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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 2009**

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 2009 dropped to HK\$495.0 million, being 43.3% lower than the turnover of HK\$872.2 million for the corresponding period last year.

During the period under review, the aftermath of the global financial tsunami continued to pose uncertainty and challenges for major economies worldwide. Under such environment, the turnover for most of the Group’s operating segments had experienced a decrease. However, all of the Group’s segments still recorded positive segment results during the period, and the Group managed to turn around the overall financial results of the Group for the six months ended 30 September 2009 to a profit of HK\$49.6 million as compared with a loss of HK\$24.7 million for the corresponding period last year. This favourable result was mainly attributable to the gain on change in fair value of investment properties and recognition of profit from a property development project.

The earnings per share was HK11.2 cents, which represented a significant upturn from the loss per share of HK5.6 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 HK1.5 cents per share for the six months ended 30 September 2009 (for the six months ended 30 September 2008: HK0.5 cents per share) to the shareholders whose names appear on the Registers of Members of the Company as at the close of business on 21 December 2009. The dividend is expected to be paid to shareholders on or around 30 December 2009.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Friday, 18 December 2009 to Monday, 21 December 2009, 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 Thursday, 17 December 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

		Six months ended	
	NOTES	30.9.2009	30.9.2008
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	494,978	872,238
Cost of sales		(446,884)	(814,258)
Gross profit		48,094	57,980
Other income		1,950	685
Marketing and distribution costs		(3,420)	(4,405)
Administrative expenses		(41,892)	(39,126)
Gain (loss) on change in fair value of investment properties		40,139	(42,021)
Gain (loss) on change in fair value of investments held for trading		772	(686)
Gains on change in fair value of derivative financial instruments		789	228
Share of result of an associate		227	208
Share of results of jointly controlled entities	4	12,173	699
Finance costs		(2,472)	(4,779)
Profit (loss) before taxation		56,360	(31,217)
Taxation (charge) credit	5	(6,727)	6,536
Profit (loss) for the period	6	49,633	(24,681)
Earnings (loss) per share — basic	8	HK11.2 cents	HK(5.6) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Six months ended	
	30.9.2009	30.9.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit (loss) for the period	49,633	(24,681)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	7	(1,496)
Surplus on revaluation of properties	—	982
	<hr/>	<hr/>
Other comprehensive income for the period	7	(514)
	<hr/>	<hr/>
Total comprehensive income and expense for the period	<u>49,640</u>	<u>(25,195)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2009

	<i>NOTES</i>	30.9.2009 HK\$'000 (Unaudited)	31.3.2009 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		576,860	535,320
Property, plant and equipment		87,290	91,484
Prepaid lease payments		6,700	6,800
Interest in an associate		15,344	15,717
Interests in jointly controlled entities		15,570	3,397
		701,764	652,718
Current assets			
Properties under development		339,571	333,252
Inventories		42,886	34,139
Amounts receivable on contract work		184,605	197,778
Progress payments receivable	9	41,128	48,066
Retention money receivable		136,272	148,118
Debtors, deposits and prepayments	10	53,114	51,614
Prepaid lease payments		200	200
Amount due from a jointly controlled entity		72,399	69,638
Investments held for trading		3,135	4,423
Taxation recoverable		491	495
Derivative financial instruments		1,383	221
Bank balances and cash		176,028	195,643
		1,051,212	1,083,587
Current liabilities			
Amounts payable on contract work		125,820	119,253
Trade and other payables	11	272,523	299,351
Obligation under a finance lease due within one year		—	44
Taxation payable		2,559	1,690
Derivative financial instruments		578	205
Bank loans — amounts due within one year		544,300	556,713
		945,780	977,256
Net current assets		105,432	106,331
Total assets less current liabilities		807,196	759,049
Non-current liabilities			
Bank loans — amounts due after one year		78,000	80,500
Deferred taxation		31,995	26,556
		109,995	107,056
		697,201	651,993
Capital and reserves			
Share capital		44,324	44,324
Reserves		652,877	607,669
		697,201	651,993

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

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 (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies used in the preparation of the interim financial information are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 March 2009, included in the annual report of the Group for the year ended 31 March 2009. In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations issued by the HKICPA. The adoption of certain new standards has resulted in the following changes. The adoption of the other new and revised standards, amendments and interpretations had no material effect on the interim financial information of the Group.

