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興勝創建控股有限公司

HANISON CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 896)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2017**

SUMMARY OF RESULTS

For the year ended 31 March 2017, Hanison Construction Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded turnover of HK\$3,216.1 million, up 22.6% from HK\$2,623.0 million recorded in the previous financial year. Consolidated profit attributable to owners of the Company for the year amounted to HK\$516.9 million (2016: HK\$635.7 million). The decline was mainly due to the exceptionally large gain on disposal of a development project (pieces of agricultural land at D.D. 129, Lau Fau Shan in Yuen Long) through disposal of a subsidiary in the preceding year which net off an increase of gain on change in fair value of the investment properties of the Group and increase in share of profit of joint ventures for the year ended 31 March 2017.

The basic earnings per share and diluted earnings per share for the year were HK51.0 cents and HK50.7 cents, representing decreases of 36.3% and 35.8% respectively when compared with HK80.0 cents and HK79.0 cents respectively last year.

As at 31 March 2017, the net asset value of the Group amounted to HK\$3,066.6 million (2016: HK\$2,697.2 million), representing an increase of 13.7% over last year. Net asset value per share as at 31 March 2017 was HK\$2.95 (2016: HK\$2.60).

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 2017 (2016: HK5.0 cents per share) to shareholders whose names appear on the register of members of the Company on 31 August 2017. This, together with an interim dividend of HK2.2 cents per share (2016: HK2.5 cents per share) distributed during the year, gives a total dividend of HK7.2 cents per share for the year (2016: HK7.5 cents per share). The proposed final dividend will be paid on 13 September 2017 following approval at the annual general meeting scheduled to be held on 22 August 2017 (“AGM”).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 17 August 2017 to 22 August 2017, 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 16 August 2017.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from 29 August 2017 to 31 August 2017, 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 2017 ("2017 Final Dividend"). In order to qualify for the 2017 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 28 August 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Turnover	3	3,216,077	2,623,043
Cost of sales		(2,762,364)	(2,244,371)
Gross profit		453,713	378,672
Other income		7,770	10,380
Other gains and losses	5	49,115	431,030
Marketing and distribution costs		(46,917)	(44,541)
Administrative expenses		(208,508)	(248,960)
Gain on change in fair value of investment properties		255,042	210,223
Share of profit of an associate		323	95
Share of profit (loss) of joint ventures		57,182	(50,260)
Finance costs		(13,229)	(12,126)
Profit before taxation	6	554,491	674,513
Taxation	7	(37,552)	(26,817)
Profit for the year		<u>516,939</u>	<u>647,696</u>
Profit for the year attributable to:			
Owners of the Company		516,939	635,701
Non-controlling interest		—	11,995
		<u>516,939</u>	<u>647,696</u>
Earnings per share			
Basic (HK cents)	9	<u>51.0</u>	<u>80.0</u>
Diluted (HK cents)	9	<u>50.7</u>	<u>79.0</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year	<u>516,939</u>	<u>647,696</u>
Other comprehensive expense:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(3,362)	(1,899)
Share of exchange differences of a joint venture	<u>(3,667)</u>	<u>(5,105)</u>
	<u>(7,029)</u>	<u>(7,004)</u>
Total comprehensive income for the year	<u>509,910</u>	<u>640,692</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	509,910	628,697
Non-controlling interest	<u>–</u>	<u>11,995</u>
	<u>509,910</u>	<u>640,692</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017

	<i>NOTES</i>	31.3.2017 HK\$'000	31.3.2016 HK\$'000
Non-current assets			
Investment properties		2,399,700	1,827,310
Property, plant and equipment		251,131	293,745
Prepaid lease payments		5,472	6,032
Interest in an associate		6,941	6,618
Interests in joint ventures		422,738	117,483
Pledged bank deposits		–	200,910
Deferred tax assets		492	627
		3,086,474	2,452,725
Current assets			
Properties held for sale		110,474	260,225
Inventories		14,803	14,226
Amounts receivable on contract work		104,115	122,024
Progress payments receivable	10	233,819	131,266
Retention money receivable		281,686	223,300
Debtors, deposits and prepayments	11	158,221	57,261
Prepaid lease payments		201	213
Amount due from a joint venture		17	17
Investments held for trading		383	325
Taxation recoverable		2,949	3,200
Pledged bank deposits		139,263	–
Bank balances and cash		840,074	1,221,284
		1,886,005	2,033,341
Assets classified as held for sale	12	24,784	–
		1,910,789	2,033,341
Current liabilities			
Amounts payable on contract work		344,798	329,224
Trade and other payables	13	727,468	655,679
Taxation payable		24,227	26,611
Bank and other loans – amounts due within one year		822,155	764,780
		1,918,648	1,776,294
Net current (liabilities) assets		(7,859)	257,047
Total assets less current liabilities		3,078,615	2,709,772

	31.3.2017 <i>HK\$'000</i>	31.3.2016 <i>HK\$'000</i>
Non-current liability		
Deferred tax liabilities	<u>12,000</u>	<u>12,530</u>
	<u>3,066,615</u>	<u>2,697,242</u>
Capital and reserves		
Share capital	103,800	103,572
Reserves	<u>2,962,815</u>	<u>2,593,670</u>
	<u>3,066,615</u>	<u>2,697,242</u>

NOTES:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 (the “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\$7,859,000, and the Group has commitment amounting to HK\$216,000,000 in relation to acquisition of a property under development for sale as at 31 March 2017. As at 31 March 2017, the Group has bank and other loans totalling HK\$822,155,000, which were classified as current liabilities. The directors of the Company are of the opinion that there are good track records and relationship with banks which would enhance the Group’s ability on renewing the borrowing facilities.

