
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 licensed securities dealer, 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 to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



興勝創建控股有限公司

HANISON CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 896)

MAJOR TRANSACTION

SKW DEVELOPMENT AGREEMENT

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
APPENDIX I — FINANCIAL INFORMATION	10
APPENDIX II — VALUATION REPORT	66
APPENDIX III — GENERAL INFORMATION	74

DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules
“Cha Family”	comprising, for this purpose, Dr. Cha Chi Ming, Ms. Wong May Lung, Madeline (being a daughter of Dr. Cha Chi Ming), Mr. Cha Mou Sing, Payson, Mr. Cha Mou Zing, Victor and Mr. Cha Mou Daid, Johnson (being the sons of Dr. Cha Chi Ming), Mr. Cha Yiu Chung, Benjamin (being a grandson of Dr. Cha Chi Ming) together with their respective associates, excluding, as the case may be, HKRI
“Company”	Hanison Construction Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“FYL”	Fill Year Limited, a company incorporated in Hong Kong and an indirectly wholly owned subsidiary of SHK
“Government”	The Government of Hong Kong
“Great Wisdom”	Great Wisdom Holdings Limited, a company incorporated in the British Virgin Islands, a controlling shareholder (as defined in the Listing Rules) with approximately 49% shareholding interest in the Company and a wholly owned subsidiary of HKRI
“Group”	the Company and its subsidiaries
“HCL”	Heatex Ceramic Limited, a company incorporated in Hong Kong and an indirectly wholly owned subsidiary of the Company
“HKRI”	HKR International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange and an indirect controlling shareholder of the Company as to 49% of its issued share capital through its wholly owned subsidiary, Great Wisdom
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	25 January 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Novantenor”	Novantenor Limited, the trustee of certain irrevocable discretionary trusts directly holding approximately 17.63% of the shares in the Company and of which members of the Cha Family are among the discretionary objects. As Novantenor Limited also holds approximately 37.46% shareholding interest in HKRI, it is deemed to be interested in the 49% shareholding interest in the Company held by HKRI under the SFO
“Project”	the application for planning permission, the obtaining of vacant possession of the SKW Site, the application for the surrender and regrant of the SKW Site and the construction of the SKW Development
“Project Costs”	all costs and expenses (including, but not limited to, land costs, land premium to be assessed by the relevant authorities, sales and marketing expenses, construction costs, interest, project management fees and professional fees) incurred in respect of the Project, which are estimated to amount to approximately HK\$979.7 million
“Relevant Shares”	the ratio of 76.37% in FYL and 23.63% in HCL
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	shares of HK\$0.10 each in the capital of the Company
“SHK”	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange
“SHK Group”	SHK and its subsidiaries
“SKW Development”	development of the SKW Site as a residential development
“SKW Development Agreement”	A development agreement dated 20 December 2005 entered into between FYL, HCL, SHK and the Company in respect of the SKW Development

DEFINITIONS

“SKW Site”	the various land lots in Demarcation District Nos.374 and 375 in So Kwun Wat, New Territories, Hong Kong as identified in the SKW Development Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Town Planning Board”	The Town Planning Board as established pursuant to the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong)

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 896)

Directors:—

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

* *Non-executive Director*

** *Independent Non-executive Director*

Registered Office:—

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

Principal Office in Hong Kong:—

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

1 February 2006

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

SKW DEVELOPMENT AGREEMENT

INTRODUCTION

On 20 December 2005, the Company announced that HCL (a wholly owned subsidiary of the Company) entered into a development agreement on 20 December 2005 with (i) the Company; (ii) FYL (a wholly owned subsidiary of SHK) and (iii) SHK in respect of the joint development of the SKW Site.

LETTER FROM THE BOARD

Under the terms of the SKW Development Agreement, the Group has an obligation to fund approximately HK\$231.5 million, representing 23.63% of the anticipated Project Costs. FYL is responsible to fund the remaining 76.37% of the anticipated Project Costs. As the SKW Development is at a preliminary stage, funding schedule has yet to be determined. The Group's estimated amount of HK\$231.5 million exceeds 25% but is less than 100% of one or more of the percentage ratios as defined in Rule 14.07 of the Listing Rules. The purpose of this circular is to provide you with further information of the SKW Development Agreement and other information as required by the Listing Rules.

BACKGROUND

Each of FYL and HCL is currently interested in various lots of land adjacent and/or near to each other at the SKW Site, which, upon execution of a deed of exchange to merge the ownership, would be owned in the ratio of 76.37% and 23.63% respectively (on which the Relevant Shares are based). All such land lots as currently owned by FYL and HCL are identified in the SKW Development Agreement. Currently, part of such land lots is licensed to third parties independent of and are not connected with the Company and its connected persons.

The land costs have already been paid by FYL and HCL respectively, and the Relevant Shares (being the ratio of 76.37% in FYL and 23.63% in HCL) are determined by reference to the respective area contribution by FYL and HCL, but not by the land costs paid. The land costs attributable to the Group amount to around HK\$13.7 million, which is the book cost of the land lots. The land lots contributed by HCL to form part of the SKW Site was classified as "Land and Buildings" and its value was approximately HK\$14 million in the Company's annual report for the year ended 31 March 2005.

Under the terms of the SKW Development Agreement, the Group has an obligation to fund approximately HK\$231.5 million, representing 23.63% of the anticipated Project Costs. As the SKW Development is at a preliminary stage, funding schedule has yet to be finalised.