Presentation of financial statements

In the current period, the Group has adopted HKAS 1 (Revised) “Presentation of financial statements” which has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure.

Segment information

In the current period, the Group has adopted Hong Kong Financial Reporting Standard (“HKFRS”) 8 “Operating segments”. HKFRS 8 requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group’s chief operating decision maker. HKFRS 8 replaces HKAS 14 “Segment reporting” which required an entity to identify two sets of segments (business and geographical).

The adoption of HKAS 1 (Revised) and HKFRS 8 have no material impact on the interim financial information of the Group.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related party disclosures ³
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of rights issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ⁵
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁵
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments ⁶
HK(IFRIC [*]) — INT 17	Distributions of non-cash assets to owners ¹

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 February 2010.

⁵ Effective for annual periods beginning on or after 1 January 2010.

⁶ Effective for annual periods beginning on or after 1 January 2013.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the interim financial information of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. However, the adoption of HKFRS 8 changed the basis of measurement of segment results by including the share of result of an associate, share of results of jointly controlled entities and other income into respective segments. It also changed the basis of measurement of segment assets by including the interest in an associate, interests in jointly controlled entities and amount due from a jointly controlled entity in segment assets.

The Group is organised into seven operating divisions: construction, interior and renovation works, trading and installation of building materials, sales of health products, property investment, provision of property agency and management services and property development.

Segment result represents the results generated by each segment without allocation of central administration costs, gain on change in fair value of investments held for trading and gain on change in fair value of derivative financial instruments and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Segment information about these operating divisions is presented below.

For the six months ended 30 September 2009	Property							Eliminations	Consolidated
	Construction	Interior and renovation	Building materials	Health products	Property investment	agency and management	Property development		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER									
External sales	298,183	65,305	94,135	22,860	10,743	3,752	—	—	494,978
Inter-segment sales	—	8,694	20,238	—	—	—	—	(28,932)	—
Total	<u>298,183</u>	<u>73,999</u>	<u>114,373</u>	<u>22,860</u>	<u>10,743</u>	<u>3,752</u>	<u>—</u>	<u>(28,932)</u>	<u>494,978</u>
Inter-segment sales are charged at prevailing market rates.									
RESULT									
Segment result	<u>1,164</u>	<u>2,267</u>	<u>729</u>	<u>67</u>	<u>43,833</u>	<u>195</u>	<u>9,881</u>	<u>—</u>	58,136
Unallocated corporate expenses									(865)
Gain on change in fair value of investments held for trading									772
Gain on change in fair value of derivative financial instruments									789
Finance costs									<u>(2,472)</u>
Profit before taxation									<u>56,360</u>

For the six months ended 30 September 2008	Property							Eliminations	Consolidated
	Construction	Interior and renovation	Building materials	Health products	Property investment	agency and management	Property development		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
TURNOVER									
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>1,786</u>	<u>1,775</u>	<u>2,661</u>	<u>(634)</u>	<u>(30,309)</u>	<u>137</u>	<u>(30)</u>	<u>(400)</u>	(25,014)
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
Finance costs									<u>(4,779)</u>
Loss before taxation									<u>(31,217)</u>

The following is an analysis of the Group's assets by operating segment:

	30.9.2009	31.3.2009
	HK\$'000	HK\$'000
Construction	401,242	464,021
Interior and renovation	57,609	54,976
Building materials	214,829	209,236
Health products	42,537	39,689
Property investment	604,984	558,708
Property agency and management	5,303	1,044
Property development	421,274	403,121
Total segment assets	<u>1,747,778</u>	1,730,795
Unallocated	<u>5,198</u>	5,510
Consolidated assets	<u>1,752,976</u>	<u>1,736,305</u>

4. SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

The amount mainly represented the share of profit generated from sale of one unit of One LaSalle, a jointly developed property with NWS Holdings Limited.

