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 2019

INTERIM RESULTS

For the six months ended 30 September 2019, Hanison Construction Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded the unaudited consolidated revenue from continuing operations of HK$383.8 million, representing a decline of 65.4% from HK$1,107.9 million (restated) for the corresponding period last year which was mainly resulted from the decline in revenue from the Construction Division, Interior and Renovation Division and Building Materials Division.

The unaudited consolidated profit attributable to owners of the Company for the six months ended 30 September 2019 was HK$141.4 million, representing a decrease of 55.0%, as compared with that of HK$314.2 million for the same period in 2018. The decline was mainly attributable to the exceptionally large gain on disposal of self-used properties of the Group in the preceding year, a reduction of gain on change in fair value of the investment properties of the Group for the six months ended 30 September 2019 and a reduction of contributions from the Construction Division, Interior and Renovation Division and Building Materials Division as a result of the drop in revenue for the six months ended 30 September 2019.

The basic earnings per share and diluted earnings per share for continuing and discontinued operations for the six months ended 30 September 2019 were HK13.0 cents, representing decreases of 57.8% and 56.8% as compared to HK30.8 cents and HK30.1 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 HK2.5 cents per share for the six months ended 30 September 2019 (for the six months ended 30 September 2018: HK2.5 cents per share) to the shareholders whose names appear on the register of members of the Company on 6 December 2019. The dividend is expected to be paid to the shareholders on 18 December 2019.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from 4 December 2019 to 6 December 2019, 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 2019. In order to qualify for the interim dividend for the six months ended 30 September 2019, 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 3 December 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		For the six months ended 30 September	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited) (restated)
Continuing operations			
Revenue	*3*	**383,843**	1,107,853
Cost of sales		**(295,689)**	(1,009,006)
Gross profit		**88,154**	98,847
Other income		**3,550**	2,515
Exchange loss		**(92)**	(822)
Other losses		**(112)**	(136)
Gain on disposal of property, plant and equipment		**43**	166,035
Marketing and distribution costs		**(6,158)**	(4,457)
Administrative expenses		**(92,876)**	(132,326)
Change in fair value of investment properties			
– Realised gains on disposals		**68,786**	44,325
– Unrealised gains		**7,337**	70,442
Loss on disposal of subsidiaries		**(1,235)**	–
Reversal of (impairment losses) under expected credit loss model		**4,815**	(2,008)
Share of profit of an associate		**48**	48
Share of profit of joint ventures		**81,834**	78,363
Finance costs		**(6,489)**	(7,636)
Profit before taxation	*4*	**147,605**	313,190
Taxation	*5*	**(6,208)**	(2,922)
Profit for the period from continuing operations		**141,397**	310,268
Discontinued operations			
Profit for the period from discounted operations	*6*	**–**	3,957
Profit for the period		**141,397**	314,225
Profit for the period			
For continuing operations		**141,397**	310,268
For discontinued operations		**–**	3,957
		141,397	314,225

	NOTE	For the six months ended 30 September **2019** ***HK$'000*** **(Unaudited)**	 2018 *HK$'000* (Unaudited) (restated)
Earnings per share			
For continuing and discontinued operations			
Basic (HK cents)	*8*	**13.0**	30.8
Diluted (HK cents)	*8*	**13.0**	30.1
For continuing operations			
Basic (HK cents)	*8*	**13.0**	30.4
Diluted (HK cents)	*8*	**13.0**	29.7

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**141,397**	314,225
Other comprehensive expense:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(128)**	(6,344)
Share of exchange differences of a joint venture	**(5,947)**	(10,173)
	(6,075)	(16,517)
Total comprehensive income for the period	**135,322**	297,708

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2019

	NOTES	**30.9.2019** *HK$'000* **(Unaudited)**	31.3.2019 *HK$'000* (Audited)
Non-current assets			
Investment properties	*9*	**3,131,140**	2,225,570
Property, plant and equipment	*9*	**384,642**	393,119
Right-of-use assets	*9*	**6,762**	–
Interest in an associate		**7,158**	7,110
Interests in joint ventures	*10*	**472,871**	396,984
Loans to joint ventures		**248,699**	498,289
Deposits paid for acquisition of a subsidiary		**37,040**	–
Deposits paid and prepayment for acquisition of investment properties		**–**	90,465
Deferred tax assets		**938**	2,538
		4,289,250	3,614,075
Current assets			
Properties under development for sale		**324,161**	322,596
Properties held for sale		**7,441**	7,441
Inventories		**15,766**	15,357
Contract assets	*11*	**224,238**	267,080
Debtors, deposits and prepayments	*12*	**104,144**	114,148
Amount due from a joint venture		**17**	17
Amount due from a related party		**–**	24,364
Loans to joint ventures		**342,911**	24,209
Financial assets at fair value through profit or loss		**407**	519
Taxation recoverable		**7,783**	10,394
Bank balances and cash		**421,714**	869,514
		1,448,582	1,655,639
Current liabilities			
Trade and other payables	*13*	**645,556**	772,165
Provisions		**83,084**	87,637
Lease liabilities		**5,078**	–
Taxation payable		**64,880**	66,813
Bank loans – amounts due within one year		**901,950**	351,000
		1,700,548	1,277,615
Net current (liabilities) assets		**(251,966)**	378,024

	NOTE	**30.9.2019**	31.3.2019
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Total assets less current liabilities		**4,037,284**	3,992,099
Non-current liabilities			
Deferred tax liabilities		**16,076**	12,356
Provisions		**156,015**	200,299
Lease liabilities		**4,884**	–
		176,975	212,655
		3,860,309	3,779,444
Capital and reserves			
Share capital	*14*	**109,092**	109,083
Reserves		**3,751,217**	3,670,361
		3,860,309	3,779,444

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 “Stock Exchange”) (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the condensed consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised lease liabilities and measured right-of-use assets at the carrying amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transaction.