The Project Costs comprised all costs and expenses (including, but not limited to, land costs, land premium to be assessed by the relevant authorities, sales and marketing expenses, construction costs, interest, project management fees and professional fees) incurred in respect of the Project, which are estimated to amount to approximately HK\$979.7 million. Other than the land costs which have been paid, the remaining costs and expenses are preliminary estimates of the costs to be incurred for the Project.

Further terms and conditions of the SKW Development Agreement are stated in the section of this circular headed "SKW Development Agreement" below.

LETTER FROM THE BOARD

SKW DEVELOPMENT AGREEMENT

Date: 20 December 2005

Parties: (1) FYL
(2) HCL
(3) SHK
(4) the Company

Principal terms of the SKW Development Agreement:

The principal terms of the SKW Development Agreement are as follows:

- (1) FYL and HCL shall jointly make an application to the Town Planning Board for planning permission for development of the SKW Site as a residential development;
- (2) FYL and HCL will, after obtaining the planning permission from the Town Planning Board, execute a deed of exchange to merge the ownership of such land lots as identified in the SKW Development Agreement. All of the land would be owned by FYL and HCL as tenants in common in the Relevant Shares;
- (3) The Project Costs shall be borne by FYL and HCL in the Relevant Shares;
- (4) a subsidiary of SHK shall be appointed as the project manager and to act on behalf of FYL and HCL for the Project;
- (5) a project management committee comprising four persons appointed by FYL and two persons appointed by HCL respectively shall be formed to supervise and approve any matters in respect of the Project;
- (6) the main construction contracts of the SKW Development shall be awarded to a joint venture construction company (the "Main Contractor"), which shall be owned as to 50% by a subsidiary of SHK and as to the other 50% by a subsidiary of the Company. The Main Contractor shall comprise four directors, with two being appointed by each party;
- (7) a marketing committee comprising two persons appointed by FYL and one person appointed by HCL shall be formed to supervise and approve any matters in respect of the marketing and sales activities;
- (8) the parties shall appoint a subsidiary of SHK as the marketing and sales agent for the sale of the units of the SKW Development;

LETTER FROM THE BOARD

- (9) in the event that the land premium offered by the Government to be payable for the SKW Development is acceptable to FYL, but not to HCL, FYL shall be entitled to serve a notice on HCL to require HCL to sell all its interest in the SKW Site free from encumbrances to FYL at market price;
- (10) the SKW Development Agreement may be terminated if (i) the basic terms and conditions to be offered by the Government for the purpose of the regrant are not available on or before 31 December 2008 (the “Expiration Date”, which may be extended for one year by either party serving a written notice to the other prior to the Expiration Date), or (ii) such basic terms are available by the Expiration Date, but (a) the land premium offered by the Government is not acceptable to both FYL and HCL; or (b) no purchase notice (as mentioned in paragraph (9) above) has been served by FYL; and
- (11) the performance of FYL and HCL under the SKW Development Agreement shall be guaranteed by SHK and the Company respectively.

If HCL sells all its interest in the SKW Site under paragraph (9) above, the Company will comply with the relevant requirements under the Listing Rules.

The Company anticipates that the contribution to be made by the Group under the SKW Development Agreement in respect of the SKW Site will be funded from internal resources of, and/or bank loans obtained by the Group. The proportion of funding between internal resources and bank loans is not yet finalised and is subject to changes.

FINANCIAL EFFECTS OF THE TRANSACTION

As at 30 September 2005 and as disclosed in the interim report of the Group for the six months ended 30 September 2005 published recently, the working capital of the Group was HK\$288.8 million. The Relevant Share of the anticipated Project Costs to be funded by the Group represents approximately 80.2% of the working capital of the Group as at 30 September 2005. As at 30 September 2005, the current assets of the Group were about HK\$682.4 million and current liabilities were about HK\$393.6 million as indicated in Appendix I — “Financial Information” of this circular.

The Group has not been informed to inject funds into the SKW Development immediately after the signing of the SKW Development Agreement. Therefore, the current assets and liabilities of the Group will remain at HK\$682.4 million and HK\$393.6 million respectively after entering into the SKW Development Agreement.

Taking into account of the Group’s revenue streams, credit requirements and banking facilities available, the Company considers that the Group has sufficient working capital to meet its ongoing business requirements from the Latest Practicable Date to 31 December 2006.

The part of the SKW Site which is currently owned by HCL will be reclassified as “Property held for development for future sale” and carried at costs during the course of the SKW Development and upon execution of the deed of exchange.

The income to be generated from the SKW Development is anticipated to be derived from sales proceeds from disposal of flats after the completion of the SKW Development although as at the Latest Practicable Date, no concrete plan has been made in respect of the SKW Site.

LETTER FROM THE BOARD

GENERAL

The Directors believe that the terms of the SKW Development Agreement (including the estimated Project Costs) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

To the best of the Directors' knowledge, information and belief and having made reasonable enquiry, each of SHK and FYL (including such other subsidiaries of SHK to be engaged in connection with the SKW Development) and their ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons.