5. TAXATION

Six months ended	
30.9.2009	30.9.2008
<i>HK\$'000</i>	<i>HK\$'000</i>

The charge (credit) comprises:

Hong Kong Profits Tax	1,288	1,843
Deferred taxation		
— current period	5,439	(6,140)
— attributable to change in tax rate	—	(2,239)
	<u>6,727</u>	<u>(6,536)</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% of the estimated assessable profits for the periods under review.

6. PROFIT (LOSS) FOR THE PERIOD

Six months ended	
30.9.2009	30.9.2008
<i>HK\$'000</i>	<i>HK\$'000</i>

Profit (loss) for the period has been arrived at after charging:

Depreciation of property, plant and equipment	8,208	7,487
Less: Depreciation expenses capitalised in the cost of contract work	(6,262)	(5,101)
Depreciation expenses capitalised in the properties under development	(395)	(459)
	<u>1,551</u>	<u>1,927</u>
Release of prepaid lease payments	100	—
(Gain) loss on disposal of property, plant and equipment	(1,367)	202
Finance costs	3,981	7,822
Less: Finance costs capitalised in properties under development	(1,509)	(3,043)
	<u>2,472</u>	<u>4,779</u>

7. DIVIDENDS

During the period, a dividend of HK1.0 cent per share was paid to shareholders as the final dividend for the year ended 31 March 2009 which amounted to HK\$4,432,000 (for the six months ended 30 September 2008: 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).

Subsequent to 30 September 2009, the board of directors of the Company has resolved to declare an interim dividend of HK1.5 cents per share for the six months ended 30 September 2009 (2008: HK0.5 cents per share for the six months ended 30 September 2008), which amounted to HK\$6,649,000 (2008: HK\$2,216,000 for the six months ended 30 September 2008) during the period.

8. EARNINGS (LOSS) PER SHARE — BASIC

The calculation of basic earnings (loss) per share attributable to the owners of the Company for the period is based on the profit for the period of HK\$49,633,000 (loss for the six months ended 30 September 2008: HK\$24,681,000) and on 443,236,068 shares (for the six months ended 30 September 2008: 443,236,068 shares) in issue during the period.

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

9. PROGRESS PAYMENTS RECEIVABLE

The Group allows an average credit period of 30 days (at 31 March 2009: 30 days) to its customers.

The aged analysis of progress payments receivable is as follows:

	30.9.2009	31.3.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	35,776	44,583
31-60 days	2,958	—
61-90 days	2,394	—
Over 90 days	—	3,483
	<u>41,128</u>	<u>48,066</u>

10. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows a credit period ranged from 30 to 90 days (at 31 March 2009: 30 to 90 days) to its non-construction services customers.

The following is an aged analysis of debtors included in debtors, deposits and prepayments as at 30 September 2009.

	30.9.2009	31.3.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	16,771	15,280
31-60 days	10,274	7,816
61-90 days	2,297	2,449
Over 90 days	8,326	10,868
	<u>37,668</u>	<u>36,413</u>

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables included in trade and other payables as at 30 September 2009.

	30.9.2009	31.3.2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	32,084	77,615
31-60 days	6,329	1,681
61-90 days	2,625	926
Over 90 days	3,795	5,302
	<u>44,833</u>	<u>85,524</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Overview

For the six months ended 30 September 2009, the Group's unaudited consolidated turnover amounted to HK\$495.0 million, representing a decline of 43.3% against the corresponding period last year. The drop in turnover was mainly attributable to the slowdown of property development projects in the market in the first half of the financial year dragging down the turnover of construction and building materials, and squeezing the margins of the Group's core businesses due to severe competition. Despite facing the adverse market condition and the global economic crisis, the Group managed to achieve a profit of around HK\$49.6 million for the six months ended 30 September 2009 as compared with a loss of HK\$24.7 million for the corresponding period last year. The overall positive results of the Group were mainly attributable to the gain on change in fair value of investment properties and recognition of profit from a property development project.