The Group recognised lease liabilities of HK$9,928,000, right-of-use assets of HK$6,723,000 and investment properties of HK$3,205,000 as at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied by the relevant group entity range from 4.0% to 6.0%.

	At 1.4.2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	13,135
Add: Extension options reasonably certain to be exercised	2,700
Less: Recognition exemption – short-term leases	(617)
	15,218
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	9,928
Analysed as	
Current	4,191
Non-current	5,737
	9,928

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 *(Note)*	9,928
By class:	
Land and buildings	6,723
Land and buildings classified under investment properties	3,205
	9,928

Note: At the date of initial application, leased properties under subleases were assessed and classified as an operating lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date. All lease properties under subleases of HK$3,205,000 as at the date of initial application were classified as operating leases and remeasured to fair value at the date of initial application in accordance with the Group's accounting policies for investment properties.

Effective from 1 April 2019, leasehold land which were classified as properties under development for sale/properties held for sale are measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets. The discounting effect has no material impact on the condensed consolidated financial statements of the Group for the current period.

There is no impact of transition to HKFRS 16 on accumulated profits at 1 April 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31.3.2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1.4.2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	6,723	6,723
Investment properties	2,225,570	3,205	2,228,775
Current liability			
Lease liabilities	–	(4,191)	(4,191)
Non current liability			
Lease liabilities	–	(5,737)	(5,737)

Note: For the purpose of reporting cash flows under indirect method for the period ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the aggregate of the amounts received or receivable from construction contracts, interior and renovation contracts, installation of building materials, sales of health products, provision of property agency and management services and rental income from property investment.

Disaggregation of revenue

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Recognised over time:		
Revenue from construction contract work	**247,440**	901,811
Revenue from interior and renovation contracts	**66,004**	77,137
Revenue from installation of building materials	**19,840**	75,400
Property management service income	**2,505**	4,022
Recognised at a point in time:		
Sales of health products	**25,663**	29,111
Property agency service income	**1,758**	4,726
Revenue from contracts with customers	**363,210**	1,092,207
Lease income from property investment	**20,633**	15,646
	383,843	1,107,853
Geographical market:		
Hong Kong	**383,843**	1,107,853

Segment information

The Group is organised into seven operating divisions: construction, interior and renovation works, design, supply 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.

The design, supply and installation of aluminum windows and curtain walls business included in "building materials" segment was discontinued on 18 March 2019, upon the disposal of Million Hope Industries Holdings Limited ("Million Hope") and its subsidiaries (collectively referred to as "Million Hope Group") by way of distribution in specie. The segment information for the six months ended 30 September 2018 and as at 30 September 2018 reported below does not include any amounts for these discontinued operations. For details of the discontinued operations, please refer to note 6.

(a) ***Segment revenues and results***

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

Continuing operations

For the six months ended 30 September 2019

	Construction	Interior and renovation	Building materials	Health products	Property investment	Property development	Property agency and management	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE										
External sales	**247,440**	**66,004**	**19,840**	**25,663**	**20,633**	**–**	**4,263**	**383,843**	**–**	**383,843**
Inter-segment sales*	**556**	**10,073**	**3,786**	**7**	**3,408**	**–**	**8,076**	**25,906**	**(25,906)**	**–**
Total	**247,996**	**76,077**	**23,626**	**25,670**	**24,041**	**–**	**12,339**	**409,749**	**(25,906)**	**383,843**
RESULTS										
Segment result	**23,219**	**1,914**	**535**	**(3,273)**	**129,549**	**4,229**	**313**	**156,486**	**–**	**156,486**
Unallocated expenses										**(8,881)**
Profit before taxation										**147,605**

For the six months ended 30 September 2018 (restated)

	Construction	Interior and renovation	Building materials	Health products	Property investment	Property development	Property agency and management	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE										
External sales	901,811	77,137	75,400	29,111	15,646	–	8,748	1,107,853	–	1,107,853
Inter-segment sales*	335	26,038	354	7	3,434	–	9,366	39,534	(39,534)	–
Total	902,146	103,175	75,754	29,118	19,080	–	18,114	1,147,387	(39,534)	1,107,853
RESULTS										
Segment result	27,467	2,706	204	(439)	277,663	22,341	166	330,108	–	330,108
Unallocated expenses										(16,918)
Profit before taxation										313,190

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

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 and reportable segment:

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Segment assets		
Construction	**599,948**	1,246,014
Interior and renovation	**123,565**	107,514
Building materials	**36,458**	64,784
Health products	**41,549**	45,351
Property investment	**4,015,947**	2,870,116
Property development	**844,238**	801,917
Property agency and management	**41,669**	67,996
Total segment assets	**5,703,374**	5,203,692
Unallocated assets	**34,458**	66,022
Consolidated assets	**5,737,832**	5,269,714
Segment liabilities		
Construction	**597,087**	786,463
Interior and renovation	**45,066**	51,305
Building materials	**5,853**	8,665
Health products	**6,770**	3,007
Property investment	**968,014**	382,777
Property development	**9,517**	8,776
Property agency and management	**1,864**	1,297
Total segment liabilities	**1,634,171**	1,242,290
Unallocated liabilities	**243,352**	247,980
Consolidated liabilities	**1,877,523**	1,490,270

4. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Profit before taxation has been arrived at after charging and (crediting):		
Depreciation of property, plant and equipment	**11,387**	11,643
Less: Depreciation expenses included in the cost of sales	**(1,359)**	(1,520)
	10,028	10,123
Depreciation of right-of-use assets	**2,314**	–
Short-term lease expenses	**547**	–

5. TAXATION

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current tax	**3,870**	3,089
Underprovision in prior years	**1,081**	20
	4,951	3,109
Deferred taxation	**1,257**	(187)
	6,208	2,922

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rate regime applies to years of assessment commencing on or after 1 April 2018.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5% (six months ended 30 September 2018: 16.5%).