REASONS FOR THE SKW DEVELOPMENT

It is in line with the strategy of the Group to enter into joint venture arrangements to capitalize on growth opportunities, so that the Group can allocate its resources to a wider overall range of investments. By entering into joint venture arrangements, the Group will be able to capitalize on growth opportunities and benefit from risk diversification. The Group can also allocate its resources to a wider overall range of investments to strengthen its core business, or to participate in projects with other joint venture partners. SHK is a long-established, prestigious and leading property developer in Hong Kong. The Group believes that the joint development with the SHK Group would strengthen and enhance the Group's competitive edge in the property industry, bring a synergetic effect on the Group's overall business and provide a further avenue for the growth and profitability of the Group in the future.

LISTING RULES IMPLICATIONS OF THE TRANSACTION

Under the terms of the SKW Development Agreement, the Group has an obligation to fund approximately HK\$231.5 million, representing 23.63% of the anticipated Project Costs. This estimate exceeds 25% but is less than 100% of one or more of the percentage ratios as defined in Rule 14.07 of the Listing Rules. Accordingly, the SKW Development Agreement constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and approval from shareholders of the Company is required to be obtained under the Listing Rules.

Great Wisdom and Novantenor, being the closely allied group of shareholders of the Company (with approximately 66.63% of its issued share capital in aggregate), and not having an interest in the transaction that is different from any other shareholders of the Company, gave their written approval to the SKW Development Agreement on 20 December 2005. Since no shareholder of the Company is required to abstain from voting on the resolution to approve the SKW Development Agreement, the Company will not hold a physical shareholders' meeting to approve the transaction pursuant to Rule 14.44 of the Listing Rules.

LETTER FROM THE BOARD

Great Wisdom and Novantenor constitute a “closely allied group of shareholders” for the purposes of Rules 14.44 and 14.45 of the Listing Rules on the following basis:

- (1) Great Wisdom has remained a shareholder of the Company since its listing on the Stock Exchange on 10 January 2002 and Novantenor became a shareholder of the Company on 21 July 2004;
- (2) Novantenor and HKRI would together be regarded as “acting in concert” for the purposes of the Hong Kong Code on Takeovers and Mergers;
- (3) Novantenor holds shares in the Company as the trustee of certain irrevocable discretionary trusts of which members of the Cha Family are among the discretionary objects;
- (4) Novantenor holds approximately 37.46% of the issued share capital of HKRI as at the date hereof whilst Great Wisdom is a wholly owned subsidiary of HKRI; and
- (5) each of Great Wisdom and Novantenor has voted in similar pattern on shareholders’ resolutions of the Company in the past other than routine resolutions at annual general meetings.

The Company notes the requirements under Rule 14.15(2) of the Listing Rules and will carry out the relevant calculations at the time actual sums are made for the purposes of the SKW Development.

INFORMATION ON THE COMPANY, THE SHK GROUP, HCL AND FYL

The principal business activity of the Company is investment holding. Its subsidiaries are principally engaged in building construction, interior and renovation works, supply and installation of building materials, trading of health products and property investment and development. HCL is wholly owned by the Company.

The principal business activities of the SHK Group are development of and investment in properties for sale and rent. FYL is wholly owned by SHK.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the Appendices in this circular.

Yours faithfully,
For and on behalf of the Board
Hanison Construction Holdings Limited
Wong Sue Toa, Stewart
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the audited consolidated income statement and the audited consolidated balance sheet of the Group for the last three financial years extracted from the annual reports of the Company for the three years ended 31 March 2005 is set out below:

Consolidated income statement	Year ended 31 March		
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	<u>920,717</u>	<u>652,822</u>	<u>891,981</u>
Profit from operations	109,049	39,308	32,020
Finance costs	(872)	(146)	(2)
Share of result of associates	(52)	260	(84)
Share of result of jointly controlled entities	<u>2,425</u>	<u>839</u>	<u>3,480</u>
Profit before taxation	110,550	40,261	35,414
Taxation	<u>(10,430)</u>	<u>(6,928)</u>	<u>(5,194)</u>
Net profit for the year	<u>100,120</u>	<u>33,333</u>	<u>30,220</u>
Dividends	<u>8,156</u>	<u>7,092</u>	<u>7,092</u>
Earnings per share — basic (<i>HK cents</i>)	<u>28.2</u>	<u>9.4</u>	<u>8.5</u>
		As at 31 March	
Consolidated balance sheet	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets	314,885	338,965	314,170
Current assets	634,134	408,894	345,989
Current liabilities	(406,683)	(295,807)	(285,807)
Non-current liabilities	<u>(50,961)</u>	<u>(53,705)</u>	<u>(2,246)</u>
Total net assets	<u>491,375</u>	<u>398,347</u>	<u>372,106</u>

2. SUMMARY OF AUDITED FINANCIAL INFORMATION

The following is a summary of the audited consolidated financial results, financial position, changes in equity and cash flow statement of the Group for the two years ended 31 March 2005, as extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2005.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Turnover	4	920,717	652,822
Cost of sales		<u>(775,417)</u>	<u>(557,382)</u>
Gross profit		145,300	95,440
Other operating income	6	1,543	2,526
Marketing and distribution costs		(14,275)	(5,810)
Administrative expenses		(68,887)	(55,691)
Gain arising on a change in fair value of investment properties		45,357	2,828
Unrealised holding gain on investments in securities		<u>11</u>	<u>15</u>
Profit from operations		109,049	39,308
Finance costs		(872)	(146)
Share of result of associates		(52)	260
Share of result of jointly controlled entities		<u>2,425</u>	<u>839</u>
Profit before taxation	7	110,550	40,261
Taxation	9	<u>(10,430)</u>	<u>(6,928)</u>
Net profit for the year		<u><u>100,120</u></u>	<u><u>33,333</u></u>
Dividends	10	<u><u>8,156</u></u>	<u><u>7,092</u></u>
Earnings per share			
— basic (<i>HK cents</i>)	11	<u><u>28.2</u></u>	<u><u>9.4</u></u>

