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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hanison Construction Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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HANISON CONSTRUCTION HOLDINGS LIMITED
興勝創建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

CONTINUING CONNECTED TRANSACTIONS

AND

DISCLOSEABLE TRANSACTION

**Independent Financial Adviser
to the Independent Board Committee
(as regards the Construction Transactions only)**

 **Baron Capital Limited**

A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee (as regards the Construction Transactions only) is set out on pages 18 to 19 of this circular. A letter from Baron Capital, containing its advice to the Independent Board Committee (as regards the Construction Transactions only) is set out on pages 20 to 26 of this circular.

A notice convening an extraordinary general meeting of the Company (as regards the Construction Transactions only) to be held at Pheasant Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong at 11:00 a.m. on 12th January 2004 is set out on pages 32 to 33 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

18th December 2003

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DEFINITIONS

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

“Acquisition”	the acquisition of the Property;
“associates”	has the same meaning ascribed to it in the Listing Rules;
“Baron Capital”	Baron Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee in relation to the Construction Transactions;
“CDW Agreement”	an agreement dated 28th December 2001 between CDW Building Limited and Hanison Interior & Renovation Limited, a wholly-owned subsidiary of the Company, concerning specific renovation work to the CDW Building;
“CDW Building”	the CDW Building located on Castle Peak Road, Tsuen Wan, New Territories;
“CDW Renovation Transactions”	the transactions between members of the Hanison Group on the one hand and the Cha Family on the other hand comprising of the HIR Agreement and the CDW Agreement;
“Cha Family”	Mr. Cha Chi Ming (being the Chairman of HKRI), Ms. Wong Cha May Lung, Madeline (being a daughter of Mr. Cha Chi Ming), Mr. Cha Mou Sing, Payson (being the Chairman of the Company and a son of Mr. Cha Chi Ming), Mr. Cha Mou Zing, Victor (being the Managing Director of HKRI and a son of Mr. Cha Chi Ming), Mr. Cha Mou Daid, Johnson (being a son of Mr. Cha Chi Ming) and Mr. Cha Yiu Chung, Benjamin (being a son of Mr. Cha Mou Zing, Victor and a grandson of Mr. Cha Chi Ming) together with their respective associates as defined in the Listing Rules;
“China Chengtong”	China Chengtong Development Group Ltd., incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange;
“CITIC”	CITIC Pacific Limited, the ultimate holding company of the other shareholder (not being a member of the HKRI Group) of HKRC;
“Company” or “Hanison”	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;

DEFINITIONS

“Connected Transactions”	the Construction Transactions, the Renovation Transactions and the CDW Renovation Transactions;
“Construction Transactions”	the transactions between members of the HKRI Group on the one hand and members of the Hanison Group on the other in relation to the construction contracts to be entered into during the three financial years ending 31st March 2007;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be held on 12th January 2004 as set out in the EGM Notice for the purposes of considering matters relevant to the Construction Transactions;
“EGM Notice”	the notice convening the EGM as set out in this circular;
“Evolve”	Evolve Limited, a wholly owned subsidiary of China Chengtong;
“Hanison Eco”	Hanison Eco Services Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“Hanison Group” or “Group”	the Company and its subsidiaries from time to time;
“HKRC”	Hong Kong Resort Company Limited, a company incorporated in Hong Kong with limited liability and an indirect 50%-owned subsidiary of HKRI;
“HIR Agreement”	an agreement dated 17th February 2001 between Hanison Interior & Renovation Limited, a wholly-owned subsidiary of the Company, and CDW Building Limited, the latter being an associate of the Cha Family;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKRI”	HKR International Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
“HKRI Group”	HKRI and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the board of Directors comprising the independent non-executive Directors established on 18th June 2003 for the purpose of advising the Independent Shareholders in relation to the Construction Transactions;

DEFINITIONS

“Independent Shareholders”	the Shareholders other than HKRI, members of the Cha Family and any of their respective associates;
“Latest Practicable Date”	15th December 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	details of which are set out under the heading “The Property” in the section headed “Letter from the Board”;
“Provisional Agreement”	the provisional agreement dated 29th November 2003 made between Hanison Eco and Evolve;
“Renovation Transactions”	the transactions between members of the HKRI Group on the one hand and members of the Hanison Group on the other in relation to the renovation contracts to be entered into during the three financial years ending 31st March 2007;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	shares in the capital of the Company with a nominal value of HK\$0.10 each; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

LETTER FROM THE BOARD



HANISON CONSTRUCTION HOLDINGS LIMITED 興勝創建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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
Mr. Shen Tai Hing
Dr. Sun Tai Lun **

* *Non-executive Director*

** *Independent Non-executive Director*

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Shatin, New Territories
Hong Kong

18th December 2003

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS

INTRODUCTION

The Company published an announcement dated 27th November 2003 that it had submitted an application to the Stock Exchange for a waiver from strict compliance with the requirements set out in Chapter 14 of the Listing Rules for the three financial years ending 31st March 2007 in respect of the Construction Transactions and the Renovation Transactions to be entered into between the Hanison Group and the HKRI Group and the CDW Renovation Transactions entered into between the Cha Family and the Hanison Group which would require disclosure and Independent Shareholders' approval. The Shareholders are reminded that on 2nd January 2002, the Stock Exchange granted a waiver to the Company from strict compliance with the requirements set out in Chapter 14 of the Listing Rules for the three financial years ending 31st March 2004 in relation to certain connected construction and renovation transactions entered into between the Hanison Group (on the one hand) and, the HKRI Group and/or the Cha Family (on the other) during such period (the "Previous Waiver"). The Connected Transactions are distinct and separate from these previous transactions save for the CDW Renovation Transactions.

LETTER FROM THE BOARD

HKRI, through a wholly owned subsidiary, holds approximately 49% of the entire issued share capital of the Company and the Cha Family holds in aggregate direct and indirect shareholding interests of approximately 73.41% of the Company (such indirect interest being held through HKRI, LBJ Regents Limited, CDW Holdings Limited and Owen Gate Holdings Limited). As both of HKRI and the Cha Family are substantial Shareholders, HKRI, the Cha Family and their respective associates will constitute connected persons of the Company. Accordingly, any transactions between the Hanison Group on the one hand and the HKRI Group or the Cha Family or any of their respective associates on the other, will constitute connected transactions of the Company for the purposes of the Listing Rules.

