



## 興勝創建控股有限公司

# HANISON CONSTRUCTION HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 896)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

#### INTERIM RESULTS

The unaudited consolidated turnover of Hanison Construction Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 30 September 2008 grew to HK\$872.2 million, being 48.0% higher than the turnover of HK\$589.4 million for the corresponding period last year.

Despite the above, the overall financial results of the Group for the six months ended 30 September 2008 had experienced a loss, the first time since the Company was listed on The Stock Exchange of Hong Kong Limited in 2002. This adverse result was mainly due to the impairment of fair value of the investment properties. Although being constrained by the tightening of gross profit margins, the Group’s construction, interior and renovation, building materials and property leasing segments still recorded positive returns during the period under review. The unaudited consolidated loss attributable to shareholders of the Company for the current period was HK\$24.7 million, compared with the unaudited consolidated profit attributable to shareholders of HK\$35.0 million for the same period in 2007.

The overall operations of the Group remain sound and intact, and the financial position of the Group remains solid.

The loss per share was HK5.6 cents, whereas the earnings per share was HK7.9 cents for the corresponding period last year.

#### DIVIDEND

The board of directors of the Company (the “Board”) has resolved to pay an interim dividend of HK0.5 cents per share for the six months ended 30 September 2008 (for the six months ended 30 September 2007: HK1.5 cents per share) to the shareholders whose names appear on the Registers of Members of the Company as at the close of business on 19 December 2008. The dividend is expected to be paid to shareholders on or around 30 December 2008.

#### CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Thursday, 18 December 2008 to Friday, 19 December 2008, both dates inclusive. During this period no share transfer will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 17 December 2008.

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

	NOTES	Six months ended	
		30.9.2008 HK\$'000 (Unaudited)	30.9.2007 HK\$'000 (Unaudited)
Turnover	3	872,238	589,350
Cost of sales		<u>(814,258)</u>	<u>(524,577)</u>
Gross profit		57,980	64,773
Other income		685	1,087
Marketing and distribution costs		(4,405)	(5,412)
Administrative expenses		(39,126)	(42,230)
(Loss) gain on change in fair value of investment properties		(42,021)	27,562
(Loss) gain on change in fair value of investments held for trading		(686)	372
Gain on change in fair value of derivative financial instruments		228	1,762
Share of profit of an associate		208	103
Share of profits of jointly controlled entities		699	210
Finance costs		<u>(4,779)</u>	<u>(4,302)</u>
(Loss) profit before taxation		(31,217)	43,925
Taxation	4	<u>6,536</u>	<u>(8,912)</u>
(Loss) profit for the period	5	<u><u>(24,681)</u></u>	<u><u>35,013</u></u>
Dividend paid	6	<u><u>11,081</u></u>	<u><u>11,081</u></u>
(Loss) earnings per share — basic	7	<u><u>HK(5.6) cents</u></u>	<u><u>HK7.9 cents</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

AT 30 SEPTEMBER 2008

	<i>NOTES</i>	<b>30.9.2008</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31.3.2008 <i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Investment properties		<b>549,560</b>	584,940
Property, plant and equipment		<b>73,414</b>	72,764
Interest in an associate		<b>19,408</b>	19,200
Interests in jointly controlled entities		<b>5,451</b>	12,752
Goodwill		<b>2,980</b>	2,980
Deposits for acquisition of investment properties		—	100
Prepayments for acquisition of property, plant and equipment and prepaid lease payments		<b>23,286</b>	—
		<b>674,099</b>	692,736
<b>Current assets</b>			
Properties under development		<b>284,445</b>	276,025
Inventories		<b>40,984</b>	42,680
Amounts receivable on contract work		<b>272,914</b>	306,358
Progress payments receivable	8	<b>91,587</b>	117,301
Retention money receivable		<b>143,574</b>	116,463
Debtors, deposits and prepayments	9	<b>81,214</b>	74,997
Amount due from a jointly controlled entity		<b>67,131</b>	67,144
Investments held for trading		<b>5,009</b>	5,695
Taxation recoverable		<b>984</b>	840
Derivative financial instruments		—	336
Bank balances and cash		<b>159,568</b>	148,374
		<b>1,147,410</b>	1,156,213
<b>Current liabilities</b>			
Amounts payable on contract work		<b>125,756</b>	94,384
Creditors and accrued charges	10	<b>314,251</b>	321,068
Obligation under a finance lease due within one year		<b>88</b>	87
Taxation payable		<b>4,035</b>	2,132
Bank loans — amounts due within one year		<b>316,563</b>	396,063
		<b>760,693</b>	813,734
Net current assets		<b>386,717</b>	342,479
Total assets less current liabilities		<b>1,060,816</b>	1,035,215
<b>Non-current liabilities</b>			
Obligation under a finance lease due after one year		—	44
Bank loans — amounts due after one year		<b>344,300</b>	274,000
Deferred taxation		<b>28,591</b>	36,970
		<b>372,891</b>	311,014
		<b>687,925</b>	724,201
<b>Capital and reserves</b>			
Share capital		<b>44,324</b>	44,324
Reserves		<b>643,601</b>	679,877
		<b>687,925</b>	724,201

