



HANISON CONSTRUCTION HOLDINGS LIMITED

興勝創建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2003

SUMMARY OF RESULTS

The audited consolidated profits of Hanison Construction Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2003 was HK\$30.2 million, decreased by 3.4% as compared with HK\$31.2 million of previous year.

Basic earnings per share for the year was HK10.6 cents (2002: HK11.0 cents).

The Group's turnover for the year ended 31 March 2003 amounted to HK\$892.0 million, increased by 39.1% over the previous year.

DIVIDEND

The Board has recommended the payment of a final dividend of HK1.5 cents per share for the year ended 31 March 2003 (2002: Nil) to shareholders whose names appear on the Registers of Members of the Company on 31 July 2003. This together with the interim dividend of HK1 cent per share gives a total of HK2.5 cents per share for the year (2002: Nil). The proposed dividend will be paid on 29 August 2003 following approval at the Annual General Meeting.

AUDITED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
Turnover	2	891,981	641,183
Cost of sales		(813,770)	(549,170)
Gross profit		78,211	92,013
Other operating income		9,790	5,448
Distribution costs		(5,063)	(1,490)
Administrative expenses		(50,855)	(52,069)
Other operating expenses	4	(63)	(7,230)
Profit from operations		32,020	36,672
Finance costs		(2)	(121)
Share of result of an associate		(84)	1,120
Share of result of a jointly controlled entity		3,480	2
Profit before taxation	5	35,414	37,673
Taxation	6	(5,245)	(6,426)
Net profit for the year		30,169	31,247
Dividends	7	7,092	32,500
Earnings per share — basic (HK cents)	8	10.6	11.0

NOTES

1. BASIS OF PREPARATION AND CONSOLIDATION

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 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.

2. 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.

3. SEGMENTAL INFORMATION

(a) Business segments

The following table presents turnover and contribution information for the Group's 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 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	714,648	177,996	127,841	2,057	452	856	—	(131,869)	891,981
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment result	23,006	2,046	2,606	(3,644)	(342)	380	(20)	19	24,051
Other operating income									9,790
Other operating expenses									(63)
Unallocated expenses									(1,758)
Profit from operations									32,020
Finance costs									(2)
Share of result of an associate			(84)						(84)
Share of result of a jointly controlled entity	3,480								3,480
Profit before taxation									35,414
Taxation									(5,245)
Net profit for the year									30,169

Inter-segment sales are charged at prevailing market rates.

OTHER INFORMATION

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Properties investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the year ended 31 March 2002						
TURNOVER						
External sales	—	531,610	46,367	63,176	30	641,183
Inter-segment sales	—	—	29,715	50,976	—	(80,691)
Total	—	531,610	76,082	114,152	30	641,183
Inter-segment sales are charged at prevailing market rates.						
RESULTS						
Segment result	—	31,690	2,856	4,312	22	43
Other operating income	—	4,887	33	571	—	(43)
Other operating expenses	—	—	—	—	—	5,448
Unallocated expenses	—	—	—	—	—	(7,230)
Profit from operations	—	—	—	—	—	(469)
Finance costs	—	—	—	—	—	36,672
Share of result of an associate	—	—	—	1,120	—	(121)
Share of result of a jointly controlled entity	2	—	—	—	—	(121)
Profit before taxation	—	—	—	—	—	1,120
Taxation	—	—	—	—	—	2
Net profit for the year	—	—	—	—	—	37,673
OTHER INFORMATION						
Depreciation	4,448	114	389	32	—	12
Depreciation	4,796	124	368	—	—	5,288

(b) Following the additions of new segments during the year, comparative figures for business segments have been restated to conform with the current year presentation. Accordingly, certain income statement items for 2002 have also been restated.

(c) Geographical segments

All the Group's operations and significant segment assets during the two years ended 31 March 2003 were in Hong Kong.