Although the period covered under the Previous Waiver will expire on 31st March 2004, the Directors have, on 18th June 2003, resolved to submit an additional waiver application to the Stock Exchange in anticipation of the Construction Transactions and the Renovation Transactions being entered into and in respect of further work on the CDW Renovation Transactions during the three financial years ending 31st March 2007. Such approval having been confirmed by the board of directors of the Company on 26th November 2003. Given the on-going nature of these transactions, the Company seeks the approval of the Independent Shareholders at the EGM with respect to the proposed arrangements for entering into and the proposed caps on the aggregate transaction values of the Construction Transactions over the three financial years ending 31st March 2007. On account of the de-minimis value of the Renovation Transactions to the Company, they would not be the subject of separate approval from the Independent Shareholders and none would be sought at the EGM. The proposed arrangements of the CDW Renovation Transactions in respect of the CDW Agreement for the year ending 31st March 2005 are a subject of the Previous Waiver. Accordingly, such arrangements would not be the subject of separate approval from the Independent Shareholders. In addition, given the de-minimis value of the remaining arrangements and proposed caps of the aggregate transaction values of the CDW Renovation Transactions in respect of the HIR Agreement for the three financial years ending 31st March 2007 to the Company, they would also not be the subject of separate approval from the Independent Shareholders and none would be sought at the EGM. An announcement on the results of the EGM in respect of the Construction Transactions will be made on the next business day after the EGM.

In addition, the Company published an announcement dated 3rd December 2003 that it had, through its wholly-owned subsidiary, Hanison Eco, entered into the Provisional Agreement with Evolve, a wholly-owned subsidiary of China Chengtong, to acquire the Property for a consideration of HK\$63,000,000. The Acquisition constitutes a discloseable transaction under the Listing Rules for the Company.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS

Background

There are anticipated continuing connected transactions between the Hanison Group, on the one hand, and the HKRI Group, on the other, in relation to various construction projects. The turnover for the Hanison Group from the Construction Transactions is estimated to be material, being in the order of approximately HK\$2,250 million in aggregate for the three financial years ending 31st March 2007 (such sum having been based on, inter alia, the potential values of future contracts and the development of properties in Discovery Bay held by the HKRI Group as detailed in items 1(a) and (b) on page 146 of HKRI's annual report for the year 2002/2003).

The Directors also anticipate entering into continuing connected transactions between the Hanison Group, on the one hand, and the HKRI Group, on the other, in relation to various interior and renovation projects. The turnover for the Hanison Group from these transactions is estimated to be in the order of HK\$30 million in aggregate for the three financial years ending 31st March 2007.

In addition, there are existing continuing connected transactions between the Hanison Group and the Cha Family in relation to work supervised and performed by the Hanison Group in respect of the maintenance and renovation of the CDW Building. The total turnover for the Hanison Group from the CDW Renovation Transactions is estimated to be in the order of approximately HK\$26 million in aggregate for the three financial years ending 31st March 2007.

As HKRI and the Cha Family are substantial Shareholders and are counter-parties of the Connected Transactions, HKRI, the Cha Family and any of their respective associates will abstain from voting at the EGM with respect to the ordinary resolution relating to the Construction Transactions.

Particulars of the Construction Transactions

Shareholders are reminded that the caps on the aggregate turnover which may be derived from the HKRI Group in respect of construction transactions over the three financial years ending 31st March 2004 under the Previous Waiver are as follows:

	in year ended 31st March 2002 (HK\$)	in year ended 31st March 2003 (HK\$)	in year ending 31st March 2004 (HK\$)
Previous cap	550,000,000	The higher of	The higher of
		(i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and	(i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and
		(ii) 600,000,000	(ii) 450,000,000

LETTER FROM THE BOARD

As set out on pages 53 and 51 of the Company's annual reports for the years ended 31st March 2002 and 2003, HK\$475,124,000 and HK\$516,490,000, respectively, were derived from the HKRI Group in respect of construction transactions for such periods.

The Directors have estimated that the Hanison Group may derive the following additional turnover from construction transactions that they believe are reasonably likely to be entered into between the Hanison Group and the HKRI Group over the next three financial years ending 31st March 2007:—

Subject matter of construction:	Estimated turnover		
	in year ending 31st March 2005 (HK\$)	in year ending 31st March 2006 (HK\$)	in year ending 31st March 2007 (HK\$)
Potential additional projects relating to the ongoing development of Discovery Bay	752,194,109	752,194,109	752,194,109

In ascertaining the estimated turnover to be derived from the Construction Transactions, the Directors have made the assumptions that HKRI will invite tenders for development work at Discovery Bay, being in respect of properties disclosed generally in its annual report for the year ended 31st March 2003 (see items 1(a) and (b) on page 146 of the HKRI annual report for the year 2002/2003), that the Company may be retained through competitive tendering of the development work at Discovery Bay and of the estimated costings of these projects.

The Company proposes to set caps on the aggregate turnover which may be derived by the Company in respect of the Construction Transactions over the three financial years ending 31st March 2007, as follows:—

	in year ending 31st March 2005 (HK\$)	in year ending 31st March 2006 (HK\$)	in year ending 31st March 2007 (HK\$)
Proposed cap	The higher of	The higher of	The higher of
	(i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and	(i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and	(i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and
	(ii) 800,000,000	(ii) 800,000,000	(ii) 800,000,000

In the event that amounts payable to the Company in respect of the Construction Transactions exceeds the relevant cap, the transactions and the cap would be subject to review and separate approval by the Independent Shareholders at an extraordinary general meeting of the Company convened for this specific purpose as soon as practicable or at the Company's next following annual general meeting (whichever is the earlier) and/or seeking a separate waiver from the Stock Exchange.

LETTER FROM THE BOARD

The caps set out in the Previous Waiver in respect of construction transactions were made in part on the basis of the Hanison Group's existing business relationships with the HKRI Group whilst the current waiver application is made on the basis of future contracts anticipated to be entered into between the HKRI Group and the Hanison Group. Accordingly, a level of flexibility in the proposed caps for the Construction Transactions is required to allow HKRI and the Company to adjust to changing market conditions should any arise in the future.

With regard to all Construction Transactions relevant to the development of Discovery Bay, Shareholders should note that CITIC's participation in such projects ensures a degree of independence. The developer of Discovery Bay is HKRC which is a subsidiary of HKRI on account of HKRI's entitlement to control more than half of the voting power of the board of directors of HKRC. The remaining 50% is owned by CITIC.

Aside from being a substantial shareholder of HKRC, CITIC is not connected with HKRI, the Company, or their respective chief executives, directors, substantial shareholders or the associates of any of them. All transactions between members of the Hanison Group and HKRC will arise only after a competitive tendering process approved jointly between HKRI and CITIC. The tendering of the construction contracts for Discovery Bay will also be administered by independent consultants, such as architects and quantity surveyors based on normal industry practice and commercial terms.

