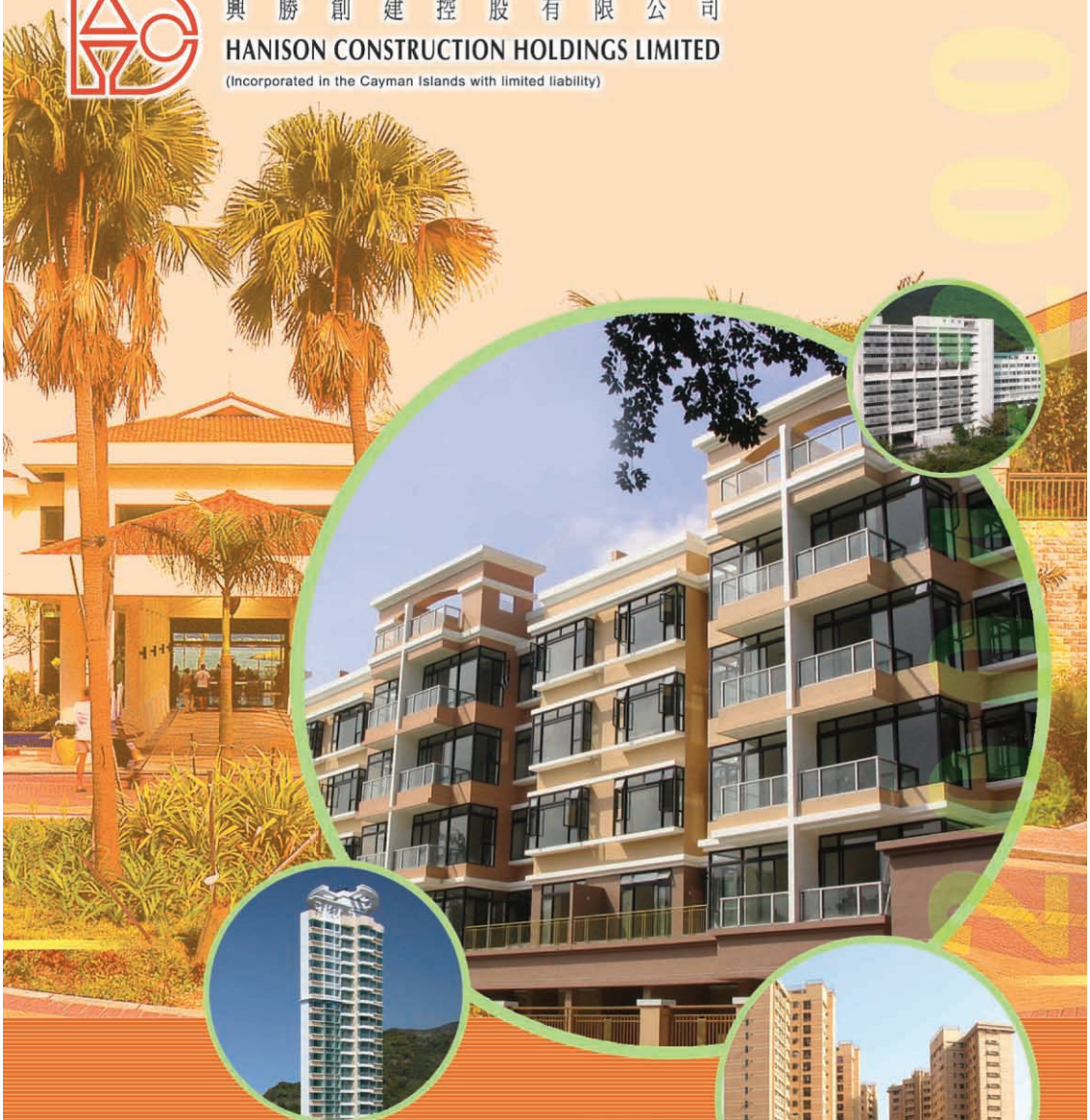




興勝創建控股有限公司

HANISON CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)



Interim Report 2004 -2005

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Financial Review	8
Other Information	10
Condensed Consolidated Income Statement	14
Condensed Consolidated Balance Sheet	15
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Cash Flow Statement	17
Notes to the Condensed Financial Statements	18
Independent Review Report	31



CORPORATE INFORMATION

Board of Directors

Mr Cha Mou Sing, Payson
(*Chairman*)*
Mr Wong Sue Toa, Stewart
(*Managing Director*)
Mr Tai Sai Ho
(*General Manager*)
Mr Cha Mou Daid, Johnson*
Mr Cha Yiu Chung, Benjamin*
Mr Chan Pak Joe**
Dr Lam Chat Yu
Dr Lau Tze Yiu, Peter**
Mr Shen Tai Hing
Dr Sun Tai Lun**

