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(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 896)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

SUMMARY OF RESULTS

For the year ended 31 March 2020, Hanison Construction Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded revenue from continuing operations of HK\$958.2 million, representing a year-on-year decline of 50.8% from HK\$1,948.1 million recorded in the previous financial year. Consolidated profit attributable to owners of the Company amounted to HK\$221.4 million (2019: HK\$578.0 million), a decrease of 61.7% over the profit attained last year. The decline was mainly attributable to (a) the exceptionally large gain on disposals of self-used properties in Shatin, subsidiaries and 40% interest of a residential property in Sheung Wan of the Group in the preceding year; (b) absence of profit from the Company’s aluminium windows, doors and curtain walls business, through Million Hope Industries Holdings Limited which was discontinued in the preceding year; (c) a reduction of contribution from Construction Division as a result of the drop in revenue for the year ended 31 March 2020; and (d) partially offset by gain on disposals of a residential property in Sai Ying Pun and 50% interest of an industrial property in Kwai Chung and launch of strata sale of a residential property in Cheung Sha Wan for the year ended 31 March 2020.

The basic earnings per share and diluted earnings per share for continuing and discontinued operations for the year were HK20.3 cents and HK20.3 cents, representing decreases of 63.6% and 63.0% respectively when compared with HK55.7 cents and HK54.9 cents respectively last year.

As at 31 March 2020, the net asset value of the Group amounted to HK\$3,923.6 million (2019: HK\$3,779.4 million), representing an increase of 3.8% over last year. Net asset value per share as at 31 March 2020 was HK\$3.60 (2019: HK\$3.46).

DIVIDEND

The board of directors of the Company (the “Board”) has recommended a final dividend of HK5.0 cents per share for the year ended 31 March 2020 (2019: HK5.0 cents per share) to shareholders whose names appear on the register of members of the Company on 3 September 2020. This, together with an interim dividend of HK2.5 cents per share (2019: HK2.5 cents per share) distributed during the year, gives a total dividend of HK7.5 cents per share for the year (2019: HK7.5 cents per share in cash and a special interim dividend by distribution in specie). The proposed final dividend will be paid on 15 September 2020 following approval at the annual general meeting scheduled to be held on 25 August 2020 (“AGM”).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 20 August 2020 to 25 August 2020, both days inclusive, for the purpose of determining the identity of members who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, 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 19 August 2020.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from 1 September 2020 to 3 September 2020, both days inclusive, for the purpose of determining the identity of members who are entitled to the final dividend for the year ended 31 March 2020 ("2020 Final Dividend"). In order to qualify for the 2020 Final Dividend, 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 31 August 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Continuing operations			
Revenue	3	958,245	1,948,123
Cost of sales		(796,200)	(1,727,267)
Gross profit		162,045	220,856
Other income		20,616	7,720
Other gains and losses	5	31,509	(430)
(Loss) gain on disposal of property, plant and equipment		(308)	166,054
(Loss) gain on disposal of subsidiaries		(1,235)	318,106
(Impairment losses) reversal of impairment losses under expected credit loss model, net		(3,992)	113
Marketing and distribution costs		(43,435)	(12,174)
Administrative expenses		(212,478)	(248,897)
Change in fair value of investment properties			
– Realised gains on disposals		68,786	44,325
– Unrealised gains		114,480	73,614
Share of profit of an associate		404	89
Share of profit of joint ventures		130,042	74,423
Finance costs		(34,682)	(15,151)
Profit before taxation	6	231,752	628,648
Taxation	8	(10,376)	(62,425)
Profit for the year from continuing operations		221,376	566,223
Discontinued operations			
Profit for the year from discontinued operations	7	–	11,799
Profit for the year		221,376	578,022
Profit for the year			
For continuing operations		221,376	566,223
For discontinued operations		–	11,799
		221,376	578,022
Earnings per share			
For continuing and discontinued operations			
Basic (HK cents)	10	20.3	55.7
Diluted (HK cents)	10	20.3	54.9
For continuing operations			
Basic (HK cents)	10	20.3	54.5
Diluted (HK cents)	10	20.3	53.8

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	<u>221,376</u>	<u>578,022</u>
Other comprehensive (expense) income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(32)	(4,266)
Release of exchange reserve upon disposal of a foreign operation	–	1,285
Share of exchange differences of a joint venture	<u>(6,520)</u>	<u>(7,533)</u>
	<u>(6,552)</u>	<u>(10,514)</u>
Total comprehensive income for the year	<u><u>214,824</u></u>	<u><u>567,508</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2020