For both periods, the Hong Kong Profits Tax of the elected Hong Kong subsidiary is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

6. DISCONTINUED OPERATIONS

Disposal of Million Hope Group by way of distribution in specie

Million Hope and its subsidiaries ceased to be subsidiaries of the Company upon the distribution of Million Hope shares to the Company's shareholders on 18 March 2019 as special interim dividend by way of distribution in specie. Upon completion of the distribution in specie, Million Hope and its subsidiaries are regarded as related parties of the Company, as CCM Trust (Cayman) Limited, a substantial shareholder of the Company, and certain discretionary trusts have beneficial interests in Million Hope.

The profit for the six months ended 30 September 2018 from the discontinued operations carried out by Million Hope Group is set out below. The comparative figures in the condensed consolidated statement of profit or loss have been restated to re-present the operations of Million Hope Group as discontinued operations.

	For the six months ended 30 September 2018 *HK$'000*
Revenue	171,456
Cost of sales	(140,629)
Gross profit	30,827
Other income	637
Other gains and losses	3,000
Reversal of impairment losses under expected credit loss model	208
Loss on disposal of property, plant and equipment	(15)
Administrative and other expenses	(28,824)
Finance costs	(1,076)
Profit before taxation	4,757
Taxation	(800)
Profit for the period	3,957

Profit for the six months ended 30 September 2018 from discontinued operations includes the following:

	For the six months ended 30 September 2018 *HK$'000*
Depreciation of property, plant and equipment	4,826
Less: Depreciation expenses included in the cost of inventories	(1,404)
	3,422

7. DIVIDENDS

During the period, a final dividend of HK5.0 cents per share totalling HK$54,546,000 in respect of the year ended 31 March 2019 (for the six months ended 30 September 2018: final dividend of HK5.0 cents per share totalling HK$52,294,000 in respect of the year ended 31 March 2018) was paid to shareholders.

Subsequent to 30 September 2019, the board of directors of the Company has resolved to declare an interim dividend of HK2.5 cents per share totalling not less than HK$27,273,000 for the six months ended 30 September 2019 (2018: HK2.5 cents per share totalling HK$26,169,000 for the six months ended 30 September 2018).

8. EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of basic and diluted earnings per share for the period attributable to owners of the Company based on the following data:

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**141,397**	314,225

	For the six months ended 30 September	
	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**1,090,874**	1,020,325
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options issued by the Company	**218**	2,096
Adjustment in relation to award shares granted by the Company	**–**	21,119
Weighted average number of ordinary shares for the purpose of diluted earnings per share *(Note)*	**1,091,092**	1,043,540

Note: The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months ended 30 September 2018 had been arrived at after deducting the shares held in trust for the Company.

For continuing operations

The calculation of basic and diluted earnings per share for continuing operations attributable to the owners of the Company is based on earnings figures calculated as follows:

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Earnings for the purpose of calculating basic and diluted earnings per share	**141,397**	314,225
Less: Profit for the period from discontinued operations	**–**	(3,957)
Earnings for the purpose of calculating basic and diluted earnings per share for continuing operations	**141,397**	310,268

The denominators used are the same as those detailed above for basic and diluted earnings per share for continuing and discontinued operations.

For discontinued operations

Basic earnings per share for discontinued operations for the six months ended 30 September 2018 is HK0.4 cent per share (for the six months ended 30 September 2019: N/A) and diluted earnings per share for the discontinued operations is HK0.4 cent per share (for the six months ended 30 September 2019: N/A), based on the profit for the six months ended 30 September 2018 from discontinued operations of HK$3,957,000 (for the six months ended 30 September 2019: N/A) and the denominators used are the same as those detailed above for basic and diluted earnings per share for continuing and discontinued operations.

9. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Investment properties

	1.4.2019 to 30.9.2019 *HK$'000*	1.4.2018 to 30.9.2018 *HK$'000*
FAIR VALUE		
At the beginning of the period		
– As previously reported	2,225,570	1,712,360
– Adoption of HKFRS 16 *(Note 2.1)*	3,205	–
As restated	2,228,775	1,712,360
Additions	581,979	36,746
Acquisition of subsidiaries	726,063	506,023
Disposals	(61,800)	(38,756)
Disposal of subsidiaries	(420,000)	–
Gain on change in fair value	76,123	114,767
Transfer to assets classified as held for sale	–	(158,380)
At the end of the period	3,131,140	2,172,760

The fair value of the Group's investment properties at 30 September 2019 and 31 March 2019 have 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. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The valuation of properties amounting to HK$54,800,000 (31 March 2019: HK$44,400,000) was arrived at by reference to market evidence of transaction prices of similar properties. The valuations of other properties amounting to HK$3,076,340,000 (31 March 2019: HK$2,181,170,000) were 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.

Analysis of investment properties held by the Group in the condensed consolidated statement of financial position

Investment properties	**Valuation method**	**Fair value as at** **30.9.2019** *HK$'000*	31.3.2019 *HK$'000*
Agricultural	Direct comparison method	**54,800**	44,400
Commercial	Capitalisation approach	**453,040**	450,200
Industrial	Capitalisation approach	**1,643,300**	434,970
Residential	Capitalisation approach	**980,000**	1,296,000
		3,131,140	2,225,570

Property, plant and equipment

During the current period, the Group acquired property, plant and equipment at approximately HK$4,310,000. During the six months ended 30 September 2018, in addition to the additions amounting to HK$358,000 through acquisition of subsidiaries, the Group acquired property, plant and equipment at approximately HK$4,535,000.