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 other factors described above, the Group has sufficient working capital for its present requirements for the next twelve months from 31 March 2017. 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants

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

The Group has not early applied the following new and amendments to HKFRSs and an interpretation (the “new and revised HKFRSs”) that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers (and the related amendments) ¹
HKFRS 16	Leases ²
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle ³
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 “Financial instruments” with HKFRS 4 “Insurance contracts” ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKAS 7	Disclosure initiative ⁵
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁵
Amendments to HKAS 40	Transfers of investment property ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 “Financial instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 “Financial instruments: Recognition and measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company are of the view that the expected credit loss model may result in early provision of credit losses which are not yet incurred. However, it is not practicable to provide a reasonable estimate of the effect from using an expected credit loss model in respect of its financial assets until a detailed review has been completed.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK\$14,896,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. TURNOVER

Turnover represents the aggregate of the revenue earned from construction contract work, interior and renovation contracts, supply and installation of building materials, sales of health products, gross rental income from property investment, sale of properties and provision of property agency and management services during the year.

4. SEGMENT INFORMATION

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

(a) Segment revenues and results

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

For the year ended 31 March 2017

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Property investment HK\$'000	Property development HK\$'000	Property agency and management HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER										
External sales	2,036,765	163,971	574,759	54,966	44,881	331,261	9,474	3,216,077	-	3,216,077
Inter-segment sales	609	6,917	17,831	108	4,268	-	11,029	40,762	(40,762)	-
Total	<u>2,037,374</u>	<u>170,888</u>	<u>592,590</u>	<u>55,074</u>	<u>49,149</u>	<u>331,261</u>	<u>20,503</u>	<u>3,256,839</u>	<u>(40,762)</u>	<u>3,216,077</u>

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

RESULTS

Segment result	<u>48,991</u>	<u>2,611</u>	<u>68,524</u>	<u>3,250</u>	<u>320,261</u>	<u>123,206</u>	<u>454</u>	<u>567,297</u>	<u>-</u>	<u>567,297</u>
Unallocated expenses										<u>(12,806)</u>
Profit before taxation										<u>554,491</u>

For the year ended 31 March 2016

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Property investment HK\$'000	Property development HK\$'000	Property agency and management HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER										
External sales	1,523,079	358,137	375,720	52,659	31,655	272,327	9,466	2,623,043	-	2,623,043
Inter-segment sales	52,014	47,403	38,264	44	2,030	-	16,666	156,421	(156,421)	-
Total	<u>1,575,093</u>	<u>405,540</u>	<u>413,984</u>	<u>52,703</u>	<u>33,685</u>	<u>272,327</u>	<u>26,132</u>	<u>2,779,464</u>	<u>(156,421)</u>	<u>2,623,043</u>

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

RESULTS

Segment result	<u>44,305</u>	<u>17,973</u>	<u>29,811</u>	<u>2,638</u>	<u>193,958</u>	<u>426,085</u>	<u>163</u>	<u>714,933</u>	<u>-</u>	<u>714,933</u>
Unallocated expenses										<u>(40,420)</u>
Profit before taxation										<u>674,513</u>

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

(b) Other Information

Year ended 31 March 2017

	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	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets:								
Depreciation of property, plant and equipment	8,732	38	5,064	789	2,170	19	1,903	18,715
Gain on change in fair value of investment properties	-	-	-	-	(255,042)	-	-	(255,042)
Gain on change in fair value of investments held for trading	(58)	-	-	-	-	-	-	(58)
Gain on disposal of property, plant and equipment	(666)	-	-	-	-	-	(42)	(708)
Gain on disposal of a subsidiary	-	-	-	-	(49,057)	-	-	(49,057)
Interest income	(2,306)	-	(20)	(1)	-	(1,264)	(364)	(3,955)
Share of profit of an associate	-	-	-	-	(323)	-	-	(323)
Share of profit of joint ventures	-	-	-	-	(42,975)	(14,207)	-	(57,182)
Finance costs	-	-	12	-	13,217	-	-	13,229
Additions to non-current assets (note)	5,112	-	4,654	-	28,487	-	311	38,564
Interest in an associate	-	-	-	-	6,941	-	-	6,941
Interests in joint ventures	-	-	-	-	293,551	129,187	-	422,738

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

Income tax expenses	7,008	340	11,386	445	632	17,361	380	37,552
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Note: Non-current assets exclude pledged bank deposits, deferred tax assets, interest in an associate and interests in joint ventures.

