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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 2014

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 2014 decreased slightly to HK\$759.1 million as compared with the unaudited consolidated turnover of HK\$763.5 million for the corresponding period last year.

The unaudited consolidated profit attributable to owners of the Company for the six months ended 30 September 2014 was HK\$132.1 million, representing an upsurge of 135.1%, as compared with the unaudited consolidated profit attributable to owners of the Company of HK\$56.2 million for the same period in 2013.

The increase in the unaudited consolidated profit attributable to owners of the Company was mainly due to substantial contribution from the gain on change in fair value of investment properties of the Group.

The basic earnings per share for the six months ended 30 September 2014 was HK24.6 cents, compared to HK10.5 cents for the same period in 2013.

DIVIDEND

The board of directors of the Company (the “Board”) has resolved to pay an interim dividend of HK2.1 cents per share for the six months ended 30 September 2014 (for the six months ended 30 September 2013: HK1.8 cents per share) to the shareholders whose names appear on the register of members of the Company on 5 December 2014. The dividend is expected to be paid to the shareholder on or around 16 December 2014.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from 3 December 2014 to 5 December 2014, both dates inclusive, for the purpose of determining the identity of members who are entitled to the interim dividend for the six months ended 30 September 2014. In order to qualify for the interim dividend for the six months ended 30 September 2014, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 2 December 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	NOTES	Six months ended	
		30.9.2014 HK\$'000 (Unaudited)	30.9.2013 HK\$'000 (Unaudited)
Turnover	3	759,068	763,545
Cost of sales		<u>(635,329)</u>	<u>(659,265)</u>
Gross profit		123,739	104,280
Other income		2,058	8,911
Other gains and losses		(20)	(11)
Marketing and distribution costs		(5,915)	(11,720)
Administrative expenses		(66,516)	(57,411)
Gain on change in fair value of investment properties		103,623	33,723
Share of profit (loss) of an associate		5,216	(307)
Share of (loss) profit of joint ventures		(1,574)	953
Finance costs		<u>(3,020)</u>	<u>(4,136)</u>
Profit before taxation	4	157,591	74,282
Taxation	5	<u>(9,233)</u>	<u>(10,238)</u>
Profit for the period		<u>148,358</u>	<u>64,044</u>
Profit for the period attributable to:			
Owners of the Company		132,067	56,248
Non-controlling interest		<u>16,291</u>	<u>7,796</u>
		<u>148,358</u>	<u>64,044</u>
Earnings per share – basic (HK cents)	7	<u>24.6</u>	<u>10.5</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Six months ended	
	30.9.2014	30.9.2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>148,358</u>	<u>64,044</u>
Other comprehensive income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>833</u>	<u>1,383</u>
Total comprehensive income for the period	<u>149,191</u>	<u>65,427</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	132,900	57,631
Non-controlling interest	<u>16,291</u>	<u>7,796</u>
	<u>149,191</u>	<u>65,427</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014

	<i>NOTES</i>	30.9.2014 HK\$'000 (Unaudited)	31.3.2014 HK\$'000 (Audited)
Non-current assets			
Investment properties	<i>8</i>	909,300	804,040
Property, plant and equipment	<i>8</i>	68,278	71,360
Prepaid lease payments		6,690	6,789
Interest in an associate		26,190	20,974
Interests in joint ventures	<i>9</i>	187,116	155,574
Pledged bank deposits		84,208	49,795
Deferred tax assets		683	702
		<u>1,282,465</u>	<u>1,109,234</u>
Current assets			
Properties under development for sale	<i>10</i>	863,599	794,832
Properties held for sale		74,544	84,416
Inventories		22,803	23,795
Amounts receivable on contract work		89,815	78,844
Progress payments receivable	<i>11</i>	74,752	69,155
Retention money receivable		164,341	125,916
Debtors, deposits and prepayments	<i>12</i>	70,063	123,944
Prepaid lease payments		219	224
Amounts due from joint ventures		23	24,979
Amount due from an associate		2,300	2,132
Investments held for trading		338	364
Taxation recoverable		178	548
Derivative financial instruments		–	89
Bank balances and cash		298,285	323,444
		<u>1,661,260</u>	<u>1,652,682</u>
Current liabilities			
Amounts payable on contract work		191,578	208,683
Trade and other payables	<i>13</i>	414,229	398,824
Taxation payable		18,896	8,740
Bank loans – amounts due within one year		738,100	699,300
		<u>1,362,803</u>	<u>1,315,547</u>
Net current assets		<u>298,457</u>	<u>337,135</u>
Total assets less current liabilities		<u>1,580,922</u>	<u>1,446,369</u>