Particulars of the Renovation Transactions

Shareholders are reminded that the caps on the aggregate amounts payable to the Hanison Group in respect of renovation transactions with the HKRI Group over the three financial years ending 31st March 2004 under the Previous Waiver are as follows:

	in year ended 31st March 2002 (HK\$)	in year ended 31st March 2003 (HK\$)	in year ending 31st March 2004 (HK\$)
Previous cap	10,000,000	7,000,000	7,000,000

As set out on pages 53 and 51 of the Company's annual reports for the years ended 31st March 2002 and 2003, HK\$6,229,000 and HK\$3,435,000, respectively, were derived from the HKRI Group in respect of renovation transactions for such periods.

LETTER FROM THE BOARD

The Directors anticipate the Hanison Group will continue to be eligible for renovations work from the HKRI Group in light of Hanison's increasing expertise and experience in the field, its competitive pricing as a result of economies of scale achieved from increased numbers of renovation projects and the growth of such business within the Hanison Group. Accordingly, the Directors have estimated that the Hanison Group will derive the following additional turnover from renovation transactions that they believe are reasonably likely to be entered into between the Hanison Group and the HKRI Group over the three financial years ending 31st March 2007:—

	in year ending 31st March 2005 (HK\$)	in year ending 31st March 2006 (HK\$)	in year ending 31st March 2007 (HK\$)
Estimated Turnover	10,000,000	10,000,000	10,000,000

The Company proposes to set caps on the aggregate turnover which may be payable to the Company in respect of the Renovation Transactions over the three financial years ending 31st March 2007 as follows:—

	in year ending 31st March 2005 (HK\$)	in year ending 31st March 2006 (HK\$)	in year ending 31st March 2007 (HK\$)
Proposed cap	10,000,000	10,000,000	10,000,000

In any event that the relevant proposed cap was to be exceeded, the Company would not enter into any additional Renovation Transactions without complying in full with the Listing Rules, including, as necessary, making a further announcement in relation thereto and separate approval by the Independent Shareholders at an extraordinary general meeting of the Company convened for this specific purpose as soon as practicable or at the Company's next following annual general meeting (whichever is the earlier) and/or seeking a separate waiver from the Stock Exchange.

Shareholders should also note that, as in the case for Construction Transactions, CITIC's participation in all Renovation Transactions relevant to the development of Discovery Bay, ensures a degree of independence since such projects will arise only after a competitive tendering process approved jointly between HKRI and CITIC. The tendering of the renovation contracts for Discovery Bay will also be administered by independent consultants, such as architects and quantity surveyors based on normal industry practice and commercial terms.

LETTER FROM THE BOARD

Particulars of the CDW Renovation Transactions

The CDW Renovation Transactions comprise:—

- (a) The HIR Agreement which concerns the appointment of Hanison Interior & Renovation Limited, a wholly-owned subsidiary of the Company to undertake or supervise the performance of certain general maintenance work in respect of the CDW Building. On the basis of the growth in the Hanison Group's renovation business and its previous experience in respect of work undertaken under the HIR Agreement, the Directors expect to generate revenues to the Company of approximately HK\$3 million in each of the three financial years ending 31st March 2007 under such agreement. Given the de-minimis value of such arrangements and proposed caps of the aggregate transaction values of the CDW Renovation Transactions in respect of the HIR Agreement for the three financial years ending 31st March 2007 to the Company, they would not be the subject of separate approval from the Independent Shareholders but would be subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules; and
- (b) The CDW Agreement which provides for CDW Building Limited to pay to Hanison Interior & Renovation Limited a sum of HK\$125,953,000 in consideration for an agreed scope of renovation, alteration and addition works in respect of the entire CDW Building, based on specifications prepared by CDW Building Limited's architect, a party not connected with the Cha Family or the Hanison Group. The work commenced in March 2002 and is expected to be completed by 31st March 2004. However, the Company expects to recognise revenues of approximately HK\$19 million during the financial year ending 31st March 2005 which represents the balance of the original sum payable to the Hanison Group under the CDW Agreement. The proposed cap for the year ending 31st March 2005 of HK\$22 million relates primarily to the balance of payment to be recognised by the Company during that year for work undertaken prior to such period. Such agreement was a subject of the Previous Waiver and accordingly, the proposed arrangements in respect of the CDW Agreement would not be the subject of separate approval from the Independent Shareholders.

Shareholders are reminded that the caps on the aggregate turnover which may be derived from CDW Building Limited in respect of renovation transactions with the Cha Family over the three financial years ending 31st March 2004 under the Previous Waiver are as follows:

	in year ended 31st March 2002 <i>(HK\$)</i>	in year ended 31st March 2003 <i>(HK\$)</i>	in year ending 31st March 2004 <i>(HK\$)</i>
Previous cap	3,000,000	65,000,000	65,000,000

As set out on pages 54 and 51 of the Company's annual reports for the years ended 31st March 2002 and 2003, HK\$1,440,000 and HK\$46,322,000, respectively were paid to the Hanison Group in respect of CDW Renovation Transactions for such periods.

LETTER FROM THE BOARD

The Company proposes to set caps on the aggregate amounts payable to the Hanison Group in respect of the CDW Renovation Transactions over the three financial years ending 31st March 2007 as follows:—

	in year ending 31st March 2005 (HK\$)	in year ending 31st March 2006 (HK\$)	in year ending 31st March 2007 (HK\$)
Proposed cap	22,000,000	3,000,000	3,000,000

The significant decrease in the proposed caps for the CDW Renovation Transactions is a result of the CDW Agreement being completed by the year ending 31st March 2004 and hence, no further work is anticipated to undertaken under such agreement thereafter.

In any event that the proposed caps were to be exceeded, the Company would comply in full with any requirements set out in the Listing Rules as necessary in respect of the CDW Renovation Transactions and the cap relating thereto including, as required, seeking a separate waiver from the Stock Exchange.

Opinions of the Directors

The Directors (subject, in the case of the independent non-executive Directors, to the advice of Baron Capital as regards the Construction Transactions as set out in pages 20 to 26 of this circular) anticipate and are of the opinion that the Construction Transactions and the Renovation Transactions will, in each case, represent transactions:—

- (a) entered into in the ordinary and usual course of business of the Hanison Group;
- (b) on normal commercial terms (or on terms that are fair and reasonable as far as the Shareholders are concerned); and
- (c) that will be conducted in accordance with the terms of the relevant contracts to be agreed in writing between relevant members of the HKRI Group and the Hanison Group respectively.

The Directors further anticipate and are the opinion that the CDW Renovation Transactions represent transactions that:—

- (a) are in the ordinary and usual course of business of Hanison Interior & Renovation Limited;
- (b) are on normal commercial terms (or on terms that are fair and reasonable as far as the Shareholders are concerned); and
- (c) have been and will continue to be conducted in accordance with the terms of the relevant existing agreements.

