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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)

MAJOR TRANSACTIONS

**ACQUISITION OF 50% OF
NOS. 1 & 1E LA SALLE ROAD
KOWLOON TONG, KOWLOON
AND
FORMATION OF A JOINT VENTURE COMPANY
FOR ITS REDEVELOPMENT**

14 January 2005

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:—

“Acquisition”	the acquisition of the Property pursuant to the terms of the Tender
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Completion Date”	30 June 2005
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Crown Cosmos”	Crown Cosmos Investments Limited, a company incorporated in the British Virgin Islands, which is owned as to 50% by Media Group and the remaining 50% by Goldstore in accordance with the terms of the JV Agreement
“Director(s)”	the director(s) of Hanison
“Goldstore”	Goldstore Investments Limited, a company incorporated in Hong Kong and which, together with its ultimate beneficial owners, are independent third parties of Hanison and its connected persons
“Goldstore Group”	Goldstore, its holding company (being a company listed on the Stock Exchange) and subsidiaries of such holding company
“Great Wisdom”	Great Wisdom Holdings Limited, a company incorporated in the British Virgin Islands, a controlling shareholder (as defined in the Listing Rules) with approximately 49% shareholding interest in Hanison and a wholly owned subsidiary of HKRI
“Group”	Hanison and its subsidiaries
“Hanison”	Hanison Construction Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“HKRI”	HKR International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange and an indirect controlling shareholder of Hanison as to 49% of its issued share capital through its wholly owned subsidiary, Great Wisdom
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Venture”	the subscription of 50% of the shares in Crown Cosmos by each of Media Group and Goldstore for the Acquisition and the redevelopment of the Property through Poly Rising in accordance with the terms of the JV Agreement
“JV Agreement”	a joint venture agreement dated 23 December 2004 entered into between Media Group, Goldstore and Crown Cosmos in respect of the subscription of the shares in Crown Cosmos and regulation of the relationship between shareholders in Crown Cosmos
“Latest Practicable Date”	12 January 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Media Group”	Media Group International Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of Hanison
“Novantenor”	Novantenor Limited, the trustee of certain irrevocable discretionary trusts directly holding approximately 17.63% of the shares in Hanison and of which members of the Cha Family (comprising, for this purpose, Dr. Cha Chi Ming, Ms. Wong May Lung, Madeline (being a daughter of Dr. Cha Chi Ming), Mr. Cha Mou Sing, Payson, Mr. Cha Mou Zing, Victor and Mr. Cha Mou Daid, Johnson (being the sons of Dr. Cha Chi Ming), Mr. Cha Yiu Chung, Benjamin (being a grandson of Dr. Cha Chi Ming) together with their respective associates, excluding, as the case may be, HKRI) are among the discretionary objects. As Novantenor Limited also holds approximately 37.46% shareholding interest in HKRI, it is deemed to be interested in the 49% shareholding interest in Hanison held by HKRI under the SFO
“Poly Rising”	Poly Rising Development Limited, a company incorporated in Hong Kong, and pursuant to the Joint Venture a wholly owned subsidiary of Crown Cosmos as at the Latest Practicable Date
“Property”	Nos. 1 and 1E La Salle Road, Kowloon Tong, Kowloon, Hong Kong as further described in the section headed “Terms of the Tender” in this circular

DEFINITIONS

“Purchase Price”	approximately HK\$171 million to be payable by Poly Rising to Viewfull as consideration for the Property
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Shares”	shares of HK\$0.10 each in the capital of Hanison
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tender”	a memorandum issued by Viewfull setting out details of the Property and terms and conditions of the Property for sale by tender
“Viewfull”	Viewfull Limited, a company incorporated in Hong Kong with limited liability together with its ultimate beneficial owner are independent third parties of Hanison and its connected persons
“Transactions”	the Acquisition and the Joint Venture

LETTER FROM THE BOARD



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)

Directors:–

Mr. Cha Mou Sing, Payson *
Mr. Wong Sue Toa, Stewart
Mr. Tai Sai Ho
Mr. Cha Mou Daid, Johnson *
Mr. Cha Yiu Chung, Benjamin *
Mr. Chan Pak Joe **
Dr. Lam Chat Yu
Mr. Shen Tai Hing
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Shatin, New Territories
Hong Kong

* *Non-executive Director*

** *Independent Non-executive Director*

14 January 2005

Dear Sirs,

**ACQUISITION OF 50% OF
NOS. 1 & 1E LA SALLE ROAD, KOWLOON TONG, KOWLOON
AND
FORMATION OF A JOINT VENTURE COMPANY
FOR ITS REDEVELOPMENT**

INTRODUCTION

The Directors announced that on 23 December 2004, Media Group (a wholly owned subsidiary of Hanison) entered into a joint venture agreement with Goldstore in respect of the subscription of 50% of the shares in Crown Cosmos by each of Media Group and Goldstore and regulation of the relationship between shareholders in Crown Cosmos. In addition, on 20 December 2004, Poly Rising, submitted a tender to purchase the Property for a sum of approximately HK\$171 million from Viewfull subject to the terms and conditions of the Tender. Under the Tender, a binding contract for the sale and

LETTER FROM THE BOARD

purchase of the Property would be constituted upon acceptance of the Tender by Viewfull. On 23 December 2004, Viewfull informed Poly Rising in writing that the Tender had been accepted. Further terms and conditions of the Tender are stated in the section of “Letter from the Board” of this circular headed “Terms of the Tender” below.

TERMS OF THE JOINT VENTURE

Date:

23 December 2004

Parties:

Media Group and Goldstore

To the best of the Directors’ knowledge, information and belief and having made reasonable enquiry, Goldstore and its ultimate beneficial owners are third parties independent of and are not connected with Hanison and its connected persons.

Purpose of the Joint Venture:

Crown Cosmos was formed as a joint venture arrangement for the sole purpose of redeveloping the Property upon completion of the Acquisition.

Principal terms of the JV Agreement:

The principal terms agreed by Media Group and Goldstore under the JV Agreement include the following:

- (1) Crown Cosmos will be owned as to 50% by Media Group and the remaining 50% by Goldstore;
- (2) a wholly owned subsidiary of Crown Cosmos formed for the purpose of the Acquisition, being Poly Rising as at the Latest Practicable Date;
- (3) all capital commitments of Crown Cosmos including all land, construction and development costs and expenses and any other expenses and costs arising out of and in connection with the Property and Crown Cosmos and the establishment of the Joint Venture will be shared equally between Media Group and Goldstore and contributed to Crown Cosmos as necessary in the form of equity capital, bank loans or shareholders loans;
- (4) any and all distributable profits arising out of and in connection with the Property and Crown Cosmos will be distributed to Media Group and Goldstore as its shareholders in the form of dividends in proportion to each of their respective shareholding interests in Crown Cosmos and in accordance with the articles of association of Crown Cosmos;

LETTER FROM THE BOARD

- (5) the land, construction and development costs and expenses of the Property (including the Purchase Price payable for the Acquisition and the establishment of the Joint Venture) are estimated to be in the region of approximately HK\$306.4 million as at the date hereof and such redevelopment of the Property is expected to be completed in 2007;
- (6) both Media Group and Goldstore shall each be entitled to appoint 2 directors of Crown Cosmos with equal voting rights and the chairman of the board of directors of Crown Cosmos shall not be entitled to a casting vote.

For accounting purposes, the Transactions will be recorded as an investment in a jointly controlled entity in the accounts of Hanison. Under the Joint Venture, each of Media Group and Goldstore will subscribe for 1 share of US\$1 each in Crown Cosmos. The remaining anticipated costs relate to the Purchase Price and cost of the redevelopment of the Property through the Joint Venture. Hanison notes the requirements under Rule 14.15(2) of the Listing Rules and will carry out the relevant calculations at the time actual sums are made for the purposes of the redevelopment of the Property.

TERMS OF THE TENDER

Acceptance Date:

23 December 2004

Parties:

Vendor: Viewfull

Purchaser: Poly Rising

To the best of the Directors' knowledge, information and belief and having made reasonable enquiry, Viewfull and its ultimate beneficial owners are third parties independent of and are not connected with Hanison and its connected persons.

Property:

The Property comprises the messuages erections and buildings known as Nos. 1 and 1E La Salle Road, Kowloon Tong, Kowloon, Hong Kong for residential use (New Kowloon Inland Lot No. 2617).

Completion Date:

30 June 2005

LETTER FROM THE BOARD

Purchase Price:

The Purchase Price amounts to approximately HK\$171 million in cash which was determined by reference to the open market value of the Property in comparison to sale and purchase of other properties in the vicinity, payable in the following manner:

- (1) an initial deposit of HK\$7,500,000 in cash was paid to Viewfull upon submission of the Tender;
- (2) a further deposit in an amount representing 10% of the Purchase Price less the initial deposit in cash was paid on 29 December 2004; and
- (3) the balance of the Purchase Price shall be payable in cash on or before the Completion Date.

Hanison anticipates that the Purchase Price and the estimated construction and development costs in respect of the Property will be funded from internal resources of, and/or bank loans obtained by, Crown Cosmos and/or Poly Rising and/or shareholders' loans (as necessary) from the Group and the Goldstore Group to Crown Cosmos in proportion to their respective shareholding interests in Crown Cosmos, the terms of which shareholders' loans shall be determined at the relevant time by the Group and the Goldstore Group. The Tender was conducted on a competitive public open tender process. Reference is made to the valuation report attached to Appendix I of this circular indicating the open market value of the Property as at 4 January 2005 to be HK\$171 million.

Other terms:

- (1) Upon completion of the Acquisition, Viewfull shall deliver vacant possession of the Property.
- (2) The Property is sold to Poly Rising on an "as is" basis.
- (3) All stamp duties and land registration fees payable in connection with the Acquisition shall be borne by Poly Rising and each party shall bear its own legal costs.

Whilst it is proposed as at the date hereof that the Property be utilised for redevelopment into residential units, no concrete plans have been made with regards to the Property.

FINANCIAL EFFECTS OF THE TRANSACTIONS

As at 30 September 2004 and as disclosed in the interim report of the Group for the six months ended 30 September 2004 published recently, the working capital of the Group was HK\$65,281,000. The half share of the total consideration for the Acquisition represents approximately 131.0% of the working capital of the Group as at 30 September 2004. As at 30 September 2004, the current assets of the Group were about HK\$450.9 million and current liabilities were about HK\$385.6 million as indicated in Appendix II — "Financial Information" of this circular. After completion of the Acquisition, the current assets and current liabilities of the Group will remain at HK\$450.9 million and HK\$385.6 million respectively as indicated in Appendix III — "Pro Forma Financial Information" of this circular. Accordingly, the current ratio of the Group will remain at 1.2 immediately upon the completion of the Acquisition. Taking into account of the Group's revenue streams, credit requirements and banking facilities available, the Company considers that the Group has sufficient working capital to meet its ongoing business requirements from the Latest Practicable Date to 31 December 2005.

LETTER FROM THE BOARD

The income to be generated from the Property is anticipated to be derived from sales proceeds from disposal of flats after the completion of the redevelopment although as at the Latest Practicable Date, no concrete plans has been made in respect of the Property.

GENERAL

The Directors believe that terms of the Acquisition and the Joint Venture (including the estimated construction and development costs in respect of the Property) are fair and reasonable and in the interests of Hanison and its shareholders as a whole, taking into account of the total financial commitment in respect of the Transactions and the value of the Property, as indicated in the valuation report attached to this circular in Appendix I.

REASONS FOR THE ACQUISITION AND THE JOINT VENTURE

Members of the Group and the Goldstore Group have entered into joint ventures on construction projects in the past. The Group has been partners with certain members of the Goldstore Group to undertake construction project work since 2001. As their relationship during such previous projects have been smoothly managed on a friendly and co-operative basis, it was proposed that the current Transactions be undertaken between the Group and the Goldstore Group. The Directors believe that the development of the Property would enhance the Group's profile in the property market in Hong Kong and provide a further avenue for the growth and profitability of the Group in the future.

LISTING RULES IMPLICATIONS OF THE TRANSACTIONS

The Purchase Price for the Property amounts to approximately HK\$171 million. Hanison anticipates that the estimated development costs in respect of the Property will amount to approximately HK\$135.4 million. The commitment for half of the Purchase Price and the anticipated development costs for the Property to be contributed by the Group under the terms of the JV Agreement amounts in aggregate to approximately HK\$153.2 million which exceeds 25% but is less than 100% of the market capitalisation of Hanison of approximately HK\$241.1 million (based on the average closing price of Hanison's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the acceptance of the Tender). Accordingly, the Acquisition and the Joint Venture in aggregate constitute major transactions for Hanison under Rule 14.06(3) of the Listing Rules and approval from shareholders of Hanison is required to be obtained under the Listing Rules.