	30.9.2014	31.3.2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Non-current liabilities		
Other long-term payable	14,253	14,253
Amount due to a non-controlling shareholder	73,198	70,957
Deferred tax liabilities	8,191	7,908
	<u>95,642</u>	<u>93,118</u>
	<u>1,485,280</u>	<u>1,353,251</u>
Capital and reserves		
Share capital	53,632	53,632
Reserves	1,410,118	1,294,380
	<u>1,463,750</u>	<u>1,348,012</u>
Equity attributable to owners of the Company	21,530	5,239
Non-controlling interest	<u>1,485,280</u>	<u>1,353,251</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

1. BASIS OF PREPARATION

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

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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, property development and provision of property agency and management services. These divisions are the basis on which the Group reports its financial information internally and are regularly reviewed by the executive directors of the Company, being the chief operating decision makers, for the purpose of allocating resources to segments and assessing their performance.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

For the six months ended 30 September 2014

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Properties investment HK\$'000	Property development HK\$'000	Property agency and management HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER										
External sales	494,293	95,466	99,319	27,300	12,561	23,400	6,729	759,068	-	759,068
Inter-segment sales	61,344	127,362	6,774	7	871	-	1,222	197,580	(197,580)	-
Total	<u>555,637</u>	<u>222,828</u>	<u>106,093</u>	<u>27,307</u>	<u>13,432</u>	<u>23,400</u>	<u>7,951</u>	<u>956,648</u>	<u>(197,580)</u>	<u>759,068</u>

Inter-segment sales are charged by reference to market prices.

RESULT										
Segment result	<u>22,705</u>	<u>12,046</u>	<u>8,267</u>	<u>907</u>	<u>104,381</u>	<u>10,219</u>	<u>691</u>	<u>159,216</u>	<u>-</u>	<u>159,216</u>
Unallocated expenses										<u>(1,625)</u>
Profit before taxation										<u>157,591</u>

For the six months ended 30 September 2013

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Property investment HK\$'000	Property development HK\$'000	Property agency and management HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER										
External sales	515,720	13,862	92,224	26,082	14,048	94,764	6,845	763,545	-	763,545
Inter-segment sales	47,850	61,180	8,951	-	874	-	1,447	120,302	(120,302)	-
Total	<u>563,570</u>	<u>75,042</u>	<u>101,175</u>	<u>26,082</u>	<u>14,922</u>	<u>94,764</u>	<u>8,292</u>	<u>883,847</u>	<u>(120,302)</u>	<u>763,545</u>

Inter-segment sales are charged by reference to market prices.

RESULT										
Segment result	<u>3,987</u>	<u>511</u>	<u>1,351</u>	<u>814</u>	<u>39,378</u>	<u>29,722</u>	<u>512</u>	<u>76,275</u>	<u>-</u>	<u>76,275</u>
Unallocated expenses										<u>(1,993)</u>
Profit before taxation										<u>74,282</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of administration costs incurred by head office and the inactive subsidiaries. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

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

	30.9.2014	31.3.2014
	HK\$'000	HK\$'000
<u>Segment assets</u>		
Construction	415,123	421,688
Interior and renovation	83,799	59,714
Building materials	148,134	164,194
Health products	39,969	37,352
Property investment	960,949	871,555
Property development	1,156,396	1,112,136
Property agency and management	95,882	93,278
	<hr/>	<hr/>
Total segment assets	2,900,252	2,759,917
Unallocated assets	43,473	1,999
	<hr/>	<hr/>
Consolidated assets	2,943,725	2,761,916
	<hr/> <hr/>	<hr/> <hr/>
<u>Segment liabilities</u>		
Construction	378,392	387,498
Interior and renovation	34,773	27,511
Building materials	118,803	88,927
Health products	4,323	4,130
Property investment	373,541	355,243
Property development	449,923	466,436
Property agency and management	1,194	808
	<hr/>	<hr/>
Total segment liabilities	1,360,949	1,330,553
Unallocated liabilities	97,496	78,112
	<hr/>	<hr/>
Consolidated liabilities	1,458,445	1,408,665
	<hr/> <hr/>	<hr/> <hr/>