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, amendments and new interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2008.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) — INT 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

### 3. TURNOVER AND SEGMENT INFORMATION

#### Business segments

The entity's primary format for reporting segment information is business segments.

	Construction	Interior and renovation	Building materials	Health products	Property investment	Property agency and management	Property development	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the six months ended</b>									
<b>30 September 2008</b>									
<b>TURNOVER</b>									
External sales	672,354	55,267	109,848	22,929	11,177	663	—	—	872,238
Inter-segment sales	5,010	10,392	14,220	1,200	—	680	—	(31,502)	—
Total	<u>677,364</u>	<u>65,659</u>	<u>124,068</u>	<u>24,129</u>	<u>11,177</u>	<u>1,343</u>	<u>—</u>	<u>(31,502)</u>	<u>872,238</u>

Inter-segment sales are charged at prevailing market rates.

#### RESULT

Segment result	<u>903</u>	<u>1,774</u>	<u>2,403</u>	<u>(754)</u>	<u>(30,543)</u>	<u>137</u>	<u>(9)</u>	<u>(400)</u>	(26,489)
Unallocated other income									568
Unallocated corporate expenses									(966)
Loss on change in fair value of investments held for trading									(686)
Gain on change in fair value of derivative financial instruments									228
Share of profit of an associate	—	—	—	—	208	—	—	—	208
Share of profits (losses) of jointly controlled entities	720	—	—	—	—	—	(21)	—	699
Finance costs									<u>(4,779)</u>
Loss before taxation									(31,217)
Taxation									<u>6,536</u>
Loss for the period									<u>(24,681)</u>

### 3. TURNOVER AND SEGMENT INFORMATION (Cont'd)

#### Business segments (Cont'd)

	Construction	Interior and renovation	Building materials	Health products	Property investment	Property agency and management	Property development	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the six months ended</b>									
<b>30 September 2007</b>									
<b>TURNOVER</b>									
External sales	400,137	77,967	73,160	30,485	7,300	301	—	—	589,350
Inter-segment sales	—	664	12,299	400	—	1,315	—	(14,678)	—
Total	<u>400,137</u>	<u>78,631</u>	<u>85,459</u>	<u>30,885</u>	<u>7,300</u>	<u>1,616</u>	<u>—</u>	<u>(14,678)</u>	<u>589,350</u>

Inter-segment sales are charged at prevailing market rates.

#### RESULT

Segment result	<u>6,142</u>	<u>6,397</u>	<u>4,052</u>	<u>(796)</u>	<u>33,453</u>	<u>388</u>	<u>(8)</u>	<u>(800)</u>	48,828
Unallocated other income									693
Unallocated corporate expenses									(3,741)
Gain on change in fair value of investments held for trading									372
Gain on change in fair value of derivative financial instruments									1,762
Share of profit of an associate	—	—	—	—	103	—	—	—	103
Share of profits (losses) of jointly controlled entities	226	—	—	—	—	—	(16)	—	210
Finance costs									<u>(4,302)</u>
Profit before taxation									43,925
Taxation									<u>(8,912)</u>
Profit for the period									<u>35,013</u>

#### 4. TAXATION

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
Hong Kong Profits Tax	1,843	2,405
Deferred taxation		
— current period	(6,140)	6,507
— attributable to change in tax rate	(2,239)	—
	<u>(6,536)</u>	<u>—</u>
	<u>(6,536)</u>	<u>8,912</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 September 2008. The estimated average annual tax rate used is 16.5% (for the six months ended 30 September 2007: 17.5%) for the six months ended 30 September 2008.

