technology equipment, motor vehicles and others	766,653	803,188
Food and beverage	572,114	589,443
Senior housing operations	473,588	247,556
Insurance premium	275,378	156,916
Warehouse and logistics operations	173,316	172,513
Provision of maintenance and property management	150,793	140,366
Sales and leasing of properties	141,632	224,650
Hotel operations	40,738	40,286
Dividend income from investments	32,360	44,931
Interest income from investments	10,439	8,743
Leasing of vehicles and equipment	5,359	4,915
Total revenue	<u>4,113,381</u>	<u>4,189,258</u>

5 Other income, net

2014
HK\$'000

2013
HK\$'000

Gain/(loss) on investments at fair value through profit or loss		
– held-for-trading	22,861	39,437
– designated upon initial recognition	(310)	3,066
Gain on derivative financial instruments	14,161	35,587
Other investment income	6,466	–
Commission income	9,264	5,325
Management fee income from associates and joint ventures	33,448	30,304
Sales and marketing services income from an associate	23,538	22,224
Others	8,845	11,253
	<u>118,273</u>	<u>147,196</u>

6 Other gains, net

2014
HK\$'000

2013
HK\$'000

Increase in fair value of investment properties	201,510	670,113
Loss on disposal of investment properties	–	(300)
Gain on disposal of property, plant and equipment	9,010	157
Loss on disposal of subsidiaries	(787)	(6,169)
Gain on disposal of available-for-sale investments	42	289
Impairment loss on property, plant and equipment	–	(4,516)
Impairment loss on goodwill	–	(6,805)
Impairment loss on available-for-sale investments	(10,532)	(4,639)
Impairment loss on amount due from an associate	(908)	(2,316)
Impairment loss on amount due from a joint venture	(14,087)	–
Impairment loss on trade and other debtors	(2,689)	(3,772)
Impairment loss written back/(recognised) on retention receivables	25	(32,606)
Exchange (loss)/gain	(6,310)	7,603
	<u>175,274</u>	<u>617,039</u>

7 Finance costs, net

	2014 HK\$'000	2013 HK\$'000
Interest expenses on bank overdrafts and bank and other borrowings wholly repayable within five years	132,378	93,845
Interest expenses on bank and other borrowings not wholly repayable within five years	1,788	–
Less: Amounts capitalised to properties under development (note)	<u>(17,154)</u>	<u>(19,442)</u>
	117,012	74,403
Less: Interest income from bank deposits	<u>(14,355)</u>	<u>(14,606)</u>
	<u><u>102,657</u></u>	<u><u>59,797</u></u>

Note: The capitalisation rate applied to funds borrowed and used for the development of properties was between 5.9% and 7.0% per annum during the year (2013: 5.9% and 7.8%).

8 Profit before taxation

	2014 HK\$'000	2013 HK\$'000
Profit before taxation has been arrived at after charging the following:		
Depreciation of property, plant and equipment	99,673	86,204
Less: Amount capitalised to contract work	<u>(1,583)</u>	<u>(1,772)</u>
	98,090	84,432
Staff costs	977,788	854,044
Less: Amount capitalised to contract work	<u>(113,000)</u>	<u>(116,275)</u>
	864,788	737,769
Operating lease payments in respect of leasing of		
– Premises		
– under minimum lease payments	90,499	90,530
– under contingent rent	2,551	1,836
– Equipment	2,950	1,234
	96,000	93,600
Auditors' remuneration	11,334	10,155
Amortisation of prepaid lease payments	–	26
Amortisation of other intangible assets	7,077	5,497
Write down of inventories to net realisable value, net	974	7,711
Write down of properties for sale to net realisable value, net	–	199
Acquisition-related expenses	8,726	35,153
and crediting the following:		
Gross rental income of HK\$138,655,000 (2013: HK\$132,037,000)		
from properties less direct operating expenses	<u><u>128,865</u></u>	<u><u>121,136</u></u>