Hanison has sought and obtained confirmation from the Stock Exchange that the requirement to hold an extraordinary general meeting of Hanison under Rule 14.44(2) of the Listing Rules to approve the Transactions need not be undertaken upon fulfillment of the conditions set out in Rule 14.44 of the Listing Rules on the basis that Great Wisdom and Novantenor, being the majority shareholders of Hanison (with approximately 66.63% of its issued share capital in aggregate), constitute shareholders of Hanison with no material interest in the Transactions which are different from any other shareholders of Hanison for the purposes of voting on resolution(s) to be proposed at such extraordinary general meeting of Hanison to approve the Transactions.

LETTER FROM THE BOARD

Great Wisdom and Novantenor constitute a “closely allied group of shareholders” for the purposes of Rules 14.44 and 14.45 of the Listing Rules on the following basis:

- (1) Great Wisdom has remained a shareholder of Hanison since its listing on the Stock Exchange on 10 January 2002 and Novantenor became a shareholder of Hanison on 21 July 2004;
- (2) Novantenor and HKRI would together be regarded as “acting in concert” for the purposes of the Hong Kong Code on Takeovers and Mergers;
- (3) Novantenor holds shares in Hanison as the trustee of certain irrevocable discretionary trusts of which members of the Cha Family (comprising, for this purpose, Dr. Cha Chi Ming, Ms. Wong May Lung, Madeline (being a daughter of Dr. Cha Chi Ming), Mr. Cha Mou Sing, Payson, Mr. Cha Mou Zing, Victor and Mr. Cha Mou Daid, Johnson (being the sons of Dr. Cha Chi Ming), Mr. Cha Yiu Chung, Benjamin (being a grandson of Dr. Cha Chi Ming) together with their respective associates, excluding, as the case may be, HKRI) are among the discretionary objects; and
- (4) Novantenor holds approximately 37.46% of the issued share capital of HKRI as at the date hereof whilst Great Wisdom is a wholly owned subsidiary of HKRI.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, none of Great Wisdom, its beneficial owner, Novantenor nor any of their respective subsidiaries or associates has any interest in the Transactions which is different from that of any other shareholder of Hanison and none of Great Wisdom, its beneficial owner, Novantenor, any of their respective subsidiaries or associates or any other shareholder of Hanison need to abstain from such voting process as regards the Transactions.

On 23 December 2004, such approvals were obtained from each of Great Wisdom and Novantenor in respect of 66.63% of their aggregated shareholding interests in Hanison thereby providing Hanison with the requisite majority shareholders’ approvals of the Transactions without an extraordinary general meeting of Hanison having to be convened. Accordingly, an extraordinary general meeting of Hanison will not be convened to consider and approve the Transactions.

INFORMATION ON HANISON, THE GOLDSTORE GROUP AND VIEWFULL

The principal business activity of Hanison is investment holding. Its subsidiaries are principally engaged in building construction, interior and renovation works, supply and installation of building materials, trading of health products and property investment and development.

The principal business activities of the Goldstore Group is in the facilities, contracting, transport, financial and environmental services businesses, the development, investment, operation and/or management of and in toll roads, expressways, bridges and tunnel, power plants, water treatment and waste management plants and the development, investment, operation and management of container handling, logistics and warehousing business.

LETTER FROM THE BOARD

As far as the Directors are aware, Viewfull is the registered owner of the Property which is currently occupied for residential purposes.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the Appendices in this circular.

Yours faithfully,
For and on behalf of the Board
Hanison Construction Holdings Limited
Wong Sue Toa, Stewart
Managing Director



JONES LANG
LASALLESM

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14 January 2005

The Directors
Hanison Construction Holdings Limited
Unit 1, 4/F, Block B
Shatin Industrial Centre
5-7 Yuen Shun Circuit
Shatin, New Territories
Hong Kong

Dear Sirs

**Re: Valuation of Nos. 1 & 1E La Salle Road, Kowloon Tong, Kowloon
New Kowloon Inland Lot No. 2617**

We refer to the instruction by Hanison Construction Holdings Limited (hereinafter referred to as “the Company”) for us in providing our opinion of the open market value of the property interest at Nos. 1 & 1E La Salle Road, Kowloon Tong, Kowloon, Hong Kong (New Kowloon Inland Lot No. 2617) (hereinafter referred to as “the Property”) for public disclosure purposes.

We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we deem necessary to derive our opinion as to the open market value of the Property as at 4 January 2005 (“the date of valuation”).

We would like to point out that the valuation presented in this report represents 100% interest of the Property and not the share holdings within the company holding the property interest.

1.0 INTRODUCTION

Basis of Valuation

Unless otherwise stated, our valuation report is prepared in accordance with the “Hong Kong Guidance Notes on The Valuation of Property Assets” published by the Hong Kong Institute of Surveyors (“HKIS”) and our General Principles of Valuation adopted for Hong Kong. If the Guidance Notes are silent on subjects requiring guidance, we refer to the “Appraisal and Valuation Standards” published by the Royal Institution of Chartered Surveyors subject to variation to meet local established law, custom, practices and market conditions.

Our valuation is made on the basis of the “open market value” defined by HKIS as “the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion”.

Valuation Methodology

We have adopted the direct comparison approach and the residual approach in the course of the assessment.

The direct comparison approach is based on comparing the property to be valued directly with other comparable properties, which have recently transferred its legal ownership. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under consideration.

The residual approach of valuation requires an assessment of the Gross Development Value (“the GDV”) of the proposed development subject to the hypothetical assumption that the definition of open market value is applied to the completed development, as at the date of valuation. The costs of development, which include construction costs, professional fees, finance costs on construction, marketing costs of the completed development, are then deducted from the GDV. Allowance would then be made for developer’s profit, acquisition costs for land and finance costs on land. The resultant figure is the residual value. This method is subject to a number of hypothetical assumptions/parameters. A slight change in one or more of the assumptions/parameters would have a significant impact on the conclusion reached.

Valuation Assumptions

Our valuation has been made on the assumption that the owner sells the property interest on the open market without the benefit of deferred-terms contract, leaseback, joint venture, management agreements or any similar arrangements which would serve to affect the value of such property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

Unless otherwise stated, we have valued the property interest on the assumption that it is freely disposable and transferable for the existing use to both local and overseas purchasers without payment of any premium to the relevant authorities.

No allowance has been made in our valuation for any compensation, charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature that could affect its value.

Property Inspection

We have carried out inspection as to the exterior of the Property on 3 January 2005 as no internal inspection could be made available to us. We have not carried out site measurements to verify the correctness of the site area of the Property. We have assumed that the site area and the identification of the Property shown on the documents provided by the Company and/or obtained from the Land Registry and the lease plan attached to the land grant are correct.

We are not instructed to arrange for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Property. However, should it be established subsequently that contamination exists at the Property or on any neighbouring land, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the value reported herein.

We are not instructed to carry out any investigations on site in order to determine the suitability of the ground conditions and the services, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Source of Information

We have relied to a very considerable extent on the information provided by the Company, those obtained from the Land Registry and relevant government departments. Also, we have made reference to the announcement made by the Company dated 23 December 2004 in respect of the acquisition of the Property for redevelopment purpose.

We have not been provided with the floor plans and/or the floor areas of the existing buildings erected on the Property. At the time of preparing this report, we have not been able to obtain from the relevant government departments of the said plans. Nevertheless, we have obtained from the Rating and Valuation Department (“the RVD”) the saleable area of 1E La Salle Road. In addition, we have not been provided with any development plans in respect of the proposed redevelopment of the Property.

We have accepted advice given to us on such matters as the identification of the Property, land tenure and development conditions, particulars of occupancy, site area, the proposed residential development and all other relevant matters.

We have also had regard to relevant construction costs based on data published by professional quantity surveyors in the course of the assessment.

Dimensions, measurements and areas included in the valuation certificate are based on information contained in copies of documents provided to us and are therefore only approximations.

Our valuation is totally dependent on the adequacy and accuracy of the information supplied and/or subsequent assumptions made. Should these prove to be incorrect or inadequate, the accuracy of our valuation may be affected.

Title Investigation

We have not been provided with copies of the title documents relating to the Property. However, we have caused searches to be made for the Property at the Land Registry. We have not scrutinized the original documents to verify ownership and encumbrances, or to ascertain any amendment which may or may not appear on the copies handed to us.

Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers’ industrial or commercial process, together with furniture and furnishings, tenants’ fixtures and fittings are excluded in our valuation.

Report

The valuation certificate is attached hereto.

Yours faithfully

For and on behalf of

Jones Lang LaSalle Limited

Tony Wan *BSc, MRICS, MHKIS, RPS(GP)*

Associate Director

Licence No.: E 172403

Note: Mr. Wan is a Chartered Surveyor and a Registered Professional Surveyor. He has over 9 years of experience in valuation of properties in Hong Kong.

2.0 VALUATION CERTIFICATE

Property	Description, age and tenure	Particulars of occupancy	Open market value as at 4 January 2005
Nos. 1 & 1E La Salle Road, Kowloon Tong, Kowloon, Hong Kong (New Kowloon Inland Lot No. 2617)	<p>The Property comprises a trapezoidal shaped site with a registered site area of 11,590ft² (1,077m² or thereabout). It is bounded on the north by New Kowloon Inland Lot No. 2709, the east by La Salle Road, and the south and west by an unnamed road branching off from La Salle Road.</p> <p>As advised by the Company, it is intended to redevelop the Property into residential units and the redevelopment is expected to be completed in 2007. However, no concrete redevelopment plans have been made at the current stage.</p>	<p>There are two existing buildings erected on the Property; one of which is of three-storey and the other is of two-storey. We are given to understand that both buildings are self-occupied by the existing registered owner.</p> <p>The three-storey building (i.e. 1E La Salle Road) is currently used for residential purposes while the two-storey building (i.e. 1 La Salle Road) is occupied as a kindergarten.</p> <p>According to the information obtained from the RVD, 1E La Salle Road was completed in 1988 and its saleable area extends to 5,288ft² (491.3m² or thereabout).</p> <p>As advised by the Company, the Property will be held for future redevelopment. We have been instructed to value the Property with the benefit of vacant possession.</p>	HK\$171,000,000 (Hong Kong Dollars One Hundred and Seventy One Million)

Property	Description, age and tenure	Particulars of occupancy	Open market value as at 4 January 2005
Nos. 1 & 1E La Salle Road, Kowloon Tong, Kowloon, Hong Kong (New Kowloon Inland Lot No. 2617)	The Property is held under government lease of New Kowloon Inland Lot No. 2617. The leasehold term has been extended by virtue of the New Territories Leases (Extension) Ordinance (Cap. 150) from 28 June 1997 up to 30 June 2047. The rent payable to the Government of HKSAR is equivalent to 3% of the rateable value for the time being of the lot.	—	—

Notes:

- (1) According to the Land Registry record, the registered owner of the Property is Viewfull Limited via an assignment dated 16 September 1983 vide Memorial No. 2477880.
- (2) According to the Land Registry record, a legal charge to secure general banking facilities in favour of Wing Lung Bank Limited dated 30 December 2002 was registered against the Property vide Memorial No. 8849239.
- (3) Salient development conditions of the Property pursuant to the Government Lease of New Kowloon Inland Lot No. 2617 are summarized as follows:
 - i. Type of building : Detached or semi-detached houses of European type
 - ii. Design of the exterior elevations and the disposition of any building subject to special approval of the Director of Public Works
 - iii. Maximum height of building : 35 feet
 - iv. Non-building area : Not to erect any building within 20 feet of La Salle Road
 - v. Offensive trade clause

- (4) The Property falls within an area zoned for “Residential (Group C)” under the Kowloon Tong Outline Zoning Plan No. S/K18/11 (“the OZP”) which was approved on 5 October 2004. According to the Notes of the OZP, no new development, or addition, alteration and/or modification to or redevelopment of an existing building shall result a total development and/or redevelopment in excess of a maximum plot ratio of 3.0, or the plot ratio of the existing building, whichever is the greater.
- (5) In the course of our valuation, we have taken into account the various prevailing development controls in formulating the optimum development to be erected on the Property. These include, inter alia, the development restrictions under the OZP, lease conditions as well as the Building (Planning) Regulations.
- (6) We have also taken into account the potential for a lease modification from the Lands Department to relax certain restrictive conditions under the relevant land grant to optimize the development potential of the Property as permitted by the OZP. This includes but not limited to the removal of the height restriction under the existing lease conditions.
- (7) We are of the opinion that the open market value of the Property would lie with its redevelopment value.