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2014	30.9.2013
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging and (crediting):		
Depreciation of property, plant and equipment	4,470	4,713
Less: Depreciation expenses capitalised in the cost of contract work	<u>(1,662)</u>	<u>(1,395)</u>
	<u>2,808</u>	<u>3,318</u>
Finance costs	6,268	8,154
Less: Finance costs capitalised in properties under development for sale	<u>(3,248)</u>	<u>(4,018)</u>
	<u>3,020</u>	<u>4,136</u>
Reversal of over-accrued contract costs upon finalisation of accounts during the period	(11,582)	–
Gain on disposals of property, plant and equipment	<u>(366)</u>	<u>(2,161)</u>

5. TAXATION

	Six months ended	
	30.9.2014	30.9.2013
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current tax	8,941	6,622
Overprovision in prior years	<u>(10)</u>	<u>–</u>
	<u>8,931</u>	<u>6,622</u>
Deferred taxation	<u>302</u>	<u>3,616</u>
	<u>9,233</u>	<u>10,238</u>

Hong Kong Profits Tax is provided at 16.5% on the estimated assessable profits for both periods.

Profit tax arising in the PRC is calculated at 25% on the assessable profits for both periods.

6. DIVIDENDS

During the period, a final dividend of HK3.2 cents per share totalling HK\$17,162,000 in respect of the year ended 31 March 2014 (for the six months ended 30 September 2013: final dividend of HK3.2 cents per share totalling HK\$17,162,000 in respect of the year ended 31 March 2013) was paid to shareholders.

Subsequent to 30 September 2014, the board of directors of the Company has resolved to declare an interim dividend of HK2.1 cents per share totalling HK\$11,263,000 for the six months ended 30 September 2014 (2013: HK1.8 cents per share totalling HK\$9,654,000 for the six months ended 30 September 2013).

7. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share attributable to the owners of the Company for the period is based on the profit for the period of HK\$132,067,000 (profit for the six months ended 30 September 2013: HK\$56,248,000) and on the number of 536,315,641 shares in issue for the two periods ended 30 September 2014 and 2013.

There were no potential ordinary share in existence for both periods. Accordingly, no diluted earnings per share has been presented.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Investment properties

	1.4.2014 to 30.9.2014 HK\$'000	1.4.2013 to 30.9.2013 HK\$'000
FAIR VALUE		
At beginning of the period	804,040	747,090
Disposals	(1,680)	–
Additions	3,317	737
Gain on change in fair value	103,623	33,723
At end of the period	<u>909,300</u>	<u>781,550</u>

The fair value of the Group's investment properties at 30 September 2014 and 31 March 2014 has been arrived at on the basis of valuation carried out by Jones Lang LaSalle Limited ("JLL"), an independent property valuer not connected with the Group. JLL has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of (i) properties amounting to HK\$120,100,000 (at 31 March 2014: HK\$118,000,000) was arrived at by reference to market evidence of transaction prices of similar properties; (ii) properties amounting to HK\$789,200,000 (at 31 March 2014: HK\$686,040,000) was arrived at by reference to the income capitalisation method which is based on the capitalisation of the net income potential by adopting an appropriate capitalisation rate, which is derived from analysis of sale transactions and interpretation of prevailing investor requirements or expectations.

Property, plant and equipment

During the current period, the Group disposed of certain property, plant and equipment with zero carrying amount, resulting in a gain on disposal of HK\$366,000. During the six months ended 30 September 2013, the Group disposed of certain property, plant and equipment with a carrying amount of HK\$105,000, resulting in a gain on disposal of HK\$2,161,000.

In addition, the Group acquired property, plant and equipment at approximately HK\$1,333,000 (for the six months ended 30 September 2013: HK\$702,000).

9. INTERESTS IN JOINT VENTURES

	30.9.2014	31.3.2014
	HK\$'000	HK\$'000
Cost of unlisted investments in joint ventures	148,302	115,977
Share of post acquisition profit and other comprehensive income, net of dividends received	10,360	11,143
	158,662	127,120
Loan to a joint venture	28,454	28,454
	187,116	155,574

10. PROPERTIES UNDER DEVELOPMENT FOR SALE

At 30 September 2014, total borrowing costs capitalised in the properties under development for sale were HK\$42,448,000 (at 31 March 2014: HK\$39,200,000).