During the six months ended 30 September 2019, the Group disposed of certain property, plant and equipment with carrying amount of nil, at a sale proceed of HK$43,000 and resulting in a gain on disposal of HK$43,000.

During the six months ended 30 September 2018, the Group disposed of certain property, plant and equipment with carrying amount of HK$5,912,000 at a sale proceed of HK$171,932,000, resulting in a gain on disposal of HK$166,020,000.

Right-of-use assets

During the current interim period, the Group renewed lease agreements for retail shops for the periods covering 1 year to 2 years. On lease commencement, the Group recognised HK$2,353,000 of right-of-use assets and HK$2,353,000 of lease liabilities.

10. INTERESTS IN JOINT VENTURES

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Cost of unlisted investments in joint ventures	**432,862**	432,862
Share of post acquisition profit (losses) and other comprehensive income (expense), net of dividends received	**40,009**	(35,878)
	472,871	396,984

11. CONTRACT ASSETS

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Construction contracts	**224,238**	267,080

The Group has rights to considerations from customers for construction contracts, interior and renovation contracts and installation of building materials contracts. Contract assets arise when the Group has right to consideration for completion of construction contracts, interior and renovation contracts and installation of building materials contracts and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade debtors when such right becomes unconditional other than the passage of time.

Included in carrying amount of contract assets comprises retention money of HK$158,634,000 (31 March 2019: HK$175,652,000) as at 30 September 2019. Retention money is unsecured and interest-free and represented the monies withheld by customers of contract works fully recoverable within 1 to 2 years from the date of completion of construction contracts, in accordance with the terms specified in the relevant contracts. Upon satisfactory completion of contract work as set out in the contract, the architect for the building project will issue a practical completion certificate. Generally, upon the issuance of the practical completion certificate, half of the retention money of such contract work will be released to the Group, while the remaining half will be released to the Group upon the issuance of the certificate that identified defects in respect of the entire building project have been made good.

The retention money would be settled, based on the expiry of the defect liability period, at the end of each reporting period as follows:

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Amount receivable within one year	**75,699**	91,501
Amount receivable after one year	**82,935**	84,151
	158,634	175,652

Included in the above contract assets are amount due from a related party of trading nature as follows:

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
A joint venture	**3,862**	3,862

12. DEBTORS, DEPOSITS AND PREPAYMENTS

Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. For the business of construction services and others, the Group generally allows a credit period of 30 to 90 days and not more than 90 days (31 March 2019: 30 to 90 days and not more than 90 days) to its customers.

The aged analysis of trade debtors presented based on the invoice date or agreement date, as appropriate, at the end of the reporting period is as follows:

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Within 30 days	**32,912**	54,957
31 – 60 days	**1,827**	8,562
61 – 90 days	**3,843**	8,504
Over 90 days	**7,088**	4,511
	45,670	76,534

13. TRADE AND OTHER PAYABLES

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Within 30 days	**43,182**	68,646
31 – 60 days	**319**	192
61 – 90 days	**1**	649
Over 90 days	**1,430**	3,825
	44,932	73,312

14. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
Shares of HK$0.10 each		
Balance as at 1 April 2018, 31 March 2019 and 30 September 2019	1,500,000,000	150,000
Issued and fully paid:		
Shares of HK$0.10 each		
Balance as at 1 April 2018	1,046,176,651	104,618
Issue of shares upon exercise of share options *(Note)*	44,654,925	4,465
Balance as at 31 March 2019	1,090,831,576	109,083
Issue of shares upon exercise of share option *(Note)*	93,100	9
Balance as at 30 September 2019	1,090,924,676	109,092

Note: The new shares issued rank pari passu in all respects with the existing share in issue.

OPERATIONS REVIEW

Overview

For the six months ended 30 September 2019, the Group's unaudited consolidated revenue from continuing operations amounted to HK$383.8 million (for the six months ended 30 September 2018: HK$1,107.9 million (restated)).

Construction Division

The revenue of the Construction Division for the six months ended 30 September 2019 was HK$248.0 million (for the six months ended 30 September 2018: HK$902.1 million).

Contracts on hand as at 30 September 2019 for the Construction Division amounted to HK$2,145.6 million.

Major construction works completed during the period under review:

(1) Construction of 30-classroom secondary school at Site 1A-2, Kai Tak Development, Kowloon

Major construction works undertaken during the period under review:

(1) Construction of public rental housing development at Shek Mun Estate Phase 2, Shatin, New Territories

(2) Construction of public rental housing development at Choi Yuen Road Sites 3 and 4, Sheung Shui, New Territories

(3) Construction of sports centre, community hall and football pitches in Area 1, Tai Po, New Territories

(4) Construction of the proposed residential and commercial development at 33-47 Catchick Street, Kennedy Town, Hong Kong

Interior and Renovation Division

For the six months ended 30 September 2019, the revenue of the Interior and Renovation Division was HK$76.1 million (for the six months ended 30 September 2018: HK$103.2 million).

Contracts on hand as at 30 September 2019 for the Interior and Renovation Division amounted to HK$319.2 million.

