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HANNY HOLDINGS LIMITED

錦興集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 275)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

The board of directors (the “Board”) of Hanny Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2014 together with comparative figures for the corresponding period in 2013. The interim results for the six months ended 30 September 2014 are not audited, but reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and also reviewed by the Audit Committee of the Company.

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	<i>NOTES</i>	Six months ended 30 September	
		2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Revenue	3	12,481	10,779
Cost of sales		<u>(7,459)</u>	<u>(6,893)</u>
Gross profit		5,022	3,886
Other income		1,543	1,828
Other gains and losses, other expenses		(2,608)	(13,681)
Selling expenses		(6,982)	–
Administrative expenses		(39,036)	(36,349)
Finance costs	4	(6,897)	(3,342)
Loss on fair value changes on investments held for trading		(48,107)	(27,834)
Share of results of associates		<u>23,534</u>	<u>3,399</u>
Loss before income tax		(73,531)	(72,093)
Income tax (expense) credit	5	<u>(719)</u>	<u>1,631</u>
Loss for the period	6	<u>(74,250)</u>	<u>(70,462)</u>
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		12,618	30,522
Share of other comprehensive income (expense) of associates		5,199	(2,826)
Fair value change on available-for-sale investments		<u>8,035</u>	<u>(16,524)</u>
Net other comprehensive income for the period		<u>25,852</u>	<u>11,172</u>
Total net comprehensive expense for the period		<u><u>(48,398)</u></u>	<u><u>(59,290)</u></u>

	Six months ended	
	30 September	
	2014	2013
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to:		
Owners of the Company	(65,249)	(63,555)
Non-controlling interests	(9,001)	(6,907)
	<u>(74,250)</u>	<u>(70,462)</u>
 Total net comprehensive expense attributable to:		
Owners of the Company	(39,534)	(52,881)
Non-controlling interests	(8,864)	(6,409)
	<u>(48,398)</u>	<u>(59,290)</u>
 Loss per share	8	
	<u>HK\$(0.06)</u>	<u>HK\$(0.06)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	30 September	31 March
	2014	2014
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	63,858	70,132
Prepaid lease payments	10,927	11,166
Intangible assets	22,422	23,501
Interests in associates	245,142	215,001
Available-for-sale investments	67,121	66,371
Deposit for acquisition of interest in an investment	–	350,000
Club debentures	6,020	6,020
Deferred tax assets	31	31
	415,521	742,222
CURRENT ASSETS		
Prepaid lease payments	624	619
Inventories	754	252
Properties held for sale	187,516	96,744
Properties under development for sale	3,928,493	3,271,183
Trade and other receivables and prepayments	432,218	386,432
Investments held for trading	18,433	89,185
Short-term loan receivables	45,100	–
Deposit for acquisition of interest in a subsidiary	100,000	–
Bank balances and cash	176,842	403,183
	4,889,980	4,247,598

		30 September	31 March
		2014	2014
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade and other payables and accruals	<i>10</i>	289,892	131,501
Deposits received in advance		423,463	190,497
Tax payable		16,891	16,907
Borrowings – due within one year		783,724	837,846
		<u>1,513,970</u>	<u>1,176,751</u>
NET CURRENT ASSETS		<u>3,376,010</u>	<u>3,070,847</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,791,531</u>	<u>3,813,069</u>
CAPITAL AND RESERVES			
Share capital		13,453	11,213
Share premium and reserves		2,372,338	2,362,510
Equity attributable to owners of the Company		2,385,791	2,373,723
Non-controlling interests		847,962	859,596
TOTAL EQUITY		<u>3,233,753</u>	<u>3,233,319</u>
NON-CURRENT LIABILITIES			
Borrowings – due after one year		551,895	573,489
Deferred tax liabilities		5,883	6,261
		<u>557,778</u>	<u>579,750</u>
		<u>3,791,531</u>	<u>3,813,069</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical costs basis except for certain financial instruments, which are measured at fair values.

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

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

Amendments to HKFRS 10 HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosure for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services provided.