Year ended 31 March 2016

	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	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets:								
Depreciation of property, plant and equipment	3,467	38	3,325	947	898	17	1,916	10,608
Gain on change in fair value of investment properties	-	-	-	-	(210,223)	-	-	(210,223)
Loss on change in fair value of investments held for trading	101	-	-	-	-	-	-	101
Reversal of impairment loss recognised on trade debtors	-	-	(927)	-	-	-	-	(927)
Gain on change in fair value of other long-term payable	-	-	-	-	-	(14,253)	-	(14,253)
(Gain) loss on disposal of property, plant and equipment	(4,194)	-	(8)	32	-	-	-	(4,170)
Gain on disposal of subsidiaries	-	-	-	-	(252)	-	-	(252)
Gain on disposal of a development project through disposal of a subsidiary	-	-	-	-	-	(416,626)	-	(416,626)
Interest income	(86)	-	(16)	(1)	-	(98)	(1,626)	(1,827)
Share of profit of an associate	-	-	-	-	(95)	-	-	(95)
Share of loss of joint ventures	-	-	-	-	-	50,260	-	50,260
Finance costs	-	-	2,267	-	9,609	250	-	12,126
Additions to non-current assets (note)	8,523	-	1,548	1,126	20,295	94	3	31,589
Interest in an associate	-	-	-	-	6,618	-	-	6,618
Interests in joint ventures	-	-	-	-	-	117,483	-	117,483

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

Income tax expenses (credit)	5,935	2,630	3,162	253	(1,317)	15,792	362	26,817
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Note: Non-current assets exclude pledged bank deposits, deferred tax assets, interest in an associate and interests in joint ventures.

Geographical information

The Group's turnover which is generated from customers located in Hong Kong, the Company's place of domicile, amounted to HK\$3,197,536,000 (2016: HK\$2,595,046,000). Accordingly, no further analysis of the Group's turnover 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*):

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong (place of domicile)	2,953,501	2,130,516
The People's Republic of China (the "PRC")	132,481	120,672
	<u>3,085,982</u>	<u>2,251,188</u>

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

Non-current assets excluded pledged bank deposits and deferred tax assets.

Information about major customers

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A (<i>note</i>)	834,968	— *
Customer B (<i>note</i>)	674,639	— *
Customer C (<i>note</i>)	— *	460,310
Customer D (<i>note</i>)	— *	385,477
	<u> </u>	<u> </u>

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

* The corresponding revenue does not contribute over 10% of the total turnover of the Group in the respective year.

5. OTHER GAINS AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other gains and losses comprises:		
Gain on disposal of subsidiaries	49,057	252
Gain (loss) on change in fair value of investments held for trading	58	(101)
Gain on disposal of a development project through disposal of a subsidiary	—	416,626
Gain on change in fair value of other long-term payable	—	14,253
	<u>49,115</u>	<u>431,030</u>

6. PROFIT BEFORE TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging and (crediting):		
Depreciation of property, plant and equipment	13,532	6,011
Auditor's remuneration	3,150	2,880
Reversal of impairment loss recognised on trade debtors	–	(927)
Gain on disposal of property, plant and equipment	(708)	(4,170)
Gain on disposal of subsidiaries	(49,057)	(252)
Gain on disposal of a development project through disposal of a subsidiary	–	(416,626)
Gain on change in fair value of other long-term payable	–	(14,253)
Net exchange loss	629	2,392
Contract costs recognised as expense in cost of sales	2,573,663	2,084,683
Costs of inventories recognised as an expense in cost of sales	188,701	159,688
Reversal of over accrued contract costs upon finalisation of accounts during the year	(22,598)	(24,557)
Gross rental income under operating leases	(44,881)	(31,655)
Less: Direct operating expenses that generated rental income during the year	<u>9,938</u>	<u>3,932</u>
	<u>(34,943)</u>	<u>(27,723)</u>
Sub-leasing income	(268)	(343)
Less: Direct operating expenses that generated sub-leasing income during the year	<u>52</u>	<u>51</u>
	<u>(216)</u>	<u>(292)</u>
Expenses included in cost of contract work:		
Depreciation	5,183	4,597
Release of prepaid lease payments	201	213
Rentals under operating leases in respect of:		
– plant and machinery	24,888	15,208
– others	<u>547</u>	<u>1,627</u>

7. TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	38,014	25,326
(Over)underprovision in prior years	<u>(67)</u>	<u>2,097</u>
	37,947	27,423
Deferred taxation	<u>(395)</u>	<u>(606)</u>
	<u>37,552</u>	<u>26,817</u>

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

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

No provision for taxation in the PRC as there are no assessable profits for both years.

8. DIVIDENDS

Dividends recognised as distribution during the year:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Ordinary shares:		
Interim dividend for 2017 – HK2.2 cents per share (2016: HK2.5 cents per share for 2016)	21,966	16,942
Final dividend for 2016 – HK5.0 cents per share (2016: HK3.4 cents per share for 2015)	<u>51,857</u>	<u>18,433</u>
	<u>73,823</u>	<u>35,375</u>
Proposed final dividend for the financial year ended		
31 March 2017 of HK5.0 cents (2016: for the financial year ended		
31 March 2016 of HK5.0 cents) per share	<u>49,315</u>	<u>51,786</u>

9. EARNINGS PER SHARE

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

	2017 HK\$'000	2016 HK\$'000
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share	<u>516,939</u>	<u>635,701</u>
	2017 '000	2016 '000
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	1,014,378	794,807
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options issued by the Company	4,509	9,875
Adjustment in relation to share awards granted by the Company	<u>369</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (<i>Note</i>)	<u><u>1,019,256</u></u>	<u><u>804,682</u></u>

Note: The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 March 2017 have been arrived at after deducting the shares held in trust for the Company.

10. PROGRESS PAYMENTS RECEIVABLE

Progress payments receivable represents the amounts receivable, after deduction of retention money, for construction services which usually fall due within 30 days after the work is certified. Retention money is usually withheld from the amounts receivable for work certified. 50% of the retention money is normally due upon completion of construction services and the remaining 50% portion is due upon finalisation of construction accounts.