* *Non-executive director*

** *Independent non-executive director*

Audit Committee

Dr Sun Tai Lun
Mr Chan Pak Joe
Dr Lau Tze Yiu, Peter

Company Secretary and Qualified Accountant

Mr Lo Kai Cheong

Registered Office

P.O. Box 309, Uglan House
South Church Street
George Town, Grand Cayman
Cayman Islands, British West Indies

Principal Place of Business

Unit 1, 4/F, Block B
Shatin Industrial Centre
5-7 Yuen Shun Circuit
Shatin, Hong Kong

Auditors

Deloitte Touche Tohmatsu

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank
The Bank of East Asia, Limited
Shanghai Commercial Bank Limited

Share Registrars

Hong Kong
Computershare Hong Kong Investor
Services Limited
Shops 1712-6
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Cayman Islands
M&C Corporate Services Limited
P.O. Box 309, Uglan House
South Church Street
George Town, Grand Cayman
Cayman Islands, British West Indies

Legal Advisers

Hong Kong Law
Richards Butler

Cayman Islands Law
Maples and Calder Asia

SEHK Code

896 (ordinary shares)

Website

www.hanison.com

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

The Board of Directors (the “Board”) of Hanison Construction Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated net profit attributable to shareholders of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004 amounted to HK\$25.4 million, compared with HK\$12.2 million for the same period last year. The earnings per share were HK9.0 cents, compared with HK4.3 cents for the corresponding period last year.

DIVIDEND

The Board has resolved to pay 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) to shareholders whose names appear on the Registers of Members of the Company as of the close of business on 31 December 2004 (“Record Date”). The dividend is expected to be paid to shareholders on or around 10 January 2005.

PROPOSED BONUS ISSUE OF SHARES

The Board has resolved to recommend a bonus issue (“Bonus Issue”) of shares of HK\$0.1 each in the capital of the Company (“Bonus Shares”) on the basis of one Bonus Share for every four existing shares held by the shareholders of the Company whose names appear on the Registers of Members as at the close of business on the Record Date. The Bonus Shares will be fully paid at par and will rank pari passu with the existing issued ordinary shares of the Company in all respects from the date of issue, except that they will not rank for the interim dividend declared by the Board on 1 December 2004 and the Bonus Issue. The Bonus Issue is conditional upon shareholders’ approval at an extraordinary general meeting to be convened and the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting listing of, and permission to deal in, the Bonus Shares. Details of the Bonus Issue are set out in a circular to the shareholders of the Company.



OPERATIONS REVIEW

Benefiting from the gradual recovery of the local economy and property market, the Group sustained a satisfactory operating result during the period, with a consolidated turnover of HK\$362.5 million (for the six months ended 30 September 2003: HK\$358.2 million) and consolidated net profits after tax of HK\$25.4 million (for the six months ended 30 September 2003: HK\$12.2 million), attributing mainly to the partial sales of its first property development project “Golf Parkview” launched in August 2004.

Construction Division

The Construction Division has recognized an external turnover of HK\$170.2 million (total turnover was HK\$185.5 million) during the period under review, a decrease of 31.0% compared with the corresponding period last year (for the six months ended 30 September 2003: HK\$246.8 million). In view that some large construction projects have been completed in the last financial period and several new construction project works have just been commenced, this Division has recognized a relatively lower turnover during the period under review.

Major projects completed during the period included the residential development of the Group’s property at Kwu Tung — “Golf Parkview”, the construction of a school for moderately mentally handicapped children in Yuen Long for the Architectural Services Department, the demolition works at 33 Cameron Road, and the toilet improvement works Phase VII for the Airport Authority.

Existing projects include construction of student residences at Flora Ho Sports Centre for the University of Hong Kong, Shek Yam Estate Phase 5 development for the Hong Kong Housing Authority, construction of community colleges at the junction of Shantung Street and Hak Po Street for the Tung Wah Group of Hospitals, school improvement works for S.K.H. Wei Lun Primary School in Discovery Bay, and townhouse development at Tung Chung undertaken by a joint venture with Hip Hing Construction Company Limited.

During the period, a new contract for Discovery Bay North residential development Phase 13 and a new contract from the Airport Authority for toilet improvement works Phase VI were awarded. As at 30 September 2004, the outstanding values of contracts on hand amounted to HK\$842.2 million.