Construction Division

The construction division had experienced a sharp decrease in turnover to HK\$298.2 million for the six months ended 30 September 2009 (for the six months ended 30 September 2008: HK\$677.4 million) due to the decline in construction project works, both in the private and public sectors, during the earlier part of this financial period.

During the period under review, Hanison Construction Company Limited, a subsidiary of the Group under the Construction Division, has obtained approval from Works Branch, Development Bureau for inclusion in the List of Approved Contractors for Public Works in Group C under "Buildings" Category ("Approved Contractor for Buildings Group C"). This will enable the Group to tender for and undertake government projects with unlimited amount of contract sum in future.

Major construction projects in progress during the six months ended 30 September 2009 were as follows:—

1. Construction of the office/commercial development at 33 Cameron Road in Tsim Sha Tsui;
2. Construction of Eight College at 8 College Road in Kowloon Tong;
3. Construction of Choi Wan Road Development Site 2 Phase 1 and Sau Mau Ping Phase 12 (District Open Space);
4. Construction of a residential development at Area N1d, Phase 14 in Discovery Bay;
5. Construction of footbridge, landing block and landscaping works at Monmouth Path, 1 Queen's Road East.

For the six months ended 30 September 2009, the division undertook and completed an overseas project which involved the construction management of the proposed Shangri-La's Villingili Resort & Spa at Villingili Island, Addu Atoll, Republic of Maldives.

Contract on hand as at 30 September 2009 for the Group amounted to HK\$606 million and that for the projects under joint venture arrangements with a joint venture partner amounted to HK\$39.0 million.

Subsequent to 30 September 2009, the division was awarded a project for the construction of second secondary school at development near Choi Wan Road and Jordan Valley, Kwun Tong at a contract sum of around HK\$191 million and two projects under joint venture arrangements with a joint venture partner for the construction of Lam Tin North Municipal Services Building and the construction of Sports Centre and Community Hall in Area 101 at Tin Shui Wai with total contract amount of approximately HK\$861 million.

As the global economy gradually recovers, the local property market sentiment slowly improves, and the construction project works steadily increase, it is expected that there will be more project works for this Division.

Building Materials Division

Turnover for the division decreased slightly from HK\$124.1 million for the six months ended 30 September 2008 to HK\$114.4 million for the six months ended 30 September 2009.

The contract on hand at 30 September 2009 amounted to HK\$167.8 million.

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

Supply and installation of false ceiling, flooring and Compoclay (kitchen cabinet)

The office/commercial development at 33 Cameron Road in Tsim Sha Tsui, YLTL515 at Ma Tin Road in Yuen Long, One LaSalle at 1 & 1E La Salle Road in Kowloon Tong, Chung Fu Shopping Centre in Tin Shui Wai, First Street & Second Street in Sai Ying Pun, 152-160 Kwok Shui Road in Tsuen Wan, Tavistock at 10 Tregunter Path in the Mid-levels, The Palazzo at 28 Lok King Street in Shatin, Lake Silver, Wu Kai Sha in Shatin and Lot B, Zone B, Nape in Macau.

Supply of pipes, fittings and/or related accessories

Supply of pipes for fire services for the teaching building and Satellite Remote-sensing Ground Receiving Station at the Chinese University of Hong Kong, a housing development at Eastern Harbour Crossing Site Phase 5 & 6, a housing development at Un Chau Estate Phase 5 and supply of pipes for air-conditioning for Malco Clinic and Spa at Venetian Cotai in Macau, a hotel in International Commerce Centre at Kowloon Station, a club house in Kwu Tung and projects for Belcher's Street and Kansu Street.