Segment revenue and results

The Group’s reportable and operating segment are as follows:

Trading of securities	–	Trading of investments held for trading
Property development and trading	–	Development and sale of properties
Water supply	–	Provision of water supply

The following is an analysis of the Group’s revenue and results by operating segment for the period under review:

Six months ended 30 September 2014

	Trading of securities	Property development and trading	Water supply	Consolidated
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Segment revenue	<u>–</u>	<u>–</u>	<u>12,481</u>	<u>12,481</u>
Segment (loss) profit	<u>(47,935)</u>	<u>(9,962)</u>	<u>1,817</u>	<u>(56,080)</u>
Interest income				1,357
Unallocated corporate income				2,607
Unallocated corporate expenses				(30,260)
Finance costs (<i>note</i>)				(6,897)
Impairment loss on an available-for-sale investment (<i>note</i>)				(7,792)
Share of results of associates				<u>23,534</u>
Loss before income tax				<u>(73,531)</u>

Six months ended 30 September 2013

	Trading of securities <i>HK\$'000</i>	Property development and trading <i>HK\$'000</i>	Water supply <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>–</u>	<u>–</u>	<u>10,779</u>	<u>10,779</u>
Segment (loss) profit	<u>(27,382)</u>	<u>(22,622)</u>	<u>1,422</u>	<u>(48,582)</u>
Interest income				284
Unallocated corporate income				12,684
Unallocated corporate expenses				(26,001)
Finance costs (<i>note</i>)				(3,342)
Impairment loss on property, plant and equipment (<i>note</i>)				(1,498)
Impairment loss on intangible assets (<i>note</i>)				(712)
Impairment loss on an available-for-sale investment (<i>note</i>)				(9,603)
Gain on disposal of a subsidiary				1,278
Share of results of associates				<u>3,399</u>
Loss before income tax				<u>(72,093)</u>

Note: The Group allocated certain property, plant and equipment, intangible assets and certain borrowings to the segment assets and liabilities without allocating the impairment loss on property, plant and equipment, intangible assets and an available-for-sale investment and finance costs to segment result as the CODM did not take into account of the impairment of such assets and finance costs in the measurement of segment result.

Segment loss represents loss incurred by each segment without allocation of interest income, unallocated corporate income, unallocated corporate expenses, finance costs, impairment loss on property, plant and equipment, impairment loss on intangible assets, impairment loss on an available-for-sale investment, gain on disposal of a subsidiary, and share of results of associates. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Other segment information

Six months ended 30 September 2014

	Trading of securities <i>HK\$'000</i>	Property development and trading <i>HK\$'000</i>	Water supply <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment (loss) profit:					
Depreciation and amortisation	1,872	417	3,755	601	6,645
Staff costs	<u>–</u>	<u>1,990</u>	<u>230</u>	<u>9,250</u>	<u>11,470</u>

Six months ended 30 September 2013

	Trading of securities <i>HK\$'000</i>	Property development and trading <i>HK\$'000</i>	Water supply <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment (loss) profit:					
Depreciation and amortisation	1,879	718	3,949	781	7,327
Staff costs	<u>–</u>	<u>2,794</u>	<u>249</u>	<u>8,667</u>	<u>11,710</u>

4. FINANCE COSTS

	Six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	55,031	38,101
<i>Less: amounts capitalised in properties under development for sale</i>	<u>(48,134)</u>	<u>(34,759)</u>
	<u>6,897</u>	<u>3,342</u>

5. INCOME TAX (EXPENSE) CREDIT

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income tax (expense) credit comprises:		
Profits tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	<u>(1,097)</u>	<u>(1,028)</u>
	(1,097)	(1,028)
Deferred tax		
– Current period	<u>378</u>	<u>2,659</u>
	<u><u>(719)</u></u>	<u><u>1,631</u></u>

Hong Kong Profits Tax is recognised at annual income tax rate of 16.5% for the periods under review. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the both periods.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

6. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	1,078	1,214
Depreciation of property, plant and equipment	5,567	6,113
Interest income on bank deposits	(203)	(154)
Interest income on short-term loan receivables	<u>(1,154)</u>	<u>(130)</u>

7. DIVIDENDS

On 30 September 2014, a dividend of HK2 cents per share, amounting to approximately HK\$26,906,000, was paid to shareholders as the final dividend of the financial year ended 31 March 2014 (year ended 31 March 2013: HK\$22,426,000). The directors do not recommend the payment of an interim dividend for both periods.

8. LOSS PER SHARE

The calculation of the loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	<u>(65,249)</u>	<u>(63,555)</u>

	Six months ended 30 September	
	2014	2013
	'000	'000
Number of shares:		
Weighted average number of ordinary shares	<u>1,139,768</u>	<u>1,121,306</u>

No diluted loss per share has been presented as there were no potential ordinary shares outstanding for both periods.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Included in trade and other receivables and prepayments is trade receivables of HK\$38,358,000 (31 March 2014: HK\$226,000). The Group allows an average credit period of one to two months to its trade customers.

All the trade receivables analysed by age, presented based on invoice date, net of allowance for doubtful debts as at the end of the reporting period are within 30 days.

Included in other receivables and prepayments are prepayment paid to contractors of approximately HK\$300,273,000 (31 March 2014: approximately HK\$319,625,000).