	<i>NOTES</i>	31.3.2020 HK\$'000	31.3.2019 <i>HK\$'000</i>
Non-current assets			
Investment properties		2,858,773	2,225,570
Property, plant and equipment		1,114,411	393,119
Right-of-use assets		5,957	–
Interest in an associate		7,514	7,110
Interests in joint ventures		373,458	396,984
Loans to joint ventures		701,959	498,289
Deposit paid and prepayment for acquisition of investment properties		–	90,465
Deferred tax assets		2,508	2,538
		5,064,580	3,614,075
Current assets			
Properties under development for sale		329,689	322,596
Properties held for sale		–	7,441
Inventories		16,695	15,357
Contract assets		270,177	267,080
Debtors, deposits and prepayments	<i>11</i>	100,739	114,148
Amounts due from joint ventures		17	17
Amount due from a related party		–	24,364
Loans to joint ventures		–	24,209
Financial assets at fair value through profit or loss		319	519
Taxation recoverable		7,501	10,394
Bank balances and cash		246,140	869,514
		971,277	1,655,639
Assets classified as held for sale	<i>12</i>	483,587	–
		1,454,864	1,655,639
Current liabilities			
Trade and other payables	<i>13</i>	646,038	772,165
Provisions		70,727	87,637
Lease liabilities		6,270	–
Taxation payable		65,346	66,813
Bank loans – amounts due within one year		1,666,350	351,000
		2,454,731	1,277,615
Net current (liabilities) assets		(999,867)	378,024
Total assets less current liabilities		4,064,713	3,992,099

	<i>NOTE</i>	31.3.2020 HK\$'000	31.3.2019 <i>HK\$'000</i>
Non-current liabilities			
Provisions		119,442	200,299
Deferred tax liabilities		16,758	12,356
Lease liabilities		4,867	–
		<u>141,067</u>	<u>212,655</u>
		<u>3,923,646</u>	<u>3,779,444</u>
Capital and reserves			
Share capital	<i>14</i>	109,092	109,083
Reserves		3,814,554	3,670,361
		<u>3,923,646</u>	<u>3,779,444</u>

NOTES:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$999,867,000 as at 31 March 2020 and the Group also has bank loans totaling HK\$1,666,350,000, which were classified as current liabilities on the same date. Based on past experience that the Group has successfully renewed its borrowing facilities, the directors of the Company are confident that the Group will be able to renew the borrowing facilities upon expiry.

The directors of the Company are of the opinion that, taking into account of the unutilised banking facilities, the internally generated funds of the Group and the Group’s ability to renew borrowing facilities as described above, the Group has sufficient working capital for its present requirements for the next twelve months from 31 March 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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 year has had no material impact on the Group’s financial positions and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 “Leases”

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

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.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b) (ii) transition. 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. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

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 incremental borrowing rate applied is 5.17%.

	At 1.4.2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	13,135
<i>Add:</i> Extension options reasonably certain to be exercised	2,700
<i>Less:</i> Practical expedient - leases with lease term ending within 12 months from date of initial application	<u>(617)</u>
	<u><u>15,218</u></u>
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	<u><u>9,928</u></u>
Analysed as	
Current	4,191
Non-current	<u>5,737</u>
	<u><u>9,928</u></u>

The carrying amount of right-of-use assets for its own use and those under subleases (classified as investment properties) as at 1 April 2019 comprises the following:

	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 (<i>Note</i>)	<u><u>9,928</u></u>
By class:	
Land and buildings	6,723
Investment properties – Land and buildings	<u>3,205</u>
	<u><u>9,928</u></u>

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.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets and were adjusted to reflect the discounting effect at transition.

Effective from 1 April 2019, leasehold lands 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.

The following adjustments were made to the amounts recognised in the 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 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1.4.2019 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)

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for subleases which the Group acts as an intermediate lessor, 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 under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, the adjustment on discounting effect is insignificant to be recognised at the date of initial application, 1 April 2019.

The directors of the Company consider the application of HKFRS 16 as a lessor has had no material impact on the Group's consolidated statement of financial position as at 31 March 2020 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the year ended 31 March 2020.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ³
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ³

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2020.

⁴ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, “the Amendments to References to the Conceptual Framework in HKFRS Standards”, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group’s annual period beginning on or after 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE

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, hotel operations and lease income from property investment during the year, and is analysed as follows:

Disaggregation of revenue

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Recognised over time:		
Revenue from construction contract work	600,251	1,620,484
Revenue from interior and renovation contracts	211,677	130,115
Revenue from installation of building materials	38,207	90,982
Revenue from hotel operations	2,798	–
Property management service income	13,030	6,460
Recognised at a point in time:		
Sales of health products	50,279	59,870
Property agency service income	3,429	6,879
Revenue from contracts with customers	919,671	1,914,790
Lease income from property investment	38,574	33,333
	<u>958,245</u>	<u>1,948,123</u>
Geographical market:		
Hong Kong	<u>958,245</u>	<u>1,948,123</u>

4. 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 (including lease income from property investment and revenue from hotel operations), 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 aluminium 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 year ended 31 March 2019 reported below did not include any amounts for these discontinued operations, which were described in more details in note 7.