#### 5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	7,487	7,228
Less: Depreciation expenses capitalised in the cost of contract work	(5,101)	(4,610)
Depreciation expenses capitalised in the properties under development	(459)	—
	<u>1,927</u>	<u>2,618</u>
Loss on disposal of property, plant and equipment	202	233
Finance costs	7,822	7,348
Less: Finance cost capitalised in properties under development	(3,043)	(3,046)
	<u>4,779</u>	<u>4,302</u>

## 6. DIVIDENDS

During the period, a dividend of HK2.5 cents per share was paid to shareholders as the final dividend for the year ended 31 March 2008 which amounted to HK\$11,081,000 (2007: HK2.5 cents per share for the six months ended 30 September 2007 was paid to shareholders as the final dividend for the year ended 31 March 2007 which amounted to HK\$11,081,000).

Subsequent to 30 September 2008, the board of directors of the Company has resolved to declare an interim dividend of HK0.5 cents per share for the six months ended 30 September 2008 (2007: HK1.5 cents per share for the six months ended 30 September 2007), which amounted to HK\$2,216,000 (2007: HK\$6,649,000 for the six months ended 30 September 2007).

## 7. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to the ordinary equity holders of the Company for the period is based on the loss for the period of HK\$24,681,000 (profit for the six months ended 30 September 2007: HK\$35,013,000) and on 443,236,068 shares (for the six months ended 30 September 2007: 443,236,068 shares).

No diluted (loss) earnings per share has been presented as the Company did not have any potential ordinary shares outstanding during both periods.

## 8. PROGRESS PAYMENTS RECEIVABLE

The aged analysis of progress payments receivable is as follows:

	<b>30.9.2008</b> <i>HK\$'000</i>	31.3.2008 <i>HK\$'000</i>
Within 30 days	<b>91,587</b>	89,257
31 - 60 days	—	24,085
61 - 90 days	—	3,098
Over 90 days	—	861
	<b><u>91,587</u></b>	<b><u>117,301</u></b>

## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade receivables included in debtors, deposits and prepayments at the balance sheet date:

	<b>30.9.2008</b> <i>HK\$'000</i>	31.3.2008 <i>HK\$'000</i>
Within 30 days	<b>28,763</b>	16,823
31 - 60 days	<b>12,162</b>	15,957
61 - 90 days	<b>2,750</b>	4,796
Over 90 days	<b>13,444</b>	9,753
	<b><u>57,119</u></b>	<b><u>47,329</u></b>



## 10. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade payables included in creditors and accrued charges at the balance sheet date:

	<b>30.9.2008</b> <i>HK\$'000</i>	31.3.2008 <i>HK\$'000</i>
Within 30 days	<b>111,893</b>	115,290
31 - 60 days	<b>4,586</b>	3,441
61 - 90 days	<b>346</b>	324
Over 90 days	<b>5,171</b>	6,048
	<hr/> <b>121,996</b> <hr/>	<hr/> 125,103 <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATIONS REVIEW

#### Overview

For the six months ended 30 September 2008, the Group achieved an unaudited consolidated turnover of HK\$872.2 million (for the six months ended 30 September 2007: HK\$589.4 million). A large proportion of the upsurge in turnover was contributed by the construction and building materials businesses.

The Group's financial performance has been adversely affected by the recognition of the fair value impairment of the investment properties. Despite facing adverse changes in the global economy, the Group's core business still managed to produce positive returns for the period under review. However, the decline in gross profit margins, as a result of the severe competition, escalating material charges and operating costs, had reduced the contributions from the Group's core businesses. An unaudited consolidated loss attributable to shareholders of the Company of HK\$24.7 million was recorded for the six months ended 30 September 2008 as compared with an unaudited consolidated profit attributable to shareholders of the Company of HK\$35.0 million for the corresponding period last year.

#### Construction Division

Notwithstanding the rise in turnover of the construction division to HK\$677.4 million for the six months ended 30 September 2008 (for the six months ended 30 September 2007: HK\$400.1 million), the keen competition caused by deterioration in construction project works business, high material and labour costs have substantially driven down gross profit margin, leading to a considerable decrease in the profit generated by this division.