11. PROGRESS PAYMENTS RECEIVABLE

Progress payments receivable represents the amounts receivable, after deduction of retention money, for construction services which usually fall due within 30 days after the work is certified.

The aged analysis of progress payments receivable is as follows:

	30.9.2014	31.3.2014
	HK\$'000	HK\$'000
Within 30 days	74,752	58,116
31 – 60 days	–	11,039
	74,752	69,155

12. DEBTORS, DEPOSITS AND PREPAYMENTS

Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. In addition to the payment of rental deposits, the Group is required to pay monthly rents in respect of leased properties in advance. For other businesses, the Group generally allows a credit period of not more than 90 days (as at 31 March 2014: not more than 90 days) to its customers.

The aged analysis of trade debtors presented based on the invoice date is as follows:

	30.9.2014	31.3.2014
	HK\$'000	HK\$'000
Within 30 days	27,495	18,367
31 – 60 days	7,695	6,583
61 – 90 days	946	409
Over 90 days	1,086	4,110
	<u>37,222</u>	<u>29,469</u>

13. TRADE AND OTHER PAYABLES

The aged analysis of trade payables based on invoice date is as follows:

	30.9.2014	31.3.2014
	HK\$'000	HK\$'000
Within 30 days	74,440	90,499
31 – 60 days	8,901	3,535
61 – 90 days	268	1,122
Over 90 days	10,187	5,059
	<u>93,796</u>	<u>100,215</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Overview

For the six months ended 30 September 2014, the Group's unaudited consolidated turnover amounted to HK\$759.1 million (for the six months ended 30 September 2013: HK\$763.5 million).

Construction Division

The turnover of the Construction Division for the six months ended 30 September 2014 was HK\$555.6 million (for the six months ended 30 September 2013: HK\$563.6 million).

Contracts on hand as at 30 September 2014 for the Construction Division amounted to HK\$2,349.3 million.

Major construction works undertaken during the period under review:

- (1) Construction of proposed residential redevelopment, The Austine Place, at No. 38 Kwun Chung Street, Kowloon
- (2) Construction of composite development at Nos. 1-21 Dundas Street, Kowloon
- (3) Construction of the redevelopment at No. 23 Tong Chong Street, Quarry Bay, Hong Kong
- (4) Construction of the proposed residential and commercial development at No. 5 Tung Yuen Street, Yau Tong, Kowloon
- (5) Construction of the residential development at N.K.I.L. No. 6493 Inverness Road, Kowloon Tong
- (6) Construction of the proposed hotel developments at Nos. 15-16 Connaught Road West & Nos. 29-31 New Market Street and Nos. 30-32 New Market Street & Nos. 23-25 Tung Loi Lane, Sheung Wan, Hong Kong
- (7) Construction of the proposed residential development at No. 11 Grampian Road, Kowloon

Our continuous efforts in ensuring quality and safety have been recognised and we have been awarded recently by the Hong Kong Construction Association for the HKCA Proactive Safety Contractors Award for the year 2013.

Interior and Renovation Division

During the six months ended 30 September 2014, the turnover for the Interior and Renovation Division was HK\$222.8 million (for the six months ended 30 September 2013: HK\$75.0 million).

Contracts on hand as at 30 September 2014 for the Interior and Renovation Division amounted to HK\$593.6 million.

The Interior and Renovation Division undertook the following major contract works during the period under review:

- (1) Renovation work of Ronsdale Garden at No. 25 Tai Hang Drive, Jardine's Lookout, Hong Kong
- (2) Second year's alternations and additions term contract for building works for The Hong Kong Polytechnic University
- (3) Alterations, additions, repairs and improvement (AA&I) 2012-13 Centennial Campus Consequentials – Reorganisation of space for the Administration & Common Area at Pao Siu Loong Building of the University of Hong Kong
- (4) Renovation and repartitioning works at Un Chau Shopping Centre for The Link Management Limited
- (5) Renovation and alteration works at Branksome Grande at No. 3 Tregunter Path, Hong Kong
- (6) Alternations and additions works at TU4 of The Hong Kong Polytechnic University
- (7) Renovation work of Flora Garden at No. 7 Chun Fai Road, Hong Kong

Building Materials Division

The Building Materials Division recorded a turnover of HK\$106.1 million for the six months ended 30 September 2014 (for the six months ended 30 September 2013: HK\$101.2 million).

Contracts on hand as at 30 September 2014 for the Building Materials Division amounted to HK\$651.9 million.