(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 year ended 31 March 2020

	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	600,251	211,677	38,207	50,279	41,372	-	16,459	958,245	-	958,245
Inter-segment sales	4,778	22,624	3,769	69	6,815	-	1,671	39,726	(39,726)	-
Total	<u>605,029</u>	<u>234,301</u>	<u>41,976</u>	<u>50,348</u>	<u>48,187</u>	<u>-</u>	<u>18,130</u>	<u>997,971</u>	<u>(39,726)</u>	<u>958,245</u>
RESULTS										
Segment result	<u>32,463</u>	<u>7,945</u>	<u>730</u>	<u>(8,583)</u>	<u>99,329</u>	<u>132,730</u>	<u>353</u>	<u>264,967</u>	<u>-</u>	<u>264,967</u>
Unallocated expenses										(33,215)
Profit before taxation										<u>231,752</u>

For the year ended 31 March 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	1,620,484	130,115	90,982	59,870	33,333	-	13,339	1,948,123	-	1,948,123
Inter-segment sales	703	59,284	2,198	145	6,869	-	11,664	80,863	(80,863)	-
Total	<u>1,621,187</u>	<u>189,399</u>	<u>93,180</u>	<u>60,015</u>	<u>40,202</u>	<u>-</u>	<u>25,003</u>	<u>2,028,986</u>	<u>(80,863)</u>	<u>1,948,123</u>
RESULTS										
Segment result	<u>61,147</u>	<u>4,474</u>	<u>261</u>	<u>(2,881)</u>	<u>285,512</u>	<u>302,126</u>	<u>831</u>	<u>651,470</u>	<u>-</u>	<u>651,470</u>
Unallocated expenses										(22,822)
Profit before taxation										<u>628,648</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. During the year ended 31 March 2020, the directors of the Company has revised the allocation of depreciation expenses of certain self-used properties and staff costs incurred by the head office and presented as unallocated expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

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

(b) Other Information***Continuing operations*****Year ended 31 March 2020**

	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	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets:									
Depreciation of property, plant and equipment	6,052	130	-	588	9,700	-	1,426	11,299	29,195
Depreciation of right-of-use assets	1,774	719	781	2,592	-	-	-	-	5,866
Impairment of right-of-use assets	-	-	-	2,151	-	-	-	-	2,151
Revaluation gain on properties held for sale upon transfer to investment properties	-	-	-	-	(31,859)	-	-	-	(31,859)
Gain on change in fair value of investment properties	-	-	-	-	(183,266)	-	-	-	(183,266)
Write-down of inventories	-	-	-	-	-	-	1,242	-	1,242
Loss on change in fair value of financial assets at fair value through profit of loss ("FVTPL")	200	-	-	-	-	-	-	-	200
(Gain) loss on disposal of property, plant and equipment	(108)	-	-	448	-	-	(32)	-	308
Loss on disposal of subsidiaries	-	-	-	-	1,235	-	-	-	1,235
(Reversal of impairment losses) impairment losses under expected credit loss model, net	(4,920)	(30)	(178)	(40)	3	9,168	(11)	-	3,992
Interest income	(2,605)	(161)	(91)	(8)	(27)	(2,323)	(1)	(463)	(5,679)
Share of profit of an associate	-	-	-	-	(404)	-	-	-	(404)
Share of loss (profit) of joint ventures	-	-	-	-	20,847	(150,889)	-	-	(130,042)
Finance costs	35	16	17	206	32,091	2,317	-	-	34,682
Additions to non-current assets (<i>note</i>)	676	1,263	-	685	657,778	-	1,792	-	662,194
Interest in an associate	-	-	-	-	7,514	-	-	-	7,514
Interests in joint ventures	-	-	-	-	121,658	251,800	-	-	373,458
Loans to joint ventures	-	-	-	-	479,711	222,248	-	-	701,959

Amounts regularly provided to the chief operating decision makers but not included in the measure of segment results:

Income tax expenses (credit)	5,446	1,216	91	-	5,566	-	(1,943)	-	10,376
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Note: Non-current assets exclude deferred tax assets, right-of-use assets, interest in an associate, interests in joint ventures and loans to joint ventures.

