



HANISON CONSTRUCTION HOLDINGS LIMITED

興勝創建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 896)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2004

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 2004 were HK\$30.5 million, increased by 0.9% as compared with HK\$30.2 million of previous year.

Basic earnings per share for the year were HK\$10.8 cents (2003: HK\$10.7 cents).

The Group's turnover for the year ended 31 March 2004 amounted to HK\$652.8 million, a decrease of 26.8% against HK\$892.0 million recorded 2002/03.

DIVIDEND

The Board has recommended the payment of a final dividend of HK1.5 cents per share for the year ended 31 March 2004 (2003: HK1.5 cents per share) to shareholders whose names appear on the Registers of Members of the Company on 29 July 2004. This together with the interim dividend of HK1 cent per share gives a total of HK2.5 cents per share for the year (2003: HK2.5 cents per share). The proposed dividend will be paid on 31 August 2004 following approval at the Annual General Meeting.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Tuesday, 27 July 2004 to Thursday, 29 July 2004, both dates inclusive. During this period no share transfer will be registered. In order to qualify for the proposed final dividend to be approved at the forthcoming Annual General Meeting to be held on 29 July 2004, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday 26 July 2004.

AUDITED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

	NOTES	2004 HK\$'000	2003 HK\$'000 (Restated)
Turnover	3	652,822	891,981
Cost of sales		(557,382)	(813,770)
Gross profit		95,440	78,211
Other operating income		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	5	37,433	35,414
Taxation	6	(6,928)	(5,194)
Net profit for the year		30,505	30,220
Dividends	7	7,092	7,092
Earnings per share — basic (HK cents)	8	10.8	10.7

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. 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 period 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. 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.

4. 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 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	467,257	194,291	93,286	38,480	6,047	4,972	—	(151,511)	652,822
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment result	23,117	4,438	4,285	(1,466)	5,061	1,100	(42)	—	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									30,505
OTHER INFORMATION									
Depreciation	4,337	110	381	529	—	22	—	—	5,379

	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	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
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									30,220
OTHER INFORMATION									
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.

5. PROFIT BEFORE TAXATION

	2004 HK\$'000	2003 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation	3,078	2,663
Amortisation of goodwill included in administrative expenses	30	—
Interest on bank and other borrowings wholly repayable within five years	146	2
and after crediting:		
Interest income	1,639	7,641
Gain on disposal of investments in securities	292	956
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	960	—

6. TAXATION

	2004 HK\$'000	2003 HK\$'000 (Restated)
Hong Kong Profits Tax		
Current year	6,286	4,290
Underprovision in prior years	50	399
	6,336	4,689
Deferred taxation		
Current year	148	(51)
Attributable to a change in tax rate	211	—
	359	(51)
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
	6,928	5,194

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.

7. 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.

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\$30,505,000 (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.

OPERATIONS REVIEW

CONSTRUCTION DIVISION

The Construction Division has recognised a total turnover of HK\$467.3 million during the year (2003: HK\$714.6 million), a decrease of 34.6% compared with last year. The decline in turnover has mainly been caused by the slowdown of development progress for the Shek Yam Estate Phase 5 project of the Hong Kong Housing Authority, and the decrease in the number of building construction works in both private and public sectors during the first two quarters of 2003. However, due to the adjustment of costs over-estimated for several construction projects, the Division has still recorded a profit of HK\$23.1 million, slightly higher than that of last year (2003: HK\$23.0 million).

Major projects completed during the year have included the re-development of Kwai Chung Estate Phase 7 for the Hong Kong Housing Authority, the extension works for the English Schools Foundation at Aberdeen, the residential development at Inland Lot No. 8840 Wah Fu, the construction works for CLP Power Substation at Discovery Bay, the Discovery Bay North Residents Club and Barker Road, and the Express Cargo Terminal Airside Access Road Works for the Airport Authority Hong Kong.

The existing construction work of Shek Yam Estate Phase 5 for the Hong Kong Housing Authority, and the project work for townhouse development at Tung Chung undertaken by a joint-venture with Hip Hing Construction Company Limited have been progressing smoothly. Construction of a school for moderately mentally handicapped children in Yuen Long for the Architectural Services Department and the residential development of the Group's property at Kwu Tung are expected to be completed in the next financial year.