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated income statement of and the consolidated balance sheet of the Group for the last three financial years extracted from the annual report of Hanison for the year ended 31 March 2004 is set out below:

Consolidated income statement	Year ended 31 March		
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	<u>652,822</u>	<u>891,981</u>	<u>641,183</u>
Profit from operations	36,480	32,020	36,672
Finance costs	(146)	(2)	(121)
Share of result of associates	260	(84)	1,120
Share of result of jointly controlled entities	<u>839</u>	<u>3,480</u>	<u>2</u>
Profit before taxation	37,433	35,414	37,673
Taxation	<u>(6,928)</u>	<u>(5,194)</u>	<u>(6,426)</u>
Net profit for the year	<u>30,505</u>	<u>30,220</u>	<u>31,247</u>
Dividends	<u>7,092</u>	<u>7,092</u>	<u>32,500</u>
Earnings per share — basic (<i>HK cents</i>)	<u>10.8</u>	<u>10.7</u>	<u>11.0</u>
		As at 31 March	
Consolidated balance sheet	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-current assets	338,965	314,170	116,728
Current assets	408,894	345,989	601,426
Current liabilities	(295,807)	(285,807)	(371,134)
Non-current liabilities	<u>(53,705)</u>	<u>(2,246)</u>	<u>—</u>
Total net assets	<u>398,347</u>	<u>372,106</u>	<u>347,020</u>

2. SUMMARY OF AUDITED FINANCIAL INFORMATION

The following is a summary of the audited consolidated financial results, financial position, changes in equity and cash flow statement of the Group for the two years ended 31 March 2004, as extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2004.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Turnover	4	652,822	891,981
Cost of sales		(557,382)	(813,770)
Gross profit		95,440	78,211
Other operating income	6	2,526	9,790
Marketing and distribution costs		(5,810)	(5,063)
Administrative expenses		(55,691)	(50,855)
Unrealised holding gain (loss) on investments in securities		15	(63)
Profit from operations		36,480	32,020
Finance costs		(146)	(2)
Share of result of associates		260	(84)
Share of result of jointly controlled entities		839	3,480
Profit before taxation	7	37,433	35,414
Taxation	9	(6,928)	(5,194)
Net profit for the year		<u>30,505</u>	<u>30,220</u>
Dividends	10	<u>7,092</u>	<u>7,092</u>
Earnings per share — basic (<i>HK cents</i>)	11	<u>10.8</u>	<u>10.7</u>

CONSOLIDATED BALANCE SHEET

At 31 March 2004

	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000 (Restated)
Non-current assets			
Investment properties	12	126,190	19,422
Property, plant and equipment	13	56,392	55,439
Properties held for development	14	130,536	170,605
Interest in associates	16	11,145	10,919
Interest in jointly controlled entities	17	9,066	2,926
Goodwill	18	570	—
Retention money receivable after one year	19	5,066	54,859
		<u>338,965</u>	<u>314,170</u>
Current assets			
Properties under development for sale	20	89,483	—
Inventories	21	26,482	16,190
Amounts receivable on contract work	22	65,550	47,078
Progress payments receivable	23	24,893	29,561
Retention money receivable within one year	19	71,454	60,525
Debtors, deposits and prepayments	24	41,732	29,385
Amount due from associates		181	—
Amount due from jointly controlled entities		7	87
Investments in securities	25	77	40,486
Taxation recoverable		882	1,770
Bank balances and cash		88,153	120,907
		<u>408,894</u>	<u>345,989</u>

CONSOLIDATED BALANCE SHEET (continued)

At 31 March 2004

	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000 (Restated)
Current liabilities			
Amounts payable			
on contract work	22	132,351	125,718
Creditors and accrued charges	26	155,949	159,933
Taxation payable		3,307	156
Bank loans			
— amount due within one year	27	4,200	—
		<u>295,807</u>	<u>285,807</u>
Net current assets		<u>113,087</u>	<u>60,182</u>
Total assets less current liabilities		<u>452,052</u>	<u>374,352</u>
Non-current liabilities			
Bank loans			
— amount due after one year	27	51,100	—
Deferred taxation	28	2,605	2,246
		<u>53,705</u>	<u>2,246</u>
		<u>398,347</u>	<u>372,106</u>
Capital and reserves			
Share capital	29	28,367	28,367
Reserves		369,980	343,739
		<u>398,347</u>	<u>372,106</u>

BALANCE SHEET*At 31 March 2004*

	<i>Notes</i>	2004 HK\$'000	2003 <i>HK\$'000</i>
Non-current assets			
Investments in subsidiaries	<i>15</i>	326,739	326,739
Current assets			
Other debtors, deposits and prepayments		—	127
Amounts due from subsidiaries		23,337	195,414
Amounts due from associates		181	—
Bank balances		312	144
		23,830	195,685
Current liabilities			
Amounts due to subsidiaries		—	164,708
Accrued expenses		375	432
Taxation payable		—	22
		375	165,162
Net current assets		23,455	30,523
		350,194	357,262
Capital and reserves			
Share capital	<i>29</i>	28,367	28,367
Reserves	<i>31</i>	321,827	328,895
		350,194	357,262

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2004

	Share capital	Contributed surplus	Special reserve	Investment property revaluation reserve	Goodwill reserve	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(note 31)	(note 31)					
At 1 April 2002								
— as previously reported	28,367	34,034	21,941	—	(78)	—	262,756	347,020
— adjustment on adoption of Statement of Standard Accounting Practice 12 (Revised)	—	—	—	—	—	—	(2,297)	(2,297)
— as restated	28,367	34,034	21,941	—	(78)	—	260,459	344,723
Net profit for the year	—	—	—	—	—	—	30,220	30,220
Interim dividend paid in respect of the year ended 31 March 2003	—	—	—	—	—	—	(2,837)	(2,837)
Proposed final dividend in respect of the year ended 31 March 2003	—	—	—	—	—	4,255	(4,255)	—
At 31 March 2003	28,367	34,034	21,941	—	(78)	4,255	283,587	372,106
Net profit for the year	—	—	—	—	—	—	30,505	30,505
Surplus arising from revaluation of investment properties and gains not recognised in the financial statements	—	—	—	2,828	—	—	—	2,828
Final dividend paid in respect of the year ended 31 March 2003	—	—	—	—	—	(4,255)	—	(4,255)
Interim dividend paid in respect of the year ended 31 March 2004	—	—	—	—	—	—	(2,837)	(2,837)
Proposed final dividend in respect of the year ended 31 March 2004	—	—	—	—	—	4,255	(4,255)	—
At 31 March 2004	<u>28,367</u>	<u>34,034</u>	<u>21,941</u>	<u>2,828</u>	<u>(78)</u>	<u>4,255</u>	<u>307,000</u>	<u>398,347</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2004

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cash flows from operating activities		
Profit before taxation	37,433	35,414
Adjustments for:		
Share of result of associates	(260)	84
Share of result of jointly controlled entities	(839)	(3,480)
Amortisation of goodwill	30	—
Interest income	(1,639)	(7,641)
Interest expenses	146	2
Depreciation	3,078	2,663
Gain on disposal of property, plant and equipment	(58)	(151)
Unrealised holding (gain) loss on investments in securities	(15)	63
Gain on disposal of investments in securities	(292)	(956)
Operating cash flows before movements in working capital	37,584	25,998
Increase in inventories	(4,234)	(5,294)
Increase in amounts receivable on contract work	(16,171)	(20,485)
Decrease in progress payments receivable	4,668	94,415
Decrease (increase) in retention money receivable	38,864	(4,088)
Increase in amount due from associates	(181)	—
Decrease in amount due from jointly controlled entities	80	184
Increase in debtors, deposits and prepayments	(9,814)	(1,529)
Increase (decrease) in amounts payable on contract work	6,633	(83,503)
(Decrease) increase in creditors and accrued charges	(10,307)	2,833
Decrease in amounts due to an associate	—	(1,586)
Cash generated from operating activities	47,122	6,945
Hong Kong Profits Tax paid	(2,297)	(5,700)
Interest paid	(146)	(2)
Net cash generated from operating activities	44,679	1,243

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 31 March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Cash flows from investing activities			
Interest received		1,639	7,641
Dividend received		2,500	2,000
Purchase of investment properties		(103,940)	(15,665)
Purchase of property, plant and equipment		(6,167)	(18,485)
Proceeds from disposal of property, plant and equipment		76	180
Development costs for properties under development		(49,414)	(605)
Proceeds from disposal of investments in securities		40,716	17,315
Acquisition of subsidiaries	32	(3,051)	(169,997)
Investment in a jointly controlled entity		(8,000)	—
Investment in associates		—	(10,000)
Return of investment from a jointly controlled entity		—	5,000
Purchase of investments in securities		—	(40,423)
Net cash used in investing activities		<u>(125,641)</u>	<u>(223,039)</u>
Cash flows from financing activities			
Dividends paid		(7,092)	(2,837)
New bank loans raised		55,300	—
Net cash from (used in) financing activities		<u>48,208</u>	<u>(2,837)</u>
Net decrease in cash and cash equivalents		(32,754)	(224,633)
Cash and cash equivalents at the beginning of the year		<u>120,907</u>	<u>345,540</u>
Cash and cash equivalents at the end of the year, representing bank balances and cash		<u><u>88,153</u></u>	<u><u>120,907</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

1. General

The Company is as an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law (2001 Second Revision) Chapter 22 of the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company and the principal activities of the Group are building construction, interior and renovation works, supply and installation of building materials, trading of health products, property investment and development.

2. Adoption of Hong Kong Financial Reporting Standard

In the current year, the Group has adopted, for the first time, Hong Kong Financial Reporting Standard ("HKFRS") — Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of SSAP 12 (Revised) has resulted in decrease in accumulated profits of HK\$2,297,000 at 1 April 2002, representing the cumulative effect of the change in policy on results for periods prior to 1 April 2002. The change has resulted in a decrease in profit of HK\$359,000 for the year ended 31 March 2004 (2003: an increase in profit of HK\$51,000).

3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances have been eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

3. Significant Accounting Policies *(continued)***Revenue**

Revenue on construction or interior and renovation contracts is recognised using the percentage of completion method by reference to the value of work carried out during the year.

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from property let under operating leases, is recognised on a straight line basis over the term of the relevant lease.

Dividend income is recognised when the Group's right to receive dividends has been established.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and was eliminated against reserves immediately on acquisition for the periods before 1 April 2001.

Any premium or discount arising on the acquisition of interest in associates or interest in jointly controlled entities, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate or jointly controlled entity at the date of acquisition, was dealt with in the same manner as that described above for goodwill for the periods before 1 April 2001.

On the disposal of an investment in a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisition after 1 April 2001 is capitalised and amortised over its estimated useful life.

On disposal of an investment in a subsidiary, an associate, or a jointly controlled entity, the attributable amount of outstanding goodwill (negative goodwill) is included in the determination of the profit or loss on disposal.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income derived therefrom being negotiated at arm's length.

Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement.

On disposal of investment properties, the balance on the investment property revaluation reserve attributable to the property disposed of is transferred to the income statement.

No depreciation is provided in respect of investment properties which are held under leases with unexpired terms of more than twenty years.

3. Significant Accounting Policies *(continued)*

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost of items of property, plant and equipment, using the straight line method, over their estimated useful lives which are as follows:

Leasehold land	Over the unexpired term of the relevant lease
Buildings	20 years
Other assets	5 years

Properties held for development

Properties held for development, which have not been identified for any specific purpose, are shown as non-current assets and are stated at cost or their carrying values immediately before reclassification from properties held for other purposes less any impairment losses recognised.

Costs relating to the development of the properties, including financial costs, are capitalised and included as properties held for development until such time they are identified for transfer to specific categories of property, plant and equipment, investment properties or properties for sale.

Properties under development for sale

Properties under development for sale are carried at the lower of cost and net realisable value. Cost includes land cost, development costs and directly attributable cost including, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions of the investee.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Jointly controlled entity

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method.

3. Significant Accounting Policies *(continued)*

Construction contracts

When the outcome of a construction or interior and renovation contract can be estimated reliably, contract revenue and costs are recognised in the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys on work performed.

When the outcome of a construction or interior and renovation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at fair value on subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

Rentals under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Retirement benefit cost

Contributions payable to the Group's defined contribution retirement benefit schemes are charged as an expense as they fall due.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange ruling on dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

4. Turnover

Turnover represents the aggregate of the value of contract work carried out, the sales proceeds derived from supply and installation of building materials, sales proceeds of goods sold, revenue from provision of properties agency and management services and gross rental income during the year, and is analysed as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Construction	423,853	714,648
Interior and renovation	98,794	93,272
Building materials	83,760	80,837
Health products	38,436	1,916
Properties investment	6,047	452
Properties agency and management	1,932	856
	<u>652,822</u>	<u>891,981</u>

5. Business and Geographical Segments

For management purposes, the Group is currently organised into seven principal operating divisions — construction, interior and renovation, building materials, health products, properties investment, properties agency and management and properties development. These divisions are the basis on which the Group reports its primary segment information.