Management closely monitors the credit quality of progress payments receivables. 69% (2016: 88%) of the progress payments receivable that are neither past due nor impaired are considered to be of good credit quality based on historical repayment from the debtors. Included in the Group's progress payments receivable of HK\$73,018,000 (2016: HK\$15,840,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The aged analysis of progress payments receivable is as follows:

	31.3.2017 HK\$'000	31.3.2016 HK\$'000
Within 30 days	160,801	115,426
31 – 60 days	60,192	5,760
Over 60 days	12,826	10,080
	233,819	131,266

11. DEBTORS, DEPOSITS AND PREPAYMENTS

Proceeds from property sales are receivable pursuant to the terms of the sale and purchase agreements. In addition to the payment of rental deposits, the Group is required to pay monthly rents in respect of leased properties in advance. For other businesses, the Group generally allows a credit period of not more than 90 days (2016: not more than 90 days) 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.

Management closely monitors the credit quality of trade debtors. 92% (2016: 91%) of the trade debtors that are neither past due nor impaired to be of a good credit quality based on their historical repayments. Included in the trade debtors balance are trade debtors with aggregate carrying amount of HK\$3,404,000 (2016: HK\$2,471,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. There are no balances included in other receivables which are past due.

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:

	31.3.2017 HK\$'000	31.3.2016 HK\$'000
Within 30 days	35,352	22,462
31 – 60 days	6,042	2,440
61 – 90 days	47	731
Over 90 days	3,052	1,213
	44,493	26,846

12. ASSETS CLASSIFIED AS HELD FOR SALE

On 22 March 2017, an indirect wholly owned subsidiary of the Company has entered into two provisional agreements for sale and purchase (“agreements”) with independent third parties to dispose of certain investment properties. The fair value of investment properties classified as held for sale is determined with reference to the contracted selling price. The directors of the Company assessed whether the held-for-sale criteria set out in HKFRS 5 “Non-current assets held for sale and discontinued operations” are met. Taking into account (a) the fact that the subject properties are immediately available for sale and (b) the conditions to be met to complete the disposal as set out in the terms of the relevant agreements, the directors of the Company believe that the disposals are expected to be completed in June 2017 and accordingly the relevant investment properties were classified as held for sale at 31 March 2017.

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:

	31.3.2017 HK\$'000	31.3.2016 HK\$'000
Within 30 days	144,519	110,816
31 – 60 days	1,001	524
61 – 90 days	282	1,015
Over 90 days	3,568	6,040
	<u>149,370</u>	<u>118,395</u>

14. EVENTS AFTER THE REPORTING PERIOD

- (i) On 18 January 2017, an indirect wholly owned subsidiary of the Company, Fortune Shiner Development Limited, entered into a sale and purchase agreement with an independent third party to acquire land with the messuages, erections and buildings situated at No. 57A Nga Tsin Wai Road, Kowloon, Hong Kong, at a cash consideration of HK\$240 million. As at 31 March 2017, deposits for the acquisition together with prepayment for stamp duty amounting to HK\$96 million has been paid. In April 2017, the remaining consideration of HK\$216 million has been settled and the acquisition has been completed accordingly.
- (ii) On 17 May 2017, an indirect wholly owned subsidiary of the Company, Heroic Elite Investments Limited, entered into a memorandum of understanding with an independent third party relating to a proposed acquisition of the entire issued share capital of Waller Holdings Limited (“WHL”) together with its shareholder’s loan, at a cash consideration of approximately HK\$145.4 million, which is subject to adjustment based on the net current asset value of WHL and its subsidiary on the completion date. On the same date, an indirect wholly owned subsidiary of the Company, Oriental Elite Global Limited, entered into a memorandum of understanding with an independent third party relating to a proposed acquisition of the entire issued share capital of Faithful Sun Limited (“FSL”) together with its shareholder’s loan, at a cash consideration of approximately HK\$149.7 million, which is subject to adjustment based on the net current asset value of FSL on the completion date. The major assets of WHL and FSL are certain office units and car parking spaces of a commercial property situated in Shatin, Hong Kong. Details of the proposed transactions were disclosed in the announcement of the Company dated 17 May 2017.
- (iii) On 1 June 2017, an indirect wholly owned subsidiary of the Company, Keen Elite Developments Limited, entered into a memorandum of understanding with independent parties relating to a proposed acquisition of the entire issued share capital of Ultimate Elite Investments Limited (“UEIL”), together with its shareholder’s loan, at a cash consideration of approximately HK\$148.7 million, which is subject to adjustment based on the net current asset value of UEIL and its subsidiary on the completion date. The major assets of UEIL are certain office units and car parking spaces of a commercial property situated in Shatin, Hong Kong. Details of the proposed transaction were disclosed in the announcement of the Company dated 1 June 2017.

OPERATIONS REVIEW

CONSTRUCTION DIVISION

The turnover for the Construction Division was HK\$2,037.4 million for the year ended 31 March 2017 (2016: HK\$1,575.1 million). During the year, the Construction Division continued to work on the projects on hand and secured several new building construction contracts.

The total amount of contracts on hand as at 31 March 2017 for the Construction Division amounted to HK\$5,679.9 million.