9 Income tax expenses

	2014 HK\$'000	2013 HK\$'000
Current tax		
Hong Kong	51,959	61,565
Mainland China and overseas	33,089	23,600
Under-provision in prior years	92	7,098
	<u>85,140</u>	<u>92,263</u>
Deferred tax		
Origination and reversal of temporary differences	(870)	4,844
	<u>84,270</u>	<u>97,107</u>

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

10 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of HK\$470,369,000 (2013: HK\$1,011,923,000) by the weighted average number of 285,102,000 (2013: 278,140,000) ordinary shares in issue during the year ended 31 March 2014.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. As at 31 March 2014, an associate of the Group had potential ordinary shares which were issuable upon exercise of share option granted. There was no potential dilutive effect from such share option during the year. As at 31 March 2013, the Group did not have any dilutive equity instruments.

11 Dividends

	2014 HK\$'000	2013 HK\$'000
Interim dividend of HK\$0.20 (2013: HK\$0.20) per share paid	58,038	55,513
Final dividend of HK\$0.65 (2013: HK\$0.65) per share proposed	190,368	182,901
	<u>248,406</u>	<u>238,414</u>

Of the dividends paid during the year ended 31 March 2014, HK\$36,873,000 and HK\$121,049,000 were paid in form of shares under the Company's scrip dividend schemes in respect of the interim dividend for the year ended 31 March 2014 and the final dividend for the year ended 31 March 2013 respectively. Of the dividends paid during the year ended 31 March 2013, HK\$40,751,000 was paid in form of shares under the Company's scrip dividend scheme in respect of the interim dividend for the year ended 31 March 2013.

A final dividend of HK\$0.65 per share totalling HK\$190,368,000, with an option to receive shares of the Company, 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 2015.

12 Debtors, deposits and prepayments

	2014 HK\$'000	2013 HK\$'000
Trade debtors	495,804	410,237
Less: Provision for impairment	(19,920)	(18,450)
Trade debtors, net	<u>475,884</u>	<u>391,787</u>
Retention receivables	204,516	183,763
Less: Provision for impairment	(33,570)	(33,595)
Retention receivables, net	<u>170,946</u>	<u>150,168</u>
Other debtors, deposits and prepayments	<u>378,690</u>	<u>400,146</u>
	<u>1,025,520</u>	<u>942,101</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 terms granted to certain debtors are over 60 days.

The ageing analysis of the Group's trade debtors is as follows:

	2014 HK\$'000	2013 HK\$'000
0 – 60 days	296,405	248,933
61 – 90 days	23,264	41,437
Over 90 days	156,215	101,417
	<u>475,884</u>	<u>391,787</u>

13 Creditors, bills payable, deposits and accruals

	2014 HK\$'000	2013 HK\$'000
Trade creditors and bills payable	213,510	179,121
Deposits received	391,113	60,815
Retention payables	106,039	119,301
Accrued contract costs	121,544	175,423
Other creditors and accruals	382,363	377,770
	<u>1,214,569</u>	<u>912,430</u>

The ageing analysis of the Group's trade creditors and bills payable is as follows:

	2014 HK\$'000	2013 HK\$'000
0 – 60 days	193,294	145,494
61 – 90 days	4,944	3,381
Over 90 days	15,272	30,246
	<u>213,510</u>	<u>179,121</u>

14 Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$1.25 each		
Authorised:		
At 1 April 2012, 31 March 2013 and 31 March 2014	<u>540,000,000</u>	<u>675,000</u>
Issued and fully paid:		
At 1 April 2012	277,564,090	346,955
Issue of shares under scrip dividend scheme	<u>3,822,721</u>	<u>4,779</u>
At 31 March 2013	281,386,811	351,734
Issue of shares under scrip dividend schemes	<u>11,487,192</u>	<u>14,359</u>
At 31 March 2014	<u>292,874,003</u>	<u>366,093</u>

15 Acquisition and disposal of businesses

(i) Acquisition of senior housing business

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

Pursuant to an agreement dated 11 October 2012, the Group acquired a business operating senior housing communities in North Carolina, US from independent third parties at an aggregated cash consideration of US\$119,623,000 (equivalent to approximately HK\$928,274,000). The acquisition was completed on 21 December 2012.