Major construction projects undertaken during the six months ended 30 September 2008 were as follows:—

1. Construction of the proposed office/commercial development at 33 Cameron Road in Tsim Sha Tsui;
2. Construction of the proposed residential development at 1 & 1E La Salle Road in Kowloon Tong;
3. Construction of the proposed residential development at 8 College Road in Kowloon Tong;
4. Construction of Island Lodge at 172-186 Java Road in North Point;

5. Redevelopment of Sau Mau Ping Estate Phase 14 in Sau Mau Ping;
6. Construction of the primary school at the junction of Texaco Road and Castle Peak Road in Tsuen Wan;
7. Construction of Choi Wan Road development Site 2 Phase 1 and Sau Mau Ping Phase 12 (District Open Space);
8. Construction of a residential development at 35 Mount Kellett Road;
9. Proposed conference and resort hotel development in Discovery Bay;
10. Construction of China Aircraft Services Limited (“CASL”) Aircraft Maintenance Hangar at Hong Kong International Airport in Chap Lap Kok.

Construction work for the Discovery College for the English Schools Foundation and the residential development at Areas 4C and 38A in Shatin Phase 3 have been completed. The construction of Island Lodge and the residential development at 1 & 1E La Salle Road and 35 Mount Kellett Road, the redevelopment of Sau Mau Ping Estate Phase 14 and the construction of the primary school in Tsuen Wan and the CASL Aircraft Maintenance Hangar are close to completion. Other projects are progressing smoothly.

The division’s order book as at 30 September 2008 was HK\$1,171.8 million.

### **Building Materials Division**

Turnover for the division has risen from HK\$85.5 million for the six months ended 30 September 2007 to HK\$124.1 million for the six months ended 30 September 2008, which was attributable to the inclusion of the turnover from Million Hope Industries Limited acquired in May 2007.

The major projects undertaken by the Group during the period included:—

#### ***Supply and installation of false ceiling and flooring***

The Palazzo at 28 Lok King Street in Shatin, West Kowloon Station and the railway tunnels from Jordan Road to East Tsim Sha Tsui Station, Hung Hom Bay Reclamation Area at Kowloon Inland Lot No. 11076, Bel-Air on the Peak Phase R5 at Cyberport, 238 Aberdeen Main Road, Island Lodge at 172-186 Java Road in North Point, Tavistock at 10 Tregunter Path in the Mid-levels and Grand Lisboa Hotel in Macau.

#### ***Supply of pipes, fittings and/or related accessories***

Windsor Arch, One Grantai, Wynn Resorts development and City of Dreams in Macau, aircraft maintenance hangar at Chap Lap Kok, replacement and rehabilitation programme of water mains of the Water Supplies Department and flood prevention and sewage treatment projects of the Drainage Services Department.

#### ***Design, supply and installation of aluminium windows, doors and curtain walls***

The Open University of Hong Kong — Phase Two (Stage 1) Extension, The Palazzo at 28 Lok King Street in Shatin, Section B of Inland Lot No. 2769 at 256 Hennessy Road in Wan Chai, proposed office/commercial development at 33 Cameron Road in Tsim Sha Tsui, Caritas Bianchi College of Careers at Tseung Kwan O Town Lot No. 92, Area 73B in Tseung Kwan O and Belgravia at 57 South Bay Road.

In October 2008, a new processing plant in Huizhou, PRC, for the production of aluminium windows and curtain walls was put into operation. With the opening of this new plant, it is envisaged that the Group will stand to benefit from efficiency improvement and quality enhancement.

As at 30 September 2008, the division has outstanding contracts on hand of value HK\$269.7 million.

### **Interior and Renovation Division**

During the six months ended 30 September 2008, the turnover for the division was HK\$65.7 million, which has decreased by 16.4% when compared with the figure of HK\$78.6 million for the six months ended 30 September 2007. This division also recorded a lower profit.

The division undertook the following major contract works during the period under review:—

1. Renovation work for the clubhouses and lift lobby at Queen's Garden at 9 Old Peak Road;
2. Renovation work for Tavistock at 10 Tregunter Path in the Mid-levels;
3. Fitting-out work for the clubhouse at Island Lodge at 172-186 Java Road in North Point;
4. Renovation work for the Crystal Room at YMCA International House at 23 Waterloo Road;
5. Renovation work for Grenville House at 1-3 Magazine Gap Road.