CONSOLIDATED BALANCE SHEET

At 31 March 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Non-current assets			
Investment properties	<i>12</i>	180,560	126,190
Property, plant and equipment	<i>13</i>	55,055	56,392
Properties held for development	<i>14</i>	—	130,536
Interest in associates	<i>16</i>	9,922	11,145
Interest in jointly controlled entities	<i>17</i>	26,065	9,066
Goodwill	<i>18</i>	540	570
Retention money receivable after one year	<i>19</i>	42,743	5,066
		<u>314,885</u>	<u>338,965</u>
Current assets			
Properties held for development for future sale	<i>14</i>	188,067	—
Properties held for sale		54,502	—
Properties under development for sale	<i>20</i>	—	89,483
Inventories	<i>21</i>	30,631	26,482
Amounts receivable on contract work	<i>22</i>	61,985	65,550
Progress payments receivable	<i>23</i>	57,571	24,893
Retention money receivable within one year	<i>19</i>	66,969	71,454
Debtors, deposits and prepayments	<i>24</i>	61,839	41,732
Amount due from associates		532	181
Amount due from jointly controlled entities		8,565	7
Investments in securities	<i>25</i>	190	77
Taxation recoverable		1,214	882
Bank balances and cash		102,069	88,153
		<u>634,134</u>	<u>408,894</u>

CONSOLIDATED BALANCE SHEET (Continued)*At 31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Current liabilities			
Amounts payable on contract work	22	135,781	132,351
Creditors and accrued charges	26	200,290	155,949
Taxation payable		2,412	3,307
Bank loans — amount due within one year	27	68,200	4,200
		<u>406,683</u>	<u>295,807</u>
Net current assets		<u>227,451</u>	<u>113,087</u>
Total assets less current liabilities		<u>542,336</u>	<u>452,052</u>
Non-current liabilities			
Bank loans — amount due after one year	27	46,900	51,100
Deferred taxation	28	4,061	2,605
		<u>50,961</u>	<u>53,705</u>
		<u>491,375</u>	<u>398,347</u>
Capital and reserves			
Share capital	29	35,459	28,367
Reserves		455,916	369,980
		<u>491,375</u>	<u>398,347</u>

BALANCE SHEET*At 31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current assets			
Investments in subsidiaries	<i>15</i>	326,739	326,739
Current assets			
Other debtors, deposits and prepayments		152	—
Amounts due from subsidiaries		15,884	23,337
Amounts due from associates		532	181
Bank balances		509	312
		<u>17,077</u>	<u>23,830</u>
Current liabilities			
Amounts due to subsidiaries		37	—
Accrued expenses		676	375
		<u>713</u>	<u>375</u>
Net current assets		<u>16,364</u>	<u>23,455</u>
		<u>343,103</u>	<u>350,194</u>
Capital and reserves			
Share capital	<i>29</i>	35,459	28,367
Reserves	<i>31</i>	307,644	321,827
		<u>343,103</u>	<u>350,194</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 31 March 2005*

	Share capital <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i> <i>(Note 31)</i>	Special reserve <i>HK\$'000</i> <i>(Note 31)</i>	Goodwill reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i> <i>(Restated)</i>	Total <i>HK\$'000</i> <i>(Restated)</i>
At 1 April 2003	28,367	34,034	21,941	(78)	4,255	283,587	372,106
Net profit for the year (restated)	—	—	—	—	—	33,333	33,333
Final dividend paid in respect of the year ended 31 March 2003	—	—	—	—	(4,255)	—	(4,255)
Interim dividend paid in respect of the year ended 31 March 2004	—	—	—	—	—	(2,837)	(2,837)
Proposed final dividend in respect of the year ended 31 March 2004	—	—	—	—	4,255	(4,255)	—
At 31 March 2004							
— as restated	28,367	34,034	21,941	(78)	4,255	309,828	398,347
Net profit for the year	—	—	—	—	—	100,120	100,120
Bonus shares issued	7,092	(7,092)	—	—	—	—	—
Final dividend paid in respect of the year ended 31 March 2004	—	—	—	—	(4,255)	—	(4,255)
Interim dividend paid in respect of the year ended 31 March 2005	—	—	—	—	—	(2,837)	(2,837)
Proposed final dividend in respect of the year ended 31 March 2005	—	—	—	—	5,319	(5,319)	—
At 31 March 2005	<u>35,459</u>	<u>26,942</u>	<u>21,941</u>	<u>(78)</u>	<u>5,319</u>	<u>401,792</u>	<u>491,375</u>