LETTER FROM THE BOARD

General

Shareholders should note that, apart from the CDW Renovation Transactions which are the subject of existing agreements, the Connected Transactions have yet to be entered into, and may ultimately not materialise. In particular, the Construction Transactions may not arise, for example, because HKRI awards the relevant tenders to other contractors or because the independent shareholders of HKRI do not give their consent to HKRI entering into all or any of the Construction Transactions. Accordingly, Shareholders and other investors are advised to exercise caution when dealing in the Shares.

Waiver application

The Directors believe that it would be impractical to make piecemeal disclosures and/or obtain approvals from the relevant Independent Shareholders at a general meeting in respect of the Connected Transactions, as and when the same may be required under the Listing Rules. Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements of Chapter 14 of the Listing Rules on the basis of the conditions set out below, for a period of the three financial years ending 31st March 2007 subject to, as regards the Construction Transactions, the approval of the Independent Shareholders of the Company being sought and obtained at the EGM:—

- (a) that the Construction Transactions and the Renovation Transactions must and will be:—
 - (i) carried out in the ordinary and usual course of business of the Hanison Group;
 - (ii) on normal commercial terms (or on terms that are fair and reasonable so far as the Shareholders are concerned); and
 - (iii) conducted in accordance with terms of agreements (reflecting the matters referred to in sub-paragraph (ii) above) to be agreed in writing between the relevant parties;
- (b) that the CDW Renovation Transactions must and will continue to be:—
 - (i) carried out in the ordinary and usual course of business of Hanison Interior & Renovation Limited;
 - (ii) on normal commercial terms (or on terms that are fair and reasonable so far as the Shareholders are concerned); and
 - (iii) conducted in accordance with terms of the relevant existing agreements;
- (c) that the aggregate revenue from the Construction Transactions, the Renovation Transactions and the CDW Renovation Transactions shall not, in respect of the three financial years ending 31st March 2007, exceed the proposed annual caps set out in this circular;
- (d) that the independent non-executive Directors will review the Connected Transactions annually to monitor their compliance with the items specified in sub-paragraphs (a), (b) and (c) above, and confirm the same in the next annual report of the Company from time to time;

LETTER FROM THE BOARD

- (e) that the auditors of the Company shall review the Connected Transactions applicable for each of the three financial year ending 31st March 2007 and provide the Directors with a letter (with a copy provided to the Stock Exchange) stating, that such transactions for the financial year in question:—
- (i) received the approval of the board of Directors;
 - (ii) were conducted in accordance with the terms of the relevant agreement or agreements applicable thereto; and
 - (iii) did not exceed the relevant annual caps referred to in sub-paragraph (c) above.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide such letter, the Directors must contact the Stock Exchange immediately;

- (f) that details of the Connected Transactions, together with statements of opinion from the independent non-executive Directors (as referred to in sub-paragraph (d) above) are disclosed in the annual report of the Company in respect of the period during which such transactions took place (including the details required under Rule 14.25(1)(A) to (D) of the Listing Rules); and
- (g) that HKRI undertakes to the Stock Exchange to provide the Company's auditors with full access to the records of the relevant members of the HKRI Group for the purposes of enabling such auditors to conduct the reviews referred to in sub-paragraph (e) above.

DISCLOSEABLE TRANSACTION

The Acquisition

Date of the Provisional Agreement

The Provisional Agreement was entered into between Hanison Eco and Evolve on 29th November 2003.

Parties

Purchaser : Hanison Eco

Vendor : Evolve

The Property

Property : All that piece or parcel of ground registered in the Sha Tin Land Registry as Sha Tin Town Lot No. 27 and together with the entire building known as "Winner Building" situated at No.2-8 Shing Wan Road, Tai Wai, Shatin, New Territories, Hong Kong.

LETTER FROM THE BOARD

The Property, completed in 1981, is a nine storey building with 18 car parking spaces and 1 lorry parking space and is subject to a government lease with an outstanding lease term due to expire in 2047. The Property can only be used for industrial purposes and is currently, partly leased with an occupancy rate of approximately 28 per cent. The Acquisition is subject to the existing tenancies of the Property.

Consideration

The total consideration for the Acquisition is HK\$63,000,000. This has been arrived at after arm's length negotiations between the parties and the Directors consider the terms of the Provisional Agreement to be on normal commercial terms that are fair and reasonable and in the best interests of the Company, taking into consideration the current property market in Hong Kong and the feasibility study conducted by the Company in October 2003, concerning the rental yield in respect of the Property and those industrial properties in the neighbouring area in which the Property is situated.

Payment Terms

The payment terms for the Property are as follows:

- (i) an initial deposit of HK\$3,000,000 in cash was paid by Hanison Eco to Evolve on the signing of the Provisional Agreement on 29th November 2003;
- (ii) a further deposit of HK\$3,000,000 and a part payment in the same amount, to be satisfied by cash, is payable by Hanison Eco to the solicitors of Evolve, as the stakeholder, on the signing of the formal conditional agreement for the Acquisition, which is expected to be on or before 23rd December 2003; and
- (iii) HK\$54,000,000 to be satisfied in cash is payable by Hanison Eco to China Chengtong on the completion of the Acquisition, which is expected to be on or before 30th January 2004.

The further deposit and part payment will not be released to Evolve unless and until (a) Evolve has proved good title to the Property; (b) Evolve has proved that the amount of HK\$54,000,000 is sufficient to discharge the existing mortgages and encumbrances over the Property; and (c) the condition for the passing of China Chengtong shareholders' resolution(s) approving the sale of the Property has been fulfilled in accordance with the Provisional Agreement (as described under the heading "Completion Date").

Completion Date

The parties propose to enter into a formal conditional agreement for the Acquisition on or before 23rd December 2003, and subject to the condition of the shareholders of China Chengtong approving (amongst other things) the entering into the conditional agreement for the sale of the Property and the transactions contemplated thereunder, completion of the Acquisition is expected to take place on or before 30th January 2004. China Chengtong Hong Kong Company Limited, a substantial shareholder of China Chengtong has undertaken to vote in favour of the proposed shareholders' resolution(s) approving the sale of the Property by China Chengtong.

LETTER FROM THE BOARD

If the condition for the passing of China Chengtong shareholders' resolution(s) approving the sale of the Property cannot be fulfilled on or before 27th January 2004, the Provisional Agreement may be terminated by either party thereto and upon which the following will apply:—

- (i) the further deposit of HK\$3,000,000 and the part payment of HK\$3,000,000, without interest, will be refunded to Hanison Eco;
- (ii) the initial deposit of HK\$3,000,000, without interest, together with the compensation of HK\$500,000 will be returned and paid to Hanison Eco; and
- (iii) upon the compliance of the obligations under sub-paragraphs (i) and (ii) above, neither party will have any claims against each other, subject to claims (if any) which Hanison may have against Evolve under the right of refusal.