During the period, the division has completed the renovation work for the clubhouse at 2/F and the lift lobby of Queen's Garden and the Crystal Room at YMCA International House. The works for other projects are on track.

Apart from clinching the contract for the work at Grenville House, the division also obtained a contract for the hotel room bath-tub conversion at Harbour Plaza Metropolis Hotel in Hung Hom.

As at 30 September 2008, the outstanding contracts on hand amounted to HK\$219.7 million.

### **Health Products Division**

During the period under review, the division's main focus has been placed in the aspects of cost control and the elimination of unprofitable shops. As at 30 September 2008, there were 14 Health Plus retail shops and 1 service centre in operation through implementing a disciplined network approach. This division has recorded a turnover of HK\$24.1 million for the six months ended 30 September 2008 (for the six months ended 30 September 2007: HK\$30.9 million).

Our continuous effort in leveraging our recognized brand name and offering more value-added services has led to the establishment of a flagship Health Plus shop at St. Teresa's Hospital in Kowloon. On the marketing side, we focused on the penetration of more private label products into department stores and introduction of house brands to strengthen our market position.

Our commitment to corporate social responsibility and best business practices were recognized through the accolade "Brand-with-a-Conscience" awarded by the Hong Kong Institute of Marketing.

We will continue to exercise tight cost control, study carefully the viability of the shops, re-define our marketing policies and re-consider our sales channels.

## **Property Development Division**

In the face of the financial tsunami which sweeps across the globe, consumer sentiment and spending power have dampened in recent months. Anticipating a prolonged moderation for the local economy, the severity of the challenge for real estate developers remains to be seen.

Despite the uncertain economic outlook, the Group's development (1) at 8 College Road (formerly known as the junction of 4 College Road and 21 Sau Chuk Yuen Road) and (2) the joint development with NWS Holdings Limited at 1 & 1E La Salle Road are moving forward as planned. With a perfect mix of urban and natural design and exclusive clubhouse offering an excellent measure of indulgence, grandeur and opulence, homeowners can savour unprecedented prestige. We hope that the above unique factors would help when we offer these properties for sales next year.

The development at D.D.129, Lau Fau Shan, Yuen Long is undergoing design review stage. The Group is preparing the planning application for the residential development project with Sun Hung Kai Properties Limited at So Kwun Wat in Tuen Mun for submission to Town Planning Board.

## **Property Investment Division**

Tak Hing Building acquired in November 2007 has boosted the rental income for the Group. Turnover for the division stood at HK\$11.2 million for the six months ended 30 September 2008, a rise of 53.4% from the turnover of HK\$7.3 million for the corresponding period last year.

Performance was steady for the first half of the financial year for the Group's investment properties at Shatin Industrial Centre, 23-25 Mei Wan Street in Tsuen Wan, 91 and 93 Bedford Road and certain units at 95 Bedford Road in Tai Kok Tsui, 31 Wing Wo Street in Sheung Wan, certain units at Kin Wing Industrial Building in Tuen Mun, Tak Hing Building in Jordan and the various land lots at D.D. 76 Ping Che in Fanling and D.D. 128 Deep Bay Road in Yuen Long.

Tak Hing Building is undergoing renovation with specific focus on room and lobby improvement. On completion, it is envisaged that the rental income of the building will be enhanced.

The knock-on impact on the economy arising from the global financial crisis has adversely affected the capital value of the Group's investment properties. A revaluation deficit of HK\$42.0 million was recognized in the Group's financial statements based on an independent valuer's report. After adjusting for the deferred tax and relevant costs, the Group recorded a net loss of HK\$31.6 million for the revaluation deficit.

## **Property Agency and Management Division**

The turnover for the division for the six months ended 30 September 2008 was HK\$1.3 million (for the six months ended 30 September 2007: HK\$1.6 million).

The Group provides property management, rental collection and leasing agency services to 8 Hart Avenue in Tsim Sha Tsui, Golf Parkview in Sheung Shui, Tak Hing Building in Jordan and project management service for the property development projects at 1 & 1E La Salle Road, 8 College Road (formerly known as 4 College Road and 21 Sau Chuk Yuen Road) and 33 Cameron Road.