Tai Kee Pipes Limited ("Tai Kee"), a subsidiary of the Group under the Building Materials Division was awarded exclusive distributorship for "Suseco" products which include Stainless Steel Pipe, Ductile Iron Pipe, Cast Iron Pipe and Manhole Cover. This allows the division to introduce a more comprehensive range of new products to the customers.

Subsequent to 30 September 2009, Tai Kee passed the first certification audit for ISO 9001 issued by the Hong Kong Quality Assurance Agency. This serves to recognize Tai Kee's effort in supplying quality products in the piping market.

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

Choi Wan Road development Site 2 Phase 1 and Sau Mau Ping Phase 12 (District Open Space), One LaSalle at 1 & 1E La Salle Road in Kowloon Tong, the office/commercial development at 33 Cameron Road in Tsim Sha Tsui, Tavistock at Tregunter Path in the Mid-levels, No. 6D-6E at Babington Path in the Mid-levels, Eight College at 8 College Road in Kowloon Tong, TPTL 179, Ma Wo in Tai Po, proposed residential redevelopment on R.B.L. 833 & R.B.L. 820 at No. 5-11 & 13-19 South Bay Close, URA Project H17, I.L. 9006, 235-245 Queen's Road East in Wanchai, Area N1d, Phase 14 in Discovery Bay and composite development at Wood Road in Wan Chai.

The division also undertook projects in Mainland China including the residential developments in Zhuhai and Dongguan and Chelsea Residence in Shanghai.

During the period under review, Million Hope Industries Limited, another subsidiary of the Group under the Building Materials Division, was awarded the ISO9001:2008 certificate by the Hong Kong Quality Assurance Agency, in recognition of its effort in the design, manufacture and installation project management of aluminium curtain wall and window.

Interior and Renovation Division

During the six months ended 30 September 2009, the turnover for the division was HK\$74 million, representing an increase of 12.6% as compared with HK\$65.7 million for the corresponding period last year.

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

1. Renovation and repartitioning of Chung Fu Shopping Centre at Tin Shui Wan;
2. Management of the renovation and alteration works for Chelsea Residence in Shanghai.

During the period under review, the division has completed the alteration and renovation works for Tavistock at 10 Tregunter Path in the Mid-levels. The external refurbishment works for Grenville House at 1-3 Magazine Gap Road using Tower Working Platforms have been processing towards completion and platforms are in the stage of being dismantled. Other major activities for the project such as car park refurbishment, renovation for swimming pool and changing rooms are processing steadily according to the schedule.

Due to the global financial tsunami last year, some major renovation activities have been suspended. However, as market confidence gradually restored, the division has secured some other sizable projects including interior fitting-out works for the proposed residential development at Area N1d, Phase 14, Discovery Bay, Lantau Island and renovation works at Scenic Garden, 9 Kotewell Road, Hong Kong.

The contract on hand at 30 September 2009 amounted to HK\$121 million.

Health Products Division

During the period under review, the division continued to place great emphasis on cost control and improvement on profit margins. Being affected by the global financial tsunami which had lowered the purchasing power of the medium income group, the turnover of the division for the six months ended 30 September 2009 reduced to HK\$22.9 million (for the six months ended 30 September 2008: HK\$24.1 million).

As at 30 September 2009, there were 12 Health Plus retail shops and 2 service centres in operation. To fulfill market demand for health products, we launched our private label, GreenPlus, for pre-packed natural dried fruit and nuts imported from around the world. To further enhance the market share of Bu Yick Fong and to promote supplements for pregnant women, the division introduced a new product with 30 Chinese herbal soups for antenatal care.

While the division will continue to implement effective cost control, we will strengthen our market position by introducing our products into large retail chains and nearby territories.

Property Development Division

The Hong Kong residential market has picked up substantially since the second quarter of 2009 after it was hard hit by the global financial crisis.