(ii) Share subscriptions of CAAM Limited ("CAAM")

Pursuant to the shareholders' agreement dated 17 October 2012, the Group subscribed 5,000,000 ordinary shares (representing approximately 38.46% of all the issued ordinary shares) and 29,471,104 preference shares (representing 100% of all the issued preference shares) of CAAM at aggregated cash considerations of AUD5,000,000 and AUD29,471,000 respectively (equivalent to approximately HK\$40,450,000 and HK\$238,421,000 respectively). The preference shares are convertible into ordinary shares of CAAM on a 1:1 basis. On 12 October 2012 and 8 April 2013, 500 and 4,999,500 ordinary shares were allotted respectively. On 8 April 2013 and 16 April 2013, 28,143,000 and 1,328,104 preference shares were allotted respectively.

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

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

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

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

16 Contingent liabilities

As at 31 March 2014, the Group had contingent liabilities in respect of guarantees issued for utilised borrowings in relation to:

	2014 HK\$'000	2013 HK\$'000
Banking facilities granted to associates	98,818	119,255
Banking facilities granted to a joint venture	136,235	112,975
Banking facilities granted to a joint venture partner	168,300	168,300
Guarantees given to banks for mortgage facilities granted to certain buyers of properties	158,313	–
	<u>561,666</u>	<u>400,530</u>

As at 31 March 2014, the Group's share of contingent liabilities of its joint ventures was as follows:

	2014 HK\$'000	2013 HK\$'000
Guarantees given to banks for mortgage facilities granted to certain buyers of the joint ventures' properties	<u>25,318</u>	<u>24,466</u>

17 Commitment

As at 31 March 2014, the Group had commitment as follows:

	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for in the consolidated financial statements in respect of		
– acquisition of plant and equipment	1,797	1,716
– a property development project	346,477	472,906
	<u>348,274</u>	<u>474,622</u>
Authorised but not contracted for in respect of a property development project	1,757,417	1,782,282
	<u>2,105,691</u>	<u>2,256,904</u>

As at 31 March 2014, the Group's share of commitment of its joint ventures was as follows:

	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for	113,875	142,581
Authorised but not contracted for	430,971	653,705
	<u>544,846</u>	<u>796,286</u>

DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK\$0.65 (2013: HK\$0.65) per share payable to shareholders whose names appear on the Register of Members of the Company on Friday, 12 September 2014. Subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 29 August 2014 (the “AGM”), the dividend warrants will be distributed and paid on or about Tuesday, 11 November 2014. Together with the interim dividend of HK\$0.20 (2013: HK\$0.20) per share paid on Friday, 14 February 2014, the total dividends for the year amounted to HK\$0.85 (2013: HK\$0.85) per share.

The final dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares of HK\$1.25 each in the share capital of the Company in lieu of cash, or partly in cash and partly in shares under the scrip dividend scheme (the “Scrip Dividend Scheme”). The circular containing details of the Scrip Dividend Scheme and the relevant election form will be sent to shareholders on or about Thursday, 9 October 2014. The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Final dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent to shareholders on or about Tuesday, 11 November 2014.

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 Monday, 25 August 2014 to Friday, 29 August 2014, 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 August 2014.