## **OUTLOOK**

The domino effect brought by the sub-prime mortgage related credit crisis in the United States has led to the heightened fear of a global recession. In Hong Kong, GDP for the third quarter of 2008 grew by only 1.7% year-on-year, a sharp contrast with the 6.2% GDP growth for the corresponding period last year. Given the economic uncertainty, market sentiment in Hong Kong remained fragile.

With the suspension of some construction projects by certain property developers due to the weak property demand, the construction industry, which has already been pressurized by thin operating margin, will experience even more intense competition. Nevertheless, as the Chief Executive of the Hong Kong Special Administrative Region reiterated in his policy address that the Government will implement the major infrastructure projects to give fresh impetus to our economic growth, we remain cautiously optimistic about the medium to long-term prospects of the industry. In order to remain competitive in such a difficult environment, the Group will continue its effort in cost control and quality enhancement.

After experiencing a price rally from the fourth quarter of 2007 to early 2008, the local property market has shown a moderate consolidation. In anticipation of the slowing growth in the economy, the capital value of the Group's investment properties may also see a further downward adjustment.

Looking forward, overall market conditions in Hong Kong are likely to remain difficult for the next year or so. Facing such a challenging period when the impact of the global downturn increasingly sets in, the Group will continue to adopt a positive and prudent approach to strengthen our core business, control our costs, and upgrade the quality of our works to sustain growth and development.

## **FINANCIAL REVIEW**

### **Group Liquidity and Financial Resources**

The Group's financial position continued to be healthy. The total cash and bank balances had increased from HK\$148.4 million as at 31 March 2008 to HK\$159.6 million at the close of business on 30 September 2008. As at the period end date, the current ratio (current assets divided by current liabilities) increased from 1.42 times as at 31 March 2008 to 1.51 times.

For the purposes of maintaining flexibility in funding and day-to-day financial management, the Group has obtained banking facilities with aggregate amount of HK\$1,114.4 million (HK\$478.8 million was secured by first charges over certain land and buildings, investment properties and properties under development of the Group), of which HK\$660.9 million bank loans have been drawn down and approximately HK\$158.9 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 30 September 2008. The Group's current funding requirements are satisfied by available banking facilities, cash generated from operations and the bank balances and cash as at balance sheet date.

### **Treasury Policies**

In order to minimise the cost of funds and to achieve better risk control, the treasury activities of the Group are centralised and scrutinised by the top management. The Group's treasury policies remain unchanged from those described in the latest annual report 2007-2008.

## Capital Structure

It is the intention of the Group to keep a proper combination of equity and debt to ensure an efficient capital structure over time. During the period under review, the Group has borrowed Hong Kong dollar loans amounting to HK\$660.9 million from banks (at 31 March 2008: HK\$670.1 million). The borrowings have been used for financing the acquisition of properties for investment and development purposes and as general working capital. The maturity profile of the lending spread over a period of ten years with HK\$316.6 million repayable within the first year (of which HK\$313.1 million were revolving loans which are to be repaid or rolled over at our discretion upon maturity of an interest period throughout the term of the relevant banking facilities), HK\$267.3 million repayable within the second year, HK\$51.5 million within the third to fifth years and HK\$25.5 million over five years. Interest is based on HIBOR with a competitive margin.

As at the close of business on 30 September 2008, the Group's gearing ratio, calculated on the basis of the net borrowing of the Group (total bank borrowings less total bank balances and cash) over shareholders' funds, was 72.9% (at 31 March 2008: 72.0%).

## Major Acquisitions

There was no major acquisition during the period under review.

## Collateral

As at 30 September 2008, the Group's Hong Kong dollar loans of HK\$365.3 million were secured by first charges over certain land and buildings, investment properties and properties under development of the Group, at the carrying value of approximately HK\$574.5 million (at 31 March 2008: HK\$606.8 million).

## Contingent Liabilities

- (1) At 30 September 2008, the Group had given guarantees to banks in respect of performance bonds entered into by the Group amounting to HK\$34.1 million (at 31 March 2008: HK\$34.1 million) and a bank loan granted to the jointly controlled entities amounting to HK\$108.5 million (at 31 March 2008: HK\$108.5 million) respectively.
- (2) During the year ended 31 March 2008, legal action in respect of allegations of nuisance and negligent works has been taken against a subsidiary of the Company preparing the foundation for a new building. The parties agreed to extend the deadline for the filing of the Defence to 29 December 2008. At 30 September 2008, the directors are of the opinion that it is not practicable to assess the financial effect of the claim in this early stage.
- (3) During the year ended 31 March 2004, legal actions in respect of allegations of copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on its health products business. No further steps have been taken against the Group in respect of such actions after the court hearing for directions to appoint experts and exchange witness statements since 2004. At 30 September 2008, the directors are of the opinion that in view of the uncertainty it is not practicable to assess the financial effect.