4. OTHER OPERATING EXPENSES

	2003 HK\$'000	2002 HK\$'000
Other operating expenses comprise:		
Unrealised holding loss on investments in securities	(63)	(52)
Listing expenses	—	(7,175)
Loss on disposal of investments in securities	—	(3)
	(63)	(7,230)

5. PROFIT BEFORE TAXATION

	2003 HK\$'000	2002 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation	2,663	2,107
Interest on bank and other borrowings wholly repayable within five years	2	25
and after crediting:		
Interest income	7,641	4,539
Gain on disposal of investments in securities	956	—
Expenses capitalised in cost of contract work:		
Depreciation	2,332	3,181

6. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	(4,290)	(6,555)
(Under)overprovision in prior years	(399)	298
Share of Hong Kong Profits Tax of associate and jointly controlled entity		
Current year	(556)	(168)
Underprovision in prior years	—	(1)
	(5,245)	(6,426)

Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profit for the year.

7. DIVIDENDS

An interim dividend at HK1 cent per share, totalling HK\$2,837,000 was declared and paid by the Company during the year. For the year ended 31 March 2002, an interim dividend of HK\$30,000,000 was paid before a corporate reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Corporate Reorganisation") by a subsidiary of the Company to a subsidiary of HKR International Limited ("HKRI"), its then shareholder. An interim dividend of HK\$2,500,000 was also paid before the Corporate Reorganisation by the associate to a subsidiary of HKRI, one of the then shareholders of the associate.

A final dividend of HK1.5 cents per share has been proposed by the Board and is subject to approval by the shareholders at the Annual General Meeting.

8. EARNINGS PER SHARE — BASIC

The calculation of the basic earnings per share for the year is based on the net profit for the year of HK\$30,169,000 (2002: HK\$31,247,000) and on the 283,671,086 shares for the two years ended 31 March 2003.

There were no potential dilutive ordinary shares in existence for the two years ended 31 March 2003. Accordingly, no diluted earnings per share was presented.

OPERATIONS REVIEW

CONSTRUCTION DIVISION

Despite the adverse market environment, the Construction Division has recognised a total turnover of HK\$714.6 million during the year (2002: HK\$531.6 million), an increase of 34.4% compared with the corresponding period last year. However, due to severe competition, the gross profit margins have dropped, and the Division's profits for the year decreased by 27.4% to HK\$23.0 million.

The main projects undertaken have included the re-development of Kwai Chung Estate Phase 7 for the Hong Kong Housing Authority, the construction works at Barker Road and Discovery Bay, the extension works for the English Schools Foundation at Aberdeen, and the residential development at Inland Lot No. 8840 Wah Fu. All these projects have progressed smoothly, as scheduled. The construction works for a basement, podium and transfer plate at Tung Chung, undertaken by a joint-venture with Hip Hing Construction Company Limited were also carried out satisfactorily. Following completion of the site formation works for the proposed CLP Power Substation at Discovery Bay North, the superstructure works have commenced and are expected to be completed in 2003/04.

During the year, this Division was awarded HK\$501.9 million of new contracts. Major new contracts included Shek Yam Estate Phase 5 development for the Hong Kong Housing Authority, construction of a school for moderately mentally handicapped children in Yuen Long for the Architectural Services Department and construction works for the Discovery Bay North Residents Club.

As at 31 March 2003, the outstanding value of contracts on hand for this Division amounted to approximately HK\$650.8 million.

Subsequent to the year-end, this Division had commenced the construction works for the residential development of the Group's property located at lot 2574 in D.D. 92, Castle Peak Road, Kwu Tung, Sheung Shui, N.T. This construction project is scheduled to be completed in 2004.

BUILDING MATERIALS DIVISION

The Building Materials Division has recorded double-digit growth, with total turnover increased by 11.9% to HK\$127.8 million (turnover to external parties was HK\$80.8 million), from last year's turnover amount of HK\$114.2 million. However, contributions from this Division recorded a 39.6% drop as compared with last year, reflecting the impact of the increasingly competitive market condition during the year under review. The Division is mainly conducted through two subsidiaries:—

Trigon Building Materials Limited ("Trigon")

Trigon entered its sixth year in the building material business with great strength and confidence. It recorded an increase of 16.1% in turnover for the year. The turnover has mainly been derived from the supply and installation of kitchen cabinets, Polyboard, timber flooring, and suspended ceiling systems to renowned developers and main contractors such as the Cheung Kong group, Sun Hung Kai group, Swire group, Henderson group, Sino group and the Kowloon-Canton Railway Corporation.