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Cash flows from operating activities			
Profit before taxation		110,550	40,261
Adjustments for:			
Share of result of associates		52	(260)
Share of result of jointly controlled entities		(2,425)	(839)
Amortisation of goodwill		30	30
Realisation of discount on acquisition	32	(23)	—
Interest income		(114)	(1,639)
Interest expenses		872	146
Depreciation		3,494	3,078
Gain on disposal of investment properties		(342)	—
Gain arising on a change in fair value of investment properties		(45,357)	(2,828)
Loss (gain) on disposal of property, plant and equipment		133	(58)
Unrealised holding gain on investments in securities		(11)	(15)
Gain on disposal of investments in securities		—	(292)
Allowance for prepayment to a supplier		3,000	—
		<hr/>	<hr/>
Operating cash flows before movements in working capital		69,859	37,584
Increase in inventories		(4,149)	(4,234)
Increase in properties held for sale		(54,502)	—
Decrease in properties under development for sale		89,483	—
Decrease (increase) in amounts receivable on contract work		6,241	(16,171)
(Increase) decrease in progress payments receivable		(32,678)	4,668
(Increase) decrease in retention money receivable		(33,192)	38,864
Increase in amount due from associates		(351)	(181)
(Increase) decrease in amount due from jointly controlled entities		(8,558)	80
Increase in debtors, deposits and prepayments		(23,034)	(9,814)
Increase in amounts payable on contract work		3,430	6,633
Increase (decrease) in creditors and accrued charges		44,203	(10,307)
		<hr/>	<hr/>

CONSOLIDATED CASH FLOW STATEMENT *(Continued)**For the year ended 31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Cash generated from operating activities		56,752	47,122
Hong Kong Profits Tax paid		(9,773)	(2,297)
Interest paid		(1,362)	(146)
Net cash generated from operating activities		<u>45,617</u>	<u>44,679</u>
Cash flows from investing activities			
Interest received		114	1,639
Dividend received		1,169	2,500
Purchase of investment properties		(5,771)	(103,940)
Purchase of property, plant and equipment		(4,934)	(6,167)
Proceeds from disposal of investment properties		778	—
Proceeds from disposal of property, plant and equipment		290	76
Development costs for properties under development		(57,041)	(49,414)
Proceeds from disposal of investments in securities		—	40,716
Acquisition of a subsidiary	32	(3,912)	(3,051)
Investment in jointly controlled entities		(15,000)	(8,000)
Purchase of investments in securities		(102)	—
Net cash used in investing activities		<u>(84,409)</u>	<u>(125,641)</u>
Cash flows from financing activities			
Dividends paid		(7,092)	(7,092)
Repayments of bank loans		(4,200)	—
New bank loans raised		64,000	55,300
Net cash from financing activities		<u>52,708</u>	<u>48,208</u>
Net increase (decrease) in cash and cash equivalents		13,916	(32,754)
Cash and cash equivalents at the beginning of the year		<u>88,153</u>	<u>120,907</u>
Cash and cash equivalents at the end of the year, representing bank balances and cash		<u><u>102,069</u></u>	<u><u>88,153</u></u>

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2005***1. GENERAL**

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law (2001 Second Revision) Chapter 22 of the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company and the principal activities of the Group are building construction, interior and renovation works, supply and installation of building materials, trading of health products, property investment and development.

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "New HKFRSs"), which are effective for accounting periods beginning on or after 1 January 2005. The Group has early adopted HKAS 40 "Investment Property" ("HKAS 40") in the preparation of the consolidated financial statements for the year ended 31 March 2005.

The adoption of HKAS 40 has resulted in the following changes in the Group's accounting policies for the valuation of investment properties thereon.

In prior years, any surplus or deficit arising on the revaluation of investment properties was credited or charged to the investment property revaluation reserve unless the balance in this reserve was insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance in the investment property revaluation reserve was charged to the income statement. Where a deficit had previously been charged to the income statement and a revaluation surplus subsequently arose, this surplus was credited to the income statement to the extent of the deficit previously charged.

Following the adoption of HKAS 40, changes in fair value of investment properties are included in the income statement. This change in accounting policy has been applied retrospectively.

As a result of the adoption of this accounting policy, the Group's net profit for the years ended 31 March 2004 and 2005 have been increased by \$2,828,000 and \$45,357,000 respectively, representing gains arising on changes in fair value of investment properties attributable to the Group. The accumulated profits of the Group at 1 April 2004 has been increased by \$2,828,000 and the accumulated profits of the Group at 1 April 2003 remained unchanged. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

For those new HKFRSs that the Group has not early adopted in the financial statements for the year ended 31 March 2005, the Group does not expect that their issuance will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

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 principal accounting policies adopted are as follows:

Basis of consolidation

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.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue

Revenue on construction or interior and renovation contracts is recognised using the percentage of completion method by reference to the value of work carried out during the year.

Income from sales of completed properties are recognised on the execution of legally binding, unconditional and irrevocable contracts.

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from property let under operating leases, is recognised on a straight line basis over the term of the relevant lease.

Dividend income is recognised when the Group's right to receive dividends has been established.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and was eliminated against reserves immediately on acquisition for the periods before 1 April 2001.

Any premium or discount arising on the acquisition of interest in associates or interest in jointly controlled entities, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate or jointly controlled entity at the date of acquisition, was dealt with in the same manner as that described above for goodwill for the periods before 1 April 2001.

On the disposal of an investment in a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Goodwill** *(Continued)*

Goodwill arising on acquisition after 1 April 2001 is capitalised and amortised over its estimated useful life.

On disposal of an investment in a subsidiary, an associate, or a jointly controlled entity, the attributable amount of outstanding goodwill (negative goodwill) is included in the determination of the profit or loss on disposal.

Discount on acquisition

Discount on acquisition represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Discount on acquisition arising on business combinations for which the agreement date was on or after 1 January 2005 is recognised as income immediately in accordance with HKFRS 3 "Business Combinations".