The payment obligations as to the further deposit, the part payment and the initial deposit referred to in sub-paragraphs (i) and (ii) above have been guaranteed by China Chengtong.

Right of First Refusal

Furthermore, if the Provisional Agreement is terminated in the manner as described in the above, Hanison Eco will have a right of refusal as to the subsequent sale of the Property by Evolve.

Reasons for the Acquisition

The Company intends to use the Property for rental purposes and investment purposes. The Directors are of the view that the Acquisition will broaden the portfolio of the property investment division of the Company and its subsidiaries.

The Directors are of the view that this transaction is fair and reasonable in the current market conditions, and that it is in the best interests of the Company and its shareholders as a whole.

Impact of the Acquisition on earnings and liabilities of the Company

As at 30th September 2003 and as disclosed in the interim report of the Group for the six months ended 30th September 2003 published recently, the working capital of the Group was HK\$63,171,000. The total consideration for the Acquisition represents approximately 99.7% of the working capital of the Group as at 30th September 2003. Taking into account of the Group's revenue streams, credit requirements, banking facilities available and the income to be generated from the Property, the Company considers that the Group has sufficient working capital to meet its ongoing business requirements. Accordingly, the current ratio of the Group will decrease from 1.2 to approximately 1.0 immediately upon the completion of the Acquisition. The Group had a bank loan of HK\$17,500,000 and the gearing ratio for the Group (being the total bank borrowings divided by shareholders' funds) was approximately 4.6% as at 30th September 2003. The HK\$17.5 million bank loan is the only bank loan of the Group as at the Latest Practicable Date. Since the total consideration for the Acquisition will be paid out of the Group's internal resources, the gearing ratio of the Group upon completion of the Acquisition will remain at 4.6%.

The income generated from the Property is rental income. The annual profit before taxation generated from the Property is estimated to be approximately HK\$4.0 million.

LETTER FROM THE BOARD

VOTING RECOMMENDATION

For the reasons set out in this letter, the Directors are of the opinion that the Connected Transactions are beneficial to the Hanison Group.

As outlined above, since HKRI and the Cha Family are substantial Shareholders and are counterparties of the Connected Transactions, HKRI, the Cha Family and any of their respective associates will abstain from voting at the EGM with respect to the ordinary resolution relating to the Construction Transactions.

The Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the Construction Transactions and the Independent Financial Adviser has been appointed to advise the Independent Board Committee regarding the Construction Transactions. After taking into account the principal factors and reasons considered and the advice given by the Independent Financial Adviser and the additional condition that the existing tendering process adopted by the HKRI Group and/or other similar measures for scrutinising the process for awarding construction contracts should continue to subsist, the Directors including the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Construction Transactions as set out in the “Letter from the Independent Board Committee”.

EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of the Company to be held at Pheasant Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong at 11:00 a.m. on 12th January 2004 is set out on pages 32 to 33 of this circular. At the EGM, an ordinary resolution will be proposed for the Independent Shareholders to consider, and if thought fit, to approve, the proposed arrangements for entering into and the respective proposed cap on the aggregate amounts payable to the Group for the Construction Transactions for each of the three financial years ending 31st March 2007.

A form of proxy for use at the EGM is enclosed. Whether or not the Shareholders are able to attend the EGM, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the EGM or any adjournment thereof should they so wish.

Shareholders should also note that an extraordinary general meeting of shareholders of HKRI is proposed to be held on 12th January 2004 to approve the proposed arrangements for the HKRI Group to enter into, and the proposed caps on the aggregate amounts payable by the HKRI Group to the Group for, the Construction Transactions for each of the three financial years ending 31st March 2007 and that a circular containing details of the Construction Transactions and the Renovation Transactions is proposed to be despatched by HKRI to its shareholders on or around the same date as this circular is despatched to the Company’s shareholders.

LETTER FROM THE BOARD

GENERAL

Your attention is drawn to the text of the letter from the Independent Board Committee (set out on pages 18 to 19 of this circular) which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning the Construction Transactions, and the letter from Baron Capital to the Independent Board Committee (set out on pages 20 to 26 of this circular) which contains the recommendation of Baron Capital to the Independent Board Committee in relation to the Construction Transactions and the factors considered by Baron Capital in arriving at its recommendation. In addition, your attention is drawn to the general information set out in the appendix to this circular and to the EGM Notice.

An announcement on the results of the EGM in respect of the Construction Transactions will be made on the business day following the EGM.

Yours faithfully,
By Order of the Board
HANISON CONSTRUCTION HOLDINGS LIMITED
Cha Mou Sing, Payson
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



HANISON CONSTRUCTION HOLDINGS LIMITED 興勝創建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

18th December 2003

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We, being the independent non-executive Directors comprising the Independent Board Committee, are writing to you to set out our recommendation in respect of the Construction Transactions. The Independent Board Committee has been appointed by the Board to advise you as Independent Shareholders whether in its view the proposed arrangements for entering into and the respective proposed cap on the aggregate amounts payable to the Group for the Construction Transactions over each of the three financial years ending 31st March 2007 will be in the best interests of the Company and its Shareholders as a whole and will be fair and reasonable. Baron Capital has been appointed to advise the Independent Board Committee in this regard. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

The proposed arrangements for entering into and the proposed caps on the aggregate amounts payable to the Group for the Construction Transactions over the three financial years ending 31st March 2007 are summarised in the letter from the Board set out on pages 4 to 17 of this circular. In addition, the Independent Board Committee was advised by Baron Capital in reviewing the proposed arrangements for entering into and the proposed caps on the aggregate amounts payable to the Group for the Construction Transactions over the three financial years ending 31st March 2007. You are strongly urged to read the Baron Capital's letter to the Independent Board Committee, which is set out on pages 20 to 26 of this circular. As referred to in the letter from the Board, HKRI, the Cha Family and any of their respective associates, as interested parties, will abstain from voting on the ordinary resolution to be proposed at the EGM for approving the proposed arrangements for entering into and the proposed caps on the aggregate amounts payable to the Group for the Construction Transactions over the three financial years ending 31st March 2007.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Being members of the Independent Board Committee, we have discussed with the management of the Company the reasons for the Construction Transactions. We have also discussed with Baron Capital the bases of its advice to us.

Taking into account the principal factors and reasons considered and the recommendation given by Baron Capital with an additional condition that the existing tendering process adopted by the HKRI Group and/or other similar measures for scrutinising the tendering process should subsist throughout the period, the Independent Board Committee considers that the proposed arrangements for entering into and the proposed caps on the aggregate amounts payable to the Group for the Construction Transactions over the three financial years ending 31st March 2007 will be in the best interests of the Independent Shareholders as a whole and will be fair and reasonable insofar as the Independent Shareholders as a whole are concerned.