The record date for entitlement to the proposed final dividend is Friday, 12 September 2014. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Monday, 8 September 2014 to Friday, 12 September 2014, 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, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group’s consolidated revenue decreased slightly by 1.8%, from HK\$4,189 million in 2012/13 to HK\$4,113 million for the year ended 31 March 2014. The slight decrease was mainly due to the decrease in revenue of the Group’s business in construction and engineering segment while offsetting partially by the revenue increase in insurance and investment segment and property segment. After taking up the share of revenue of associates and joint ventures, especially the contribution from the fresh produce supply associates in Australia, the total segment revenue was boosted up to HK\$8,661 million for the year, a 22.1% increase over the last financial year.

Profit for the year ended 31 March 2014 amounted to HK\$526 million (2013: HK\$1,083 million). Excluding the increase in fair value of HK\$202 million (2013: HK\$670 million) arising from the revaluation of the Group's investment properties for the financial year, the Group recorded a profit of HK\$324 million in 2013/14 as compared to HK\$413 million in 2012/13. Such decrease was mainly caused by the decline in profit of the property segment and the finance costs of the senior housing business in North Carolina, US that accounted for the whole financial year. Profit attributable to equity holders for the year ended 31 March 2014 reached HK\$470 million (2013: HK\$1,012 million) and earnings per share of HK\$1.65 (2013: HK\$3.64).

CONSTRUCTION AND ENGINEERING

The construction and engineering segment's revenue for the year ended 31 March 2014 recorded a decrease of 4.5% to HK\$3,696 million (2013: HK\$3,872 million). The drop in revenue was attributable to the completion of certain large construction projects in last year including the building construction, building supplies and pipe technology divisions. However, such decrease had been partially offset by the increase in revenue earned by the electrical and mechanical engineering division and lift and escalator associates. Profit of this segment reduced by 3.0% from HK\$302 million last year to HK\$293 million this year.

The booming construction market in recent years has given numerous opportunities on business growth for the building construction division. However, the increase in materials and labour costs has made the division very cautious in submitting tenders. As part of its long term resources planning and cost control measures, the division has been providing more training opportunities for graduates and experienced expertise so as to strengthen the team's competitiveness and make it well positioned to take up more projects in the future.

During the year, the electrical and mechanical engineering division continued to allocate its substantial resources in Macau market. With the proven track record, the division has been actively involved in the large-scale casino and hotel complex development projects. Riding on the rapid development in Macau Cotai area, the division further secured two contracts amounting to over HK\$1,000 million during the year from integrated resort and casino developers in Macau.

The aluminium windows and curtain walls division made steady progress for all the projects on hand during the year under review. In order to meet with market demand, new machineries were purchased for the fabrication center and workflows were redesigned to improve working efficiency. Other than Hong Kong market, the division also served clientele overseas.

The environmental engineering division actively participated in the tendering of the contracts offered by CLP, Water Supplies Department and Drainage Services Department of the Hong Kong government during the year. For delivering of top quality services to its clients, the division will also consider to form partnership with experienced professionals.

Renowned kitchen cabinet brand "Manhattan" that distributed by the building supplies division has earned a good reputation in the market with very positive feedback. The building supplies division has undergone an internal restructuring to strengthen its services to clients. Apart from focusing on large-scale projects in the past, the division will allocate some of its resources to serve smaller-scale projects and individual households in the near future.

To maintain sustainable business growth and to meet market demand for environmental friendly lift and elevator products, the lift and escalator associates has launched a new generation of green-powered products to the market. During the year, the associates secured sizable supply and installation of lift and escalator contracts from integrated resort and casino developers in Macau and will continue to look for further market opportunities in Macau in order to ensure business growth in the coming year.