(a) Business segments

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Properties investment HK\$'000	Properties agency and management HK\$'000	Properties development HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the year ended 31 March 2004									
TURNOVER									
External sales	423,853	98,794	83,760	38,436	6,047	1,932	—	—	652,822
Inter-segment sales	43,404	95,497	9,526	44	—	3,040	—	(151,511)	—
Total	<u>467,257</u>	<u>194,291</u>	<u>93,286</u>	<u>38,480</u>	<u>6,047</u>	<u>4,972</u>	<u>—</u>	<u>(151,511)</u>	<u>652,822</u>
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment result	<u>23,117</u>	<u>4,438</u>	<u>4,285</u>	<u>(1,466)</u>	<u>5,061</u>	<u>1,100</u>	<u>(42)</u>	—	36,493
Other operating income									2,526
Unrealised holding gain on investments in securities									15
Unallocated expenses									(2,554)
Profit from operations									36,480
Finance costs									(146)
Share of result of associates	—	—	260	—	—	—	—	—	260
Share of result of jointly controlled entities	839	—	—	—	—	—	—	—	839
Profit before taxation									37,433
Taxation									(6,928)
Net profit for the year									<u>30,505</u>
As at 31 March 2004									
ASSETS									
Segment assets	255,596	17,896	71,289	25,399	128,947	1,747	220,248		721,122
Interests in associates	—	—	1,145	—	—	—	10,181		11,326
Interest in jointly controlled entities	9,066	—	7	—	—	—	—		9,073
Unallocated corporate assets									6,338
Consolidated total assets									<u>747,859</u>
LIABILITIES									
Segment liabilities	244,037	16,802	15,088	8,213	3,396	358	31		287,925
Unallocated corporate liabilities									61,587
Consolidated total liabilities									<u>349,512</u>
OTHER INFORMATION									
Additions of property, plant and equipment	3,306	—	355	2,644	—	45	—		6,350
Additions of properties held for investment	—	—	—	—	103,940	—	—		103,940
Additions of properties held for development	—	—	—	—	—	—	536		536
Depreciation	4,337	110	381	529	—	22	—		5,379

5. Business and Geographical Segments (continued)

(a) Business segments (continued)

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Properties investment HK\$'000	Properties agency and management HK\$'000	Properties development HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000 (Restated)
For the year ended 31 March 2003									
TURNOVER									
External sales	714,648	93,272	80,837	1,916	452	856	—	—	891,981
Inter-segment sales	—	84,724	47,004	141	—	—	—	(131,869)	—
Total	<u>714,648</u>	<u>177,996</u>	<u>127,841</u>	<u>2,057</u>	<u>452</u>	<u>856</u>	<u>—</u>	<u>(131,869)</u>	<u>891,981</u>
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment result	<u>23,006</u>	<u>2,046</u>	<u>2,606</u>	<u>(3,644)</u>	<u>(342)</u>	<u>380</u>	<u>(20)</u>	19	24,051
Other operating income									9,790
Unrealised holding loss on investments in securities									(63)
Unallocated expenses									(1,758)
Profit from operations									32,020
Finance costs									(2)
Share of result of associates	—	—	(84)	—	—	—	—	—	(84)
Share of result of jointly controlled entities	3,480	—	—	—	—	—	—	—	3,480
Profit before taxation									35,414
Taxation									(5,194)
Net profit for the year									<u>30,220</u>
As at 31 March 2003									
ASSETS									
Segment assets	320,688	20,279	58,353	6,781	25,600	1,336	170,662		603,699
Interests in associates	—	—	919	—	—	—	10,000		10,919
Interest in a jointly controlled entity	3,013	—	—	—	—	—	—		3,013
Unallocated corporate assets									42,528
Consolidated total assets									<u>660,159</u>
LIABILITIES									
Segment liabilities	259,926	11,408	12,177	791	861	106	66		285,335
Unallocated corporate liabilities									2,718
Consolidated total liabilities									<u>288,053</u>
OTHER INFORMATION									
Additions of property, plant and equipment	14,461	1,271	1,592	754	—	407	—		18,485
Additions of investment properties	—	—	—	—	15,665	—	—		15,665
Additions of properties held for development	—	—	—	—	—	—	170,605		170,605
Additions of associates holding properties held for development	—	—	—	—	—	—	10,000		10,000
Depreciation	4,448	114	389	32	—	12	—		4,995

(b) Geographical segments

All the Group's operations and significant segment assets during the two years ended 31 March 2004 were in Hong Kong.

6. Other Operating Income

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Other operating income includes:		
Interest income	<u>1,639</u>	<u>7,641</u>

7. Profit Before Taxation

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' emoluments (<i>note 8(i)</i>)		
— Fees	500	500
— Other emoluments	6,946	6,946
Other staff costs	93,308	90,255
Retirement benefit scheme contributions for other staff (<i>note 38</i>)	<u>5,672</u>	<u>4,940</u>
Total staff costs	<u>106,426</u>	<u>102,641</u>
Depreciation	3,078	2,663
Auditors' remuneration	495	635
Amortisation of goodwill included in administrative expenses	30	—
Interest on bank and other borrowings wholly repayable within five years	146	2
Operating lease rentals in respect of rented premises	4,638	1,627
and after crediting:		
Gain on disposal of investments in securities	292	956
Gain on disposal of property, plant and equipment	58	151
Rental income under operating leases less outgoings (Gross rental income: 2004: HK\$6,047,000 (2003: HK\$452,000))	5,151	15
Sub-leasing income less outgoings (Gross sub-leasing income: 2004 HK\$247,000 (2003: HK\$324,000))	72	142
Expenses capitalised in cost of contract work:		
Depreciation	2,301	2,332
Rentals under operating leases in respect of:		
— plant and machinery	4,159	3,063
— others	<u>960</u>	<u>—</u>

8. Directors' and Employees' Emoluments

(i) Directors' emoluments

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees		
Executive	200	200
Non-executive	300	300
	<u>500</u>	<u>500</u>
Other emoluments (executive):		
Salaries and other benefits	3,729	3,484
Performance related incentive payments	2,721	2,980
Retirement benefit scheme contributions	496	482
	<u>6,946</u>	<u>6,946</u>
	<u>7,446</u>	<u>7,446</u>

The emoluments paid to the directors are within the following bands:

	2004	2003
Nil to HK\$1,000,000	7	7
HK\$2,000,001 — HK\$2,500,000	1	1
HK\$4,000,001 — HK\$4,500,000	1	1
	<u>1</u>	<u>1</u>

(ii) Employees' emoluments

During the year, the five highest paid individuals included two directors (2003: two directors), details of whose emoluments are set out above. The emoluments of the remaining three highest paid individuals were as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other benefits	2,088	2,392
Performance related incentive payments	688	390
Retirement benefit scheme contributions	246	275
	<u>3,022</u>	<u>3,057</u>

The emoluments of the aforesaid employees were within the following bands:

	2004	2003
Nil to HK\$1,000,000	2	1
HK\$1,000,001 — HK\$1,500,000	1	2
	<u>1</u>	<u>2</u>

During the year, no emoluments were paid by the Group to the directors and highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived any emoluments during the year.

9. Taxation

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Hong Kong Profits Tax		
Current year	6,286	4,290
Underprovision in prior years	50	399
	<u>6,336</u>	<u>4,689</u>
Deferred taxation (<i>note 28</i>)		
Current year	148	(51)
Attributable to a change in tax rate	211	—
	<u>359</u>	<u>(51)</u>
Taxation attributable to the Company and its subsidiaries	6,695	4,638
Share of Hong Kong Profits		
Tax attributable to associates	34	—
Share of Hong Kong Profits		
Tax attributable to jointly controlled entities	199	556
	<u>6,928</u>	<u>5,194</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate has been increased with effect from the year of assessment 2003/04.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<u>37,433</u>	<u>35,414</u>
Tax at the domestic income tax rate of 17.5% (2003: 16%)	6,551	5,666
Tax effect of share of results of associates	(11)	(13)
Tax effect of share of results of jointly controlled entities	52	25
Tax effect of expenses that are not deductible in determining taxable profit	515	70
Tax effect of income that is not taxable in determining taxable profit	(562)	(1,378)
Tax effect of utilisation of tax losses not previously recognised	(598)	(144)
Tax effect of tax losses not recognised	664	567
Underprovision in prior years	50	399
Increase in opening deferred tax liability resulting from an increase in tax rate	211	—
Others	56	2
Taxation for the year	<u>6,928</u>	<u>5,194</u>

10. Dividends

An interim dividend of HK1 cent (2003: HK1 cent) per share, totalling HK\$2,837,000 (2003: HK\$2,837,000) was declared and paid by the Company during the year.

A final dividend of HK1.5 cents (2003: HK1.5 cents) per share, totalling HK\$4,255,000 (2003: HK\$4,255,000) has been proposed by the Board and is subject to approval by the shareholders at the Annual General Meeting.

11. Earnings per Share

The calculation of the basic earnings per share for the year is based on the net profit for the year of HK\$30,505,000 (2003: HK\$30,220,000) and on the 283,671,086 shares for the two years ended 31 March 2004.

There were no potential dilutive ordinary shares in existence for the two years ended 31 March 2004. Accordingly, no diluted earnings per share has been presented.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policies shown in note 2, is as follows:

	Basic HK cent
Reconciliation of 2003 earnings per share	
Reported figure before adjustment	10.6
Adjustment arising from adoption of SSAP 12 (Revised)	0.1
	<u>10.7</u>
Restated	<u><u>10.7</u></u>

12. Investment Properties

	2004 HK\$'000	2003 HK\$'000
At beginning of the year	19,422	1,200
Additions	103,940	15,665
Surplus arising on revaluation of investment properties	2,828	—
Transfer from land and buildings under property, plant and equipment	—	2,557
	<u>126,190</u>	<u>19,422</u>
At end of the year	<u><u>126,190</u></u>	<u><u>19,422</u></u>

The carrying amount of investment properties comprises properties in Hong Kong under leases as follows:

	2004 HK\$'000	2003 HK\$'000
Long lease	1,290	1,200
Medium-term lease	124,900	18,222
	<u>126,190</u>	<u>19,422</u>

The investment properties of the Group were revalued at 31 March 2004 by Jones Lang LaSalle Limited, an independent property valuer on an open market value basis at an aggregate amount of HK\$126,190,000 (2003: HK\$20,200,000). The valuation gave rise to a revaluation increase of HK\$2,828,000 which has been credited to the investment property revaluation reserve. The surplus on revaluation in 2003 was not taken in the financial statements as the directors considered that the impact was not significant.

13. Property, Plant and Equipment

	Land and buildings <i>HK\$'000</i>	Plant and equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST						
At 1 April 2003	49,610	19,435	7,600	953	9,613	87,211
Additions	—	2,901	799	1,991	476	6,167
Acquired on acquisition of a subsidiary	—	—	154	29	—	183
Disposals	—	(120)	(734)	—	(305)	(1,159)
At 31 March 2004	<u>49,610</u>	<u>22,216</u>	<u>7,819</u>	<u>2,973</u>	<u>9,784</u>	<u>92,402</u>
DEPRECIATION						
At 1 April 2003	3,067	16,848	4,414	240	7,203	31,772
Provided for the year	1,229	1,615	1,335	431	769	5,379
Eliminated on disposals	—	(120)	(716)	—	(305)	(1,141)
At 31 March 2004	<u>4,296</u>	<u>18,343</u>	<u>5,033</u>	<u>671</u>	<u>7,667</u>	<u>36,010</u>
NET BOOK VALUES						
At 31 March 2004	<u>45,314</u>	<u>3,873</u>	<u>2,786</u>	<u>2,302</u>	<u>2,117</u>	<u>56,392</u>
At 31 March 2003	<u>46,543</u>	<u>2,587</u>	<u>3,186</u>	<u>713</u>	<u>2,410</u>	<u>55,439</u>
				2004 <i>HK\$'000</i>		2003 <i>HK\$'000</i>

The carrying amount of land and buildings comprises properties in Hong Kong under leases as follows:

Long lease		2,202	2,232
Medium term lease		43,112	44,311
		<u>45,314</u>	<u>46,543</u>

14. Properties Held For Development

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
COST		
At beginning of the year	170,605	—
Acquired on acquisition of subsidiaries during the year	—	170,000
Additions	536	605
Transfer to properties under development for sale (<i>note 20</i>)	(40,605)	—
At end of the year	<u>130,536</u>	<u>170,605</u>

The properties held for development are in Hong Kong and held for the medium term.

15. Investments in Subsidiaries

THE COMPANY
2004 & 2003
HK\$'000

Unlisted shares, at cost 326,739

The deemed cost of the investments in subsidiaries is based on the book values of the underlying net assets of the subsidiaries at the time they became subsidiaries of the Company pursuant to the group corporate reorganisation.

Particulars of the Company's subsidiaries at 31 March 2004 are set out in note 39.