New contracts awarded during the year have included the supply and/or installation of: Polyboard for Ocean Shores Phase III, Banyan Garden, Caribbean Coast Phase 2 and Victoria Tower; kitchen cabinets for Tsing Yi Rambler Crest, Princeton Tower, Caribbean Coast Phase 2, Sky Tower and Shek Kong Residential Development; fire rated enclosure for International Financial Centre; false ceiling for Ocean View at Ma On Shan, Kowloon Tong MTR Station Renovation; as well as wood floorings for Sky Horizon, Cloud View Road.

As at 31 March 2003, the outstanding values of contracts on hand amounted to HK\$125.3 million, including contracts for the supply and/or installation of kitchen cabinets, timber flooring, and suspended ceiling systems amounting to HK\$70.2 million, HK\$1.7 million, and HK\$31.5 million, respectively, as well as orders for the supply of Polyboard amounting to HK\$ 3.1 million.

Tai Kee Pipes Limited (formerly known as Ng Tai Kee Company Limited)

During this difficult time, we have doubled our efforts, only to achieve 89.6% of last year's turnover level. The turnover for the year has been mainly derived from the retail sales of piping products, as project sales have only just commenced.

New project contracts awarded during the year have included the supply of pipes to Alexandra House, CLP Station, Science Park Building V and Suen Tat Metal Machine Factory Limited. As at 31 March 2003, the outstanding values of contracts on hand amounted to HK\$1.9 million.

INTERIOR AND RENOVATION DIVISION

The Interior and Renovation Division has recorded a turnover to external parties of HK\$93.3 million, representing a 101.2% increase over last year's figure. However, following a drop in the gross profit margins to adapt to the market condition, the profits for this Division declined by 28.4% to HK\$2.0 million.

For the year under review, major project works have included the external wall renovation of Wylie Court, and renovation of the CDW Building (including external wall and shopping arcade). Other major contract works awarded during the year have included the alteration and addition works for The University of Hong Kong, The Chinese University of Hong Kong, The Hong Kong Polytechnic University, Ladies' Recreation Club, CC Wu Building and the English Schools Foundation; and fitting-out works for the Tung Chung Coastal Skyline Sales Office, the CDW Building, Shun Tak Centre, 8 Hart Avenue and various social community centres.

As at 31 March 2003, the outstanding values of contracts on hand amounted to HK\$121.9 million.

OTHER BUSINESSES

During the year, the Group has commenced the health products business and has pursued other businesses such as property investment, building management, and property development. Details are highlighted below: -

- In May 2002, the Group purchased part of the 3rd floor and the whole 4th floor of Shatin Industrial Centre as its head office, and for use as rental properties to generate a steady income for the Group.
- In September 2002, the Group successfully secured the sole distributorship for a range of Lingzhi spores products from Zhong Shan University, and distributorships for various health products.
- In November 2002, the Group acquired a company undertaking building management services.
- In March 2003, the Group acquired two pieces of land located in Hong Kong and a 50% interest in two pieces of adjoining land situated in Dongguan, with a total site area of approximately 86,886 square metres for property development purposes.
- Subsequent to the year-end, the Group has made further purchase of the 5th floor and will purchase part of the 6th floor of Shatin Industrial Centre for use as rental properties.
- In June 2003, the Group has also acquired the entire issued share capital of Retailcorp Limited which carries on a wholesale health products business and operates a health products retailing chain store business under the trade name of Health Plus.

We anticipate that such diversification will help to broaden the Group's earnings base and strengthen its future growth. The Group will continue to seek suitable business opportunities.

FINANCIAL REVIEW

Group Liquidity and Financial Resources

The total cash and securities investment balances of the Group decreased by HK\$200.6 million during the year, to HK\$161.4 million at 31 March 2003 (2002: HK\$362.0 million) and accounted for 46.6% of the current assets (2002: 60.2%). The decrease was mainly due to the utilisation of funds, during the year, to purchase properties from HKRI, a substantial shareholder of the Company. These details have been disclosed in the section "Major Acquisitions".

The Group has still been able to maintain a healthy balance sheet with no bank borrowings and is practically debt-free, other than amounts due under normal trade payables as at 31 March 2003. Therefore, the gearing ratio of the Group, has remained zero. The Group has continued to finance its operation and investing activities from its internally generated funds.