Building Materials Division

The Building Materials Division has recorded an external turnover of HK\$52.5 million (total turnover was HK\$55.3 million), representing a 128.7% increase over the corresponding period last year of HK\$22.9 million.

New contracts awarded during the period included the supply and/or installation of: Polyboard for Pacifica; Polyboard, timber flooring and kitchen cabinet for Caribbean Coast; kitchen cabinet for residential development at Shek Kong; false ceiling for Disney Resort Coach and Carpark; and the student residence at Flora Ho Sports Centre of the University of Hong Kong.

Other new project contracts awarded included the supply of pipes for Aberdeen Tunnel, Hong Kong International Airport Passenger Terminal renovation project, CLP Power Substation at Discovery Bay, residential project at Lok Kwai Path, Discovery Bay North residential development Phase 13, Shatin Industrial Centre and various MTR Station renovation projects.

The outstanding values of contracts on hand as at 30 September 2004 amounted to approximately HK\$117.4 million.

Interior and Renovation Division

The Interior and Renovation Division has recorded an external turnover of HK\$34.0 million (total turnover was HK\$42.3 million), representing a 51.0% decrease when compared with that of the corresponding period last year.

Major contract works undertaken during the period included the external wall renovation works for Ventris Place in Happy Valley, external renovation works for Mei Foo Sun Chuen, a fitting out contract from Cheung Kong Group for hotel development at Hung Hom Bay and a term contract from the Hong Kong Housing Authority for maintenance and renovation works of shopping arcades and carparks.

During the period, this division was awarded various alteration and renovation contracts from the City University of Hong Kong, Giordano Limited and the Hong Kong Jockey Club. The outstanding value of contracts on hand as at 30 September 2004 amounted to approximately HK\$210.5 million.



Subsequent to the period end, this Division was awarded a HK\$70.1 million new contract for external renovation of Estoril Court at Garden Road and a HK\$13.6 million new contract for addition and alteration works for Stelux House in San Po Kong.

Health Products Division

The results for the Health Products Division have improved during the period. Care & Health Limited continues to enrich its product line and has introduced a new health product, namely “Premium Grade Wild Cordyceps Liquid” during the period. Other health products currently selling in the market include the “Lingzhi Master series”, “Chinese Medical Formula”, “Dia-Care” and “Bowelcare”. The health products wholesale business and the health products retailing chain store business operating under the trade name of “Health Plus” have made promising progress during the period. Currently, there are 16 Health Plus shops in different locations in Hong Kong, selling health care equipment, health supplements and beauty care products.

Property Investment Division

The Property Investment Division recorded a steady rise in rental income, generated from the Group’s investment properties at Shatin Industrial Centre in Shatin, Health Plus Centre (formerly known as Winner Building) in Tai Wai, Nos. 23-25 Mei Wan Street in Tsuen Wan, No. 95 Bedford Road in Tai Kok Tsui, No. 4 College Road and No. 21 Sau Chuk Yuen Road in Kowloon Tong, and a piece of land at Ping Che.

For the period under review, this division has received a total rental income amounting to HK\$4.8 million which was 116.5% over last year’s figure. As at 30 September 2004, the overall occupancy rate for the Group’s investment buildings was approximately 66.8%.

Property Development Division

Golf Parkview, the Group’s first property development project, has been offered for sale since August 2004. Golf Parkview is located in Kwu Tung with convenient access to Sheung Shui KCR station and Lok Ma Chau Control Point. It comprises 6 low-rise residential blocks with a total of 48 luxury flats. All units have balconies, most of which are featured with a distinctive golf course view.

With improved local property market sentiment, 16 flats were sold at an average price of \$3,287 per sq ft, producing a turnover of HK\$72.9 million for the period. The management expects that this project will continue to bring promising returns to the Group in the coming period.

Property Agency and Management Division

This division continued to generate a stable revenue stream for the Group during the period, through provision of project and property management, rental collection and leasing agency services.

OUTLOOK

The continuing recovery in the economy and encouraging rebound in the property market since the third quarter of 2003 has given impetus to growth in business investment and expansion in private consumption in Hong Kong. Sentiment towards investment spending has improved since the second half of 2003, and with the strengthening of domestic demand due to the reduction in number of homeowners with “negative equity”, together with easement of the unemployment rate, it suggests that the deflationary situation in Hong Kong could almost be over.

Residential property prices, especially for properties at the luxury end of the market, have risen significantly since August 2003. The continuing low mortgage interest rate, the strengthening of the Hong Kong dollar, the HKSAR Government’s policies towards maintaining a stable supply-and-demand market environment, the healthy recovery of both global and local economies, and the rebound of the property market from a very depressed level, has regained investors’ and end-users’ interests and confidence in Hong Kong properties.