16. Interest in Associates

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share of net assets	<u><u>11,145</u></u>	<u><u>10,919</u></u>

Details of the Group's associates as at 31 March 2004 are as follows:

Name of associate	Place of incorporation	Principal place of operation	Attributable equity interest held by the Group	Principal activities
Berville Investment Limited	Hong Kong	Hong Kong	50%	Investment holding
Dongguan Kee Hing Real Estate Development Limited	People's Republic of China	People's Republic of China	50%	Property development
Dongguan Kee Sing Real Estate Development Limited	People's Republic of China	People's Republic of China	50%	Property development
Fairwide Limited	Hong Kong	Hong Kong	50%	Investment holding
Hanison Concrete Limited	Hong Kong	Hong Kong	50%	Ceased operation

All the associates are incorporated.

17. Interest in Jointly Controlled Entities

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share of net assets	<u>9,066</u>	<u>2,926</u>

Details of the Group's interest in jointly controlled entities as at 31 March 2004 are as follows:

Name of jointly controlled entity	Form of business structure	Principal place of operation	Percentage of interest attributable to the Group	Nature of business
Hip Hing — Hanison Joint Venture	Body unincorporate	Hong Kong	50%	Building construction
Hanison — Hip Hing Joint Venture	Body unincorporate	Hong Kong	50%	Building construction

18. Goodwill

	2004 <i>HK\$'000</i>
COST	
Arising from acquisition of a subsidiary during the year and balance at 31 March 2004	<u>600</u>
AMORTISATION AND IMPAIRMENT	
Charge for the year	<u>30</u>
CARRYING AMOUNT	
At 31 March 2004	<u><u>570</u></u>

The amortisation period adopted for the goodwill is 20 years.

19. Retention Money Receivable

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Retention money receivable from:		
Subsidiaries of HKR International Limited ("HKRI")	39,904	71,037
A company associated with a substantial shareholder of the Company	6,000	4,525
Third parties	<u>30,616</u>	<u>39,822</u>
	76,520	115,384
Less: Amount receivable within one year included in current assets	<u>(71,454)</u>	<u>(60,525)</u>
Amount receivable after one year	<u><u>5,066</u></u>	<u><u>54,859</u></u>

The amount represents retention money in respect of the progress payments receivable on the contract works.

20. Properties under Development for Sale

At the balance sheet date, the carrying amount of properties under development for sale comprised:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
At cost		
Land	40,000	—
Development expenditure	49,483	—
	<u>89,483</u>	<u>—</u>

21. Inventories

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Building materials	14,022	12,955
Health products	12,460	3,235
	<u>26,482</u>	<u>16,190</u>
At cost	26,400	15,742
At net realisable value	82	448
	<u>26,482</u>	<u>16,190</u>

22. Amounts Receivable (Payable) on Contract Work

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contract costs incurred plus profits less losses recognised	2,918,547	2,269,948
Less: Progress billings	(2,985,348)	(2,348,588)
	<u>(66,801)</u>	<u>(78,640)</u>
Comprising:		
Amounts receivable on contract work	65,550	47,078
Amounts payable on contract work	(132,351)	(125,718)
	<u>(66,801)</u>	<u>(78,640)</u>

23. Progress Payments Receivable

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Progress payments receivable from:		
Subsidiaries of HKRI	904	10,267
Third parties	<u>23,989</u>	<u>19,294</u>
	<u>24,893</u>	<u>29,561</u>

The aged analysis of progress payments receivable is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within 30 days	21,790	28,468
31 — 60 days	1,853	—
Over 90 days	<u>1,250</u>	<u>1,093</u>
	<u>24,893</u>	<u>29,561</u>

24. Debtors, Deposits and Prepayments

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Debtors	29,906	15,812
Other receivables	2,170	5,151
Deposits	4,862	8,143
Prepayments	<u>4,794</u>	<u>279</u>
	<u>41,732</u>	<u>29,385</u>

The credit period allowed by the Group to its customers is normally 30 days.

The aged analysis of debtors included in debtors, deposits and prepayments is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within 60 days	25,717	13,287
61 — 90 days	1,384	750
Over 90 days	<u>2,805</u>	<u>1,775</u>
	<u>29,906</u>	<u>15,812</u>

24. Debtors, Deposits and Prepayments *(continued)*

Included in the above debtors are amounts due from related parties of a trading nature as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Subsidiaries of HKRI	904	1,518
A company associated with a substantial shareholder of the Company	791	3,330
Property management funds which are managed by subsidiaries of HKRI	210	94
	<u>1,905</u>	<u>4,942</u>

25. Investments in Securities

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
TRADING SECURITIES		
Equity securities:		
Listed in Hong Kong	77	63
Debt securities:		
Unlisted	—	40,423
Total at fair value	<u>77</u>	<u>40,486</u>
Market value of listed securities	<u>77</u>	<u>63</u>

The unlisted debt securities as at 31 March 2003 represented interest bearing instruments issued by financial institutions or reputable companies. Those securities were stated at their fair value at the balance sheet date.

26. Creditors and Accrued Charges

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Creditors	47,722	42,392
Retention payable	45,356	51,252
Accrued cost and charges	54,652	60,790
Temporary receipts	4,708	4,550
Deposits received	3,511	949
	<u>155,949</u>	<u>159,933</u>

The aged analysis of creditors included in creditors and accrued charges is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within 60 days	42,301	41,530
61 — 90 days	2,253	—
Over 90 days	3,168	862
	<u>47,722</u>	<u>42,392</u>

26. Creditors and Accrued Charges *(continued)*

Included in the above creditors are amounts due to related parties of trading nature as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Subsidiaries of HKRI	<u>432</u>	<u>87</u>

27. Bank Loans

The bank loans are repayable as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	4,200	—
In the second year	4,200	—
In the third to fifth years inclusive	<u>46,900</u>	<u>—</u>
	55,300	—
Less: Amount due within one year	<u>(4,200)</u>	<u>—</u>
Amount due after one year	<u>51,100</u>	<u>—</u>

During the year, the Group obtained bank loans of the amount of HK\$55,300,000 as general working capital. The loans bear interest at market rates and are secured by charges over certain properties of the Group, which are disclosed in note 33.

28. Deferred Taxation

The following are the major deferred tax liabilities of the Group and movements thereon during the current and prior accounting years:

	Accelerated tax depreciation <i>HK\$'000</i>	Properties* <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002			
— as previously stated	—	—	—
— adjustment on adoption of SSAP 12 (Revised)	<u>—</u>	<u>2,297</u>	<u>2,297</u>
— as restated	—	2,297	2,297
Credit to income for the year	<u>—</u>	<u>(51)</u>	<u>(51)</u>
At 31 March 2003 and 1 April 2003	—	2,246	2,246
Charge (credit) to income for the year	203	(55)	148
Effect of change in tax rate			
— charge to the income for the year	<u>—</u>	<u>211</u>	<u>211</u>
At 31 March 2004	<u>203</u>	<u>2,402</u>	<u>2,605</u>

* *Properties represents the land cost not qualifying for deduction for tax purposes.*

At 31 March 2004, the Group has unused tax losses of HK\$10,048,000 (2003: HK\$12,844,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. All the tax losses may be carried forward indefinitely.

29. Share Capital

	No. of shares	HK\$'000
Authorised:		
Shares of HK\$0.10 each Balance as at 1 April 2002, 31 March 2003 and 2004	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:		
Shares of HK\$0.10 each Balance as at 1 April 2002, 31 March 2003 and 2004	<u>283,671,086</u>	<u>28,367</u>

30. Share Option Scheme

Pursuant to the Company's existing share option scheme (the "Scheme") which was adopted on 3 January 2002 and became effective on 9 January 2002, all directors (including independent non-executive directors), full-time employees and consultants of the Company, its subsidiaries and/or its associates are eligible to participate in the Scheme. The exercise price of the option shall be no less than the higher of:

- (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, which must be a business day;
- (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and
- (iii) the nominal value of the shares of the Company on the date of grant.

A consideration of HK\$1 shall be paid upon the acceptance of the option.

No option was granted by the Company since its adoption.

31. Reserves

THE COMPANY

	Share premium HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2002	298,372	—	2,373	300,745
Net profit for the year	—	—	30,987	30,987
Interim dividend paid in respect of the year ended 31 March 2003	—	—	(2,837)	(2,837)
Proposed final dividend in respect of the year ended 31 March 2003	—	4,255	(4,255)	—
At 31 March 2003	298,372	4,255	26,268	328,895
Net profit for the year	—	—	24	24
Final dividend paid in respect of the year ended 31 March 2003	—	(4,255)	—	(4,255)
Interim dividend paid in respect of the year ended 31 March 2004	—	—	(2,837)	(2,837)
Proposed final dividend in respect of the year ended 31 March 2004	—	4,255	(4,255)	—
At 31 March 2004	<u>298,372</u>	<u>4,255</u>	<u>19,200</u>	<u>321,827</u>

31. Reserves (continued)

The Company's reserves available for distribution to shareholders as at 31 March 2004 represents the aggregate of share premium, dividend reserve and accumulated profits of HK\$321,827,000 (2003: HK\$328,895,000).

The share premium of the Company represents the difference between the aggregate net asset values of the subsidiaries at the date on which they became subsidiaries of the Company, and the nominal amount of the Company's shares issued at the time of the group corporate reorganisation in December 2001.

THE GROUP

Contributed surplus of the Group represents the difference between the aggregate share capital of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued at the time of the group corporate reorganisation.

Special reserve of the Group represents the aggregate of contributions from the then shareholders of the companies comprising the Group and other subsidiaries of HKRI before the group corporate reorganisation.

The accumulated profits at 31 March 2004 and 31 March 2003 include the following accumulated profits retained by:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Associates	1,144	918
Jointly controlled entities	1,066	2,926
	2,210	3,844

32. Acquisition of Subsidiaries

For the year ended 31 March 2004

On 6 June 2003, the Group acquired a 100% interest in Retailcorp Limited which carries on a health products wholesale business and operates a health products retailing chain store business under the trade name of "Health Plus" whose assets and liabilities on acquisition were as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Properties, plant and equipment	183
Inventories	6,058
Debtors, deposits and prepayments	2,533
Bank balances and cash	6
Creditors and accrued charges	(6,323)
Net assets acquired by the Group	2,457
Goodwill	600
	3,057
Satisfied by:	
Cash consideration	3,057
Net cash outflow arising on acquisition:	
Cash consideration	3,057
Bank balances and cash acquired	(6)
	3,051

The acquired subsidiary attributed HK\$29,846,000 to the Group's turnover, and a loss of HK\$814,000 to the Group's profit from operations for the year ended 31 March 2004.

32. Acquisition of Subsidiaries *(continued)*

For the year ended 31 March 2003

On 31 March 2003, the Group acquired a 100% interest in Amwell Investments Limited and Wisdom Concept Development Limited whose assets and liabilities on acquisition were as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Properties held for development	170,000
Debtors, deposits and prepayments	55
Bank balances and cash	3
Creditors and accrued charges	(52)
Taxation payable	(6)
Shareholders' loans	(164,708)
	<u>5,292</u>
Acquisition of shareholders' loans	164,708
	<u>170,000</u>
Net assets acquired by the Group	<u>170,000</u>
Satisfied by:	
Cash consideration	<u>170,000</u>
Net cash outflow arising on acquisition:	
Cash consideration	170,000
Bank balances and cash acquired	(3)
	<u>169,997</u>

The acquired subsidiaries contributed insignificant turnover, results and operating cash flows to the Group for the year ended 31 March 2003.

33. Pledged of Assets

At 31 March 2004, the Group's bank loans were secured by the Group's assets as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Investment properties	82,241	—
Land and buildings	12,778	—
	<u>95,019</u>	<u>—</u>

34. Contingent Liabilities

At 31 March 2004, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entities amounting to approximately HK\$11,523,000 (2003: HK\$4,428,000).

During the year, legal actions in respect of allegations of copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on its health products business. As the relevant actions are at a preliminary stage, the Directors are of the opinion that it is impractical to assess their impact to the Group.

At the balance sheet date, the Company had no material contingent liabilities.

35. Capital Commitments

At the balance sheet date, the Group had the following commitments:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Commitments for the acquisition of property, plant and equipment		
— contracted for but not provided in financial statements	<u>—</u>	<u>10,335</u>
Commitments for the acquisition of investment properties		
— contracted for but not provided in financial statements	<u>—</u>	<u>22,400</u>

At the balance sheet date, the Company had no material capital commitments.

36. Development Commitments

At the balance sheet date, the Group had approved development commitments in respect of its property under development for sale of HK\$17,177,000 (2003: nil) of which HK\$1,196,000 (2003: nil) had been contracted for.