Supply and installation of false ceiling and suspended ceiling system

The following is a list of some major contract works undertaken during the period under review:

- (1) Renovation and repartitioning works at Un Chau Shopping Centre for The Link Management Limited – Supply and installation of suspended ceiling system
- (2) S.T.T.L. No. 502 proposed residential development at Lok Wo Sha, Ma On Shan – Supply and installation of suspended ceiling system
- (3) Proposed residential development at Austin Station – Site C at K.I.L. No. 11126 – Supply and installation of external suspended ceiling system
- (4) West Island Line – Sai Ying Pun Station and tunnels – Supply and installation of false ceiling

Supply of pipes, fittings and/or related accessories

The following is a list of some major contract works undertaken during the period under review:

- (1) Chai Wan Government Logistics Centre – Supply of galvanized steel pipes and fittings
- (2) Great Eagle Centre, Wan Chai – Supply of galvanized steel pipes and fittings
- (3) Commercial towers, One Bay East at Kwun Tung and One HarbourGate at Hung Hom – Supply of grooved coupling and fittings
- (4) Public housing development at Green Island Macau – Supply of copper pipes and related accessories
- (5) Residential development at N.K.I.L. No. 6493 Inverness Road, Kowloon Tong – Supply of copper pipes and related accessories

Design, supply and installation of aluminium products

The following is a list of some major contract works undertaken during the period under review:

- (1) 翡翠海岸花園 (Masterpiece de Jade) – Design, supply and installation of aluminium window and door
- (2) Proposed residential development at No.8 Mount Nicholson Road, The Peak, Hong Kong – Design, supply and installation of aluminium window, sliding door and folding door
- (3) Redevelopment of Block E Building in N.K.I.L. No. 5748 for The Hong Kong Baptist Hospital – Design, supply and installation of curtain wall, window and louvre
- (4) Proposed residential development of “My Home Purchase Plan” at Tsing Luk Street, Tsing Yi, T.Y.T.L. No. 138 – Design, supply and installation of aluminium window, louvre, glass wall and sun shading
- (5) Proposed residential development at Phase 15, Area N1e, Discovery Bay – Design, supply and installation of aluminium window, sliding door, glass balustrade and glass wall

Property Development Division

The Property Development Division recorded a turnover of HK\$23.4 million for the six months ended 30 September 2014 (for the six months ended 30 September 2013: HK\$94.8 million).

Subsequent to the issuance of the occupation permit in the last financial year, the Group has launched the sale of The Bedford. 2 units and 3 car parks of The Bedford were sold during the period under review.

Construction work of The Austine Place, a boutique residential building with retail podium, situated at a superb location of No. 38 Kwun Chung Street, Kowloon, has been completed recently. The sale of The Austine Place will launch in this financial year.

For the pieces of agricultural land at Tong Yan San Tsuen in Yuen Long, a land exchange application for residential use was made in 2012 with the Lands Department. It is expected that the offer of land premium will be issued soon.

Another proposed residential development of the Group at D.D. 129, Lau Fau Shan in Yuen Long had completed gazettal stage and we are waiting for the offer of land premium.

For the proposed residential development project with Sun Hung Kai Properties Limited at So Kwun Wat, Tuen Mun, planning application to the Town Planning Board has been completed in the last financial year. Land exchange application to convert the land to residential use will be made with the Lands Department in due course.

In February 2014, the Group acquired 25% interest in a piece of land located at Sha Tin Town Lot No. 603, Lok Lam Road, Fo Tan, New Territories for a residential development.

LUXÉAST, the Group's 49% interests in the parcel of land situated at 中國浙江省海寧市區文苑路西側、後富亭港南側 (West of Wenyuan Road and South of Houfutingang, Haining, Zhejiang Province, the PRC) for the development and construction of office, retail, carparking spaces and other development pertaining to the land, pre-sale has commenced in late 2012. A total of 53 商品房買賣合同 (commodity house purchase and sale contracts) and a total of 25 認購書 (purchase letters) were signed up to the end of the reporting period.

Property Investment Division

The Property Investment Division recorded a turnover of HK\$13.4 million for the six months ended 30 September 2014 (for the six months ended 30 September 2013: HK\$14.9 million).

Leasing performance of Shatin Industrial Centre was steady, attaining an occupancy rate of 67% at 30 September 2014.