As at 31 March 2014, the total value of the outstanding construction and engineering contracts in hand of the Group's subsidiaries amounted to HK\$4,341 million. Major contracts are:

1. Construction of the superstructure works at TL117 Tseung Kwan O;
2. Construction of Sports Centre at Tsing Yi;
3. Construction of the superstructure works for the Proposed Composite Building at No. 140-146 Camp Street, Sham Shui Po;
4. Electrical and mechanical works for expansion of Tai Po Water Treatment Works Stream II and piping works at CLP Black Point Gas Supply project;
5. Electrical and mechanical works for Galaxy Phase 2 and Wynn Palace in Macau;
6. Supply and installation of mechanical ventilation and air-conditioning for Kellett School New Campus at Kowloon Bay;
7. Replacement of Emergency Generator Set at Wanchai Tower and Police Stations at Tseung Kwan O and Tsuen Wan for Hong Kong Police Force;
8. Supply of prestige "Manhattan" kitchen cabinets for luxurious residential at Lee Tung Street, Wanchai and TL 200 & 201 Tai Po;
9. Design, supply and installation of curtain walls for proposed residential development at Sha Tsui Road, Tsuen Wan and Pak Shek Kok, Tai Po; and
10. Replacement and rehabilitation of Water Mains Stage 3 – Mains in East Kowloon (Package B).

INSURANCE AND INVESTMENT

Total revenue of the insurance and investment segment rose by 50.7% from HK\$211 million in 2012/13 to HK\$318 million in 2013/14 primarily due to the increase in the gross insurance premium written in employees' compensation from large construction projects.

The segment recorded a profit of HK\$61.7 million for the year end 31 March 2014, a drop from the last financial year of HK\$96.0 million. Such decrease was mainly derived from the impairment loss of available-for-sale investments recognised, decrease in dividends from private equity funds and reduction in gain on equity and debt securities investments.

During the year, the operation further enhanced its competitiveness to expand the employees' compensation premium business despite the prevailing fierce competition. Good performance of the employees' compensation sector was partly because of the large number of construction projects taking place in Hong Kong including New World Centre and Palace Mall remodeling projects, and it also reflected the Group's efforts to enlarge specialised risk management capacities in this sector.

The property insurance sector was able to maintain its underwriting performance and net profitability which was the result of the limited exposure to any major losses during the year. This continued positive performance reflects ongoing efforts to attract and grow high-quality business and to maintain prudent balances between property and casualty insurance.

The global economy continued to be volatile in 2013. The overall investment sentiment was mixed hence investors had taken a more cautious approach. The Group's investment performance in the year under review was relatively steady given extra focus was placed in asset classes with less volatility.

PROPERTY

The property segment's revenue increased by 25.6% from HK\$831 million in 2012/13 to HK\$1,044 million for the year ended 31 March 2014. Such increase was mainly attributable to the full year contribution from senior housing business in North Carolina, US, since the completion of acquisition in December 2012 and the increase in sales recognised by the joint ventures on property projects "My Villa" in Beijing and "Chateau Ermitas" in Chengdu, notwithstanding the significant reduction in disposal of properties for sales in Hong Kong.

Segment profit for the year amounted to HK\$407 million (2013: HK\$919 million). Excluding the increase in revaluation gain of HK\$202 million (2013: HK\$670 million) from the Group's investment properties for the year, profit of this segment recorded a decrease of 17.7% from HK\$249 million in 2012/13 to HK\$205 million during the year under review. The absence of share of revaluation and disposal gain of an investment property from an associate this year led to the fall of the profit in this segment.

During the year, the People's Republic of China government further reinforced its tightening policies on the property market, including expanding the coverage of home purchase restrictions, controlling the mortgage loans and selling prices, and piloting the implementation of property tax. The performance of property development business in Mainland China experienced a challenging year.

Pre-sale of Phase 1 of "Chevalier City", a residential development project located in Luyuan District, Changchun, in which the Group has 96% equity interest, was launched in 2013. During the year, 44% of residential units were sold. Construction of Phase 2 is expected to commence in the coming financial year.

All the residential apartments in both Phase 1 and Phase 2 of "My Villa" situated at Huairou District, Beijing, in which the Group has 44% equity interest, were sold. Outstanding areas available for sale amounting to 70,000 sq. ft. for villa and 133,470 sq. ft. for commercial areas.