Investment properties

Investment properties are property (land or a building — or part of a building — or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business. Property interests held under an operating lease and that the property interests meet the definition of an investment property, which are held to earn rentals and/or for capital appreciation, are measured at fair value at the balance sheet date and classified as investment properties. Changes in fair value of investment properties are recognised in the income statement for the period in which the changes arise.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost of items of property, plant and equipment, using the straight line method, over their estimated useful lives which are as follows:

Leasehold land	Over the unexpired term of the relevant lease
Buildings	20 years
Leasehold improvements	Over the shorter of the term of the lease or 5 years
Other assets	5 years

Properties held for development

Properties held for development, which have not been identified for any specific purpose, are shown as non-current assets and are stated at cost less amortisation.

Amortisation is provided using the straight line method over the unexpired term of the relevant lease.

Costs relating to the development of the properties, including finance costs, are capitalised and included as properties held for development until such time they are identified for transfer to specific categories of property, plant and equipment, investment properties or properties for sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Properties under development for sale/Properties held for development for future sale**

Properties under development for sale and properties held for development for future sale are classified under current assets and carried at the lower of cost and net realisable value. Cost includes land cost, development costs and directly attributable cost including, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Properties held for sale

Properties held for sale are classified under current assets and are stated at the lower of cost and net realisable value.

Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions of the investee.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method.

Construction contracts

When the outcome of a construction or interior and renovation contract can be estimated reliably, contract revenue and costs are recognised in the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys on work performed.

When the outcome of a construction or interior and renovation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at fair value on subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Borrowing costs**

Borrowing costs directly attributable to the construction of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Operating leases

Rentals under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Retirement benefit cost

Contributions payable to the Group's defined contribution retirement benefit schemes are charged as an expense as they fall due.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

4. 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 and properties sold, revenue from provision of properties agency and management services and gross rental income during the year, and is analysed as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction	513,474	423,853
Interior and renovation	111,413	98,794
Building materials	93,914	83,760
Health products	53,453	38,436
Properties investment	10,114	6,047
Properties agency and management	3,759	1,932
Properties development	134,590	—
	<u>920,717</u>	<u>652,822</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into seven principal operating divisions — construction, interior and renovation, building materials, health products, properties investment, properties agency and management and properties development. These divisions are the basis on which the Group reports its primary segment information.

(a) 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
<i>For the year ended</i>									
<i>31 March 2005</i>									
TURNOVER									
External sales	513,474	111,413	93,914	53,453	10,114	3,759	134,590	—	920,717
Inter-segment sales	45,281	9,333	19,125	86	—	1,815	—	(75,640)	—
Total	<u>558,755</u>	<u>120,746</u>	<u>113,039</u>	<u>53,539</u>	<u>10,114</u>	<u>5,574</u>	<u>134,590</u>	<u>(75,640)</u>	<u>920,717</u>
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment result	<u>15,550</u>	<u>2,771</u>	<u>6,443</u>	<u>1,849</u>	<u>6,940</u>	<u>827</u>	<u>38,339</u>	(1,018)	71,701
Other operating income									1,543
Gain arising on a change in fair value of investment properties	—	—	—	—	45,357	—	—	—	45,357
Unrealised holding gain on investments in securities									11
Unallocated expenses									(9,563)
Profit from operations									109,049
Finance costs									(872)
Share of result of associates	—	—	—	—	—	—	(52)	—	(52)
Share of result of jointly controlled entities	2,425	—	—	—	—	—	—	—	2,425
Profit before taxation									110,550
Taxation									(10,430)
Net profit for the year									<u>100,120</u>
<i>As at 31 March 2005</i>									
ASSETS									
Segment assets	308,451	18,914	84,234	33,424	183,707	2,461	260,716	—	891,907
Interest in associates	—	—	—	—	—	—	10,454	—	10,454
Interest in jointly controlled entities	26,065	—	—	—	—	—	8,565	—	34,630
Unallocated corporate assets									12,028
Consolidated total assets									<u>949,019</u>
LIABILITIES									
Segment liabilities	268,211	12,289	22,521	7,304	7,292	328	3,079	—	321,024
Unallocated corporate liabilities									136,620
Consolidated total liabilities									<u>457,644</u>
OTHER INFORMATION									
Additions of property, plant and equipment	3,393	—	75	1,436	—	30	—	—	4,934
Additions of investment properties	—	—	—	—	9,771	—	—	—	9,771
Additions of properties held for development for future sale	—	—	—	—	—	—	57,531	—	57,531
Depreciation	4,543	73	402	1,117	—	35	—	—	6,170
Allowance for prepayment to a supplier									3,000