During the year, this Division was awarded HK\$373.7 million of new contracts. Major new contracts included the construction of student residences at Flora Ho Sports Centre for the University of Hong Kong, the construction of two 23-storey community colleges at the junction of Shantung Street and Hak Po Street for the Tung Wah Group of Hospitals and demolition works at 33 Cameron Road.

As at 31 March 2004, the outstanding value of contracts on hand for this Division amounted to approximately HK\$607.7 million. Subsequent to the year-end, this Division secured a new contract with an aggregate value of approximately HK\$381.3 million for the superstructure works at Discovery Bay.

BUILDING MATERIALS DIVISION

During the SARS crisis, some developers had delayed or postponed the progress of their development projects. As a result the Building Materials Division has just recognised a total turnover of HK\$93.3 million (turnover to external parties was HK\$83.8 million), representing a 27.0% decrease against last year's figure of HK\$127.8 million. However, contributions from this Division recorded a 64.4% increase to HK\$4.3 million, as compared with that of last year, due to the higher gross profit margins from the piping business and the write back of provision for obsolete stock for the pipes which were sold during the year. The Division is mainly conducted through two subsidiaries:—

Trigon Building Materials Limited (“Trigon”)

During the year, the main projects undertaken have included the supply and installation of false ceiling for Wanchai Police Headquarters, kitchen cabinets for Rambler Crest, a hotel development at Tsing Yi; Vianni Cove, the residential developments at Tin Shui Wai, and Polyboard, timber flooring and kitchen cabinets for Sky Tower.

New contracts awarded during the year have included the supply and/or installation of: timber flooring for Shiu Fai Terrace; false ceiling for Skyline Tower at Kowloon Bay, Wanchai Police Headquarters, and Ma On Shan Government Complex; false ceiling and fire rated enclosure for student residence at Flora Ho Sports Centre of the University of Hong Kong; Polyboard for Banyan Garden; Polyboard and kitchen cabinets for The Cairnhill at Tsuen Wan; Polyboard and timber flooring for Sky Tower; and polypropylene corrugated board for The HarbourSide at Kowloon Station Phase 4.

As at 31 March 2004, the outstanding values of contracts on hand amounted to HK\$88.3 million, including contracts for the supply and/or installation of kitchen cabinets, timber flooring, and suspended ceiling systems amounting to HK\$49.5 million, HK\$4.4 million and HK\$22.4 million respectively, as well as orders for the supply of Polyboard amounting to HK\$0.8 million.

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

During the year under review, it has recorded a satisfactory growth in turnover from last year's figure HK\$17.0 million to HK\$20.1 million.

For the year ended 31 March 2004, most of the turnover has come from retail sales. The main projects undertaken have included Las Vegas Hotel at Macau and the Science Park Building V.

New project contracts awarded during the year have included the supply of pipes to the Hospital Authority, Hang Lung Centre, Las Vegas Hotel at Macau, Science Park Building V, a building at Thomson Road, a residential development project at Kwu Tung, K2 commercial development at Mong Kok and a new school for moderately mentally handicapped children in Yuen Long.

INTERIOR AND RENOVATION DIVISION

The Interior and Renovation Division has recorded a total turnover of HK\$194.3 million (turnover to external parties was HK\$98.8 million), representing a 9.2% increase over last year's figure of HK\$178.0 million. This Division also recorded a 116.9% increase in profits to HK\$4.4 million, as compared with that of last year.

Major project works undertaken during the year have included the alteration, addition and renovation works for the Wylie Court, the CDW Building, the University of Hong Kong, the Hong Kong Polytechnic University, and Tak Sun School at Austin Road, and the fitting-out works for YMCA International House at Waterloo Road.

For the year under review, major contracts awarded have included a term contract from the Hong Kong Housing Authority for maintenance and renovation works of shopping arcades and carparks, a design-and-build contract from the University of Hong Kong for improvement works of the West Gate Entrance, and external wall renovation works for Ventris Place in Happy Valley.

As at 31 March 2004, the outstanding values of contracts on hand amounted to HK\$77.1 million. Subsequent to the year-end, this Division was awarded a HK\$19.0 million contract for external renovation of Mei Foo Sun Chuen, and a fitting out contract from Cheung Kong Group for hotel development at Hung Hom Bay amounting to HK\$172.8 million.

OTHER BUSINESSES

The Group is also engaged in other businesses such as health products, property investment and development, and building management. Other major businesses of the Group are highlighted below: -

- The Group purchased the whole 5th floor and part of the 6th floor of Shatin Industrial Centre in May and June 2003 respectively, for use as rental properties to generate a steady income for the Group.