Accordingly, the Independent Board Committee recommends that you vote in favour of the ordinary resolution set out in the EGM Notice, for approving the proposed arrangements for entering into and the proposed caps on the aggregate amounts payable to the Group for the Construction Transactions over the three financial years ending 31st March 2007 and authorising the Directors to enter into and implement the proposed arrangements for entering into and the proposed caps on the aggregate amounts payable to the Group for the Construction Transactions over the three financial years ending 31st March 2007.

Yours faithfully,

For and on behalf of the

INDEPENDENT BOARD COMMITTEE

Sun Tai Lun

Chan Pak Joe

Independent Non-executive Directors

LETTER FROM BARON CAPITAL

The following is the text of a letter of advice to the Independent Board Committee from Baron Capital dated 18th December 2003 prepared for the purpose of incorporation in this circular:



4/F, Aon China Building
29 Queen's Road Central
Central, Hong Kong

18th December 2003

*To the Independent Board Committee of
Hanison Construction Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

(as regards the Construction Transactions only)

We refer to our appointment by the Company to advise the Independent Board Committee in respect of the terms of the Construction Transactions. Details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 18th December 2003 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

As HKRI, through a wholly owned subsidiary, and the Cha Family are substantial Shareholders (with the Cha Family currently holding approximately 73.41% direct and indirect shareholding interests in the Company), HKRI, the Cha Family and their respective associates will constitute connected persons of the Company. Accordingly, any transactions between the Hanison Group on the one hand and the HKRI Group or the Cha Family or any of their respective associates on the other, will constitute connected transactions of the Company for the purposes of the Listing Rules. As members of the HKRI Group are counter-parties of the Construction Transactions, HKRI, the Cha Family and any of their respective associates will abstain from voting at the EGM with respect to the resolution relating to the Construction Transactions.

In arriving at our opinion and recommendation, we have relied on the information supplied and the opinion expressed by the Directors and the management of the Company. We have assumed that the information contained and representations made to us or referred to in the Circular are true, accurate and complete at the time they were made and continue to be so at the date of this Letter.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

LETTER FROM BARON CAPITAL

Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, nor have we considered the taxation implication on the Company as a result of the Construction Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in respect of the terms of the Construction Transactions, we have taken the following principal factors and reasons into consideration:

1. Background

The Company is an investment holding company. Its subsidiaries are principally engaged in building construction, property development, the provision of interior and renovation services, the supply and installation of building materials, property investment and trading of health products. Turnover of the Hanison Group in relation to construction and renovation business amounted to approximately HK\$441 million, HK\$578 million and HK\$808 million respectively for the three years ended 31st March 2003, representing approximately 95%, 90% and 90% of the annual turnovers of the Hanison Group respectively. Established in 1989, Hanison Group was originally the construction arm of the HKRI Group and has been spun off from the HKRI Group for separately listing on the main board of the Stock Exchange since 10th January 2002.

The Shareholders are reminded that on 2nd January 2002, the Stock Exchange granted a waiver to the Company from strict compliance with the requirements set out in Chapter 14 of the Listing Rules for the three financial years ending 31st March 2004 in relation to certain connected construction and renovation transactions entered into between the Hanison Group, the HKRI Group and/or the Cha Family during such period (the "Previous Waiver").

Although the period covered under the Previous Waiver will expire on 31st March 2004, the Directors have, on 18th June 2003, resolved to submit a waiver application to the Stock Exchange in anticipation of the Construction Transactions and the Renovation Transactions being entered into and in respect of further work on the CDW Renovation Transactions during the three financial years ending 31st March 2007 and to seek the approval of the Independent Shareholders at the EGM with respect to the proposed arrangements for entering into and the proposed caps on the aggregate transaction values of the Construction Transactions over the three financial years ending 31st March 2007. The approval resolved on 18th June 2003 was reconfirmed by the board of directors of the Company on 26th November 2003.

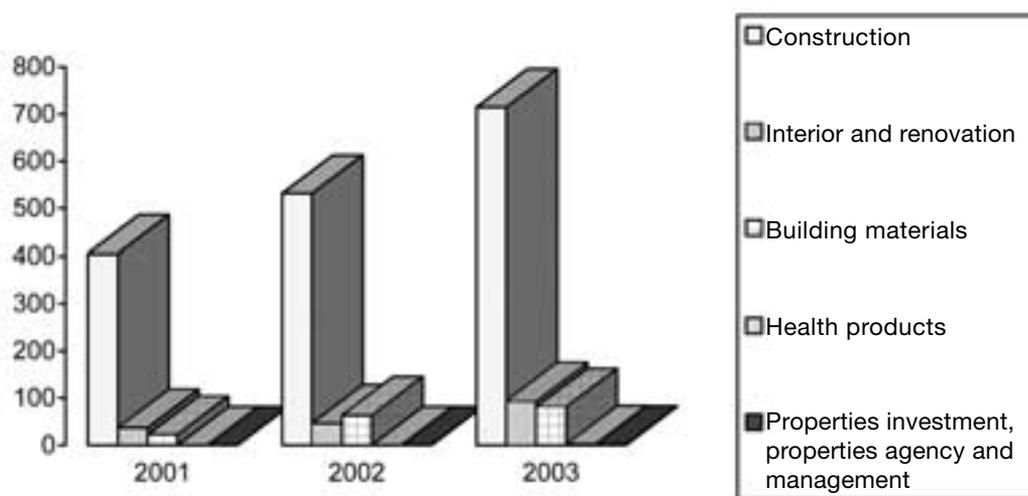
On account of the de-minimis value of the Renovation Transactions to the Company, they

LETTER FROM BARON CAPITAL

would not be the subject of separate approval from the Independent Shareholders and none would be sought at the EGM but subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules. The proposed arrangements of the CDW Renovation Transactions in respect of the CDW Agreement for the year ending 31st March 2005 are a subject of the Previous Wavier. Accordingly, such arrangements would not be the subject of separate approval from the Independent Shareholders and none would be sought at the EGM. In addition, given the de-minimis value of the remaining arrangements and proposed caps of the aggregate transaction values of the CDW Renovation Transactions in respect of the HIR Agreement for the three financial years ending 31st March 2007 to the Company, they would not be the subject of separate approval from the Independent Shareholders but subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules. Accordingly, we will only advise the Independent Board Committee on the proposed arrangements for entering into and the proposed caps on the aggregate transaction values of the Construction Transactions over the three financial years ending 31st March 2007.