37. Operating Lease Commitments**As lessee**

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	7,373	1,406
In the second to fifth year inclusive	9,115	1,775
	<u>16,488</u>	<u>3,181</u>

Operating lease payments represent rentals payable by the Group for its office properties, warehouse and shops. Leases are negotiable for an average term of three years.

The Company had no operating lease commitments at the balance sheet date.

As lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	7,236	2,231
In the second to fifth year inclusive	11,486	8,349
Over five years	<u>—</u>	<u>288</u>
	<u>18,722</u>	<u>10,868</u>

Property rental income earned from investment properties during the year was HK\$6,047,000 (2003: HK\$452,000). Leases are negotiable for an average term of three years.

38. Retirement Benefit Schemes

With the implementation of Mandatory Provident Fund Scheme in Hong Kong on 1 December 2000, the Group has maintained the defined contribution scheme registered under the Occupational Retirement Schemes Ordinance (“ORSO Scheme”) and has obtained an exemption satisfying the requirements of the Mandatory Provident Fund Schemes Ordinance (“MPFO”).

To comply with the MPFO, a Mandatory Provident Fund Scheme with voluntary contributions has been established. New employees must join the Mandatory Provident Fund Scheme after it commenced on 1 December 2000.

The amounts charged to the income statements represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes less forfeitures arising from employees leaving the Group prior to completion of qualifying service period. The amount for the year is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contributions payable	5,753	5,560
Forfeiture	<u>(81)</u>	<u>(138)</u>
	<u><u>5,672</u></u>	<u><u>5,422</u></u>

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefit schemes and which are available to reduce contributions payable in future years are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Balance of forfeited contributions	<u><u>13</u></u>	<u><u>2</u></u>

39. Particulars of Subsidiaries

Particulars of the Company’s subsidiaries, all of which are wholly owned at 31 March 2004 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital	Principal activities
Amwell Investments Limited	British Virgin Islands	US\$1	*Investment holding
Brilliant Advance Limited	British Virgin Islands	US\$2	*Investment holding
Care & Health Limited	Hong Kong	HK\$2	Trading of health products
Emwell Limited	Hong Kong	HK\$2	Property investment
Forever Gainer Development Limited	Hong Kong	HK\$2	Dormant
Hamfield Enterprises Limited	Hong Kong	HK\$2	Property holding
Hanison Construction Company Limited	Hong Kong	Ordinary shares HK\$1,000 Deferred shares HK\$60,000,000 (Note 3)	Property construction

39. Particulars of Subsidiaries (continued)

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital	Principal activities
Hanison Contractors Limited	Hong Kong	HK\$2	Property construction
Hanison Eco Services Limited	Hong Kong	HK\$2	Property investment
Hanison Estate Services Limited (formerly known as "CDW Building Services Limited")	Hong Kong	HK\$2	Provision of property management services
Hanison Project Management Limited	Hong Kong	HK\$2	Provision of property leasing and marketing services and project management
Hanison Interior & Renovation Limited	Hong Kong	HK\$2	Provision of interior and renovation services
Healthcorp Trading Limited	Hong Kong	HK\$2	Trading of health products
Health Plus (Hong Kong) Limited	Hong Kong	HK\$2	Dormant
Heatex Ceramic Limited	Hong Kong	HK\$400,000	Property holding
Media Group International Limited	British Virgin Islands	US\$2	*Investment holding
Tai Kee Pipes Limited (formerly known as "Ng Tai Kee Company Limited")	Hong Kong	HK\$2,000,000	Trading of building materials
Retailcorp Limited	Hong Kong	HK\$2	Sales of health products
Sental Investment Limited	Hong Kong	HK\$2	Property development
Team Forward Limited	British Virgin Islands	US\$2	*Investment holding
Trigon Building Materials Limited	Hong Kong	HK\$2	Supply and installation of building materials
Wisdom Concept Development Limited	Hong Kong	HK\$2	Property development

Notes:

- (1) Other than those investment holding companies marked*, all the above companies operate in Hong Kong.
- (2) Other than Media Group International Limited, which is directly held by the Company, all other companies are indirectly held by the Company.
- (3) The HK\$60,000,000 deferred shares are held by a subsidiary of HKRI. The deferred shares held by the subsidiary of HKRI are shares whose shareholders are neither entitled to receive notices, attend, vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiary.

40. Related Party Transactions

During the year, the following related party transactions took place:

	Pricing policy <i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Construction income from subsidiaries of HKRI	<i>(a)</i>	126,649	516,490
Interior and renovation income from a company associated with a substantial shareholder of the Company	<i>(c)</i>	41,344	46,322
Sales of building materials to a jointly controlled entity	<i>(b)</i>	2,591	—
Interior and renovation income from subsidiaries of HKRI and its associates	<i>(c)</i>	950	3,435
Properties agency and manager's fee income received from a company associated with a substantial shareholder of the Company	<i>(c)</i>	1,520	362
Interior and renovation income from property management funds which are managed by subsidiaries of HKRI	<i>(c)</i>	334	1,299
Technical support fee from an associate	<i>(d)</i>	—	1
Purchase of building materials from an associate	<i>(b)</i>	—	119
Rental expenses paid to companies associated with certain directors of the Company or a substantial shareholder of the Company	<i>(b)</i>	—	352
Acquisition of subsidiaries and associates from HKRI	<i>(e)</i>	—	<u>180,000</u>

Notes:

- (a) The pricing of the transactions was determined after competitive tendering process, designed and administrated by independent consultants, with other independent contractors.
- (b) The pricing of the transactions was determined with reference to market prices.
- (c) The pricing of the transactions was determined in accordance with the terms of relevant agreements.
- (d) The pricing of the transactions was determined after negotiation with the management of the associate.
- (e) The price of the transaction was determined based on the valuation of the properties by an independent professional valuer on an open market value basis.

41. Post Balance Sheet Event

Subsequent to the year-end date, the Group has entered into contracts to purchase properties at Kowloon Tong from independent third parties at a total consideration of approximately HK\$52.8 million. Deposits amounting to approximately HK\$5.3 million have been paid. The acquisitions are expected to be completed in the second half of 2004 and the properties will be held for investment purposes.

3. SUMMARY OF UNAUDITED FINANCIAL INFORMATION

The following is a summary of the audited consolidated financial results, financial position, changes in equity and cash flow statement of the Group for the six months ended 30 September 2004, as extracted from the unaudited consolidated financial statements of the Group for the year ended 30 September 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

	<i>Notes</i>	1.4.2004 to 30.9.2004 HK\$'000 (Unaudited)	1.4.2003 to 30.9.2003 HK\$'000 (Unaudited)
Turnover	3	362,533	358,230
Cost of sales		(291,059)	(317,091)
Gross profit		71,474	41,139
Other operating income		355	1,891
Marketing and distribution costs		(7,517)	(3,588)
Administrative expenses		(34,216)	(24,757)
Profit from operations	4	30,096	14,685
Finance costs		(454)	(76)
Share of results of associates		(12)	267
Share of results of jointly controlled entities		—	(25)
Profit before taxation		29,630	14,851
Taxation	5	(4,201)	(2,670)
Net profit for the period		<u>25,429</u>	<u>12,181</u>
Dividend	6	<u>2,837</u>	<u>2,837</u>
Earnings per share — basic	7	<u>HK9.0 cents</u>	<u>HK4.3 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2004

	<i>Notes</i>	30.9.2004 HK\$'000 (Unaudited)	31.3.2004 HK\$'000 (Audited)
Non-current assets			
Investment properties	8	182,870	126,190
Property, plant and equipment		56,452	56,392
Properties held for development		131,003	130,536
Interest in associates	9	11,132	11,145
Interest in jointly controlled entities		9,066	9,066
Goodwill		555	570
Retention money receivable after one year	10	14,739	5,066
		<u>405,817</u>	<u>338,965</u>
Current assets			
Properties held for sale		92,210	—
Properties under development for sale	11	—	89,483
Inventories		29,504	26,482
Amounts receivable on contract work		68,577	65,550
Progress payments receivable	12	35,635	24,893
Retention money receivable within one year	10	70,866	71,454
Debtors, deposits and prepayments	13	108,737	41,732
Amount due from associates		181	181
Amount due from jointly controlled entities		—	7
Investments in securities		80	77
Taxation recoverable		794	882
Bank balances and cash		44,343	88,153
		<u>450,927</u>	<u>408,894</u>

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

At 30 September 2004

	<i>Notes</i>	30.9.2004 HK\$'000 (Unaudited)	31.3.2004 HK\$'000 (Audited)
Current liabilities			
Amounts payable			
on contract work		119,764	132,351
Creditors and accrued charges	<i>14</i>	179,792	155,949
Taxation payable		6,603	3,307
Bank loans — amount due			
within one year	<i>15</i>	78,200	4,200
Bank overdraft		1,287	—
		<u>385,646</u>	<u>295,807</u>
Net current assets		<u>65,281</u>	<u>113,087</u>
Total assets less current liabilities		<u>471,098</u>	<u>452,052</u>
Non-current liabilities			
Bank loans — amount due			
after one year	<i>15</i>	49,000	51,100
Deferred taxation		2,577	2,605
		<u>51,577</u>	<u>53,705</u>
		<u>419,521</u>	<u>398,347</u>
Capital and reserves			
Share capital		28,367	28,367
Reserves		391,154	369,980
		<u>419,521</u>	<u>398,347</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Share capital	Contributed surplus	Special reserve	Investment property revaluation reserve	Goodwill reserve	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003	28,367	34,034	21,941	—	(78)	4,255	283,587	372,106
Net profit for the period	—	—	—	—	—	—	12,181	12,181
2003 final dividend paid	—	—	—	—	—	(4,255)	—	(4,255)
2004 interim dividend declared	—	—	—	—	—	2,837	(2,837)	—
At 30 September 2003	28,367	34,034	21,941	—	(78)	2,837	292,931	380,032
Surplus arising from revaluation of investment properties and gains not recognised in the income statement	—	—	—	2,828	—	—	—	2,828
Net profit for the period	—	—	—	—	—	—	18,324	18,324
2004 interim dividend paid	—	—	—	—	—	(2,837)	—	(2,837)
2004 final dividend declared	—	—	—	—	—	4,255	(4,255)	—
At 1 April 2004	28,367	34,034	21,941	2,828	(78)	4,255	307,000	398,347
Net profit for the period	—	—	—	—	—	—	25,429	25,429
2004 final dividend paid	—	—	—	—	—	(4,255)	—	(4,255)
2005 interim dividend declared	—	—	—	—	—	2,837	(2,837)	—
At 30 September 2004	28,367	34,034	21,941	2,828	(78)	2,837	329,592	419,521

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	1.4.2004 to 30.9.2004 HK\$'000 (Unaudited)	1.4.2003 to 30.9.2003 HK\$'000 (Unaudited)
Net cash used in operating activities	(52,110)	(2,194)
Net cash used in investing activities	(60,126)	(12,581)
Net cash from financing activities	67,139	13,169
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(45,097)	(1,606)
Cash and cash equivalents at beginning of the period	88,153	120,907
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>43,056</u>	<u>119,301</u>
Analysis of cash and cash equivalents:		
Bank balances and cash	44,343	119,301
Bank overdraft	(1,287)	—
	<hr/>	<hr/>
	<u>43,056</u>	<u>119,301</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2004

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s audited financial statements for the year ended 31 March 2004 with the adoption of new accounting policies for recognition of income from properties held for sale as follows:

Revenue recognition

Income from sales of completed properties is recognised on the execution of legally binding, unconditional and irrevocable contracts.

Properties held for sale

Completed properties held for sale are classified under current assets and are stated at the lower of cost and net realisable value.