Major Projects Completed

- (1) Construction of the residential development at N.K.I.L. No. 6493 Inverness Road, Kowloon Tong
- (2) Construction of the proposed residential and commercial development at No. 5 Tung Yuen Street, Yau Tong, Kowloon
- (3) Construction of the proposed residential development at No. 11 Grampian Road, Kowloon

Major Projects in Progress

- (1) Construction of low-density residential development at Sha Tin Town Lot No. 603, Lok Lam Road, Fo Tan, New Territories
- (2) Construction of public rental housing development at Shek Mun Estate Phase 2, Shatin
- (3) Construction of the residential development at 1 Sheung Foo Street, K.I.L. No.11228, Homantin, Kowloon
- (4) Construction of public rental housing development at Choi Yuen Road Sites 3 and 4, Sheung Shui, New Territories

Major Projects Awarded

- (1) Construction of Sports Centre, Community Hall and Football Pitches in Area 1, Tai Po
- (2) Construction of a 30-classroom Secondary School at Site 1A-2, Kai Tak Development, Kowloon

INTERIOR AND RENOVATION DIVISION

For the year ended 31 March 2017, the Interior and Renovation Division recorded a turnover of HK\$170.9 million, as compared with HK\$405.5 million last year.

The total amount of contracts on hand as at 31 March 2017 for the Interior and Renovation Division amounted to HK\$300.9 million.

Major Projects Completed

- (1) Renovation work of Flora Garden at No. 7 Chun Fai Road, Hong Kong
- (2) Refurbishment works for Regal Court and Wing Fung Building at Wing Fung Street, Wan Chai, Hong Kong

Major Projects Undertaken

- (1) Alternations and additions works for Takan Lodge at 199 Johnston Road, Wanchai, Hong Kong
- (2) Renovation work of industrial building at No. 22 Yip Shing Street, Kwai Chung, New Territories

Major Project Awarded

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

BUILDING MATERIALS DIVISION

For the year ended 31 March 2017, the turnover of the Building Materials Division was HK\$592.6 million compared with that of HK\$414.0 million last year.

Trigon Building Materials Limited ("Trigon HK") and Trigon Interior Fitting-Out Works (Macau) Limited ("Trigon Macau") (collectively "Trigon")

Trigon HK and Trigon Macau are two of the subsidiaries of the Group under the Building Materials Division, specialising in the supply and installation of interior products such as different types of suspended ceiling system, metal cladding system, demountable partition system, fire related protection system, decorative moulding, raised flooring and wood flooring.

Major Projects Undertaken

- (1) Proposed development at Yuen Long Town Lot No. 518 – Design, supply and installation of suspended ceiling system
- (2) Kwun Tong Line Extension – Yau Mai Tei to Whampoa Tunnels and Ho Man Tin Station – Supply and installation of suspended ceiling system
- (3) Kwun Tong Line Extension – Whampoa Station and Overrun Tunnel – Supply and installation of suspended ceiling system
- (4) MTR XRL Project 810B – West Kowloon Terminus Station South – Supply and installation of acoustic ceiling panel and fire rated ceiling system
- (5) Tin Shui Wai Hospital – Supply and installation of suspended ceiling

- (6) South Island Line (East) – Lei Tung Station, South Horizons Station and Tunnels – Design, supply and installation of suspended ceiling system
- (7) TW5 Bayside Property Development at West Rail Tsuen Wan West Station – Supply and installation of suspended ceiling system

Major Projects Awarded

- (1) Proposed Commercial Development at NKIL No. 6311, Kowloon Bay – Supply and installation of suspended ceiling system
- (2) Proposed residential development at Tseung Kwan O Town Lot No. 95 – Design, supply and installation of suspended ceiling system
- (3) Museum Plus (M+) at West Kowloon Cultural District – Supply and installation of Metal Ceiling

The total amount of contracts on hand of Trigon as at 31 March 2017 amounted to HK\$110.2 million.

Million Hope Industries Limited (“Million Hope HK”) and 美興新型建築材料(惠州)有限公司 (“美興”) (collectively “Million Hope”)

Million Hope HK and its factory, 美興, specialise in the design, supply and installation of aluminium windows and curtain walls in Hong Kong and Mainland China. Million Hope is one of the authorised manufacturers of the renowned German brand product “Schüco”.

Major Projects Undertaken

- (1) Proposed residential redevelopment at 100 Caine Road, Hong Kong – Design, supply and installation of aluminium curtain wall, window and louvre
- (2) Proposed residential redevelopment at No. 31 Conduit Road, Mid-levels, Hong Kong – Installation of curtain wall system and aluminium window
- (3) Proposed residential development at TMTL 423, Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun, New Territories – Design, supply and installation of aluminium window, louvre, grille and metal balustrade
- (4) Proposed residential and commercial development at 33 Tong Yin Street, TKOTL 125, Area 125, Area 68A1, Tseung Kwan O, New Territories – Design, supply and installation of tower curtain wall and podium façade
- (5) Proposed residential and commercial development – TKOTL112, Area 65C1, Tseung Kwan O, New Territories – Design, supply and installation of aluminium cladding, canopy, skylight and curtain wall
- (6) Proposed residential and commercial development at S.T.T.L. 566 in Area 56A, Kau To Shan, Shatin, New Territories – Design, supply and installation of aluminium window, door and aluminium works to towers

- (7) Proposed residential development at S.T.T.L. 567, Lai Ping Road in Area 56A, Kau To Shan, Shatin, New Territories – Design, supply and installation of aluminium window, curtain walls, louvers, metal claddings and glass balustrades