## Capital Commitments

At the balance sheet date, the Group had the following commitments:

	<b>30.9.2008</b> <i>HK\$'000</i>	31.3.2008 <i>HK\$'000</i>
<i>Contracted for but not provided in the condensed consolidated financial statements:</i>		
Commitments for the acquisition of investment properties	<u>—</u>	<u>900</u>
Commitments for the acquisition of property, plant and equipment	<u>6,634</u>	<u>6,911</u>

### *Authorised but not contracted for*

As at 30 September 2008, the Group has a commitment to contribute HK\$231.5 million (at 31 March 2008: HK\$231.5 million), representing 23.63% (at 31 March 2008: 23.63%) of the anticipated project costs for the joint development of a site in So Kwun Wat.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2008, the Group had over 800 employees. The Group offers competitive remuneration packages, including a discretionary bonus and share option scheme to its employees, commensurable to market level and their qualifications. The Group also provides retirement schemes, medical benefits and both in-house and external training courses for staff.

## AUDIT COMMITTEE

The Audit Committee of the Company has been established since December 2001 and has written terms of reference. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee has three members, being the independent non-executive directors, namely, Dr. Sun Tai Lun, Mr. Chan Pak Joe and Dr. Lau Tze Yiu, Peter. Dr. Sun Tai Lun has been appointed the chairman of the Audit Committee.

## REVIEW OF INTERIM RESULTS

The interim financial report of the Group for the six months ended 30 September 2008 has not been audited, but has been reviewed by the Audit Committee of the Board and the Group's auditor, Messrs Deloitte Touche Tohmatsu.

## **CORPORATE GOVERNANCE**

The corporate governance principles of the Company emphasise a quality Board and transparency and accountability to all shareholders.

The Company has applied the principles of, and complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the period ended 30 September 2008, except for certain deviations which are summarized below:—

- (a) The positions of the Chairman and Managing Director are held by Mr. Cha Mou Sing, Payson and Mr. Wong Sue Toa, Stewart respectively. Code Provision A.2.1 of the CG Code stipulates that the division of responsibilities between the Chairman and Managing Director should be set out in writing. Although the respective responsibilities of the Chairman and Managing Director are not set out in writing, power and authority are not concentrated in one individual and all major decisions are made in consultation with members of the Board and appropriate Board committees, as well as senior management. The Board is considering to set out in writing the roles and duties of the Chairman and the Managing Director in due course.
- (b) Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors and the independent non-executive directors of the Company are not appointed for a specific term. Pursuant to the Articles of Association of the Company amended on 2 August 2005, at each annual general meeting of the Company, one-third of the directors, including executive, non-executive and independent non-executive directors shall retire from office by rotation, and every director shall be subject to retirement at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the CG Code.
- (c) Code Provision E.1.2 provides that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board, Mr. Cha Mou Sing, Payson, was unable to attend the annual general meeting of the Company held on 4 August 2008 as he had other important business engagement. However, the Managing Director, present at the annual general meeting, took the chair of that meeting in accordance with Article 78 of the Articles of Association of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code.



## **BOARD OF DIRECTORS**

*As at the date of this announcement, the board of directors of the Company comprises:*

***Non-executive chairman***

Mr. Cha Mou Sing, Payson

***Executive directors***

Mr. Wong Sue Toa, Stewart (*Managing Director*)

Mr. Tai Sai Ho (*General Manager*)

Dr. Lam Chat Yu

Mr. Shen Tai Hing

***Non-executive directors***

Mr. Cha Mou Daid, Johnson

Mr. Cha Yiu Chung, Benjamin

***Independent non-executive directors***

Mr. Chan Pak Joe

Dr. Lau Tze Yiu, Peter

Dr. Sun Tai Lun

By order of the board  
**Cha Mou Sing, Payson**  
*Chairman*

Hong Kong, 1 December 2008