Year ended 31 March 2019

	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	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets:									
Depreciation of property, plant and equipment	12,064	941	1,061	678	5,196	19	2,839	-	22,798
Gain on change in fair value of investment properties	-	-	-	-	(117,939)	-	-	-	(117,939)
Loss on change in fair value of financial assets at FVTPL	61	-	-	-	-	-	-	-	61
(Gain) loss on disposal of property, plant and equipment	(337)	-	-	1	(165,718)	-	-	-	(166,054)
Gain on disposal of subsidiaries	-	-	-	-	-	(318,106)	-	-	(318,106)
(Reversal of impairment losses) impairment losses under expected credit loss model, net	(763)	(48)	(7)	(24)	864	(105)	(30)	-	(113)
Interest income	(2,824)	-	-	(6)	(113)	-	(1)	-	(2,944)
Share of profit of an associate	-	-	-	-	(89)	-	-	-	(89)
Share of profit of joint ventures	-	-	-	-	(47,136)	(27,287)	-	-	(74,423)
Finance costs	102	-	-	-	15,049	-	-	-	15,151
Additions to non-current assets (<i>note</i>)	961	-	21	28	181,632	-	9	-	182,651
Interest in an associate	-	-	-	-	7,110	-	-	-	7,110
Interests in joint ventures	-	-	-	-	272,648	124,336	-	-	396,984
Loans to joint ventures	-	-	-	-	179,587	342,911	-	-	522,498

Amounts regularly provided to the chief operating decision makers but not included in the measure of segment results:

Income tax expenses (credit)	3,851	(800)	(233)	(38)	11,591	47,369	685	-	62,425
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Note: Non-current assets exclude deferred tax assets, interest in an associate, interests in joint ventures and loans to joint ventures.

Geographical information

The Group's revenue which is generated from customers located in Hong Kong, the Company's place of domicile, amounted to HK\$958,245,000 (2019: HK\$1,948,123,000). Accordingly, no further analysis of the Group's revenue by geographical market based on geographical location of customers has been presented.

The analysis of the Group's non-current assets by geographical location of assets is presented as follows (Note):

	31.3.2020	31.3.2019
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	4,265,429	3,009,296
The People's Republic of China (the "PRC")	94,684	103,952
	<u>4,360,113</u>	<u>3,113,248</u>

Note: Interest in an associate and interests in joint ventures are analysed by geographical location of their respective operations.

Non-current assets excluded loans to joint ventures and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of the total revenue of the Group is as follows:

	2020	2019
	HK\$'000	HK\$'000
Customer A (<i>note</i>)	281,867	1,137,421
Customer B (<i>note</i>)	271,883	371,131
	<u>271,883</u>	<u>371,131</u>

Note: Revenue from construction contracts income within the construction segment.

5. OTHER GAINS AND LOSSES

	2020	2019
	HK\$'000	HK\$'000
Continuing operations		
Net exchange losses	(150)	(369)
Loss on change in fair value of financial assets at FVTPL	(200)	(61)
Revaluation gain on properties held for sale upon transfer to investment properties	31,859	—
	<u>31,509</u>	<u>(430)</u>

6. PROFIT BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	29,195	22,798
<i>Less:</i> Depreciation expenses included in the cost of sales	<u>(2,562)</u>	<u>(2,988)</u>
	<u>26,633</u>	<u>19,810</u>
Depreciation of right-of-use assets	5,866	–
<i>Less:</i> Depreciation expenses included in the cost of sales	<u>(1,774)</u>	<u>–</u>
	<u>4,092</u>	<u>–</u>
Impairment of right-of-use assets	2,151	–
Auditor's remuneration	3,580	3,750
Minimum lease payments under operating leases in respect of rented premises	–	4,611
Short-term leases expenses in respect of rent premises	1,619	–
Contract costs recognised as expenses in cost of sales	761,986	1,693,073
Costs of inventories recognised as expenses in cost of sales	32,972	34,194
Write-down of inventories in cost of sales	1,242	–
Gross rental income under operating leases on:		
Investment properties	(38,574)	(33,333)
Other properties	(48)	(1,849)
<i>Less:</i> Direct operating expenses that generated rental income during the year	<u>2,635</u>	<u>2,164</u>
	<u><u>(35,987)</u></u>	<u><u>(33,018)</u></u>
Expenses included in cost of sales:		
Depreciation of property, plant and equipment	2,562	2,988
Depreciation of right-of-use assets	1,774	–
Minimum lease payments under operating leases in respect of:		
– plant and machinery	–	17,219
– others	–	938
Short-term leases expense in respect of plant and machinery	<u>13,426</u>	<u>–</u>

7. 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 period from 1 April 2018 to 18 March 2019 from the discontinued operations carried out by Million Hope Group is set out below.

