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興勝創建控股有限公司

HANISON CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 896)

ANNOUNCEMENT

AMENDMENTS TO CERTAIN TERMS OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 3 December 2002 in relation to the continuing connected transactions arising out of the Sole Marketing and Leasing Agreement and the Management Agreement.

The Directors are pleased to announce that on 29 April 2005:—

- (1) HPML has entered into a Supplemental Agreement to the Sole Marketing and Leasing Agreement with CDW Company pursuant to which certain agency fees to be paid to HPML have been revised with effect from 1 May 2005 and the term of appointment has been changed to 3 years commencing from 1 May 2005 to 30 April 2008.
- (2) HESL has entered into a Supplemental Agreement to the Management Agreement with CDW Company pursuant to which the term of appointment has been changed to 3 years commencing from 1 May 2005 to 30 April 2008.

Accordingly, the conditional waiver previously granted by the Stock Exchange on 13 February 2003 in these respects has lapsed and full compliance with the Listing Rules is required.

CDW Company is a connected person of the Company by virtue of the fact that CDW Company is an indirect subsidiary of Mingly Holdings Limited which is held by Dolios Limited as trustee of certain irrevocable discretionary trusts of which one or more members of the Cha Family are among the discretionary objects, and the Company is substantially held directly and indirectly by Novantenor Limited and LBJ Regents Limited as trustees of certain irrevocable discretionary trusts of which members of the Cha Family are among the discretionary objects. As the Cha Family is a substantial shareholder of the Company, the transactions contemplated under the Sole Marketing and Leasing Agreement, the Management Agreement and the Supplemental Agreements with CDW Company constitute continuing connected transactions for the Company under the Listing Rules. As the relevant percentage ratios represented by the transactions on an annual basis are more than 0.1% but less than 2.5%, the Sole Marketing and Leasing Agreement, the Management Agreement and the Supplemental Agreements are pursuant to Rule 14A.34 of the Listing Rules only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the annual review requirements set out in Rules 14A.37 to 14A.41 of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 3 December 2002 in relation to the continuing connected transactions arising out of the Sole Marketing and Leasing Agreement and the Management Agreement. As disclosed in that announcement, the Company had applied to the Stock Exchange for a conditional waiver from strict compliance with disclosure requirements in respect of such continuing connected transactions under the relevant Listing Rules prevailing at the time, and such waiver was granted by the Stock Exchange on 13 February 2003. As certain terms of the Sole Marketing and Leasing Agreement and the Management Agreement have been revised, the conditional waiver previously granted has lapsed and full compliance with the Listing Rules is required.

THE SOLE MARKETING AND LEASING AGREEMENT

Under the Sole Marketing and Leasing Agreement entered into between HPML and CDW Company on 28 November 2002, HPML was appointed as the sole marketing and leasing agent of CDW Company providing leasing and marketing and other services, including rent collection, lease negotiation and lease renewal, relating to CDW Building for a term of one year, renewable automatically upon expiry thereof on the same terms unless and until terminated by either party on serving to the other one month's prior notice in writing and expiring at the end of such period.

HPML will receive agency fees from CDW Company on the following basis:—

- (i) a fee equal to 1% of the rental receivables collected from time to time;
- (ii) a fee equal to three-quarters of the amount of rental payable for the first month of any new lease introduced by HPML; and
- (iii) a fee equal to one half of the amount of rental payable for the first month of any revised or renewed lease negotiated by HPML.

THE SUPPLEMENTAL AGREEMENT TO THE SOLE MARKETING AND LEASING AGREEMENT

In light of the recent competitive property market, on 29 April 2005, HPML has entered into a Supplemental Agreement to the Sole Marketing and Leasing Agreement with CDW Company pursuant to which the term of appointment of HPML has been changed to 3 years commencing from 1 May 2005 to 30 April 2008, and certain agency fees have been revised. The Directors are satisfied that the revised term of appointment and fees are on normal commercial terms and had been arrived at after arm's length negotiation; and that the revised fees are reflective of the prevailing market rates and similar to those fees charged by HPML to third parties. According to the Supplemental Agreement, the basis for calculating certain agency fees as referred in (ii) and (iii) above regarding new lease and lease renewal has been revised as follows with effect from 1 May 2005:—

Original fee basis	Revised fee basis
<i>New Lease</i> <ul style="list-style-type: none">• 0.75 of the first month face rental	<i>New Lease from new tenants</i> <ul style="list-style-type: none">• 1 month face rental for a lease term of not less than 2 years or pro-rata basis for a lease term less than 2 years <i>New Lease from existing tenant's expansion</i> <ul style="list-style-type: none">• 0.75 month effective rental for a lease term of not less than 3 years• 0.5 month effective rental for a lease term of not less than 2 years or pro-rata basis for a lease term less than 2 years
<i>Lease renewal</i> <ul style="list-style-type: none">• 0.5 of the first month face rental	<i>Lease renewal</i> <ul style="list-style-type: none">• 0.5 month effective rental for a lease term of not less than 3 years• 0.35 month effective rental for a lease term of not less than 2 years or pro-rata basis for a lease term less than 2 years

Rental collection fee (as referred in (i) above) remains at 1% of the rental receivables collected from time to time. All the above agency fees will be collected in arrears on a monthly basis. In addition, as stipulated in the Supplemental Agreement, CDW Company has the right to appoint other leasing agent to handle any new lease of CDW Building (either exclusively for a portion of CDW Building or jointly with HPML). Save for the above, there have been no other material amendments to the Sole Marketing and Leasing Agreement.