Major Projects Awarded

- (1) Proposed residential development at NKIL No. 6532, Lung Cheung Road, Beacon Hill, Kowloon – Design, supply and installation of aluminium window, louvre, railing and glass balustrade
- (2) Proposed residential development at NKIL No. 6532, Lung Cheung Road, Beacon Hill, Kowloon – Design, supply and installation of curtain wall
- (3) Proposed residential development at TKOTL70 RP Lohas Park Package 6 – Design, supply and installation of aluminium windows and doors
- (4) Proposed residential development at TPTL225, Pak Shek Kok, Tai Po, New Territories – Design, supply and installation of curtain wall system to residential tower
- (5) Proposed residential development at Antuo Hill, Shenzhen – Supply of aluminium windows and doors

The total amount of contracts on hand of Million Hope as at 31 March 2017 amounted to HK\$584.3 million.

PROPERTY DEVELOPMENT DIVISION

The Property Development Division recorded a turnover of HK\$331.3 million for the year ended 31 March 2017 (2016: HK\$272.3 million).

During the year, the Group has sold 4 units and 4 car parking spaces of The Bedford and 13 residential units of The Austine Place.

In February 2014, the Group acquired 25% interest in a piece of land located at Sha Tin Town Lot No. 603, Lok Lam Road, Fo Tan, New Territories which will be developed into a low-density residential development, namely Mount Vienna. Superstructure work is underway and construction is expected to be completed in the third quarter of 2017.

LUXÉAST, the Group's 49% interests in the parcel of land situated at 中國浙江省海寧市區文苑路西側、後富亭港南側 (West of Wen Yuan Road and South of Houfutinggang, Haining, Zhejiang Province, the PRC) for the development of office, retail, carparking 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 98 商品房買賣合同 (Sale and Purchase Agreement for Commodity Flat) and a total of 17 認購書 (Purchaser Letter) have been signed up to the end of the reporting year.

The Group has subsequently acquired a parcel of land together with message erections and buildings situated at No. 57A Nga Tsin Wai Road, Kowloon Tong, Kowloon in April 2017 with the objective of developing the property into a premium residential project.

PROPERTY INVESTMENT DIVISION

The Property Investment Division recorded a turnover of HK\$49.1 million for the year ended 31 March 2017 (2016: HK\$33.7 million).

On 8 February 2017, the Group entered into a sale and purchase agreement for the disposal of various land lots in D.D. 128 Deep Bay Road in Yuen Long. The Property Investment Division had therefore ceased to receive rental income from these land lots upon completion of the disposal in March 2017.

To diversify its investment portfolio, the Group entered into a sale and purchase agreement on 8 August 2016 and 28 December 2016 for acquisition of the property located at No. 22 Yip Shing Street, Kwai Chung, New Territories, Hong Kong (a 4-storey industrial building now known as “West Castle”) and the property located at No. 256 Tung Chau Street, Sham Shui Po, Kowloon (New Kowloon Inland Lot No. 329) (“West Park”) respectively. Both West Castle and West Park are conveniently located in close proximity to MTR Stations and will be renovated to improve the respective rental income and to enhance the property value. The revitalisation for commercial uses for West Castle has been approved by the Government. It is now under renovation.

In October 2016 and March 2017, the Group acquired 40% interest in a serviced apartment located at Nos. 336 and 338 Queen’s Road Central, Hong Kong, now known as “Queen Central”, and 50% interest in an industrial building located at Nos. 26 to 38 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong, now known as “Wall Street”. The revitalisation for office and retails uses for Wall Street has been approved by the Government.

Other investment properties of the Group including PeakCastle in Cheung Sha Wan, One Eleven in Sai Ying Pun, Shatin Industrial Centre, 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 and Hoi Bun Godown in Tuen Mun in which the Group has 50% interest, all contributed satisfactory rental income to the Group during the year.

PROPERTY AGENCY AND MANAGEMENT DIVISION

The turnover of the Property Agency and Management Division for the year ended 31 March 2017 was HK\$20.5 million (2016: HK\$26.1 million).

Our Property Agency and Management Division acted as the marketing and project manager for The Grampian at No. 11 Grampian Road, a residential project at Sha Tin Town Lot No. 603, Lok Lam Road and two of the Group’s redevelopment projects, The Bedford at Nos. 91-93 Bedford Road and The Austine Place at No. 38 Kwun Chung Street.

This Division also provided property management services to The Austine Place, The Bedford, CentreHollywood in Sheung Wan (service ended in July 2016), Eight College and One LaSalle in Kowloon Tong, Golf Parkview in Sheung Shui, One Eleven and PeakCastle.

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

HEALTH PRODUCTS DIVISION

The Group’s Health Products Division has two subsidiaries: Care & Health Limited (“Care & Health”) and Retailcorp Limited (“Retailcorp”). The segment is engaged in the wholesale of Chinese and Western nutritional supplements and the management of relevant retail chain stores.

For the year ended 31 March 2017, the Health Products Division recorded a turnover of HK\$55.1 million, compared with HK\$52.7 million last year.

Retailcorp manages its chain stores business under the HealthPlus trade name. As at 31 March 2017, there were 11 retail outlets (including a HealthPlus shop at St. Teresa's Hospital in Kowloon) and 1 service centre in Tsim Sha Tsui.