During the six months ended 30 September 2013, the prepayment of consultancy fee of HK\$79,900,000 to a related party of Prosperous Global in relation to the construction work of properties under development for sale has been settled due to early termination of agreement.

10. TRADE AND OTHER PAYABLES AND ACCRUALS

As at 30 September 2014, included within trade and other payables is trade creditors amounted to HK\$6,000 (31 March 2014: HK\$6,000).

The following is an analysis of trade creditors by age, presented based on the invoice date:

	30 September 2014 <i>HK\$'000</i>	31 March 2014 <i>HK\$'000</i>
Over 60 days	<u>6</u>	<u>6</u>
	<u>6</u>	<u>6</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2014 (30 September 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND FINANCIAL REVIEW

Results

Revenue of the Group for the six months ended 30 September 2014 was HK\$12.5 million against the HK\$10.8 million for the six months ended 30 September 2013. The Group's total net comprehensive expense for the current reporting period was HK\$48.4 million (for the six months ended 30 September 2013: HK\$59.3 million). Unaudited consolidated loss for the first half of the current reporting year was HK\$74.3 million (for the six months ended 30 September 2013: HK\$70.5 million), which comprised gross profit of HK\$5.0 million (for the six months ended 30 September 2013: HK\$3.9 million), other income of HK\$1.5 million (for the six months ended 30 September 2013: HK\$1.8 million), other gains and losses, other expenses loss of HK\$2.6 million (for the six months ended 30 September 2013: HK\$13.7 million), selling expenses of HK\$7.0 million (for the six months ended 30 September 2013: HK\$nil), administrative expenses of HK\$39.0 million (for the six months ended 30 September 2013: HK\$36.3 million), finance costs of HK\$6.9 million (for the six months ended 30 September 2013: HK\$3.3 million), net loss of investments held for trading of HK\$48.1 million (for the six months ended 30 September 2013: HK\$27.8 million) and share of results of associates of HK\$23.5 million (for the six months ended 30 September 2013: HK\$3.4 million). The increase in share of results of associates came mainly from the Group's associate, China Enterprises Limited, the profit of which was a result from the reversal of a tax provision made on the gain on disposal of an investment in the PRC in previous years.

Segment Results

Property development and trading

During the period, the Group has focused on its flagship development project, 捷登都會大廈 (Jiedeng Metropolis Building), located at Jixiang Road, Guangzhou, the PRC and accounted for as properties under development for sale, which is to be developed into a commercial complex with serviced apartments and a modern shopping mall. The construction work is in good progress and the pre-sale of the serviced units has commenced.

On the other hand, there was no sales of trading property recorded during both six months ended 30 September 2014 and six months ended 30 September 2013. Segment result recorded a loss of HK\$10.0 million for the six months ended 30 September 2014 (for the six months ended 30 September 2013: HK\$22.6 million).

Trading of Securities

For the six months ended 30 September 2014, the segment recorded a loss of HK\$47.9 million (for the six months ended 30 September 2013: HK\$27.4 million). It was mainly attributable to a loss of HK\$47.6 million upon disposal of an equity security listed in Hong Kong during the six months ended 30 September 2014 while a fair value loss of HK\$28.0 million recognised on its listed securities marked down to the market price as at date of financial position of corresponding period.

Water Supply

During the period under review, the Group maintained a revenue inflow in the water supply segment. The Group will continuously put effort in scaling up the water supply through negotiating with existing customers and implement effective costs control measures in this business. The Group expects the demand of industrial water from energy and heavy industries remains strong and there is room for further growth.

For water supply segment, the revenue was HK\$12.5 million (for the six months ended 30 September 2013: HK\$10.8 million), and gave rise to a profit of HK\$1.8 million (for the six months ended 30 September 2013: HK\$1.4 million).

Liquidity

Bank balances and cash as at 30 September 2014 were HK\$176.8 million (31 March 2014: HK\$403.2 million). The gearing ratio (borrowings/shareholders' funds) at 30 September 2014 decreased to 56.0% (31 March 2014: 59.5%). As at 30 September 2014, total borrowings comprised bank and other borrowings of the Group amounted to HK\$1,335.6 million (31 March 2014: HK\$1,411.3 million). The borrowings were mainly attributable to bank loan drawn to finance the construction of the property development project, Jiedeng Metropolis Building in Guangzhou. The bank and other borrowings of the Group as at both 30 September 2014 and 31 March 2014 bore floating interest rates.

Pledge of assets

As at 30 September 2014, certain assets of the Group with carrying amount of approximately HK\$4,027.2 million (31 March 2014: HK\$3,450.4 million) were pledged to banks and financial institutions for loan facilities granted to the Group.