Major contract works completed during the period under review:

(1) Full reinstatement at 24/F – 26/F of Exchange Square 3, Central, Hong Kong

(2) Proposed renovation works for Pentecostal Mission Hong Kong and Kowloon Church at 71 Waterloo Road, Kowloon

Major contract works undertaken during the period under review:

(1) Building renovation works of Cavendish Heights (Block 1-7) at 33 Perkins Road, Jardine's Lookout, Hong Kong

(2) Alteration and addition works for 99-101 Lai Chi Kok Road, Kowloon

(3) Combined fitting out works for hotel and office packages for proposed hotel and office building at 43 Heung Yip Road, Hong Kong

(4) 3-year general building maintenance term contract (2019-2022) for the City University of Hong Kong

(5) Proposed additions and alterations works at No.138 Connaught Road West, Hong Kong

Building Materials Division

The Building Materials Division recorded a revenue of HK$23.6 million for the six months ended 30 September 2019 (for the six months ended 30 September 2018: HK$75.8 million (restated)).

Contracts on hand as at 30 September 2019 for the Building Materials Division amounted to HK$70.9 million.

Major contract works completed during the period under review:

(1) Construction of 30-classroom secondary school at Site 1A-2, Kai Tak Development, Kowloon – Design, supply and installation of suspended ceiling system

(2) Proposed residential development at Castle Peak Road, Kwu Tung, New Territories Lot No.2640 in D.D.92 – Supply and installation of suspended ceiling system

(3) Proposed residential redevelopment at No.23 Robinson Road, Hong Kong at Carpark – Supply and installation of external ceiling system

(4) Proposed residential & commercial development at Yau Tong Lot No.42, 1 Lei Yue Mun Path, Lei Yue Mun, Kowloon – Supply and installation of suspended ceiling system, timber flooring and skirting

Major contract works undertaken during the period under review:

(1) Proposed Site C1 Development at Area 86, TKOTL 70RP Tseung Kwan O, New Territories, Lohas Park Package 7A & B – Supply and installation of suspended ceiling system

(2) Museum Plus (M+) at West Kowloon Cultural District – Supply and installation of metal ceiling system

(3) Proposed residential development at TMTL542, Castle Peak Road, Castle Peak Bay Area 48, Tuen Mun, New Territories – Design, supply and installation of suspended ceiling system

(4) Proposed residential development at Site N of TKOTL 70 RP, Lohas Park Package 6, New Territories – Design, supply and installation of suspended ceiling system

Major contract works awarded during the period under review:

(1) MTR SCL Contract No.1123 – Exhibition Station and Western Approach Tunnel – Design, supply and installation of suspended ceiling system

(2) Construction of the Hong Kong Palace Museum for The West Kowloon Cultural District Authority – Design, supply and installation of suspended ceiling system

(3) Construction of public rental housing development at Queen's Hill Site 1, Phase 1 & Portion of Phase 6 – Design, supply and installation of suspended ceiling system

Property Development Division

The Property Development Division recorded no revenue for the six months ended 30 September 2019 (for the six months ended 30 September 2018: nil).

As for the joint venture project, Mount Vienna, the low-density residential project in Fo Tan, New Territories in which the Group has 25% interest, the Group recorded the sale of 1 unit out of the total 12 units during the period under review. The profit was recognised as share of profit of joint ventures. The remaining 2 units are being offered for sales.

LUXÉAST, the Group's 49% interest in the parcel of land situated at 中華人民共和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 Houfutinggang, Haining, Zhejiang Province, the People's Republic of China) for the development and construction of office, retail, car parking spaces and other development pertaining to the land. The respective 房屋所有權證 (Building Ownership Certificates) have been issued in March 2015. A total of 130 商品房買賣合同 (Sale and Purchase Agreement for Commodity Flat) have been signed up to the end of the reporting period in which 126 units had been delivered to customers.

In August 2019, a joint venture in which the Group has 50% interest entered into a sale and purchase agreement to dispose of 100% interest of Popular Castle Limited and its subsidiaries which held an industrial property, Central Industrial Building, located in Kwai Chung, New Territories. The disposal is expected to be completed in March 2020.

In September 2019, a joint venture in which the Group has 50% interest entered into a sale and purchase agreement to acquire 100% interest of Harbour Sky (BVI) Ltd which directly held the whole block of industrial property, namely Johnson Place, located at No. 14-16 Lee Chung Street, Chai Wan, Hong Kong. The acquisition was completed in October 2019.

For a piece of land at No. 57A Nga Tsin Wai Road, Kowloon Tong, Kowloon with the objective of developing the property into a premium residential project, lease modification for redevelopment has been applied and is under processing.

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.

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 was completed in the previous financial year. A land exchange application to convert the land to residential use is under processing.

Property Investment Division

The Property Investment Division recorded a revenue of HK$24.0 million for the six months ended 30 September 2019 (for the six months ended 30 September 2018: HK$19.1 million (restated)).

To diversify its investment portfolio, the Group completed the acquisition of an industrial property, Hay Nien Building at No. 1, Tai Yip Street, Kwun Tong, Kowloon in May 2019. In addition, the Group completed the acquisition of 100% interest of Storage Portfolio Holding II Ltd together with its wholly owned subsidiary, Storage Holding I Ltd which held the whole block of industrial property, namely Minibox Tower at No. 18 Lee Chung Street, Chai Wan, Hong Kong and certain industrial units and car parking spaces at Chaiwan Industrial Centre and Kwun Tong Industrial Centre in August 2019. In October 2019, the Group has entered into a sale and purchase agreement to acquire 100% interest of Excel Chinese International Limited holding the whole block of serviced residence property, namely Citadines Mercer Hong Kong, located at No. 29 Jervois Street, Hong Kong. The transaction was completed on 8 November 2019.