"Chateau Ermitas" in Shuangliu County, Chengdu, in which the Group has 49% equity interest, was launched in 2013. During the year, 10% of residential units and 5% of villa under Phase 1 development were sold respectively.

Senior housing operation began to deliver a good operating performance. In March 2014, the Group had refinanced 15 senior housing facilities with the US government insured fixed rate loans after rigorous application process, with the aim to reduce debt serving and cope with potential interest rate increase in the future. During the year, the Group acquired 2 additional senior housing facilities in North Carolina, US, adding 208 assisted living beds to the portfolio. Together with previous acquisitions, the Group currently owns 23 senior housing assets providing 1,014 assisted living beds, 733 memory care beds and 119 skilled nursing beds to serve different needs of the aged population.

The cold storage operation continually achieved a satisfactory performance and generated steady revenue and profit to the Group during the year. The capabilities of the cold chain logistics operation has been strengthened in providing B2C services in addition to its existing B2B services.

FOOD AND BEVERAGE

The food and beverage segment's revenue decreased by 12.8% to HK\$659 million in 2013/14 as a result of the divestment of the remaining 20% equity interest in Pacific Coffee Group in June 2013. On the other hand, good performance of the outlets in Hong Kong, closure of unprofitable outlets and gain on disposal of warehouse during the year ended 31 March 2014 turned this segment from a loss of HK\$11.2 million in 2012/13 to a profit of HK\$22.3 million in 2013/14.

The management team of Cafe Deco Group has responded promptly to turn around its performance from a loss situation last year. Facing challenges such as higher food costs and soaring rental expenses, Cafe Deco Group closed down another 5 outlets, bringing the number of outlets in the portfolio to 35 as at 31 March 2014. Shortly after the end of the financial year, Cafe Deco Group disposed the brand of Wildfire to redeploy the capital in developing a new brand – Cafe Deco Pizzeria. The management of Cafe Deco Group will also focus on expanding scalable concept of Berliner as the leading German restaurants in Hong Kong by opening two new outlets in the near future.

Cafe Deco Group has entered into a franchise arrangement with Fauchon, a leading force in contemporary French culinary culture, to open outlets in Hong Kong. The first shop is expected to open next to the flagship Cafe Deco on the Peak at the end of 2014. Furthermore, Cafe Deco Group partnered with American Express during the year under review and received satisfactory results. Given the overwhelming feedback, Cafe Deco Group will continue to explore further collaborations and look to enhance the brand's image by teaming up with established partners.

Cafe Deco Group has also successfully integrated the centralised food processing facility to provide cost effective value-added products to a broad spectrum of customers in Hong Kong including Cafe Deco Group itself and offer a wide variety of specialty foods which enables Cafe Deco Group to have more control on the food quality as well as to further enhance efficiency.

In capturing opportunities in Mainland China, the Group has partnered with a team of seasoned food and beverage industry specialists to form a management consultancy business to provide management and operations consultancy services to food and beverage retail operators. Via this consultancy platform, the Group successfully acquired a minority stake in GLL Wonton (吉祥餛飩), Mainland China's largest wonton quick service restaurants with almost 2,000 stores. Looking forward, the Group will continue to look for expansion opportunities in Mainland China and Asian regions.

OTHERS

The segment's revenue grew by 107.0%, from HK\$1,422 million in 2012/13 to HK\$2,944 million during the year under review. Such significant increase, in particular from the share of revenue of associates, was mainly due to the improvement of revenue from the car dealership associates in Mainland China and the contribution of revenue from Moraitis Group, a fresh produce supply group in Australia, acquired by an associate in April 2013. Nevertheless, the Group recorded a segment loss of HK\$41.6 million in 2013/14 compared to a loss of HK\$38.7 million last year. The acquisition-related expenses and goodwill impairment made by the associates in fresh produce supply business eroded the improvement on the associates' car dealership.