	<i>HK\$'000</i>
Revenue	366,884
Cost of sales	<u>(293,856)</u>
Gross profit	73,028
Other income	2,462
Other gains and losses	348
Loss on disposal of property, plant and equipment	(15)
Reversal of impairment losses	3,144
Administrative and other expenses	(59,834)
Finance costs	<u>(2,047)</u>
Profit before taxation	17,086
Taxation	<u>(5,287)</u>
Profit for the period	<u><u>11,799</u></u>

Profit for the period from 1 April 2018 to 18 March 2019 from discontinued operations includes the following:

	<i>HK\$'000</i>
Auditor's remuneration	1,530
Depreciation of property, plant and equipment	9,262
Minimum lease payments under operating leases in respect of rented premises	90
Release of prepaid lease payments included in cost of inventories	197
Reversal of impairment loss recognised on inventories	(1,366)
Reversal of impairment loss recognised on trade debtors	(2,986)
Reversal of impairment loss recognised on contract assets	(158)
Interest income	(25)
Loss on disposal of property, plant and equipment	<u><u>15</u></u>

8. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Hong Kong Profits Tax		
Current year	10,532	52,974
(Over)underprovision in prior years	<u>(1,210)</u>	<u>5,479</u>
	9,322	58,453
Deferred taxation	<u>1,054</u>	<u>3,972</u>
	<u>10,376</u>	<u>62,425</u>

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates 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 group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. 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%.

Accordingly, the Hong Kong profits tax of the qualifying group entity 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.

Under the Law of the PRC on Enterprise Income Tax (“EIT”) and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

9. DIVIDENDS

Dividends recognised as distribution during the year:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Ordinary shares:		
2020 interim dividend – HK2.5 cents per share (2019: 2019 interim dividend – HK2.5 cents per share)	27,273	26,169
2019 final dividend – HK5.0 cents per share (2019: 2018 final dividend – HK5.0 cents per share)	54,546	52,294
Sub-total	81,819	78,463
Special interim dividend by way of distribution in specie of subsidiaries (<i>note</i>)	–	500,048
	81,819	578,511
	2020 HK\$'000	2019 <i>HK\$'000</i>
Proposed final dividend for the financial year ended 31 March 2020 of HK5.0 cents per share (2019: for the financial year ended 31 March 2019 of HK5.0 cents per share)	54,546	54,542

Note: On 22 February 2019, the Company declared a special interim dividend, satisfied by distribution in specie of all shares in Million Hope, representing the Company's entire interest in Million Hope. The distribution was made by way of allocating 2 Million Hope shares for every 5 shares of the Company held by the Company's shareholders. The distribution in specie by the Company was recognised at the carrying amount of the net assets of Million Hope Group attributable to the owners of the Company as the directors of the Company considered that Million Hope was ultimately under the control of the same parties before and after the distribution.

10. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2020 HK\$'000	2019 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	221,376	578,022

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	1,090,899	1,038,165
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options granted by the Company	171	789
Adjustment in relation to award shares granted by the Company	—	13,007
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (<i>Note</i>)	<u>1,091,070</u>	<u>1,051,961</u>

Note: The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for both years have 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share	221,376	578,022
<i>Less:</i> Profit for the year from discontinued operations	—	(11,799)
	<u> </u>	<u> </u>
Earnings for the purpose of calculating basic and diluted earnings per share for continuing operations	<u>221,376</u>	<u>566,223</u>

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 year ended 31 March 2019 was HK1.2 cents per share and diluted earnings per share for the discontinued operations was HK1.1 cents per share, based on the profit for the year ended 31 March 2019 from discontinued operations of HK\$11,799,000 and the denominators used were the same as those detailed above for basic and diluted earnings per share for continuing and discontinued operations.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

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 (2019: 30 to 90 days and not more than 90 days), respectively, to its customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customers and define appropriate credit limit. Other receivables are unsecured, interest-free and repayable on demand.

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

	31.3.2020	31.3.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	50,620	54,957
31 – 60 days	8,645	8,562
61 – 90 days	1,418	8,504
Over 90 days	6,482	4,511
	67,165	76,534

12. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 March 2020, the Group launched a block of residential investment properties located in Hong Kong with carrying value amounting to HK\$483,587,000 for sale in the market. As at 31 March 2020, the Group has entered into sale and purchase agreements with independent third parties to dispose of certain units at a total consideration of HK\$286,281,000.

For the units without sale and purchase agreements and offered for sales as at 31 March 2020 with carrying value amounting to HK\$197,306,000, the directors of the Company considered that the held-for-sale criteria as set out in HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” were met, by taking into account the fact that the subject investment properties were immediately available for sale, and the sale is to be highly probable as appropriate level of management had be committed to a plan to sell the investment properties. Accordingly, the subject investment properties were classified as assets held for sale as at 31 March 2020.