During the year under review, one shop has been closed and conversely, one new shop has been opened to address the needs of the Group's customers. The new shop is located in Metro City Plaza, Tseung Kwan O.

The "Lingzhi Master" series, including Ganoderma Bioactive Essence, Ganoderma Spore Bioactive Lipid and Ganoderma Spores, have been awarded the "STC tested Mark" since June 2014. "Buyickfong 28 Chinese Herbal Soup for Postnatal Women" has also been awarded the "STC tested Mark" since November 2012.

In respect of the e-Commerce business, the Group has capitalised on its social media platform to conduct marketing activities and customer services, as well as to improve customer relationships and disseminate product information. The platform also provides a convenient means by which customers can make purchases, unrestricted by time or location.

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\$3,212.3 million (HK\$1,412.3 million was secured by first charges over certain leasehold land and buildings, investment properties, assets classified as held for sale and bank deposits of the Group), of which HK\$815.1 million bank loans have been drawn down and approximately HK\$615.3 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 31 March 2017. 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\$840.1 million as at 31 March 2017 (2016: HK\$1,221.3 million), and accounted for 44.0% of the current assets (2016: 60.1%).

During the year, the Group has a net cash inflow of HK\$166.4 million in its operating activities (mainly due to the decrease in properties held for sale and increase in trade and other payables), a net cash outflow of HK\$460.0 million in its investing activities (mainly due to net cash outflows on acquisition of subsidiaries and loans to joint ventures, netting off net cash inflows on disposal of subsidiaries), and a net cash outflow of HK\$86.2 million in its financing activities (mainly due to the dividends paid to shareholders, repayment of bank loans and purchase of shares for the purpose of share award scheme netting off new bank and other loans raised). As at 31 March 2017, the Group was in a net cash position, calculated on the basis of total cash and bank balances less total bank and other loans. As at year-end date, the Group was with a net current liabilities of HK\$7.9 million (2016: net current assets of HK\$257.0 million) and the current ratio (current assets divided by current liabilities) was 1.00 time (2016: 1.14 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\$3,066.6 million including reserves of HK\$2,962.8 million, an increase of HK\$369.1 million from HK\$2,593.7 million at 31 March 2016. On that basis, the consolidated net asset value of the Group as at 31 March 2017 was HK\$2.95 per share, compared to the consolidated net asset value of HK\$2.60 per share as at 31 March 2016. The increase in shareholders' funds was mainly attributable to profits retained after the payments of dividends and exercise of share options during the year.

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 2017, the Group borrowed Hong Kong dollar loans amounting to HK\$815.1 million from the banks (at 31 March 2016: HK\$764.8 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 five years with HK\$428.0 million repayable within the first year, HK\$40.0 million repayable within the second year, HK\$347.1 million repayable within the third to fifth years. 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\$387.1 million have been classified as current liabilities. Interest is based on Hong Kong Interbank Offered Rate plus a competitive margin. Other loan of Renminbi 6.3 million (equivalent to approximately HK\$7.0 million) (at 31 March 2016: nil) was repayable within one year and interest bearing at a fixed interest rate of 4.9% per annum.

Major Acquisitions And Disposals

On 8 August 2016, an indirect wholly owned subsidiary of the Company, Esteemed Virtue Limited, entered into a sale and purchase agreement with an independent third party to acquire the entire issued share capital of Befit Limited together with the shareholder's loan, at a cash consideration of approximately HK\$150,129,000. The acquisition was completed on 7 October 2016. The major asset of Befit Limited is an investment property representing an en-bloc industrial property situated in Kwai Chung, Hong Kong.

On 28 December 2016, an indirect wholly owned subsidiary of the Company, Great Practice Limited, entered into a sale and purchase agreement with independent third parties to acquire the entire issued capital of Honour Tower Holdings Limited ("Honour Tower") together with its wholly-owned subsidiary, Westpac Limited, (collectively referred to as "Honour Tower Group") and Reliable Worldwide Limited ("Reliable Worldwide") together with its wholly owned subsidiary, Golden Years Limited (collectively referred to as "Reliable Worldwide Group") at a cash consideration of approximately HK\$341,920,000 adjusted by the net current asset values of Honour Tower and Reliable Worldwide on the completion date. The acquisition was completed on 27 February 2017. The major asset of Honour Tower Group and Reliable Worldwide Group is an investment property representing an en-bloc residential property situated in Sham Shui Po, Hong Kong.

On 8 February 2017, a direct wholly owned subsidiary of the Company, Hanison Construction Holdings (BVI) Limited ("Hanison BVI"), entered into a sale and purchase agreement with an independent third party to dispose of the entire issued capital of Senior Rich Development Limited ("Senior Rich"). Senior Rich is engaged in property investment. The cash consideration for the disposal is HK\$249,829,000. The disposal was completed on 31 March 2017.

Collateral

As at 31 March 2017, certain leasehold land and buildings, investment properties, assets classified as held for sale of the Group, at the carrying value of approximately HK\$1,908.8 million (at 31 March 2016: HK\$1,785.4 million), were pledged to the banks to secure the Hong Kong dollar loans of HK\$605.1 million (at 31 March 2016: HK\$634.8 million). In addition, bank deposits of HK\$139.3 million (at 31 March 2016: HK\$200.9 million) were pledged for the banking facility which will expire within 1 year.