With continuous cash inflow from operations, together with cash and marketable investments on hand, as well as available banking facilities, the group's liquidity position will remain healthy, with sufficient financial resources to meet its commitments and future operation requirements.

Treasury Policies

The objective of the Group's treasury policies is to minimise its exposure to fluctuations in the exchange rate. The surplus cash is generally placed in short-term bank deposits with reputable financial institutions, or invested in securities instruments. As at the close of business on 31 March 2003, the Group maintained securities investments of approximately HK\$40.5 million. About 99.8% of them are held in United States dollar, comprising mainly the investments in fixed income securities with an average annualised interest rate of approximately 7.5% per annum.

Nearly all revenues, expenses, assets and liabilities of the Group are denominated either in Hong Kong or United States dollars. As the Hong Kong dollar is pegged to the United State dollar, the Group therefore will not have any significant exposure to gains or losses arising from the movement of the United States' currency exchange rate against the Hong Kong dollar.

Shareholders' funds

As at 31 March 2003, shareholders' funds of the Group totalled HK\$374.4 million, an increase of HK\$27.4 million from HK\$347.0 million at 31 March 2002.

Major Acquisitions

During the year, the Group purchased, from internally generated funds, part of the 3rd floor and the whole 4th floor of Shatin Industrial Centre from an independent third party at a consideration of approximately HK\$28.4 million. This property is partly for the Group's own use and partly for investment purposes.

In March 2003, the Group acquired two pieces of land located in Hong Kong, and a 50% interest in two pieces of adjoining land situated in Dongguan, the People's Republic of China, with a total site area of approximately 86,886 square metres for property development purposes, for a total cash consideration of HK\$180.0 million.

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. As noted above, the Group had no debt as at the year-end date.

Collateral

As at 31 March 2003, the Group had no mortgage or charges on its assets.

Capital Commitment

As at 31 March 2003, the Group had outstanding commitments in respect of the purchase of the 5th floor and part of the 6th floor of Shatin Industrial Centre, and a piece of land at Ping Che, both of which are located in Hong Kong, from independent third parties at a total consideration of approximately HK\$36.5 million, where deposits amounting to approximately HK\$6.0 million have been paid. These transactions are expected to be completed before the third quarter of the year 2003.

Contingent Liabilities

At 31 March 2003, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entity amounting to approximately HK\$4,428,000 (2002: Nil).

Post Balance Sheet Event

Subsequent to the year-end, the Group has completed the acquisition of the 5th floor of Shatin Industrial Centre, Shatin and a piece of land at Ping Che, as mentioned under the above section "Capital Commitment" at a total consideration of approximately HK\$28.5 million from internally generated funds. The property at Shatin is being held for investment purposes, and the land at Ping Che is being held for the Group's own use.

In June 2003, the Group has also acquired from an independent third party the entire issued share capital of Retailcorp Limited which carries on a wholesale health products business and operates a health products retailing chain store business under the trade name of "Health Plus" at a consideration to be determined.

EMPLOYEES AND REMUNERATION POLICY

The Group, excluding its associated company and a jointly controlled entity, has over 380 employees. The Group recruits and promotes individuals based on their competencies, merits and development potential, and ensures that their remuneration packages are at a reasonable market level.

FUTURE DIRECTIONS AND PROSPECTS

Looking forward, market conditions in Hong Kong are expected to remain difficult during the next few years. However, with the gradual recovery of the United States' economy after the Iraq war, the low interest rates, the continued population growth, a more affordable level of local property prices, and the Hong Kong Government's housing policy to stabilize property prices, it suggests that there are more reasons for hope than worry in the medium to long-term prospects of the building construction industry.

During this uncertain environment, the Group will continue to adopt a positive and prudent approach to strengthen our core businesses, to seek opportunities to diversify into other viable businesses and to upgrade the quality of our works in order to enhance the Group's ability to sustain growth and development. With our persistent efforts in cost control, quality enhancement, and efficiency improvement, the Group is well prepared for the challenges ahead.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange will be published on the website of the Stock Exchange in due course.

By Order of the Board
Cha Mou Sing, Payson
Chairman