Exchange rate and interest rate risks exposure

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars and Renminbi. The Group will consider entering into hedging contracts to mitigate its exposure to currencies fluctuations whenever the Group and the concerned foreign subsidiaries think fit. At the reporting date, the Group did not enter into any interest rate speculative and hedging contracts.

Contingent liabilities

As at 30 September 2014, a corporate guarantee to the extent of HK\$75.0 million (31 March 2014: HK\$75.0 million) was given by the Group to a bank in respect of banking facilities granted to an associate. The banking facilities of approximately HK\$15.4 million were utilised by the associate (31 March 2014: HK\$38.4 million) as at 30 September 2014. The Group did not have other significant contingent liabilities as at 30 September 2014.

Material acquisitions and disposals

On 29 September 2010, an agreement was entered into between Vigorous World Limited, an indirect wholly-owned subsidiary of the Company, ITC Properties Holdings Group Limited (“ITCP”), ITC Properties Group Limited and the Company in relation to the acquisition of 50% interest in ITC Properties (China) Limited at a consideration of HK\$480 million. The principal assets of ITC Properties (China) Limited and its subsidiaries are a parcel of land located in Yuexiu District in Guangzhou, the People’s Republic of China. Such land is adjacent to the property development project held by the Group. As at 30 May 2014, ITCP had not provided its consent to a further extension of the long stop date, being 30 May 2014. Accordingly, the agreement lapsed and ceased to be of any effect immediately after 30 May 2014. The deposit of HK\$350 million paid was refunded by ITCP on 4 June 2014.

On 11 April 2014, Hanny Investment Group Limited (“the Purchaser”), a wholly-owned subsidiary of the Company entered into the acquisition agreement with ITC Investment Holdings Limited (“the Vendor”), a company wholly-owned by ITC Corporation Limited, the Purchaser conditionally agreed to purchase the entire issued share capital of Leaptop Investments Limited (“Leaptop”), a wholly-owned subsidiary of the Vendor and the unsecured and interest-free loan owing by Leaptop to the Vendor at the consideration, being HK\$575,000,000 by cash. The deposit of HK\$100,000,000 has been paid upon signing of the acquisition agreement on 11 April 2014. Details of the transaction are disclosed in announcements of the Company dated 19 March 2014, 23 April 2014, 9 May 2014, 20 June 2014, 25 July 2014, 23 September 2014 and 10 November 2014. The transaction was approved by the shareholders of the Company in the special general meeting held on 27 November 2014.

Employees and remuneration policies

At 30 September 2014, there were 116 staff (31 March 2014: 105) employed by the Group. The remuneration policies are formulated on the basis of performance of individual employees and the prevailing salaries’ trends in the market and subject to review every year. The Group also provides employee training programs, a mandatory provident fund scheme, medical insurance and discretionary bonus to its employees.

OUTLOOK

The PRC property market is still sluggish despite that home buyers apparently returned to property showrooms after Beijing announced a loosening of mortgage rules to support the country's weakened housing market, but potential end-users are expecting the real estate developers to further cut property prices to reduce the inventory level. Under this atmosphere, the progress of serviced units pre-sale of the its flagship development project, 捷登都會大廈, located at the junction of Jixiang Road and Zhongshanwu Road in the centre of Guangzhou was behind. However, the Group has confidence that the pre-sale of the service apartments of the project shall be back to normal when the property market becomes stabilised in the coming months.

The Group will continue and cautiously identifying lucrative land investment opportunities to build up its land reserve in the PRC, aiming at maximising the shareholders' wealth.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board considers that the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2014, except with deviations from code provisions A.2.1 and A.4.1.

Code provision A.2.1 stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The role of the chief executive is currently performed by the chairman of the Company, Dr. Yap Allan. The Board has evaluated such arrangement and considers that it will not impair the effectiveness of the Board as well as the management of the operations of the Group.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation at the Company's annual general meetings in accordance with the Bye-Laws of the Company. As at each annual general meeting, one-third of the directors of the Company (or such number as nearest to but not less than one-third) must retire by rotation, each of the directors of the Company is effectively appointed for a term of approximately three years or less.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions (the "Model Code"). Having made specific enquiry by the Company, all directors of the Company have confirmed the compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2014.

By order of the Board
HANNY HOLDINGS LIMITED
Dr. Yap Allan
Chairman

Hong Kong, 28 November 2014

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

Executive Directors:

Dr. Yap Allan

Mr. Heung Pik Lun, Edmond

Independent Non-executive Directors:

Mr. Kwok Ka Lap, Alva

Mr. Poon Kwok Hing, Albert

Mr. Sin Chi Fai