The sales of One LaSalle, a jointly developed property with NWS Holdings Limited, commenced during the period under review and it has received enthusiastic market response. The division has recorded a profit of HK\$9.9 million, being 50% share of the profit from sale of one unit of One LaSalle. Profits from other units sold subsequent to 30 September 2009 will be recorded in the second half of the financial year. Construction of the Eight College is progressing towards the final stage of completion. These luxury residences situated at prime sites in Kowloon Tong with a perfect mix of urban and natural design and exquisite clubhouse offer residents an exclusive, tranquil living environment while at a nexus of transportation and prestigious school network.

For the residential development at DD129, Lau Fau Shan in Yuen Long, approval of the General Building Plan has been obtained from the Buildings Department and it is undergoing gazettal stage. For the residential development project with Sun Hung Kai Properties Limited at So Kwun Wat, Tuen Mun, we are still in the course of obtaining planning approval from the Town Planning Board.

For the industrial redevelopment at Bedford Road, both Demolition Plan and the General Building Plan have been approved by the Buildings Department. Site possession is in progress and it is expected that the demolition works will commence in January 2010.

Property Investment Division

Turnover for the division was HK\$10.7 million for the six months ended 30 September 2009, representing a slight reduction of HK\$0.5 million from HK\$11.2 million for the corresponding period last year.

Leasing performance remained steady for the first half of the financial year for the Group's investment properties at Shatin Industrial Centre in Shatin, attaining an occupancy rate of around 99% as at 30 September 2009.

Conversion of the Tak Hing Building into a serviced-apartment building called "The Austine" was completed in April 2009 and we commenced letting the units out in May 2009. It is envisaged that rental revenue will increase at a steady pace in the second half of the financial year.

The investment property portfolio continued to expand. During the period under review, all units at Bedford Road in Tai Kok Tsui had been acquired. Both Demolition Plan and the General Building Plan have been approved by the Buildings Department and demolition works will commence in January 2010. The division will conduct feasibility study for possible redevelopment.

As the local property market gradually recovers, the Group recorded a revaluation gain of HK\$40.1 million based on an independent valuer's report as compared with a revaluation deficit of HK\$42.0 million for the corresponding period in 2008.

Property Agency and Management Division

For the period under review, the turnover for the division increased to HK\$3.8 million (for the six months ended 30 September 2008: HK\$1.3 million).

The increase is partly attributable to the project management revenue that the division generated from the project management service agreements entered into with the property development companies under the Cha Family on 1 April 2009 for management of the construction of a large-scale integrated development project in the Haining City, Zhejiang Province, the People's Republic of China.

In addition, the Group continued to provide property management, rental collection and leasing agency services to 8 Hart Avenue in Tsim Sha Tsui, Golf Parkview in Sheung Shui, The Austine in Jordan and project management service for One LaSalle and Eight College and The Cameron, the office/commercial development project at 33 Cameron Road, generating a steady stream of revenue for the division.

OUTLOOK

Although the business environment is still challenging, it is generally felt that the economy is at or isn't too far off the bottom. The majority anticipate there will be an upturn and some form of market recovery in 2010, and some are confident that this will happen in the last quarter of 2009.

As the economic situation in the US begins to show signs of steady recovery, the Asian economies have started to improve. In particular, the Mainland economy quickly regains its growth momentum in the second quarter after forceful stimulus measures by the Mainland authorities. Hong Kong's economy is also benefited. Hong Kong's economy grows by 3.3% in the second quarter as compared with the first quarter, reversing the contraction over the preceding four quarters.

With the stimulus packages introduced by the Government of the Hong Kong Special Administrative Region (the "HKSAR Government"), including the implementation of major infrastructure projects, the gross value of construction works performed at public sector sites has increased by 18.9% in nominal terms over a year earlier to HK\$4.5 billion in the second quarter of 2009.