Other investment properties of the Group include No. 31 Wing Wo Street in Sheung Wan and CentreHollywood in Sheung Wan in which the Group has 60% interest, some units at Kin Wing Industrial Building in Tuen Mun, various land lots in D.D. 76 Ping Che in Fanling, various land lots in D.D. 128 Deep Bay Road in Yuen Long and Hoi Bun Godown in Tuen Mun in which the Group has 50% interest, all contributed to satisfactory income to the Group during the period under review.

Property Agency and Management Division

For the period under review, the turnover of the Property Agency and Management Division was HK\$8.0 million (for the six months ended 30 September 2013: HK\$8.3 million).

During the period under review, the Property Agency and Management Division continued to provide project management service and site supervision service to the large-scale integrated development project in Haining City, Zhejiang Province, the PRC.

In Hong Kong, the Property Agency and Management Division acted as the project manager for two of the Group's redevelopment projects, The Bedford at Nos. 91-93 Bedford Road and The Austine Place at No. 38 Kwun Chung Street as well as for a client in the redevelopment project at Nos. 11-13 Grampian Road.

This Division also provided property management services to Golf Parkview in Sheung Shui, One LaSalle and Eight College in Kowloon Tong, CentreHollywood in Sheung Wan and The Bedford in Tai Kok Tsui.

Other services of this Division included rental collection and leasing agency services to 8 Hart Avenue and The Cameron in Tsim Sha Tsui and CentreHollywood in Sheung Wan.

Health Products Division

The Health Products Division recorded a turnover of HK\$27.3 million for the six months ended 30 September 2014 (for the six months ended 30 September 2013: HK\$26.1 million).

During the period under review, the Health Products Division operated 14 retail outlets, including a HealthPlus shop at St. Teresa's Hospital in Kowloon and a service centre.

The Health Products Division introduced a new product "Metro Chinese Medicine Series – Health and Beauty Tonic Powder" in July 2014.

For the current products, Lingzhi Master Series – Ganoderma Bioactive Essence, Ganoderma Spore Bioactive Lipid and Ganoderma Spore were awarded the STC Tested Mark in June 2014.

OUTLOOK

The Hong Kong economy slowed down to a mere 1.8% year-on-year growth in real terms in the second quarter of 2014. The weak performance was mainly weighed down by a fall-off in tourist spending and moderated growth in domestic demand. While Hong Kong's fiscal position remains on a sound footing, tourism earnings are set to decline.

The labour market held largely stable with low unemployment rate. Wages of construction labour rose further, driving the construction cost up further. The competition for labour is still intense and we will continue our effort to control costs while maintain our competitive edge by adhering to our stringent quality control and safety standards.

The property market cooled off visibly after the implementation of further demand-side management measures by the HKSAR Government in late February 2013, the market showed some revival shortly afterwards and sentiment improved as market concerns over interest rate hike lessened. The total number of agreements of the primary and secondary markets for the first half of 2014 increased by 17% as compared with the second half of 2013 and the total consideration increased by 14%.

Raising flat supply is the top priority of the HKSAR Government to facilitate the healthy development of the property market. Completion of private domestic units jumped by 407% over a year earlier to 7,500 units in the first half of 2014. The total supply of flats is expected to increase in the coming few years. However, as it takes time to increase supply, the HKSAR Government has put in significant efforts to curb speculation and reduce the possible risks to financial stability. It is estimated that a nascent correction in property prices will come. However, the correction is likely to be relatively mild although the rising likelihood of monetary tightening in the US in 2015 is clouding the medium-term outlook. Bearing the property prices' adjustment in mind, our Group has been launching our development projects one at a time, ensuring steady performance in the coming few years. Other property-related services including our project management, property management, rental leasing and collection services will keep pace with our property development business.

Leasing market firmed up somewhat after the moderate consolidation in the past year. The performance of our Property Investment Division held largely steady and is expected to remain stable as most of the properties under the Group's investment portfolio were bought some years ago at relatively low prices, generating satisfactory rental yield and favourable revaluation gains over the years.

Retail businesses in Hong Kong are having a notably-slow year to begin with the drop of tourist spending especially on luxuries. Continued to face with high retail shop rentals and rising costs, the Health Products Division will operate against a stiff headwind while aiming at providing customers with high quality products and excellent customer service.

The current circumstances have posed some uncertainties to Hong Kong economy in the short and medium term. The Group will continue to stay prudent while advance with caution to operate our business and sustain growth.