During the period, the Group has achieved a satisfactory return from sales of the properties at Kwu Tung. However, the building construction business has not responded strongly to the above favourable factors. The number of construction projects on both the private and public sectors has reduced. The construction industry is highly competitive and the building construction business will remain difficult in the coming years.

Over the years, the Group has been pursuing business opportunities to diversify its businesses into property development, project management and health products retail and wholesales. Going forward, the Group will endeavor to expand its core operation, to develop its diversified businesses, and to seek other viable investment opportunities to enhance our shareholders’ wealth.



FINANCIAL REVIEW

Group Liquidity and Financial Resources

The financial position of the Group remains healthy. As at the close of business on 30 September 2004, the total cash and bank balances had decreased by HK\$43.8 million or 49.7%, compared with those as at 31 March 2004. The decrease was mainly due to the utilization of funds, during the period, to purchase properties for investment purposes, from independent third parties. The current ratio (current assets divided by current liabilities) was decreased to 1.2 times from 1.4 times at the last year-end date.

For day-to-day liquidity management and the maintenance of flexibility in funding, the Group has also obtained banking facilities with aggregate amount of HK\$258.2 million (HK\$53.2 million was secured by first charges over certain land and buildings and investment properties of the Group), of which approximately HK\$128.5 million bank loans and overdraft have been drawn down and approximately HK\$94.3 million has been utilized mainly for the issuance of letters of credit and performance bonds as at 30 September 2004. The Group's funding requirements for the coming year are expected to be met by available cash as at balance sheet date, cash generated by operations, especially the proceeds from the sales of our property development project "Golf Parkview" at Kwu Tung and the available banking facilities.

Treasury Policies

In order to achieve better risk control and to minimize the cost of funds, the Group's treasury activities are centralised and scrutinised by the top management. The Group's treasury policies remain unchanged from those described in the latest annual report 2003-2004.

Capital Structure

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. During the period under review, the Group has borrowed Hong Kong dollars loans amounting to HK\$127.2 million from banks (at 31 March 2004 : HK\$55.3 million). The loans have been used as general working capital and for refinancing the acquisition of properties for investment purposes. The maturity profile of the borrowings spread over a period

of five years with HK\$78.2 million repayable within the first year, HK\$4.2 million repayable within the second year and HK\$44.8 million within the third to fifth years. Interest is based on HIBOR with a competitive margin.

As at 30 September 2004, the gearing ratio of the Group, calculated on the basis of the Group's net bank borrowings (total bank borrowings less total bank balances and cash) over shareholders' funds, was 20.1% (at 31 March 2004: Nil).

Major Acquisition

During the period, the Group purchased from internally generated funds and bank loan, two properties at Kowloon Tong, Kowloon, from independent third parties, at a total consideration of approximately HK\$52.8 million. These properties are located in Hong Kong, and are being held for investment purposes.

Collateral

As at 30 September 2004, the Group's Hong Kong dollars loans of HK\$53.2 million were secured by first charges over certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$95.9 million (at 31 March 2004: HK\$95.0 million).

Contingent Liabilities

Details of the contingent liabilities are set out in note 16 of the condensed financial statements.

Capital Commitments

The Group had no material capital commitments as at 30 September 2004.



OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2004, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept by the Company under Section 352 of Part XV of the Securities and Futures Ordinance (“SFO”) or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

Long positions in shares of the Company

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

Notes:

- (a) 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.
- (b) The shares are held by a corporation in which Mr Wong Sue Toa, Stewart is deemed to be interested by virtue of Part XV of the SFO. Mr Wong's corporate interests in the Company arise from the fact that he owns 50% of the share capital of a corporation, which holds 1,807,224 shares.
- (c) 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 above, as at 30 September 2004, none of the Directors of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code, or which were recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

The Company currently has a share option scheme adopted on 3 January 2002 which permits the Directors of the Company to grant options to all Directors (including independent non-executive Directors), full-time employees and consultants of the Company, its subsidiaries and associates to subscribe for shares in the Company. No options have yet been granted under this scheme during the period since its adoption.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the period.



INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, in addition to those interests as disclosed above in respect of the Directors, the interests or short positions of the substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO were as follows:

Long positions in shares of the Company

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

Notes:

- (1) Great Wisdom Holdings Limited 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 Holdings Limited 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 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 30 September 2004, 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.