3. Turnover and Segment Information

Business segments

	Construction <i>HK\$'000</i>	Interior and renovation <i>HK\$'000</i>	Building materials <i>HK\$'000</i>	Health products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property agency and management <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the six months ended 30 September 2004									
TURNOVER									
External sales	170,212	34,026	52,494	26,107	4,820	1,940	72,934	—	362,533
Inter-segment sales	15,280	8,310	2,773	67	—	1,215	—	(27,645)	—
Total	<u>185,492</u>	<u>42,336</u>	<u>55,267</u>	<u>26,174</u>	<u>4,820</u>	<u>3,155</u>	<u>72,934</u>	<u>(27,645)</u>	<u>362,533</u>
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment	<u>4,854</u>	<u>785</u>	<u>4,297</u>	<u>563</u>	<u>3,500</u>	<u>574</u>	<u>20,949</u>	(1,659)	33,863
Other operating income									355
Unallocated corporate expenses									<u>(4,122)</u>
Profit from operations									30,096
Finance costs									(454)
Share of results of associates	—	—	—	—	—	—	(12)		(12)
Share of results of jointly controlled entities	—	—	—	—	—	—	—		—
Profit before taxation									29,630
Taxation									<u>(4,201)</u>
Net profit for the period									<u>25,429</u>

3. Turnover and Segment Information *(continued)***Business segments** *(continued)*

	Construction	Interior and renovation	Building materials	Health products	Property investment	Property agency and management	Property development	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the six months ended									
30 September 2003									
TURNOVER									
External sales	246,840	69,392	22,949	16,115	2,226	708	—	—	358,230
Inter-segment sales	—	65,468	4,858	827	—	1,542	—	(72,695)	—
Total	<u>246,840</u>	<u>134,860</u>	<u>27,807</u>	<u>16,942</u>	<u>2,226</u>	<u>2,250</u>	<u>—</u>	<u>(72,695)</u>	<u>358,230</u>

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment	<u>9,903</u>	<u>2,114</u>	<u>112</u>	<u>(1,199)</u>	<u>2,047</u>	<u>601</u>	<u>(12)</u>		13,566
Other operating income									1,891
Unallocated corporate expenses									<u>(772)</u>
Profit from operations									14,685
Finance costs									(76)
Share of results of associates	—	—	287	—	—	—	(20)		267
Share of result of a jointly controlled entity	(25)	—	—	—	—	—	—		<u>(25)</u>
Profit before taxation									14,851
Taxation									<u>(2,670)</u>
Net profit for the period									<u>12,181</u>

Geographical segments

All of the Group's operations during the six months ended 30 September 2004 and 2003 were carried out in Hong Kong.

4. Profit from Operations

	1.4.2004 to 30.9.2004 <i>HK\$'000</i>	1.4.2003 to 30.9.2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	15	15
Depreciation	1,744	1,477
Allowance for prepayment to a supplier	3,000	—
and after crediting:		
Gain on disposal of investments in securities	<u>—</u>	<u>293</u>
Expenses capitalised in cost of contract work:		
Depreciation	<u>1,254</u>	<u>1,145</u>

5. Taxation

	1.4.2004 to 30.9.2004 <i>HK\$'000</i>	1.4.2003 to 30.9.2003 <i>HK\$'000</i>
Hong Kong Profits Tax attributable to the Company and its subsidiaries	4,229	2,620
Deferred taxation	(28)	—
Share of Hong Kong Profits Tax attributable to associates	<u>—</u>	<u>50</u>
	<u>4,201</u>	<u>2,670</u>

Hong Kong Profits Tax is calculated at 17.5% (for the six months ended 30 September 2003: 17.5%) of the estimated assessable profit for the period.

6. Dividend

The Board has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 September 2004 (for the six months ended 30 September 2003: HK1 cent per share), which amounted to approximately HK\$2,837,000 (for the six months ended 30 September 2003: HK\$2,837,000).

7. Earnings Per Share

The calculation of the basic earnings per share for the period is based on the net profit for the period of HK\$25,429,000 (for the six months ended 30 September 2003: HK\$12,181,000) and on the weighted average number of 283,671,086 shares (for the six months ended 30 September 2003: 283,671,086 shares).

No diluted earnings per share has been presented as the Company did not have any dilutive potential ordinary shares during the period.

8. Investment Properties

During the six months ended 30 September 2004, the Group acquired investment properties at a total cost of approximately HK\$56,680,000 (for the six months ended 30 September 2003: HK\$38,049,000).

The directors have considered the carrying amount of the Group's investment properties carried at revalued amounts or at cost for the additions during the period and have estimated that the carrying amount does not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. Interests in Associates

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Share of net assets	<u>11,132</u>	<u>11,145</u>

10. Retention Money Receivable

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Retention money receivable from:		
Subsidiaries of HKR International Limited ("HKRI"), a company holding 49% interests in the Company	42,313	39,904
A company associated with a substantial shareholder of the Company	6,000	6,000
Third parties	<u>37,292</u>	<u>30,616</u>
	85,605	76,520
Less: Amount receivable within one year included in current assets	<u>(70,866)</u>	<u>(71,454)</u>
Amount receivable after one year	<u>14,739</u>	<u>5,066</u>

The amount represents retention money in respect of the progress payments receivable on contract works.

11. Properties Under Development for Sale

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Development cost, at cost	<u>—</u>	<u>89,483</u>

During the period, the development of the properties under development for sale was completed. The carrying amount of HK\$137,840,000 was transferred to properties held for sale.

12. Progress Payments Receivable

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

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Progress payments receivable from:		
Subsidiaries of HKRI	9,848	904
Third parties	<u>25,787</u>	<u>23,989</u>
	<u>35,635</u>	<u>24,893</u>

The aged analysis of progress payments receivable is as follows:

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Within 30 days	33,178	21,790
31 — 60 days	1,057	1,853
61 — 90 days	42	—
Over 90 days	<u>1,358</u>	<u>1,250</u>
	<u>35,635</u>	<u>24,893</u>

13. Debtors, Deposits and Prepayments

The credit period allowed by the Group to its customers is normally 30 days.

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Within 30 days	83,444	22,402
31 — 60 days	2,176	3,315
61 — 90 days	1,503	1,384
Over 90 days	4,413	2,805
	<hr/>	<hr/>
Total trade debtors	91,536	29,906
Other receivables	1,828	2,170
Deposits	8,356	4,862
Prepayments	7,017	4,794
	<hr/>	<hr/>
	108,737	41,732
	<hr/> <hr/>	<hr/> <hr/>

Included in the trade debtors above are amounts due from related parties of trading nature as follows:

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Subsidiaries of HKRI	113	904
A company associated with a substantial shareholder of the Company	2,449	791
Property management funds which are managed by subsidiaries of HKRI	47	210
	<hr/>	<hr/>
	2,609	1,905
	<hr/> <hr/>	<hr/> <hr/>

14. Creditors and Accrued Charges

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Within 30 days	36,035	40,744
31 — 60 days	2,294	1,557
61 — 90 days	1,581	2,253
Over 90 days	4,684	3,168
	<hr/>	<hr/>
Total creditors	44,594	47,722
Retention payable	48,488	45,356
Accrued costs and charges	78,645	54,652
Temporary receipts	4,135	4,708
Deposits received	3,930	3,511
	<hr/>	<hr/>
	179,792	155,949
	<hr/> <hr/>	<hr/> <hr/>

Included in the above creditors are amounts due to related parties of trading nature as follows:

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Subsidiaries of HKRI	88	432
	<hr/> <hr/>	<hr/> <hr/>

15. Bank Loans

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Secured	53,200	55,300
Unsecured	74,000	—
	127,200	55,300
Less: Amount due within one year	(78,200)	(4,200)
Amount due after one year	49,000	51,100

During the period, the Group obtained bank loans amounting to HK\$74,000,000 as general working capital and for refinancing the acquisition of investment properties. The loans bear interest at market rates and are repayable within one year from the date of drawdown of the loans.

16. Contingent Liabilities

- (1) At 30 September 2004, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entities amounting to approximately HK\$7,095,000 (31 March 2004: HK\$11,523,000).
- (2) During the year ended 31 March 2004, legal actions in respect of the allegations for copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health product business. At 30 September 2004, as the relevant actions are still in the preliminary stage, the Directors are of the opinion that it is impractical to assess their impacts to the Group.

17. Operating Lease Commitments**As lessee**

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Within one year	7,252	7,373
In the second to fifth year inclusive	6,046	9,115
	13,298	16,488

Operating lease payments represent rental payable by the Group for its office properties, warehouses and shops. Leases are negotiated for an average term of three years.

As lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Within one year	9,019	7,236
In the second to fifth year inclusive	17,327	11,486
	26,346	18,722

Leases are negotiated for an average term of three years.

18. Pledge of Assets

At 30 September 2004, the Group's bank loans were secured by the Group's assets as follows:

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Investment properties	83,417	82,241
Land and buildings	12,530	12,778
	<u>95,947</u>	<u>95,019</u>

19. Related Party Transactions

During the period, the Group has entered into the following transactions with related parties:

	<i>Notes</i>	1.4.2004 to 30.9.2004 <i>HK\$'000</i>	1.4.2003 to 30.9.2003 <i>HK\$'000</i>
Construction income from subsidiaries of HKRI	<i>(a)</i>	36,082	60,327
Interior and renovation income from subsidiaries of HKRI and its associates	<i>(b)</i>	762	328
Interior and renovation income from property management funds which are managed by subsidiaries of HKRI	<i>(b)</i>	158	115
Interior and renovation income from a company associated with a substantial shareholder of the Company	<i>(b)</i>	3,541	38,243
Property agency and manager's fee income received from a company associated with a substantial shareholder of the Company	<i>(b)</i>	<u>1,796</u>	<u>561</u>

Notes:

- (a) The pricing of the transactions was determined after a competitive tendering process, designed and administrated by independent consultants, with other independent contractors.
- (b) The pricing of the transactions was determined in accordance with the terms of the relevant agreements.

4. INDEBTEDNESS

As at the close of business on 30 November 2004, the Group had outstanding bank loans of approximately HK\$117.2 million (of which approximately HK\$53.2 million was secured).

As at the close of business on 30 November 2004, the Group had pledged certain land and buildings and investment properties with a carrying value of approximately HK\$96.8 million to secure banking facilities granted to the Group.

As at 30 November 2004, the Group had contingent liabilities in respect of certain guarantee to the extent of approximately HK\$7.1 million given to a bank in respect of performance bonds granted to a jointly controlled entity. In addition, the Group had contingent liabilities regarding legal actions in respect of the allegations for copyright infringement and defamation taken against certain subsidiaries of Hanison carrying on health products business during the year ended 31 March 2004. As the relevant actions are in the preliminary stage, the Directors are of the opinion that it is impractical to assess their impacts to the Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding as at 30 November 2004 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2004, being the date to which the latest published audited financial statements of the Group were made up.

6. WORKING CAPITAL

The Directors (including the independent non-executive directors) are of the opinion that, taking into account of cash balances of the Group, its expected internally generated funds, the present available banking facilities of the Group and in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements from the Latest Practicable Date up to 31 December 2005.

7. FINANCIAL AND TRADING PROSPECTS

The Group recorded a satisfactory operating result during the six month period ended 30 September 2004, with a consolidated turnover of HK\$362.5 million and consolidated net profit after tax of HK\$25.4 million, attributable mainly to the partial sales of its first property development project “Golf Parkview” launched during such period.

The Group has been pursuing business opportunities to diversify its businesses into property development, project management and health products retail and wholesales over the years. The Group is continuously exploring investment opportunities to broaden the Group’s revenue stream and enhance the Group’s profitability. The Directors believe that the development of the Property would enhance the Group’s profile in the property market in Hong Kong and provide a further avenue for the growth and profitability of the Group in the future.

1. REPORT BY THE AUDITORS ON THE PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

14 January 2005

The Directors
Hanison Construction Holdings Limited

Dear Sirs,

We report on the pro forma financial information of Hanison Construction Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Appendix III (the “Pro Forma Financial Information”) to the circular dated 14 January 2005 in connection with the acquisition of 50% of Nos. 1 & 1E La Salle Road, Kowloon Tong, Kowloon and formation of a joint venture company for its redevelopment (the “Transactions”), which has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Transactions might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the Directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on Pro Forma Financial Information Pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly, we do not express any such assurance on the Pro Forma Financial Information.

The Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its nature, it may not be indicative of the financial position of the Group as at 30 September 2004 or at any future date.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AFTER THE TRANSACTIONS

The following is the unaudited pro forma statement of assets and liabilities of the Group after the Transactions, assuming that the Transactions had been completed as at the Completion Date for the purpose of illustrating how the Transactions might have affected the financial position of the Group.

The unaudited pro forma statement of assets and liabilities of the Group after the Transactions is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2004 extracted from the interim report of Hanison for the six months ended 30 September 2004 and the Purchase Price of the Property, with adjustments to reflect the effect of the Transactions.

The unaudited pro forma statement of assets and liabilities is prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group as at any date.