Contingent Liabilities

During the year ended 31 March 2004, legal actions in respect of allegations of copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health products business. No further steps have been taken against the Group in respect of such actions after the court hearing for directions to appoint experts and exchange witness statements since 2004. At 31 March 2017, the directors are of the opinion that in view of the uncertainty of the outcome, it is not practicable to assess the financial effect.

As at 31 March 2017, the Group had an outstanding corporate guarantee issued to a bank in respect of the banking facilities granted to a joint venture of approximately HK\$53,181,000 (2016: HK\$34,312,000), which represents the Group's proportionate share of the banking facilities utilised as at 31 March 2017. In the opinion of the directors of the Company, the fair values of these financial guarantee contracts are insignificant at initial recognition and no provision for financial guarantee contracts has been made at the end of the reporting period.

As at 31 March 2017, the Group had an outstanding counter indemnity in favour of the partners of a joint venture of HK\$62,000,000 which represents the Group's maximum liability. This maximum liability was determined between the parties to the counter indemnity with reference to the Group's proportionate share of estimated amount of interest payment under the banking facilities granted to the joint venture and the cost overrun in respect of the renovation, management and marketing and leasing of the property held by the joint venture. In the opinion of the directors of the Company, the fair value of the counter indemnity is insignificant at initial recognition and no provision for counter indemnity has been made at the end of the reporting period.

As at 31 March 2017, the Group had outstanding performance bonds in respect of construction contracts amounting to approximately HK\$501,210,000 (2016: HK\$576,413,000).

Capital Commitments

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in relation to acquisition of a property under development for sale	<u>216,000</u>	<u>—</u>

As at 31 March 2017 and 2016, the Group had also committed with other joint venturers to contribute the joint ventures by means of shareholder's loans proportioned to its equity interest in the joint ventures to finance the working capital of the joint ventures if called.

Employees and Remuneration Policy

The number of full time monthly employees of the Group, excluding its joint ventures, was 982 (of which 169 employees were in Mainland China) as at 31 March 2017. The Group recruits and promotes individuals based on their development potential, merits and competencies, and ensures that their remuneration packages are at a reasonable market level.

PROSPECTS

According to the International Monetary Fund, global economic activity is picking up owing to a cyclical recovery in investment, manufacturing and trade. World growth is forecasted to rise from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018. Upside developments will include the expectation of increased global demand, reduced deflationary pressures and optimistic financial markets.

In China, domestic demand and an expanding service sector are expected to continue playing growing roles in driving the mainland economy. With economic growth remaining at a stable level, China will remain a key player in supporting global economic expansion.

Here in Hong Kong, the continual low unemployment rate and interest rate will support consumer confidence. Such confidence will be among the catalysts that will help spur GDP growth, which the SAR Government forecasts will reach between 2% and 3% in 2017. Economic activity will also be driven partly by the hot property market, with demand continuing to outstrip supply.

Following the Hong Kong Government's sustained efforts to increase land supply and public housing estates to rectify the imbalance of supply and demand of housing, the Group will seek to fully capitalise on the opportunities that will be created in the construction and construction related industry.

Property developers continue to be active in residential and office land sites acquisitions. For residential properties, end-users' demand will remain strong. Small units will become the market focus but there will still be strong supports for luxury residential properties. The Group will look into future property development and property investment opportunities to enhance shareholders values.

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 2017, the Company has complied with all the Code Provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviations set out below in respect of which remedial steps for compliance have been taken or considered reasons are given below:

- (a) Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors (including the independent non-executive directors) of the Company are not appointed for a specific term. However, pursuant to the Articles of Association of the Company amended on 2 August 2005, at each annual general meeting of the Company, one-third of the directors, including executive, non-executive and independent non-executive directors shall retire from office by rotation, and every director shall be subject to retirement at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the CG Code.
- (b) Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson, both being the non-executive directors of the Company, as well as Dr. Lau Tze Yiu, Peter, an independent non-executive director of the Company, were unable to attend the annual general meeting of the Company held on 23 August 2016 (the "2016 AGM") as they had other important engagements. Details of the directors' attendance record of meetings are set out in the Corporate Governance Report of the Company's annual report to be dispatched shortly. To ensure compliance with the CG Code, the Company has taken and will continue to take all reasonable measures to arrange the schedule in such a cautious way that all directors can attend the general meeting(s).
- (c) Code Provision E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board, Mr. Cha Mou Sing, Payson, was unable to attend the 2016 AGM as he had other important engagement. However, the Managing Director, present at the 2016 AGM, took the chair of that meeting in accordance with Article 78 of 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 they have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, save for an aggregate of 51,700,000 shares of the Company purchased on the market by the trustee of the share award scheme of the Company pursuant to the trust deed and the share award scheme, at a total consideration of approximately HK\$71,995,000 (including directly attributable incremental costs), 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 2017 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 2017 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.

By order of the Board
HANISON CONSTRUCTION HOLDINGS LIMITED
Cha Mou Sing, Payson
Chairman

Hong Kong, 13 June 2017

As at the date of this announcement, the Board comprises:

Non-executive Chairman

Mr. Cha Mou Sing, Payson

Non-executive Director

Mr. Cha Mou Daid, Johnson

Executive Directors

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

Mr. Tai Sai Ho (*General Manager*)

Independent Non-executive Directors

Mr. Chan Pak Joe

Dr. Lau Tze Yiu, Peter

Dr. Sun Tai Lun