As the Group considered that the market presented a good opportunity to unlock the value of the properties, several sale and purchase agreements were entered into to dispose of its properties. In July 2019, the Group entered into a sale and purchase agreement to dispose of 100% interest of General Mark Holdings Limited, together with its wholly owned subsidiary, Masswell International Limited which held a serviced apartment, One Eleven, located at No. 111 High Street, Hong Kong. The transaction has been completed in August 2019. In addition, the Group entered into two sale and purchase agreements with two independent third parties in July 2019 to dispose of certain workshops and car parking spaces of Shatin Industrial Centre. The transactions were completed in August 2019 and September 2019 respectively.

Investment properties of the Group including various units at Shatin Industrial Centre, some units at Kings Wing Plaza 1 in Shek Mun, Hollywood Hill at No. 222 Hollywood Road, No. 31 Wing Wo Street in Sheung Wan, some units at Kin Wing Industrial Building in Tuen Mun, various land lots in D.D. 76 Ping Che in Fanling, retail shops of The Austine Place in Tsim Sha Tsui, PeakCastle in Cheung Sha Wan and Hoi Bun Godown in Tuen Mun in both of which the Group has 50% interest, all contributed satisfactory rental incomes to the Group during the period under review.

Properties including West Castle, West Park, The Edward and The Connaught of which the Group has 50% interest are now under renovation in order to improve the respective rental incomes and to enhance the property values.

Property Agency and Management Division

For the period under review, the revenue of the Property Agency and Management Division was HK$12.3 million (for the six months ended 30 September 2018: HK$18.1 million).

In Hong Kong, our Property Agency and Management Division acted as the marketing and project manager for The Grampian at No. 11 Grampian Road, Mount Vienna at Lok Lam Road, PeakCastle in Cheung Sha Wan, Central Industrial Building in Kwai Chung, The Connaught at No.138 Connaught Road West, one of the Group's redevelopment project, The Austine Place at No. 38 Kwun Chung Street and Hay Nien Building at No.1 Tai Yip Street. This Division also provided property management services to The Austine Place in Tsim Sha Tsui, The Bedford in Tai Kok Tsui, Eight College and One LaSalle in Kowloon Tong, One Eleven in Sai Ying Pun (terminated in August 2019), PeakCastle in Cheung Sha Wan, Mount Vienna at Lok Lam Road, The Connaught at No.138 Connaught Road West, Hollywood Hill at No. 222 Hollywood Road and Hay Nien Building at No.1 Tai Yip Street.

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

Health Products Division

The Health Products Division recorded a revenue of HK$25.7 million for the six months ended 30 September 2019 (for the six months ended 30 September 2018: HK$29.1 million).

Retailcorp Limited manages the Group's chain stores under the trade name HealthPlus. Currently, there are 8 retail outlets (including a HealthPlus shop at St. Teresa's Hospital) and 1 service centre in operation. During the period under review, HealthPlus joined the Eugene Baby Fair 2019 from 2 to 5 August 2019 and Care & Health Limited joined the Food Expo from 15 to 19 August 2019, both held at Hong Kong Convention and Exhibition Centre. To enhance our advertising effort, the Group has appointed an actress Ms. Chiu Ngar Chi as a celebrity endorser for our product "Lingzhi Master" in order to increase the product's awareness and popularity. In respect of the e-Commerce business, the Group has established different e-commercial channels to draw customers from different regions.

OUTLOOK

The International Monetary Fund has lowered its growth forecasts yet again. Global GDP is projected to rise by just 3% this year (down from the 3.3% predicted in the spring) and by a still-sluggish 3.4% (down from 3.6%) in 2020. Although most indicative data suggest that recession is not likely in the near future, economic momentum is almost certain to fade.

In every part of the world, governments are busy over reforms that would make their economies more productive and robust. In many countries, not only the US, fiscal stimulus and persistent budget deficits have boosted ratios of public debt to national income. Although the measures might be necessary to keep the economy active, abundant quantitative easing and super-low interest rates have resulted in unreasonably inflated asset valuations and heightened credit risks on sovereign debts, bank and personal insolvency.

With risks mounting almost anywhere, the China-US trade war has conspired to make things worse. China has been adjusting its policies to address its financial imbalances, but the US trade war has made this harder. The impact of US tariffs and the need to control debt levels are likely to result in at least a modest deceleration in GDP for China in 2019 and the years ahead.

This trade war has already caused enormous economic damage, not least in the US, where monetary policy is all but exhausted too, with interest rates already close to their effective lower bound. As the trade war depresses trade, hammers confidence and dampens household consumption, many US businesses are feeling the heat of the conflict.

In the Eurozone, uncertainty relating to global trade tensions and Brexit will take a toll. Any further escalation of trade tensions and increase in policy uncertainty could prolong the current downturn in global trade, trigger a sharp shift in global risk sentiment and rapid tightening of global financial conditions. This will certainly affect the Eurozone economy. On the domestic side, the UK is still busy in pursuit for Brexit which remains a major source of risk in terms of trading relations between UK and the rest of the Eurozone countries.

In Hong Kong, both external and domestic demand contracted amidst softening global economic growth, continuing China-US trade war and Hong Kong's local civil unrest. Investors are on high alert for signs of large fund outflows and concern about a weak RMB eroding corporate earnings. Against these circumstances, the import/export trades, logistics, tourism, hotels and retail sales business sectors will continue to face a difficult environment, and there is little prospect of an immediate recovery.