Subsequent to 31 March 2020 and up to the date of this announcement, the Group has entered into sale and purchase agreements with independent third parties to further dispose of some units at a total consideration of HK\$190,540,000.

As at 31 March 2020, the fair value of the investment properties classified as held for sale amounting to HK\$483,587,000 were determined by Colliers International (Hong Kong) Limited, an independent property valuer, with reference to the contracted selling price, if any.

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:

	31.3.2020 HK\$'000	31.3.2019 <i>HK\$'000</i>
Within 30 days	28,391	68,646
31 – 60 days	780	192
61 – 90 days	2	649
Over 90 days	4,152	3,825
	<u>33,325</u>	<u>73,312</u>

14. SHARE CAPITAL

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
Shares of HK\$0.10 each		
Balance as at 1 April 2018, 31 March 2019 and 31 March 2020	<u>1,500,000,000</u>	<u>150,000</u>
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 (<i>Note</i>)	<u>44,654,925</u>	<u>4,465</u>
Balance as at 31 March 2019 and 1 April 2019	1,090,831,576	109,083
Issue of shares upon exercise of share options (<i>Note</i>)	<u>93,100</u>	<u>9</u>
Balance as at 31 March 2020	<u>1,090,924,676</u>	<u>109,092</u>

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

OPERATIONS REVIEW

CONSTRUCTION DIVISION

The revenue for the Construction Division was HK\$605.0 million for the year ended 31 March 2020 (2019: HK\$1,621.2 million).

During the year, the Construction Division continued to work on the projects on hand. The total amount of contracts on hand as at 31 March 2020 for the Construction Division amounted to HK\$2,070.6 million.

Major Project Completed

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

Major Projects Undertaken

- (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

Major Project Awarded During the Financial Year Ended 31 March 2020

- (1) Proposed residential redevelopment at 21-31 Wing Fung Street, Wan Chai, Hong Kong

INTERIOR AND RENOVATION DIVISION

For the year ended 31 March 2020, the Interior and Renovation Division recorded a revenue of HK\$234.3 million, as compared with HK\$189.4 million last year.

The total amount of contracts on hand as at 31 March 2020 for the Interior and Renovation Division amounted to HK\$226.9 million.

Major Projects Completed

- (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 Projects Undertaken

- (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
- (6) Façade repair works for campus buildings (2019-2022) for the City University of Hong Kong

BUILDING MATERIALS DIVISION

The Group's Building Materials Division specialises in the supply and installation of interior products such as different types of suspended ceiling system, metal cladding system, fire rated enclosure system and wood flooring.

For the year ended 31 March 2020, the revenue of the Building Materials Division was HK\$42.0 million compared with that of HK\$93.2 million last year.

The total amount of contracts on hand as at 31 March 2020 for the Building Materials Division amounted to HK\$69.5 million.

Major Projects Completed

- (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 & 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
- (3) 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
- (4) Proposed residential redevelopment at No.23 Robinson Road, Hong Kong at Carpark – Supply and installation of external ceiling system
- (5) Proposed residential development at TMTL 542, Castle Peak Road, Castle Peak Bay Area 48, Tuen Mun, New Territories – Design, supply and installation of suspended ceiling system
- (6) Proposed office development at 1 Hennessy Road, Hong Kong – Supply and installation of suspended ceiling system

Major Projects Undertaken

- (1) Proposed residential development at TMTL 500 Kwun Chui Road, Tuen Mun, New Territories – Supply and installation of suspended ceiling system
- (2) Museum Plus (M+) at West Kowloon Cultural District – Supply and installation of metal ceiling and FRP system
- (3) 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

Major Projects Awarded During the Financial Year Ended 31 March 2020

- (1) MTR SCL Contract No.1123 – Exhibition Station and Western Approach Tunnel – Design, supply and installation of suspended ceiling system
- (2) Tai Wai Station property development – External ceiling system under transfer plate (T1 to T8)
- (3) Construction of the Hong Kong Palace Museum for The West Kowloon Cultural District Authority – Design, supply and installation of suspended ceiling system
- (4) Construction of public rental housing development at Queen’s Hill Site 1, Phase 1 & Portion of Phase 6 – Design, supply and installation of external ceiling system

PROPERTY DEVELOPMENT DIVISION

The Property Development Division recorded no revenue during the year ended 31 March 2020 (2019: 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 year. 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 127 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 was 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\$48.2 million for the year ended 31 March 2020 (2019: HK\$40.2 million).

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 in 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.

Renovation of West Park was completed during the year and strata sale was launched in January 2020. A total of 40 sale and purchase agreements was signed up to the end of the reporting year. Further 22 sale and purchase agreements have been signed and 18 units had been delivered to customers subsequent to the financial year and up to the date of this announcement. The remaining 1 residential unit is being offered for sales.