	As at 30 September 2004 The Group HK\$'000	Pro Forma adjustments HK\$'000 (Notes)	The Group after the Transactions HK\$'000
Non-current assets			
Investment properties	182,870		182,870
Property, plant and equipment	56,452		56,452
Properties held for development	131,003		131,003
Interest in associates	11,132		11,132
Interest in jointly controlled entities	9,066		9,066
Goodwill	555		555
Retention money receivable after one year	14,739		14,739
	405,817		405,817
Current assets			
Properties held for sale	92,210		92,210
Inventories	29,504		29,504
Amounts receivable on contract work	68,577		68,577
Progress payments receivable	35,635		35,635
Retention money receivable within one year	70,866		70,866
Debtors, deposits and prepayments	108,737		108,737
Amount due from associates	181		181
Amount due from jointly controlled entities	—	34,200 (1)	34,200
Investments in securities	80		80
Taxation recoverable	794		794
Bank balances and cash	44,343	(34,200) (2)	10,143
	450,927		450,927

	As at 30 September 2004 The Group HK\$'000	Pro Forma adjustments HK\$'000	The Group after the Transactions HK\$'000
Current liabilities			
Amounts payable on contract work	119,764		119,764
Creditors and accrued charges	179,792		179,792
Taxation payable	6,603		6,603
Bank loans - amount due within one year	78,200		78,200
Bank overdraft	1,287		1,287
	<u>385,646</u>		<u>385,646</u>
Net current assets	<u>65,281</u>		<u>65,281</u>
Total assets less current liabilities	<u>471,098</u>		<u>471,098</u>
Non-current liabilities			
Bank loans - amount due after one year	49,000		49,000
Deferred taxation	2,577		2,577
	<u>51,577</u>		<u>51,577</u>
	<u>419,521</u>		<u>419,521</u>
Capital and reserves			
Share capital	28,367		28,367
Reserves	391,154		391,154
	<u>419,521</u>		<u>419,521</u>

Notes:

- (1) The adjustment represents 40% of the Group's share of the Purchase Price of the Property (HK\$34.2 million) advanced by the Group to the Joint Venture for the purpose of the Acquisition.
- (2) The adjustment represents the advance to the Joint Venture by available bank balances and cash.
- (3) It is anticipated that 60% of the Purchase Price of the Property will be borrowed from bank by the Joint Venture directly.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Hanison. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the following Directors of Hanison were interested, or were deemed to be interested in the following long and short positions in the Shares, underlying Shares of equity derivatives and debentures of Hanison which (a) were required to be notified to Hanison and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) adopted by Hanison to be notified to Hanison and the Stock Exchange:

Interests in Hanison

Name	Capacity	No. of ordinary shares			Total no. of ordinary Shares	Long/Short position	% of issued share capital
		Personal interests	Corporate interests	Other interests			
Cha Mou Sing, Payson	(1) Beneficial owner, (2) interest of controlled corporation and (3) beneficiary of discretionary trusts	294,107	328,075 (Note 1)	66,728,489 (Note 3)	67,350,671	Long Position	23.74%
Cha Mou Daid, Johnson	Beneficiary of discretionary trusts	—	—	67,701,613 (Note 3)	67,701,613	Long Position	23.87%
Cha Yiu Chung, Benjamin	Beneficiary of discretionary trusts	—	—	66,728,489 (Note 3)	66,728,489	Long Position	23.52%
Wong Sue Toa, Stewart	(1) Beneficial owner and (2) interest of controlled corporation	2,379,783	1,807,224 (Note 2)	—	4,187,007	Long Position	1.48%
Tai Sai Ho	Beneficial owner	1,200	—	—	1,200	Long Position	0.0004%
Shen Tai Hing	Beneficial owner	5,250	—	—	5,250	Long Position	0.0019%

Notes:

- (1) The Shares are held by a corporation in which the relevant director is deemed to be interested by virtue of Part XV of the SFO.
- (2) Mr. Wong Sue Toa, Stewart's corporate interests in Hanison arise from the fact that he owns 50% of the share capital of a corporation, which as at the Latest Practicable Date, held 1,807,224 Shares.
- (3) These Shares are held under certain discretionary trusts, of which Mr. Cha Mou Sing, Payson, Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin are members of the class of discretionary beneficiaries comprising Dr. Cha Chi Ming and his issue under certain but not identical discretionary trusts .

Save as disclosed in this circular, as at the Latest Practicable Date, none of Directors of Hanison were interested, or were deemed to be interested in long or short positions in the Shares, underlying Shares of equity derivatives and debentures of Hanison or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to Hanison and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code adopted by Hanison to be notified to Hanison and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WITH NOTIFIABLE INTERESTS

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (other than the Directors of Hanison) had an interest in the following long positions in the Shares and underlying Shares of equity derivatives which would fall to be disclosed to Hanison under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group:

Interests in Hanison

Name	Capacity	Number of ordinary Shares	Long/Short Position	% of issued share capital
Great Wisdom (<i>Note 1</i>)	Beneficial owner	138,998,833	Long Position	49.0%
HKRI (<i>Note 1</i>)	Interest of controlled corporation	138,999,013	Long Position	49.0%
LBJ Regents Limited ("LBJ Regents") (<i>Note 2</i>)	(1) Trustee and (2) interest of controlled corporation	18,593,732	Long Position	6.55%
Novantenor (<i>Note 3</i>)	(1) Trustee and (2) interest of controlled corporation	189,005,411	Long Position	66.63%

Notes:

- (1) Great Wisdom is a wholly owned subsidiary of HKRI and therefore HKRI is deemed to be interested in the 138,998,833 Shares held by Great Wisdom in accordance with the SFO.
- (2) These Share interests comprise 9,543,100 Shares directly held by LBJ Regents and 9,050,632 Shares indirectly held by LBJ Regents through a subsidiary held as to approximate by 52.24% by LBJ Regents. LBJ Regents is holding these Shares and the shares in HKRI as the trustee of certain irrevocable discretionary trusts of which members of the Cha Family (comprising, for this purpose, Dr. Cha Chi Ming, Ms. Wong May Lung, Madeline (being a daughter of Dr. Cha Chi Ming), Mr. Cha Mou Sing, Payson, Mr. Cha Mou Zing, Victor and Mr. Cha Mou Daid, Johnson (being the sons of Dr. Cha Chi Ming), Mr. Cha Yiu Chung, Benjamin (being a grandson of Dr. Cha Chi Ming) together with their respective associates, excluding, as the case may be, HKRI) are among the discretionary objects.
- (3) These Share interests comprise 50,006,398 Shares directly held by Novantenor and 138,999,013 Shares held by HKRI. As at the Latest Practicable Date, Novantenor directly held approximately 37.46% interest in HKRI and pursuant to the SFO, Novantenor is deemed to be interested in the 138,999,013 Shares held by HKRI. Novantenor is holding these Shares and the shares in HKRI as the trustee of certain irrevocable discretionary trusts of which members of the Cha Family (as defined above) are among the discretionary objects.

Save as disclosed in this circular, the Directors are not aware of any person who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares of equity derivatives which would fall to be disclosed to Hanison under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into any service contract with Hanison or any subsidiary of Hanison (except those which would expire within one year or was determinable by the employing company within one year without payment of compensation other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, the interests of Directors and their associates in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules were as follows:

(Note 1)

Name of Director	Name of Company	Nature of interest	Competing business (Note 2)
Cha Mou Sing, Payson	HKRI	Director; and a member of the class of discretionary beneficiaries of certain discretionary trusts of which the trustee is deemed a substantial shareholder under Part XV of the SFO	(a) Property development and investment (b) Property management, leasing and marketing services
	CDW Building Ltd.	Director	Property investment and property management
Cha Mou Daid, Johnson	HKRI	Director; and a member of the class of discretionary beneficiaries of certain discretionary trusts of which the trustee is deemed a substantial shareholder under Part XV of the SFO	(a) Property development and investment (b) Property management, leasing and marketing services
	CDW Building Ltd.	Director	Property investment and property management
Cha Yiu Chung, Benjamin	HKRI	a member of the class of discretionary beneficiaries of certain discretionary trusts of which the trustee is deemed a substantial shareholder under Part XV of the SFO	(a) Property development and investment (b) Property management, leasing and marketing services
Lam Chat Yu	CDW Building Ltd.	Director	Property investment and property management

Notes:

- (1) Mr. Cha Mou Sing, Payson, Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin are non-executive directors of Hanison, who are not involved in the daily management of the Group.
- (2) Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, and as at the Latest Practicable Date, none of the Directors or their respective associates was interested in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group, except for the following:—

- (i) legal actions in respect of allegations for copyright infringement and defamation have been taken during the financial year ended 31 March 2004 against certain subsidiaries of Hanison carrying on health product business and since only preliminary steps have been taken against the Group, the Directors are of the opinion that it is impractical to assess the impact of such legal actions on the Group. Reference is made to Notes 17, 16 and 34 (contingent liabilities) of Hanison's 2003-2004 interim report, 2004-2005 interim report and 2003-2004 annual report respectively and paragraph 6(i) of Hanison's circulars to shareholders dated 18 December 2003 and 29 June 2004 which had previously disclosed such actions;
- (ii) actions for personal injury claims are being taken against the Group from time to time in the course of and in connection with its construction, interior and renovation businesses and the costs of which are generally covered by insurers and/or the liquidator of the relevant insurance company where such company has been put into liquidation and/or the Employee Compensation Assistance Fund Board. Reference is made to paragraph 6(ii) of Hanison's circulars to shareholders dated 18 December 2003 and 29 June 2004 which had previously disclosed such actions; and
- (iii) a subsidiary of Hanison (the "Subsidiary") has taken legal action during the financial year ended 31 March 2004 in respect of a dispute relating to matters under the Employment Ordinance and/or breach of a sub-contract against a sub-contractor of the Group and the sub-contractor has subsequently made a counter-claim against the Subsidiary of Hanison in respect of the alleged outstanding payment for work done, and since only preliminary steps have been taken by the Subsidiary and the sub-contractor, the Directors are of the opinion that it is impractical to assess the impact of such legal action on the Group. Reference is made to paragraph 6(iii) of Hanison's circulars to shareholders dated 18 December 2003 and 29 June 2004 which had previously disclosed such action.

7. QUALIFICATIONS OF EXPERTS, CONSENT AND EXPERTS' INTERESTS

The following are the qualifications of the experts who have given their opinion or advice which are contained in this circular:

Name	Qualification
Jones Lang LaSalle Limited	Registered Professional Surveyor
Deloitte Touche Tohmatsu	Certified Public Accountants

Each of Jones Lang LaSalle Limited and Deloitte Touche Tohmatsu has given and has not withdrawn their written consents to the issue of this circular with the inclusion of their letter or report and references to their names in the form and context in which they appear.

Each of Jones Lang LaSalle Limited and Deloitte Touche Tohmatsu confirmed that as at the Latest Practicable Date neither of them has any shareholding in Hanison or any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Jones Lang LaSalle Limited and Deloitte Touche Tohmatsu further confirmed that as at the Latest Practicable Date neither of them has any interest, direct or indirect, in any assets which have been, since 30 September 2004 (being the date to which the latest published interim accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 September 2004, being the date up to which the latest published interim accounts of the Group were made.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Hanison or its subsidiaries within two years preceding the date of this circular and which are or may be material:

- (a) Conditional sale and purchase agreement dated 21 February 2003 entered into between the Company and HKRI in relation to the acquisition of shares and loans (as disclosed in the circular dated 14 March 2003) for a total consideration of HK\$180 million.
- (b) Provisional agreement dated 29 November 2003 entered into between a wholly owned subsidiary of the Company and Evolve Limited in relation to the acquisition of property situated at No. 2-8 Shing Wan Road, Tai Wai, Shatin (as disclosed in the circular dated 18 December 2003) for a total consideration of HK\$63 million.
- (c) Provisional sale and purchase agreement dated 4 June 2004 entered into between a wholly owned subsidiary of the Company and Hammond Development Company Limited in relation to the acquisition of property situated at No. 4 College Road, Kowloon Tong (as disclosed in the circular dated 29 June 2004) for a total consideration of HK\$27.8 million.
- (d) Provisional sale and purchase agreement dated 4 June 2004 entered into between a wholly owned subsidiary of the Company and Megalink Holdings Limited in relation to the acquisition of property situated at No. 21 Sau Chuk Yuen Road, Kowloon Tong (as disclosed in the circular dated 29 June 2004) for a total consideration of HK\$25 million.
- (e) the Tender
- (f) the JV Agreement

10. GENERAL

- (a) Mr. Lo Kai Cheong Casey, who is a Fellow of the Hong Kong Institute of Certified Public Accountants, is the company secretary and the qualified accountant of Hanison.
- (b) The registered office of Hanison is situated at P.O. Box 309, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (c) The branch share registrar of Hanison in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Unit 1, 4/F, Block B, Shatin Industrial Centre, 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong during normal business hours on any business day from the date of this circular until 14 days hereafter:

- (a) this circular;
- (b) the memorandum and articles of association of Hanison;
- (c) the audited consolidated accounts of the Group for each of the two financial years ended 31 March 2004 and the published interim accounts of the Group for the six months ended 30 September 2004;
- (d) the letter, summary of values and valuation certificate prepared by Jones Lang LaSalle Limited, the texts of which are set out in Appendix I of this circular;
- (e) the report by Deloitte Touche Tohmatsu on the pro forma statement of assets and liabilities set out in Appendix III to this circular;
- (f) the written consents from Jones Lang LaSalle Limited and Deloitte Touche Tohmatsu referred to in the paragraph 7 in this Appendix IV;
- (g) the material contracts referred to in paragraph 9 above including the JV Agreement and the Tender;
- (h) the circulars issued pursuant to the requirements set out in Chapter 14 of the Listing Rules since 31 March 2004, the date of the latest published audited accounts.