In Hong Kong, the construction industry should benefit from the Hong Kong Government's ten major infrastructure projects launch in 2007 and continuous efforts in increasing public housing supply to resolve the basic need of the Hong Kong people. For the infrastructure work, two of the infrastructure projects, the Hong Kong-Zhuhai-Macau Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link have completed and opened for public use last year, and six more are under way. These mega infrastructure projects have created plenty of construction project works and helped to keep the construction industry busy. On the public housing supply, the Hong Kong Government's 10-year housing supply target is set at 450,000 flats, while the public-private flat ratio of 60:40 will be adjusted to 70:30. The housing supply target comprising 220,000 public rental housing units and Sale of Green Form Subsidised Home Ownership Scheme Flats, 95,000 subsidised-sale flats, and 135,000 private units. In the Policy Address 2019, emphases were aimed at increasing the number of transitional housing and youth hostel projects, repurposing factory estates for public housing use – primarily for public rental housing and to accelerate the sales of Home Ownership Scheme. Other measures including the imposition of vacancy tax to discourage developers from flat hoarding, and increasing the homebuyers' availability of housing loans equalling 90 per cent of the value of flats worth up to HK$8 million., up from 60 per cent previously. All of these government policies will help to increase housing supply and hence the building construction works. However, the old problems facing the construction industry still remain. Shortage of skilled labour, ageing of workers, high construction costs, and increasingly severe competitions in tendering for building construction works are still bothering the industry. There is urgent need to look for solution as to how the industry can develop in a productive and sustainable manner.

Renovating properties have become a popular strategy for property owners and investors seeking to enhance or maintain their properties values. For this reason many Hong Kong home owners and property investors decide to carry out various renovation projects before putting up their properties for sale while others really just want to maintain or upgrade the condition of their homes to make them more comfortable and convenient to live in. Apart from that, the Hong Kong Government's Mandatory Building Inspection Scheme, Urban Renewal Strategy and Revitalization of Industrial Buildings Scheme have provided additional renovation work, helping to keep the interior and renovation business busy. Despite of the above favourable condition, competition in this market, especially the high-end residential property market, remains severe, and property owners' expectations for design and quality are ever-increasing. Meanwhile, labour and material costs are escalating, resulting in a very thin profit margin. Under such circumstance, a market player has to be very careful of its budget and ensure to deliver consistently quality renovation work to satisfy its customers' needs.

Our Building Material Division involves mainly in supplying ceiling and flooring materials to clients such as MTR stations, museums, residential properties, sport centres and community halls. Recently we have been experiencing delay in certain construction projects by some developers that leads to the postponement on delivery of our materials and therefore reduction of our turnover amount. This may be a temporary situation where developers have chosen to develop and sell their projects phase by phase to avoid developing the whole project and paying vacancy tax if the units are not selling quick enough. However, with the great demand for housing and MTR transport services, we consider that our building material business will be able to sustain growth.

After two consecutive months of declines, Hong Kong residential property market revitalized in October this year. Multiple favourable news, such as the interest rate cut, the Hong Kong government's relaxation of mortgage caps for first-time buyers, China-US trade talks retain a good atmosphere and the rising stock market, have spurred homebuyers to speed up purchases. For commercial property market, Hong Kong's role as a global financial center and gateway to mainland China will not change in the foreseeable future. It remains an ideal place for companies to seek financing. Therefore the demands for office buildings are still there. The property development market, however, is under the shadow of the Hong Kong government's imposition of the vacancy tax which is set at two times the rateable value of a property levied on all new units which have been left unsold one year after being issued with their occupation permits or have not been leased out for more than six months over the same period. Many developers are worrying about the impacts on passing this bill, especially when their property sales are slowing down recently. For Hanison, we will take every opportunity to realize the gains from our investment and development properties portfolio and move forward cautiously amidst these rapidly changing environments and uncertain market conditions.

Our Property Agency and Management Division mainly provides services for the Group's own properties or the properties built by it. It serves to complement to the Group's property development and property investment businesses by providing high quality and efficient property management, rental collection and leasing agency services.

Over the years, retail industry in Hong Kong has been suffering high rental costs for the retail outlets. Recently it is further clouded by the uncertain global economic condition, local social conflicts and drop in tourists especially those from the Mainland China. To a great extent, health product business is derived from retail outlets, so it will inevitably be affected. It is time to consider other effective marketing strategies implementing a variety of tactics to get the attention of customers to choose our products instead of the traditional retail outlets with long rows of shelves offering different kinds of healthcare products. To achieve this goal, we have established different e-commerce channels to promote our products and draw customers from different regions. If being operated effectively, it will reach a wide range of customers at relatively low cost, and could be a viable strategy for our health products business to survive in the long run.

FINANCIAL REVIEW

GROUP LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financing requirements are regularly reviewed.

The Group's financial position continued to be healthy. The total bank balances and cash had decreased from HK$869.5 million as at 31 March 2019 to HK$421.7 million at 30 September 2019. As at the period end date, the current ratio (current assets divided by current liabilities) decreased from 1.30 times as at 31 March 2019 to 0.85 time.

For the purposes of maintaining flexibility in funding and day-to-day financial management, the Group has accessed to facilities from banks and an insurance company with an aggregate amount of HK$2,282.0 million (HK$942.0 million was secured by first charges over certain leasehold land and buildings and investment properties of the Group), of which HK$902.0 million bank loans have been drawn down and approximately HK$267.1 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 30 September 2019. The bank loans under these banking facilities bear interest at prevailing market interest rates.

With its cash holdings and available facilities from banks and an insurance company, the Group's liquidity position will remain healthy in the coming year, with sufficient financial resources to meet its obligations, operation and future development requirements.

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 Company's annual report 2018/2019.

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$902.0 million from banks (as at 31 March 2019: HK$351.0 million). The loans 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 two years with HK$739.1 million repayable within the first year and HK162.9 million repayable within the second year. Interest is based on Hong Kong Interbank Offered Rate with a competitive margin.

As at 30 September 2019, the Group's gearing ratio, calculated on the basis of the net borrowing of the Group (total bank loans less total bank balances and cash) over shareholders' funds, was 12.4% (as at 31 March 2019: the Group was in a net cash position, calculated on the basis that total bank balances and cash less total bank loans).