The revenue of the network solution and document processing solution in Hong Kong and Thailand increased slightly during the year under review. In addition to focus on voice and data network solution, the Group will also provide surveillance system and intelligent building solution to service apartments and hotels. Under the rapid change in the consumers' preference, the commercial sector for the notebook market is relatively stable and the Group is continuously extending the scope of services to corporations.

Following the improvement of the global economy, both revenue and results from car dealership business in Canada and Mainland China had increased. In Chengdu, a total of 11 4S shops are operated by an associated group, in which the Group has 40% equity interest, in different cities of Sichuan province under the car dealership business. There were over 12,000 units of cars sales reaching turnover exceeding RMB1,800 million during the year. These 4S shops provide full scale of services including car rental, spare parts sales and after-sale services of repair and maintenance. With the accumulation of the customer base in car dealership, there will be an increase in the demand for after-sale services, which will become an integrated part of the profit contributor to the Group.

Moraitis Group performed below expectations during the year under review. Conditions have been challenging with market, weather and supply disruptions which resulted in an unsatisfactory trading and growing performance. The management is of the view that the financial year 2013/14 was an unusually difficult year in which several adverse factors impacted Moraitis Group contemporaneously. In response to such challenges, several strategic initiatives were implemented towards the end of the financial year. These initiatives including, but not limited to (i) the acquisition of an innovative startup company that owns license rights to produce varieties that would reinforce our product offering to key customers; (ii) the forming of a joint venture with an international import/export specialist to add to the service offering of Moraitis Group in tapping into opportunities outside of Australia; and (iii) the implementation of best practice controls and processes to maximise efficiencies across packaging operations across the country.

With the benefits of the strategic initiatives taking effect in 2014/15, coupled with improved conditions, the Group is optimistic that Moraitis Group is well positioned for recovery and will gradually regain lost grounds in the coming few years.

FINANCIAL REVIEW

As at 31 March 2014, the Group's net assets attributable to equity holders of the Company amounted to HK\$6,614 million (2013: HK\$5,821 million), an increase of HK\$793 million or 13.6% when compared with 2013. Such increase was mainly resulted from the profit attributable to equity holders of the Company of HK\$470 million, revaluation surplus of properties upon transfer to investment properties of HK\$33.5 million, revaluation surplus of properties for own use under revaluation model of HK\$350 million, offsetting by the payment of dividends (net of issue of shares under scrip dividend schemes) of HK\$83.1 million during the year ended 31 March 2014.

As at 31 March 2014, the Group's bank and other borrowings decreased to HK\$4,067 million (2013: HK\$4,323 million) due to the settlement of bank loans by operating funds and proceeds from the pre-sales of properties under development. Cash and deposits at bank slightly decreased to HK\$1,201 million (2013: HK\$1,280 million).

The Group's bank and other borrowings in respect of the portion due within one year dropped to 16.1% as at 31 March 2014 (2013: 21.8%).

EMPLOYEES AND REMUNERATION POLICIES

The Group employed approximately 3,300 full-time staff under its subsidiaries globally as at 31 March 2014. Total staff costs amounted to HK\$978 million for the year ended 31 March 2014. 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

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the year ended 31 March 2014, except for the following deviations:-

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

Code Provision A.6.7 stipulates that the Independent Non-Executive Directors and other Non-Executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr Sun Kai Dah, George, an Independent Non-Executive Director was unable to attend the annual general meeting of the Company held on 6 September 2013 due to an overseas commitment.

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

During the year, the Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management systems of the Group and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2014.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual results announcement of the Company for the year ended 31 March 2014 is published on the Stock Exchange's website at <http://www.hkexnews.hk> and the Company's website at <http://www.chevalier.com>. The annual report of the Company for the year ended 31 March 2014 containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude towards our management and staff for their dedication and relentless efforts over the past year. In addition, I would also like to extend my appreciation to our customers, suppliers, business partners and Shareholders for their continuous support to the Group.

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

Hong Kong, 27 June 2014

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

* For identification purpose only