FINANCIAL REVIEW

GROUP LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position continued to be healthy. The total bank balances and cash had decreased from HK\$323.4 million as at 31 March 2014 to HK\$298.3 million at the close of business on 30 September 2014. As at the period end date, the current ratio (current assets divided by current liabilities) decreased from 1.26 times as at 31 March 2014 to 1.22 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\$1,314.8 million (HK\$754.8 million was secured by first charges over certain leasehold land and buildings, investment properties, properties under development for sale and bank deposits of the Group), of which HK\$738.1 million bank loans have been drawn down and approximately HK\$447.3 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 30 September 2014. The Group's current funding requirements are satisfied by available banking facilities, cash generated from operations and the bank balances and cash as at 30 September 2014.

TREASURY POLICIES

In order to minimise the cost of funds and to achieve better risk control, the treasury activities of the Group are centralized and scrutinised by the top management. The Group's treasury policies remain unchanged from those described in the latest annual report 2013/2014.

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\$738.1 million from banks (at 31 March 2014: HK\$699.3 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 five years with HK\$663.1 million repayable within the first year, HK\$50.0 million repayable within the second year and HK\$25.0 million within the third to fifth years. Interest is based on HIBOR with a competitive margin.

As at the close of business on 30 September 2014, 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 30.0% (at 31 March 2014: 27.9%).

COLLATERAL

As at 30 September 2014, the Group's Hong Kong dollar loans of HK\$508.1 million were secured by first charges over certain leasehold land and buildings, investment properties, properties under development for sale of the Group, at the carrying value of approximately HK\$1,316.0 million (at 31 March 2014: HK\$1,153.6 million). In addition, bank deposits of HK\$84.2 million (at 31 March 2014: HK\$49.8 million) was pledged for banking facilities granted to one of the Group's joint ventures in PRC.

CONTINGENT LIABILITIES

During the year ended 31 March 2004, legal actions in respect of allegations of copyright infringement and defamation were 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 took place in 2004. At 30 September 2014, the directors of the Company are of the opinion that in view of the uncertainty it is not practicable to assess the financial effect.

COMMITMENTS

At the end of reporting period, the Group had the following commitments:

	30.9.2014	31.3.2014
	HK\$'000	HK\$'000
Contracted for but not provided in condensed consolidated financial statements		
Commitments for the acquisition of property, plant and equipment	<u>2,030</u>	<u>2,030</u>

In addition, the Group had also committed with another joint venturer to contribute to the joint venture by means of shareholder's loan to finance the expenditure of property under development if called.

Authorised but not contracted for

As at 30 September 2014, the Group has a commitment to contribute HK\$231.5 million (at 31 March 2014: HK\$231.5 million), representing 23.63% (at 31 March 2014: 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 2014, the number of full time employees of the Group, excluding its joint ventures, was 745 (of which 148 employees were in Mainland China). 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, Mr. Chan Pak Joe, Dr. Lau Tze Yiu, Peter and Dr. Sun Tai Lun. Dr. Lau Tze Yiu, Peter 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 2014 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.

Throughout the six months ended 30 September 2014, the Company has complied with all the Code Provisions of the Corporate Governance Code (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 "Stock Exchange") ("Listing Rules"), except for the deviations set out below in respect of which remedial steps for compliance have been taken or considered reasons are given below.

- (a) 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 (including the independent non-executive directors) of the Company are not appointed for a specific term. However, 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.

- (b) Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Cha Mou Sing, Payson, being the non-executive Chairman, Mr. Cha Mou Daid, Johnson and Dr. Lam Chat Yu, both being non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on 26 August 2014 as they had other important business engagements. To ensure compliance with the CG Code, the Company has taken and will continue to take all reasonable measures to arrange the schedule in such a cautious way that all directors can attend the general meetings.
- (c) Code Provision E.1.2 of the CG Code stipulates 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 26 August 2014 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 the 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 to all directors of the Company, 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
Dr. Lam Chat Yu

Executive directors

Mr. Wong Sue Toa, Stewart (*Managing Director*)
Mr. Tai Sai Ho (*General Manager*)

Independent non-executive directors

Mr. Chan Pak Joe
Dr. Lau Tze Yiu, Peter
Dr. Sun Tai Lun

By order of the board
Hanison Construction Holdings Limited
Cha Mou Sing, Payson
Chairman

Hong Kong, 18 November 2014