MAJOR ACQUISITION AND DISPOSALS

On 15 April 2019, an indirect wholly owned subsidiary of the Company, Great Virtue Ventures Limited, entered into a sale and purchase agreement with an independent third party to purchase a property, namely Hay Nien Building located at No.1 Tai Yip Street, Kwun Tong, Kowloon, Hong Kong, at a consideration of HK$489,000,000. The transaction was completed on 8 May 2019.

On 15 July 2019, an indirect wholly owned subsidiary of the Company, Shangzhi Limited, entered into a sale and purchase agreement with an independent third party to dispose of its entire interests in General Mark Holdings Limited, together with its wholly owned subsidiary, Masswell International Limited ("Masswell"), at a consideration of approximately HK$421,529,000. Masswell is engaged in property investment. The major asset of Masswell represented a serviced apartment named "One Eleven" situated at No. 111 High Street, Hong Kong. The disposal was completed on 15 August 2019.

On 16 July 2019, an indirect wholly owned subsidiary of the Company, Excellent Sincere Limited, entered into a sale and purchase agreement with an independent third party to acquire the entire issued and paid up share capital and shareholder loan of Storage Portfolio Holding II Ltd, together with its wholly owned subsidiaries, (i) Storage Holding I Ltd; and (ii) Storage Management Ltd, together with its wholly owned subsidiaries, Minibox Asia Limited and New Empire Properties Limited ("Storage Management Group"), at a consideration of approximately HK$737,884,000. The acquisition was completed on 30 August 2019. Storage Portfolio Holding II Ltd was principally engaged in the self-storage business through Storage Management Group and holds various industrial properties portfolio located at Chai Wan and Kwun Tong, Hong Kong through Storage Holding I Ltd. Immediate after the completion of the acquisition on 30 August 2019, Storage Portfolio Holding II Ltd entered into a sale and purchase agreement on the same day with an independent third party to dispose the entire interest in Storage Management Group at a consideration of approximately HK$16,194,000. The disposal was completed on the same day. After the disposal of Storage Management Group, the major asset of Storage Portfolio Holding II Ltd together with its wholly owned subsidiary, Storage Holding I Ltd represented the industrial properties located at Chai Wan and Kwun Tong.

On 16 August 2019, a joint venture in which the Group has 50% interest entered into a sale and purchase agreement with an independent third party to dispose the entire issued share capital and shareholder's loan to Popular Castle Limited together with its wholly owned subsidiaries which indirectly held Central Industrial Building, located at 57-61 Ta Chuen Ping Street, Kwai Chung, New Territories at a consideration of approximately HK$1,080,000,000 (subject to adjustment). The disposal is expected to be completed in March 2020.

On 27 September 2019, a joint venture in which the Group has 50% interest entered into a sale and purchase agreement with an independent third party to acquire the entire issued share capital and shareholder's loan to Harbour Sky (BVI) Ltd. which directly held the whole block of property, namely Johnson Place, located at No. 14-16 Lee Chung Street, Chai Wan, Hong Kong at a consideration of approximately HK$948,025,000. The acquisition was completed on 23 October 2019.

On 11 October 2019, an indirect wholly owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire the entire issued and paid up share capital and shareholder loan of Excel Chinese International Limited, which holds a serviced residence and hotel business operated at the Property in the name "Citadines Mercer Hong Kong" at a consideration of HK$740,800,000 (subject to adjustment). The acquisition was completed on 8 November 2019.

COLLATERAL

As at 30 September 2019, the Group's Hong Kong dollar loans of HK$802.0 million (as at 31 March 2019: HK$351.0 million) were secured by first charges over certain leasehold land and buildings and investment properties of the Group, at the carrying value of approximately HK$1,402.8 million (as at 31 March 2019: HK$942.2 million).

PERFORMANCE BONDS

As at 30 September 2019, the Group had outstanding performance bonds in respect of construction contracts amounting to approximately HK$164.0 million (as at 31 March 2019: HK$136.9 million).

COMMITMENTS

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

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in relation to:		
Acquisition of investment properties	**–**	440,100

The Group's share of the commitments made jointly with other joint ventures relating to the joint ventures, but not recognised at the end of the reporting period is as follows:

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Commitments to provide loans	**1,313,745**	382,857

CORPORATE GOVERNANCE

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

Throughout the six months ended 30 September 2019, the Company has complied with all the Code Provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the Code Provision E.1.2 of the CG Code which stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Company, Mr. Cha Mou Sing, Payson, was unable to attend the Company's 2019 annual general meeting due to other important engagement. The Managing Director took the chair of that meeting in accordance with the articles of association of the Company.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2019 or the period from his appointment to 30 September 2019 (as for the director appointed during the period).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group (excluding its joint ventures) had 552 full time employees. The Group offers competitive remuneration packages, including 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 employees.

REVIEW OF INTERIM RESULTS

The Company has engaged Messrs. Deloitte Touche Tohmatsu, the Group's auditor, to assist the Audit Committee of the Company to review the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019. The unaudited condensed consolidated financial statements for the period have been reviewed by the Audit Committee.

On behalf of the Board
Hanison Construction Holdings Limited
Cha Mou Sing, Payson
Chairman

Hong Kong, 19 November 2019

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. Zhang Wei
(also alternate director to Mr. Cha Mou Sing, Payson)

Executive Directors
Mr. Wong Sue Toa, Stewart *(Managing Director)*
Mr. Tai Sai Ho *(General Manager)*
Mr. Lo Kai Cheong

Independent Non-executive Directors
Mr. Chan Pak Joe
Dr. Lau Tze Yiu, Peter
Dr. Sun Tai Lun