During the period under review, our Group has obtained approval for inclusion as Approved Contractor for Buildings Group C. We are optimistic that the construction division would benefit from the HKSAR Government's increased spending programme and be able to secure more sizable government works.

Looking forward, overall market conditions in Hong Kong are likely to remain competitive for the coming years. In order to maintain its competitiveness in the market, the Group will continue its effort in cost control and quality enhancement and will continue our effort to strengthen our core businesses 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 decreased from HK\$195.6 million as at 31 March 2009 to HK\$176.0 million at the close of business on 30 September 2009. As at the period end date, the current ratio (current assets divided by current liabilities) remain unchanged at 1.11 times (at 31 March 2009: 1.11 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\$1,035.4 million (HK\$388.8 million was secured by first charges over certain land and buildings, investment properties and properties under development of the Group), of which HK\$622.3 million bank loans have been drawn down and approximately HK\$90.5 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 30 September 2009. 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 2008-2009.

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\$622.3 million from banks (at 31 March 2009: HK\$637.2 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 nine years with HK\$544.3 million repayable within the first year (of which HK\$277.5 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\$5.0 million repayable within the second year, HK\$46.0 million within the third to fifth years and HK\$27.0 million over five years. Interest is based on HIBOR with a competitive margin.

As at the close of business on 30 September 2009, 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 64.0% (at 31 March 2009: 67.7%).

Major Acquisitions

There was no major acquisition during the period under review.

Collateral

As at 30 September 2009, the Group's Hong Kong dollar loans of HK\$372.3 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\$641.1 million (at 31 March 2009: HK\$608.6 million).

Contingent Liabilities

- (1) At 30 September 2009, the Group had given guarantees to banks in respect of performance bonds entered into by the jointly controlled entities amounting to HK\$27,043,000 (at 31 March 2009: HK\$34,138,000).
- (2) In addition, as at 30 September 2009, the Group has given guarantees to banks in respect of bank loan granted to the jointly controlled entities amounting to HK\$108,500,000 (at 31 March 2009: HK\$108,500,000). The banking facilities of approximately HK\$93,362,000 (at 31 March 2009: HK\$91,582,000) were utilised by the jointly controlled entities.
- (3) During the period ended 30 September 2009, legal actions in respect of the recovery of outstanding balance for materials sold or delivered have been taken by a subsidiary of the Company carrying out the installation projects. This involved a counterclaim from the defendant who demanded for the settlement of the outstanding contract sums for three projects. The directors are of the opinion that no estimate of potential loss could be made at this moment and there is a reasonable chance of success for defending against the counterclaim from the defendant.
- (4) 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. At 30 September 2009, a settlement offer of HK\$400,000 has been made by the Company. This offer is in principle accepted by the plaintiff on 10 October 2009 and the full provision has been made in the current period.
- (5) 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 2009, the directors are of the opinion that in view of the uncertainty it is not practicable to assess the financial effect.

Commitments

As at 30 September 2009, the Group had the following commitments:

	30.9.2009	31.3.2009
	HK\$'000	HK\$'000
<u>Contracted for but not provided</u> <u>in the condensed consolidated financial statements:</u>		
Acquisition of property, plant and equipment	<u>232</u>	<u>—</u>

Authorised but not contracted for

As at 30 September 2009, the Group had a commitment to contribute HK\$231.5 million (at 31 March 2009: HK\$231.5 million), representing 23.63% (at 31 March 2009: 23.63%) of the anticipated project costs for the joint development of a site in So Kwun Wat, Hong Kong.

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 2009, the Group had over 600 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 2009 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 2009, 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 2009 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 that 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 comprises:

Non-executive chairman

Mr. Cha Mou Sing, Payson

Non-executive directors

Mr. Cha Mou Daid, Johnson

Mr. Cha Yiu Chung, Benjamin

Executive directors

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

Mr. Tai Sai Ho (*General Manager*)

Dr. Lam Chat Yu

Mr. Shen Tai Hing

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, 3 December 2009