THE MANAGEMENT AGREEMENT

Under the Management Agreement entered into between HESL and CDW Company on 28 November 2002, HESL was appointed as the manager of CDW Building for a term of one year, renewable automatically upon expiry thereof on the same terms unless and until terminated by either party on serving to the other three months' prior notice in writing and expiring at the end of such period. HESL will receive manager's fees equal to 3% of the management expenses of the CDW Building payable in advance on a monthly basis. The Directors are satisfied that such fees are reflective of prevailing market rates and on normal commercial terms with reference to the fees charged by other third party management agents in Hong Kong.

THE SUPPLEMENTAL AGREEMENT TO THE MANAGEMENT AGREEMENT

On 29 April 2005, HESL has entered into a Supplemental Agreement to the Management Agreement with CDW Company pursuant to which the term of appointment of HESL has been changed to 3 years commencing from 1 May 2005 to 30 April 2008. The Directors are satisfied that the revised term of appointment is on normal commercial terms and had been arrived at after arm's length negotiation. Save for the above, there have been no other amendments to the Management Agreement.

CAP AMOUNT

As disclosed in the Company's annual reports for 2002/03 and 2003/04, the agency fees and the manager's fees received by the Group from CDW Company for the period from 28 November 2002 to 31 March 2003 amounted to HK\$362,000 and for the year ended 31 March 2004 amounted to HK\$1,520,000. Based on the Company's management accounts for the year ended 31 March 2005, the agency fees and the manager's fees received from CDW Company were HK\$3,171,000. The total fees received in each of these periods were within the cap amount of HK\$10 million under the previous waiver granted by the Stock Exchange. Based on (i) the terms of the Sole Marketing and Leasing Agreement, the Management Agreement and the Supplemental Agreements, (ii) the historical transaction values between the Group and CDW Company for provision of leasing, marketing and management services, and (iii) the current rental rates of the CDW Building, the Company proposes that the maximum aggregate annual agency fees and manager's fees payable to the Group shall be capped at HK\$3.5 million for each of the three financial years ending 31 March 2008. The proposed cap provides a buffer of approximately 10% of the unaudited agency fees and manager's fees received by the Group for the year ended 31 March 2005. The Company anticipates that there is a possibility of increase in the rent and the management expenses by the owner in the coming years as Hong Kong economy is improving and the property market becomes competitive. Accordingly, a level of flexibility in the proposed cap is required to allow the Company to adjust to these possible changing factors.

REASONS FOR ENTERING INTO THE SOLE MARKETING AND LEASING AGREEMENT, THE MANAGEMENT AGREEMENT AND THE SUPPLEMENTAL AGREEMENTS

The Directors believe that the transactions contemplated under the Sole Marketing and Leasing Agreement, the Management Agreement and the Supplemental Agreements would enhance the Group's profile in property agency and management market and provide a reliable positive revenue stream to the Group.

The Directors, including the independent non-executive Directors, consider that the terms of the Sole Marketing and Leasing Agreement, the Management Agreement and the Supplemental Agreements have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms and have been negotiated on an arm's length basis; and that they (including the proposed cap) are fair and reasonable so far as the shareholders of the Company (including the independent shareholders) as a whole are concerned.

GENERAL

The Company is an investment holding company. The Group is principally engaged in the business of building construction, interior and renovation works, supply and installation of building materials, trading of health products and property investment and development.

CDW Company is the owner of the leasehold interest in the CDW Building with an outstanding lease term due to expire in 2047.

CDW Company is a connected person of the Company by virtue of the fact that CDW Company is an indirect subsidiary of Mingly Holdings Limited which is held by Dolios Limited as trustee of certain irrevocable discretionary trusts of which one or more members of the Cha Family are among the discretionary objects, and the Company is substantially held directly and indirectly by Novantenor Limited and LBJ Regents Limited as trustees of certain irrevocable discretionary trusts of which members of the Cha Family are among the discretionary objects.

As the Cha Family is a substantial shareholder of the Company, the transactions contemplated under the Sole Marketing and Leasing Agreement, the Management Agreement and the Supplemental Agreements with CDW Company constitute continuing connected transactions for the Company under the Listing Rules. As the relevant percentage ratios represented by the transactions on an annual basis are more than 0.1% but less than 2.5%, the Sole Marketing and Leasing Agreement, the Management Agreement and the Supplemental Agreements are pursuant to Rule 14A.34 of the Listing Rules only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the annual review requirements set out in Rules 14A.37 to 14A.41 of the Listing Rules.

DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

“CDW Building”	a 27-storey industrial building of approximately 972,663 square feet located at nos. 382-392 Castle Peak Road and nos. 27-37 Mei Wan Street, Tsuen Wan, New Territories, the leasehold interest in which is owned by CDW Company
“CDW Company”	CDW Building Limited, a company incorporated in the Cayman Islands with limited liability, the majority shareholding interest of which is indirectly held by Dolios Limited
“Cha Family”	means 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 as defined in the Listing Rules
“Company”	Hanison Construction Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“HESL”	Hanison Estate Services Limited (formerly known as CDW Building Services Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“HPML”	Hanison Project Management Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Lo Kai Cheong
Company Secretary

Hong Kong, 1 June 2005

As at the date of this announcement, the executive directors of the Company are Mr. Wong Sue Toa, Stewart, Mr. Tai Sai Ho, Dr. Lam Chat Yu and Mr. Shen Tai Hing; the non-executive directors of the Company are Mr. Cha Mou Sing, Payson, Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin; and the independent non-executive directors of the Company are Mr. Chan Pak Joe, Dr. Sun Tai Lun and Dr. Lau Tze Yiu, Peter.

Please also refer to the published version of this announcement in The Standard.