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

	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)
<i>For the year ended 31 March 2004</i>									
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	<u>467,257</u>	<u>194,291</u>	<u>93,286</u>	<u>38,480</u>	<u>6,047</u>	<u>4,972</u>	<u>—</u>	<u>(151,511)</u>	<u>652,822</u>
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment result	<u>23,117</u>	<u>4,438</u>	<u>4,285</u>	<u>(1,466)</u>	<u>5,061</u>	<u>1,100</u>	<u>(42)</u>	—	36,493
Other operating income									2,526
Gain arising on a change in fair value of investment properties	—	—	—	—	2,828	—	—	—	2,828
Unrealised holding gain on investments in securities									15
Unallocated expenses									<u>(2,554)</u>
Profit from operations									39,308
Finance costs									(146)
Share of result of associates	—	—	260	—	—	—	—	—	260
Share of result of jointly controlled entities	839	—	—	—	—	—	—	—	839
Profit before taxation									40,261
Taxation									<u>(6,928)</u>
Net profit for the year									<u>33,333</u>
<i>As at 31 March 2004</i>									
ASSETS									
Segment assets	255,596	17,896	71,289	25,399	128,947	1,747	220,248		721,122
Interests in associates	—	—	1,145	—	—	—	10,181		11,326
Interest in jointly controlled entities	9,066	—	7	—	—	—	—		9,073
Unallocated corporate assets									<u>6,338</u>
Consolidated total assets									<u>747,859</u>
LIABILITIES									
Segment liabilities	244,037	16,802	15,088	8,213	3,396	358	31		287,925
Unallocated corporate liabilities									<u>61,587</u>
Consolidated total liabilities									<u>349,512</u>
OTHER INFORMATION									
Additions of property, plant and equipment	3,306	—	355	2,644	—	45	—		6,350
Additions of investment properties	—	—	—	—	103,940	—	—		103,940
Additions of properties held for development	—	—	—	—	—	—	536		536
Depreciation	4,337	110	381	529	—	22	—		5,379

(b) Geographical segments

All the Group's operations and significant segment assets during the two years ended 31 March 2005 were in Hong Kong.

6. OTHER OPERATING INCOME

	2005 HK\$'000	2004 HK\$'000
Other operating income includes:		
Interest income	<u>114</u>	<u>1,639</u>

7. PROFIT BEFORE TAXATION

	2005 HK\$'000	2004 HK\$'000
Profit before taxation has been arrived at after charging and (crediting):		
Directors' emoluments (<i>note 8(i)</i>)		
— Fees	575	500
— Other emoluments	<u>7,732</u>	<u>6,946</u>
	8,307	7,446
Other staff costs	104,050	93,804
Retirement benefit scheme contributions for other staff (<i>note 38</i>)	<u>5,937</u>	<u>5,176</u>
Total staff costs	<u>118,294</u>	<u>106,426</u>
Depreciation	3,494	3,078
Auditors' remuneration	768	495
Amortisation of goodwill included in administrative expenses	30	30
Interest on bank and other borrowings		
wholly repayable within five years	872	146
Operating lease rentals in respect of rented premises	6,832	4,638
Cost of inventories recognised as expenses	128,825	37,470
Allowance for prepayment to a supplier	3,000	—
Realisation of discount on acquisition	(23)	—
Gain on disposal of investments in securities	—	(292)
Gain on disposal of investment properties	(342)	—
Loss (gain) on disposal of property, plant and equipment	133	(58)
Rental income under operating leases less outgoings		
(Gross rental income: 2005: HK\$10,114,000 (2004: HK\$6,047,000))	(7,999)	(5,151)
Sub-leasing income less outgoings (Gross sub-leasing income: 2005: HK\$383,000 (2004: HK\$247,000))	(205)	(72)
Expenses capitalised in cost of contract work:		
Depreciation	2,676	2,301
Rentals under operating leases in respect of:		
— plant and machinery	7,753	4,159
— others	<u>960</u>	<u>960</u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees		
Executive	200	200
Non-executive	375	300
	<u>575</u>	<u>500</u>
Other emoluments (executive):		
Salaries and other benefits	3,586	3,729
Performance related incentive payments	3,600	2,721
Retirement benefit scheme contributions	537	496
	<u>7,723</u>	<u>6,946</u>
Other emoluments (non-executive):		
Salaries and other benefits	9	—
	<u>9</u>	<u>—</u>
	<u><u>8,307</u></u>	<u><u>7,446</u></u>

The emoluments paid to the directors are within the following bands:

	2005	2004
Nil to HK\$1,000,000	8	7
HK\$2,000,001 — HK\$2,500,000	—	1
HK\$2,500,001 — HK\$3,000,000	1	—
HK\$4,000,001 — HK\$4,500,000	—	1
HK\$4,500,001 — HK\$5,000,000	1	—
	<u><u>1</u></u>	<u><u>—</u></u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(ii) Employees' emoluments

During the year, the five highest paid individuals included two directors (2004: two directors), details of whose emoluments are set out above. The emoluments of the remaining three highest paid individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	2,016	2,088
Performance related incentive payments	900	688
Retirement benefit scheme contributions	265	246
	<u>3,181</u>	<u>3,022</u>

The emoluments of the aforesaid employees were within the following bands:

	2005	2004
Nil to HK\$1,000,000	—	2
HK\$1,000,001 — HK\$1,500,000	<u>3</u>	<u>1</u>

During the year, no emoluments were paid by the Group to the directors and highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived any emoluments during the year.