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, Hay Nien Building in Kwun Tong, Minibox Tower in Chai Wan, certain industrial units and car parking spaces at Chaiwan Industrial Centre and Kwun Tong Industrial Centre, The Mercer in Sheung Wan, and following three properties in which the Group has 50% interest: PeakCastle in Cheung Sha Wan, Hoi Bun Godown in Tuen Mun and The Connaught at No.138 Connaught Road West, all contributed rental incomes to the Group during the financial year.

Renovation of West Castle was completed during the year and is now available for rent.

The Edward is now under renovation in order to improve the respective rental incomes and to enhance the property value.

PROPERTY AGENCY AND MANAGEMENT DIVISION

The revenue of the Property Agency and Management Division for the year ended 31 March 2020 was HK\$18.1 million (2019: HK\$25.0 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 (terminated in March 2020), The Connaught at No. 138 Connaught Road West, Johnson Place in Chai Wan, 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, Hay Nien Building at No. 1 Tai Yip Street and The Mercer at No. 29 Jervois Street.

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

HEALTH PRODUCTS DIVISION

Made up of two subsidiaries of the Group, namely Care & Health Limited (“Care & Health”) and Retailcorp Limited (“Retailcorp”), the Health Products Division focuses on wholesale of Chinese and Western nutritional supplements and management of relevant retail chain stores.

For the year ended 31 March 2020, the Division recorded revenue of HK\$50.3 million, compared to HK\$60.0 million last year.

Retailcorp manages the Group’s chain stores business under the trade name HealthPlus. Currently, there are 3 retail outlets (including a HealthPlus shop at St. Teresa’s Hospital) and 1 service centre in operation. During the current financial year, HealthPlus joined the Eugene Baby Fair 2019 from 2 to 5 August 2019 and Care & Health 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 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 established different e-commercial channels to draw customers from different regions.

FINANCIAL REVIEW

Group Liquidity and Financial Resources

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

For day-to-day liquidity management and to maintain flexibility in funding, the Group has access to facilities from banks and an insurance company with an aggregate amount of HK\$3,070.4 million (HK\$1,730.4 million was secured by first charges over certain leasehold land and buildings, investment properties and properties under development for sale of the Group), of which HK\$1,666.4 million bank loans have been drawn down and approximately HK\$284.3 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 31 March 2020. The bank loans under these banking facilities bear interests at prevailing market interest rates.

The Group follows a prudent policy in managing its cash balance, and endeavours to maintain its sound cash flow generating capability, its ability to take on investments and acquisition projects, in order to enhance shareholder wealth. The total cash and bank balances of the Group amounted to HK\$246.1 million as at 31 March 2020 (2019: HK\$869.5 million), and accounted for 16.9% of the current assets (2019: 52.5%).

During the year, the Group has a net cash outflow of HK\$313.3 million in its operating activities (mainly due to the utilisation of provisions and decrease in trade and other payables), a net cash outflow of HK\$1,537.6 million in its investing activities (mainly due to net cash outflows on acquisitions of subsidiaries, purchase of investment properties and loans to joint ventures, netting off net cash inflows on disposals of subsidiaries, repayments of loans from joint ventures and dividend received from joint ventures), and a net cash inflow of HK\$1,227.6 million in its financing activities (mainly due to new bank loans raised, netting off dividends paid to shareholders and repayment of bank loans). As at 31 March 2020, net bank borrowings (total bank loans less total bank balances and cash) amounted to HK\$1,420.2 million and the gearing ratio of the Group which was calculated on the basis of the Group's net bank borrowings to shareholders' funds was 36.2%. As at 31 March 2019, the Group was in a net cash position, calculated on the basis of total cash and bank balances less total bank loans. As at year-end date, the Group was with a net current liabilities of HK\$999.9 million (2019: net current asset of HK\$378.0 million) and the current ratio (current assets divided by current liabilities) was 0.59 time (2019: 1.30 times).

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 Policy

The aim of the Group's treasury policy is to minimise its exposure to fluctuations in the exchange rate and not to engage in any highly leveraged or speculative derivative products. Treasury transactions unrelated to underlying financial exposure are not undertaken. Foreign currency exposures of the Group arise mainly from the purchase of goods. The Group will determine if any hedging is required, on an individual basis, depending upon the size and nature of the exposure, and the prevailing market circumstances.

In order to enhance the deployment of internal funds with maximum benefit, to achieve better risk control, and to minimise cost of funds, the Group's treasury activities are centralised and scrutinised by the top management.

The surplus cash which is generally placed with reputable financial institutions is mostly denominated in Hong Kong dollar. Most of the income, expenses, assets and liabilities of the Group are denominated in Hong Kong dollars. The Group therefore does not have any significant exposure to gains or losses arising from the movement of foreign currency exchange rate against the Hong Kong dollar.