2. Reasons for the Construction Transactions

Turnover (in HK\$ millions) of the Hanison Group for the financial years from 2001 to 2003



Revenues of the Hanison Group are largely attributed to construction income. Turnover of the Hanison Group in relation to construction business which was approximately HK\$404.7 million, HK\$531.6 million and HK\$714.6 million, represented approximately 87%, 83% and 80% of the annual turnover for the three years ended 31st March 2003 respectively. The turnover of the construction business in the financial year of 2003 represented an increase of approximately 34% and 77% over those values of the financial years of 2002 and 2001 respectively due to the increase in the project works performed, certified and recognized in the financial year ended 31st March 2003. Over 50% of the Hanison Group's turnover was related to the projects in Discovery Bay. The Hanison Group has been one of the contractors in respect of the residential buildings and other related facilities and infrastructure in Discovery Bay for 13 years.

LETTER FROM BARON CAPITAL

We also note that the previous construction transactions covered in the Previous Waiver were carried out in accordance with the terms of the relevant agreements, for which the agreements were entered into after arm's length negotiations on normal commercial terms, and in the ordinary and usual course of business of the Hanison Group. In addition, the Directors anticipated that Construction Transactions will be entered into if the Directors consider that the terms of such transactions are fair and reasonable and contain normal commercial terms.

3. Construction transactions with HKRI Group

A. Historical records

Year ended 31st March	Values of construction transactions with the HKRI Group <i>(approximate HK\$'000)</i>	Hanison Group's turnover <i>(approximate HK\$'000)</i>	Percentage of construction transaction values with the HKRI Group over Hanison Group's turnover <i>(approximate %)</i>
2001	273,480	463,275	59.0%
2002	475,124	641,183	74.1%
2003	516,490	891,981	57.9%

There are existing and anticipated transactions between the Hanison Group and the HKRI Group in relation to construction projects, mainly comprising of the projects in Discovery Bay. For the three years ended 31st March 2003, the values of the construction transactions with the HKRI Group represented approximately 59.0%, 74.1% and 57.9% of the turnovers of the Hanison Group respectively.

Year ended/ ending 31st March	Caps on the aggregate turnover from the connected construction transactions with the HKRI Group	Actual turnover from the connected construction transactions with the HKRI Group <i>(approximate HK\$'000)</i>
2002	HK\$550 million	475,124
2003	The higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) HK\$600 million	516,490
2004	The higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) HK\$450 million	Not available as at the date of this letter

LETTER FROM BARON CAPITAL

We noted that the values of the construction transactions between the Hanison Group and the HKRI Group for the two years ended 31st March 2003 did not exceed their respective caps on the aggregate transaction values which were HK\$550 million for the year ended 31st March 2002 and the higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year and (ii) HK\$600 million for the year ended 31st March 2003. We have reviewed the gross profit margin of the construction transactions of the Hanison Group with the outsiders (net of exceptional construction projects) and the gross profit margin of the connected construction transactions with the HKRI Group for the three years ended 31st March 2003 and found that there were no material fluctuation between the two sectors.

B. Basis for setting the proposed caps

The Directors have estimated that the Hanison Group may derive potential additional turnover of up to approximately HK\$752 million for each of the three years ending 31st March 2007 from the Construction Transactions in relation to the potential further development of the residential and commercial areas in the Discovery Bay. Accordingly, the caps on the aggregate values of the Construction Transactions for each of the three financial years ending 31st March 2007 are related to the future construction transactions with the HKRI Group only and proposed by the Directors as follows:

	For the year ending 31st March 2005 (HK\$)	For the year ending 31st March 2006 (HK\$)	For the year ending 31st March 2007 (HK\$)
Proposed cap	The higher of	The higher of	The higher of
	(i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and	(i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and	(i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and
	(ii) 800,000,000	(ii) 800,000,000	(ii) 800,000,000

In ascertaining the estimated potential additional turnover to be derived from the Construction Transactions, the Directors have made the assumptions that HKRI will invite tenders for the development work at Discovery Bay, being in respect of properties disclosed generally in its annual report for the year ended 31st March 2003, that the Company may be retained through competitive tendering of the development work at Discovery Bay and of the estimated costings of these projects.

The Hanison Group has been one of the contractors in respect of the residential buildings and other related facilities and infrastructure in Discovery Bay for 13 years. Hence, we consider the Directors' assumption that the HKRI Group will invite tenders for the development work at Discovery Bay and the Company may be retained through competitive tendering of the development work at Discovery Bay is fair and reasonable.

LETTER FROM BARON CAPITAL

Secondly, we agree that the estimation of the projected turnover of approximately HK\$752 million for the Hanison Group from Construction Transactions for each of the three years ending 31st March 2007 is determined by the following factors: (i) the gross floor area (sq. ft.) as disclosed under the section “Properties held for/under development” as disclosed on P.146 of the annual report 2002-2003 of HKRI; (ii) the estimated average construction costs per square feet of these projects; (iii) the fact that Hanison may only win some of the tenders in respect of the development work at Discovery Bay based on Hanison’s previous experience of tender submissions to the HKRI Group; and (iv) the value of the Construction Transactions be evenly spread throughout the three financial years ending 31st March 2007 due to the fact that it is difficult to predict the changes of the values of the construction transactions for each of the three years ending 31st March 2007 because of the uncertainty of the market demand and the construction schedules of the HKRI Group. Since the proposed caps of the amount of the Construction Transactions are related to future construction contracts with the HKRI Group only, we consider that it is fair and reasonable to estimate the projected amount of the Construction Transactions for the three years ending 31st March 2007 in terms of potential development works at Discovery Bay, the estimated construction costs and the possibility that Hanison may win some of the competitive tenders.

The caps provide a buffer of approximately 6% of the estimated turnover from construction transactions for each of the financial years ending 31st March 2007. We consider it is fair and reasonable for the Company to have the caps with a buffer of approximately 6% for adjusting to the changing market conditions for the coming years such as possible recovery of the property market, increase in construction costs, deviation of the construction schedules of the HKRI Group, and the possibility that Hanison may undertake additional works for the main contracts with the HKRI Group. Based on the above assumptions, we consider that it is fair and reasonable for the Company to propose the aggregated value of the Construction Transactions to be capped at the higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year and (ii) HK\$800 million for each of the three years ending 31st March 2007.

In the event that amounts payable to the Company in respect of the Construction Transactions exceeds the relevant cap, the transactions and the proposed caps would be subject to review and re-approval by the Independent Shareholders at the Company’s next following annual general meetings (or at extraordinary general meetings of the Company convened for this specific purpose) and/or seeking a separate waiver from the Stock Exchange.

LETTER FROM BARON CAPITAL

C. *Tendering Process*

With regard to all Construction Transactions relevant to the development work of Discovery Bay, Shareholders should note that CITIC Pacific Limited's participation in such projects ensures a degree of independence. The developer of Discovery Bay is HKRC and the remaining 50% is owned by CITIC. HKRC is a subsidiary of HKRI on account of HKRI's entitlement to control more than half of the voting power of the board of directors of HKRC.