Other than as disclosed above, as at 30 September 2004, the Company has not been notified by any persons (other than Directors of the Company) who had any interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2004, the Group had over 500 employees. The Group offers competitive remuneration packages, including a discretionary bonus and share option scheme to its employees, commensurable to market level and their qualifications. The Group also provides retirement schemes, medical benefits and both in-house and external training courses for staff.

REVIEW OF INTERIM RESULTS

The interim financial report of the Group for the six months ended 30 September 2004 has not been audited, but has been reviewed by the Audit Committee of the Board and the Group's auditors, Messrs Deloitte Touche Tohmatsu.

CODE OF BEST PRACTICE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

By order of the board
Cha Mou Sing, Payson
Chairman

Hong Kong, 1 December 2004



CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	NOTES	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		<u>(291,059)</u>	<u>(317,091)</u>
Gross profit		71,474	41,139
Other operating income		355	1,891
Marketing and distribution costs		(7,517)	(3,588)
Administrative expenses		<u>(34,216)</u>	<u>(24,757)</u>
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		—	<u>(25)</u>
Profit before taxation		29,630	14,851
Taxation	5	<u>(4,201)</u>	<u>(2,670)</u>
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 <i>HK\$'000</i> <i>(Unaudited)</i>	31.3.2004 <i>HK\$'000</i> <i>(Audited)</i>
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
		405,817	338,965
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
		450,927	408,894
Current liabilities			
Amounts payable on contract work		119,764	132,351
Creditors and accrued charges	14	179,792	155,949
Taxation payable		6,603	3,307
Bank loans — amount due within one year	15	78,200	4,200
Bank overdraft		1,287	—
		385,646	295,807
Net current assets		65,281	113,087
Total assets less current liabilities		471,098	452,052
Non-current liabilities			
Bank loans — amount due after one year	15	49,000	51,100
Deferred taxation		2,577	2,605
		51,577	53,705
		419,521	398,347
Capital and reserves			
Share capital		28,367	28,367
Reserves		391,154	369,980
		419,521	398,347



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Share capital HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Investment property revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total 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	43,056	119,301
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents:		
Bank balances and cash	44,343	119,301
Bank overdraft	(1,287)	—
	<hr/>	<hr/>
	43,056	119,301
	<hr/> <hr/>	<hr/> <hr/>



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	Interior and renovation	Building materials	Health products	Property investment	Property agency and management	Property development	Eliminations	Consolidated
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
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	185,492	42,336	55,267	26,174	4,820	3,155	72,934	(27,645)	362,533

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment	4,854	785	4,297	563	3,500	574	20,949	(1,659)	33,863
Other operating income									355
Unallocated corporate expenses									(4,122)
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									(4,201)
Net profit for the period									25,429



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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	246,840	134,860	27,807	16,942	2,226	2,250	—	(72,695)	358,230

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment	9,903	2,114	112	(1,199)	2,047	601	(12)		13,566
Other operating income									1,891
Unallocated corporate expenses									(772)
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)	—	—	—	—	—	—		(25)
Profit before taxation									14,851
Taxation									(2,670)
Net profit for the period									12,181

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 HK\$'000	1.4.2003 to 30.9.2003 HK\$'000
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	—	293
Expenses capitalised in cost of contract work:		
Depreciation	1,254	1,145

5. TAXATION

	1.4.2004 to 30.9.2004 HK\$'000	1.4.2003 to 30.9.2003 HK\$'000
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	—	50
	4,201	2,670

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 HK\$'000	31.3.2004 HK\$'000
Share of net assets	11,132	11,145

10. RETENTION MONEY RECEIVABLE

	30.9.2004 HK\$'000	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	37,292	30,616
	85,605	76,520
Less: Amount receivable within one year included in current assets	(70,866)	(71,454)
Amount receivable after one year	14,739	5,066

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

11. PROPERTIES UNDER DEVELOPMENT FOR SALE

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

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

The aged analysis of progress payments receivable is as follows:

	30.9.2004 HK\$'000	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	1,358	1,250
	35,635	24,893

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 HK\$'000	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
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
	179,792	155,949

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

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

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 HK\$'000	31.3.2004 HK\$'000
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 HK\$'000	31.3.2004 HK\$'000
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
	95,947	95,019

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>	1,796	561



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.

INDEPENDENT REVIEW REPORT



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

**TO THE BOARD OF DIRECTORS OF
HANISON CONSTRUCTION HOLDINGS LIMITED**
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the directors of the Company to review the interim financial report set out on pages 14 to 30.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



REVIEW WORK PERFORMED

We conducted our review in accordance with the Statement of Auditing Standards No. 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2004.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
1 December 2004