- In June 2003, the Group has 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.

- In January 2004, the Group has purchased the whole block of Winner Building for use as rental properties.

- Subsequent to the year-end date, the Company has entered into contracts to purchase properties at Kowloon Tong from the independent third parties at a total consideration of approximately HK\$52.8 million for investment purposes.

- The Group's first property development project at Kwu Tung has been named as “Golf Parkview”. Subject to the Government's consent, sales will be launched in the second half of 2004.

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 bank balances of the Group have decreased by HK\$32.8 million or 27.1%, compared with those as at 31 March 2003, and account for 21.6% of the current assets (2003: 34.9%). The decrease was mainly due to the utilisation of funds, during the year, to purchase properties for investment purposes, from independent third parties. These details have been disclosed in the section “Major Acquisitions and Disposal”.

Nevertheless, the Group has still been able to maintain a healthy balance sheet with no net borrowings (total bank borrowings less total bank balances and cash), other than amounts due under normal trade payables as at 31 March 2004. Accordingly, the gearing ratio of the Group, calculated on the basis of the Group's net borrowings over shareholders' funds, has remained zero.

With steady cash inflow from its operations, especially the proceeds from the sales of the property development “Golf Parkview” at Kwu Tung in the coming year, together with its cash holdings, and available banking facilities, the Group's liquidity position will remain healthy, with sufficient financial resources to meet its commitments, future operation and development requirements.

Treasury Policies

The objective of the Group's treasury policies is to minimise its exposure to fluctuations in the exchange rate and not to engage in any highly leveraged or speculative derivative products. The surplus cash is generally placed in short-term bank deposits with reputable financial institutions.

Nearly all revenue, 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 States 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 2004, shareholders' funds of the Group were HK\$398.3 million including reserves of HK\$370.0 million, an increase of HK\$26.2 million from HK\$372.1 million at 31 March 2003.

Major Acquisitions and Disposal

During the year, the Group purchased, from internally generated funds, the whole block of Winner Building, the whole 5th floor and part of the 6th floor of Shatin Industrial Centre, and a piece of land at Ping Che, from independent third parties, at a total consideration of approximately HK\$103.9 million. These properties are located in Hong Kong, and are held for investment purposes.

In June 2003, the Group also acquired from an independent third party the entire issued share capital of 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”, at a consideration of approximately HK\$3.1 million.

The Group realised all its unlisted debt securities of approximately HK\$40.4 million during the year under review.

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 year under review, the Group has borrowed Hong Kong dollars loans amounting to HK\$55.3 million from a bank (at 31 March 2003: HK\$ Nil). The borrowings have been used as general working capital and the maturity profile spread over a period of five years with HK4.2 million repayable within the first year, HK\$4.2 million repayable within the second year and HK\$46.9 million within the third to fifth years. Interest is based on HIBOR with a competitive margin.

Collateral

As at 31 March 2004, certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$95.0 million (at 31 March 2003: HK\$ Nil), have been pledged to a bank to secure the Hong Kong dollars loans of HK\$55.3 million.

Capital Commitments

The Group has no significant capital commitments at the balance sheet date.

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 (at 31 March 2003: HK\$4,428,000).

During the year, legal actions in respect of the allegations for copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health products business. 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.

Post Balance Sheet Events

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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2004, the number of full time employees, excluding its associated companies and jointly controlled entities, was over 470. 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

Since the 3rd quarter of 2003, Hong Kong's economy has been showing significant turnaround, as evidenced by the improvement in export sales and local property market, and the abatement of deflationary pressure and unemployment rates. Given the Central Government's strong support and the Hong Kong SAR Government's constructive economic revival policies to restore momentums in Hong Kong, this suggests that there could be more upside potential for rebound and growth in the Hong Kong economy in the near future.

Although there are still some unresolved issues, such as the fiscal deficit, the Group is optimistic about Hong Kong's medium to long-term prospects. With the emerging signs of global economic recovery, continuing low mortgage interest rates in Hong Kong, and the gradual restoration of investor and consumer confidence in the local property market, it can be expected that there will be more private housing construction works for coming years. The Group will keep strengthening its core business, exploring new business opportunities, and putting continuous effort into cost control, quality enhancement and efficiency improvement, to sustain growth and development.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“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

Hong Kong, 23 June 2004

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 Dr. 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 and Dr. Sun Tai Lun.