Aside from being a substantial shareholder of HKRC, CITIC is not connected with HKRI, the Company, or their respective chief executives, directors, substantial shareholders or the associates of any of them. All transactions between members of the Hanison Group and HKRC will arise only after a competitive tendering process approved jointly between HKRI and CITIC. The tendering of the construction contracts for Discovery Bay will also be administered by independent consultants, such as architects and quantity surveyors based on normal industry practice and commercial terms. In view of the above tendering process, we consider the Construction Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that the proposed arrangement for entering into and the proposed caps on the aggregate transaction value of the Construction Transactions over the three financial years ending 31st March 2007 are fair and reasonable so far as the Independent Shareholders are concerned. The Company has applied to the Stock Exchange for a waiver from strict compliance with the relevant disclosure and/or Independent Shareholders' approval requirements under the Listing Rules for each of the three financial years ending 31st March 2007 subject to the approval of the Construction Transactions by the Independent Shareholders at the EGM and other waiver conditions. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the proposed arrangements for entering into and the proposed caps on the aggregate transaction values of the Construction Transactions over the three financial years ending 31st March 2007.

Yours faithfully,
For and on behalf of
Baron Capital Limited
Monica Lin
Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS BY DIRECTORS

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

Long positions in the Shares of the Company

Name	Capacity	Number of Ordinary Shares				Total no. of shares	Percentage 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 trust	294,107	—	328,075 <i>Note (a)</i>	66,728,489 <i>Note (b)</i>	67,350,671	23.74%
Cha Mou Daid, Johnson	beneficiary of discretionary trusts	—	—	—	67,701,613 <i>Note (b)</i>	67,701,613	23.87%
Cha Yiu Chung, Benjamin	beneficiary of discretionary trusts	—	—	—	66,728,489 <i>Note (b)</i>	66,728,489	23.52%
Wong Sue Toa, Stewart	Beneficial owner & interest of controlled corporation	2,379,783	—	1,807,224 <i>Note (a)</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) 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 issue of Mr. Cha Chi Ming (the founder and the chairman of HKRI).

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

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Long positions in the Shares

Name	Capacity	Number of Shares	Percentage of Issued Share Capital
Great Wisdom Holdings Limited (<i>Note a</i>)	Beneficial owner	138,998,833	49.0%
HKRI (<i>Note a</i>)	interest of controlled corporation	138,999,013	49.0%
LBJ Regents Limited (<i>Note b</i>)	Trustee and interest of controlled corporations	207,599,143	73.18%

Notes:

- (a) 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 of HK\$0.10 each in the Company held by Great Wisdom Holdings Limited in accordance with the SFO.
- (b) LBJ Regents Limited is the holder of 50.31% of shares in HKRI and pursuant to the SFO, LBJ Regents Limited is deemed to be interested in the 138,999,013 shares of HK\$0.10 each in the Company held by HKRI. LBJ Regents Limited is the trustee of certain irrevocable discretionary trusts of which members of the Cha Family, together with their respective associates, excluding, as the case may be, HKRI are among the discretionary objects.

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

4. EXPERT

Baron Capital, a corporation licensed to engage in types 1 and 6 of regulated activities under the SFO, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 18th December 2003 as set out in this circular and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Baron Capital has no shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March 2003, being the date to which the latest published audited financial statements of the Group were made up.

6. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group, save for (i) legal actions in respect of allegations for copyright infringement and defamation taken against certain subsidiaries of the Company carrying on health products business and as such actions are in the preliminary stage, the Directors are of the opinion that it is impractical to assess their impact to the Group; (ii) actions in respect of personal injuries taken against the Group from time to time in the course of its construction business and the costs of which are generally covered by insurers and/or the liquidator of the

relevant insurance company where such company has been put into liquidation and/or the Employee Compensation Assistance Fund Board; (iii) a dispute and therefore potential litigation/arbitration against a sub-contractor of the Company relating to matters under the Employment Ordinance and/or breach of the sub-contract; and (iv) a potential dispute and/or claim resulting from delayed completion of a construction contract but as no legal action or claim has yet been made against the Group, the Directors are unable to assess its impact to the Group.

7. DISCLAIMER

So far as the Directors are aware and, save as disclosed herein, as at the Latest Practicable Date:

- (i) none of Directors had any direct or indirect interests in any assets acquired or disposed by or leased to the Company since 31st March 2003, being the date to which the latest published audited financial statements of the Group were made up, or proposed to be acquired or disposed of by or leased to the Company;
- (ii) none of Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Hanison Group;
- (iii) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Company and any of the Directors.

8. GENERAL

- (a) The registered office of the Company is situated at P. O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Mr. Lo Kai Cheong Casey, FHKSA.
- (d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.
- (e) The Company is an investment holding company. The principal activities of the Company and its subsidiaries are building construction, interior and renovation works, supply and installation of building materials, trading of health products and property investment and development.

9. INFORMATION ON THE VENDOR OF THE PROPERTY

Evolve is a wholly owned subsidiary of China Chengtong and the shares of China Chengtong are listed on the Stock Exchange.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Richards Butler, 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong up to and including 12th January 2004:

- (a) the memorandum and articles of association of the Company;
- (b) the audited financial statements of the Hanison Group for the two years ended 31st March 2003;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular;
- (d) the letter from Baron Capital, the text of which is set out on pages 20 to 26 of this circular;
- (e) the written consent of Baron Capital referred to in paragraph 4 in this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



HANISON CONSTRUCTION HOLDINGS LIMITED 興勝創建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Hanison Construction Holdings Limited (the “Company”) will be held at Pheasant Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong at 11:00 a.m. on 12th January 2004 for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the proposed arrangements in relation to the Construction Transactions and the proposed caps on the aggregate amounts payable to the Company and/or its subsidiaries, as applicable for the Connected Transactions over the three financial years ending 31st March 2007 (as defined and summarised in a circular dated 18th December 2003 of the Company (the “Circular”), a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification), be and are hereby noted and approved and that the directors of the Company be and are hereby authorised to enter into the Construction Transactions over the three financial years ending 31st March 2007, provided that the amounts payable to the Company and/or its subsidiaries, as applicable for the Construction Transactions in each of the financial years ending 31st March 2005, 2006 and 2007 shall not exceed the capped amounts as set out in the Circular for the financial year in question and that the Construction Transactions (as defined and summarised in the Circular) are otherwise conducted in accordance with the provisions set out in the Circular.”

By Order of the Board
Lo Kai Cheong, Casey
Company Secretary

Hong Kong, 18th December 2003

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll, vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by reference to the order in which the names stand on the Registers of Members in respect of the joint holding.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting (as the case may be).

Completion and return of the form of proxy shall not preclude a member from attending and voting in person at the meeting or any adjourned meeting should he so wish.