Shareholders' Funds

At the year-end date, shareholders' funds of the Group were HK\$3,923.6 million including reserves of HK\$3,814.6 million, an increase of HK\$144.2 million from HK\$3,670.4 million at 31 March 2019. On that basis, the consolidated net asset value of the Group as at 31 March 2020 was HK\$3.60 per share, compared to the consolidated net asset value of HK\$3.46 per share as at 31 March 2019. The increase in shareholders' funds was mainly attributable to profits retained after payments of cash dividends, exercise of share options and recognition of equity-settled share-based payments.

Capital Structure

The Group intends to keep an appropriate mix of equity and debt to ensure an efficient capital structure over time. As at 31 March 2020, the Group borrowed Hong Kong dollar loans amounting to HK\$1,666.4 million from the banks (at 31 March 2019: HK\$351.0 million). The borrowings have been used as general working capital for financing the properties for development and investment purposes over the years. The maturity profile of the loans spread over a period of two years with HK\$1,503.5 million repayable within the first year and HK\$162.9 million repayable within the second year. Bank loans that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause with carrying amount of HK\$1,666.4 million have been classified as current liabilities. Interest is based on Hong Kong Interbank Offered Rate plus a competitive margin.

Major Acquisitions 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\$1,079,933,000. The disposal was completed on 23 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\$948,112,000. 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 approximately HK\$742,348,000. The acquisition was completed on 8 November 2019.

Collateral

As at 31 March 2020, certain leasehold land and buildings, investment properties and properties under development for sale of the Group, at the carrying value of approximately HK\$2,808.3 million (at 31 March 2019: HK\$942.2 million), were pledged to the banks to secure the Hong Kong dollar loans of HK\$1,366.4 million (at 31 March 2019: HK\$351.0 million).

Performance Bonds

As at 31 March 2020, the Group had outstanding performance bonds in respect of construction contracts amounting to HK\$169,323,000 (2019: HK\$136,941,000).

Commitments

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

	31.3.2020 HK\$'000	31.3.2019 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in relation to:		
Acquisition of investment properties	<u>–</u>	<u>440,100</u>

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

	31.3.2020 HK\$'000	31.3.2019 <i>HK\$'000</i>
Commitments to provide loans	<u>620,020</u>	<u>382,857</u>

Employees and Remuneration Policy

As at 31 March 2020, the Group (excluding its joint ventures) had 463 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.

PROSPECTS

Hong Kong has been handling the pandemic well, at least comparative to many other countries and cities. The Hong Kong Government was quick to impose strict and effective measures to curb the spread of the virus. Essential service providers, including hospitals and healthcare providers, transport and logistics, and even supermarkets are all making do with the resources available to them in the best possible way.

The Hong Kong Government has introduced various financial assistances for businesses and individuals impacted by the coronavirus outbreak, and the Anti-epidemic Fund will be used to protect workers and stabilise the challenges the economy faces.

During this virus attack, the small and medium-sized enterprises (SMEs), particularly those engaged in retails, tourism and restaurants businesses were hit hard. It may not be possible for Hong Kong economy to rebound as quickly as it did following the SARS epidemic in 2003.

The Covid-19 outbreak struck a second blow to Hong Kong's property market which had already been weakened from the social unrest in 2019. Like during the SARS outbreak, this epidemic will freeze the properties turnover, particularly the retail and office market, in the short term. The retail and office market have come under growing pressure from increasing vacancy rates and depressed tenants' demands for temporary reduction in lease rents in the face of this difficult business environment.

However, according to the Financial Secretary Mr. Paul Chan, the coming property market price adjustment would be far smaller than what Hong Kong went through during the Asian financial crisis in 1997 and the outbreak of SARS in 2003. Back then, more than 100,000 households found themselves in negative equity territory, but the situation now is very different. The drop in the property market price has been in order, property holders' mortgage ratio remains low in general and developers' level of leverage is much lower, in which they would not flood the market with supplies in panic selling.

As the economic downturn is caused by a public health crisis, recovery of the global economy depends on how fast we can come out of this coronavirus pandemic attack. During this difficult time, our Group will adopt a prudent approach to maintain our cash flow and property portfolio at a healthy level.

CORPORATE GOVERNANCE

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

Throughout the year ended 31 March 2020, 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 Board, Mr. Cha Mou Sing, Payson, was unable to attend the Company's 2019 annual general meeting due to other 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 during the year ended 31 March 2020 or the period from the appointment date to 31 March 2020 (for the director appointed during the year).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF ANNUAL RESULTS

The Group's consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 23 June 2020

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