9. TAXATION

	2005 HK\$'000	2004 HK\$'000
Hong Kong Profits Tax		
Current year	8,516	6,286
Underprovision in prior years	30	50
	<u>8,546</u>	<u>6,336</u>
Deferred taxation (note 28)		
Current year	1,456	148
Attributable to a change in tax rate	—	211
	<u>1,456</u>	<u>359</u>
Taxation attributable to the		
Company and its subsidiaries	10,002	6,695
Share of Hong Kong Profits Tax		
attributable to associates	2	34
Share of Hong Kong Profits Tax		
attributable to jointly controlled entities	426	199
	<u>10,430</u>	<u>6,928</u>

9. TAXATION *(Continued)*

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Profit before taxation	<u>110,550</u>	<u>40,261</u>
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	19,346	7,046
Tax effect of share of results of associates	11	(11)
Tax effect of share of results of jointly controlled entities	2	52
Tax effect of expenses that are not deductible in determining taxable profit	2,771	515
Tax effect of income that is not taxable in determining taxable profit	(10,753)	(1,057)
Tax effect of utilisation of tax losses not previously recognised	(982)	(598)
Tax effect of tax losses not recognised	19	664
Underprovision in prior years	30	50
Increase in opening deferred tax liability resulting from an increase in tax rate	—	211
Others	<u>(14)</u>	<u>56</u>
Taxation for the year	<u>10,430</u>	<u>6,928</u>

10. DIVIDENDS

An interim dividend at HK1 cent (2004: HK1 cent) per share, totalling HK\$2,837,000 (2004: HK\$2,837,000) was declared and paid by the Company during the year.

A final dividend of HK1.5 cents (2004: HK1.5 cents) per share, totalling HK\$5,319,000 (2004: HK\$4,255,000) has been proposed by the Board and is subject to approval by the shareholders at the Annual General Meeting (“AGM”).

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the net profit for the year of HK\$100,120,000 (2004: HK\$33,333,000 as restated) and on 354,588,856 shares (2004: 354,588,856 shares after adjusting for the bonus issue) for the year ended 31 March 2005.

There were no potential dilutive ordinary shares in existence for the two years ended 31 March 2005. Accordingly, no diluted earnings per share has been presented.

The adjustment to comparative basic earnings per share, arising from the issuance of bonus shares and the change in accounting policy shown in note 2, is as follows:

	Basic <i>HK cents</i>
Reconciliation of 2004 earnings per share	
Reported figure before adjustment	10.8
Issuance of bonus shares during the current year	(2.2)
Adjustment arising from the changes in accounting policies	0.8
	<u>9.4</u>
Restated	<u><u>9.4</u></u>

12. INVESTMENT PROPERTIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
At beginning of the year	126,190	19,422
Acquired on acquisition of a subsidiary during the year	4,000	—
Additions	5,771	103,940
Disposal	(436)	—
Gain arising on a change in fair value of investment properties	45,357	2,828
Transfer to land and buildings under property, plant and equipment	(322)	—
	<u>180,560</u>	<u>126,190</u>
At end of the year	<u><u>180,560</u></u>	<u><u>126,190</u></u>

The carrying amount of investment properties comprises properties in Hong Kong under leases as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Long lease	968	1,290
Medium-term lease	179,592	124,900
	<u>180,560</u>	<u>126,190</u>
	<u><u>180,560</u></u>	<u><u>126,190</u></u>

The investment properties of the Group were revalued at 31 March 2005 by Jones Lang LaSalle Limited, an independent property valuer on an open market value basis at an aggregate amount of HK\$180,560,000 (2004: HK\$126,190,000). The valuation gave rise to a gain arising on a change in fair value of HK\$45,357,000 which has been included in profit before taxation.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Plant and equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST						
At 1 April 2004	49,610	22,216	7,819	2,973	9,784	92,402
Additions	—	1,229	634	1,109	1,962	4,934
Transfer from investment properties	322	—	—	—	—	322
Disposals	—	(774)	(896)	(627)	(1,066)	(3,363)
At 31 March 2005	49,932	22,671	7,557	3,455	10,680	94,295
DEPRECIATION						
At 1 April 2004	4,296	18,343	5,033	671	7,667	36,010
Provided for the year	1,228	1,708	1,162	974	1,098	6,170
Eliminated on disposals	—	(774)	(875)	(225)	(1,066)	(2,940)
At 31 March 2005	5,524	19,277	5,320	1,420	7,699	39,240
NET BOOK VALUES						
At 31 March 2005	<u>44,408</u>	<u>3,394</u>	<u>2,237</u>	<u>2,035</u>	<u>2,981</u>	<u>55,055</u>
At 31 March 2004	<u>45,314</u>	<u>3,873</u>	<u>2,786</u>	<u>2,302</u>	<u>2,117</u>	<u>56,392</u>
				2005		2004
				<i>HK\$'000</i>		<i>HK\$'000</i>

The carrying amount of land and buildings comprises properties in Hong Kong under leases as follows:

Long lease	2,495	2,202
Medium term lease	<u>41,913</u>	<u>43,112</u>
	<u>44,408</u>	<u>45,314</u>

14. PROPERTIES HELD FOR DEVELOPMENT/PROPERTIES HELD FOR DEVELOPMENT FOR FUTURE SALE

(a) Properties held for development

The properties held for development are in Hong Kong and held for the medium term. In the current year, the Group has transferred all properties held for development to properties held for development for future sale.

(b) Properties held for development for future sale

At balance sheet date, total borrowing costs capitalised in the properties held for development for future sale were HK\$490,000 (2004: Nil).

15. INVESTMENTS IN SUBSIDIARIES

THE COMPANY
2005 & 2004
HK\$'000

Unlisted shares, at cost		326,739
--------------------------	--	---------

The deemed cost of the investments in subsidiaries is based on the book values of the underlying net assets of the subsidiaries at the time they became subsidiaries of the Company pursuant to the group corporate reorganisation in December 2001.

Particulars of the Company's subsidiaries at 31 March 2005 are set out in note 39.

16. INTEREST IN ASSOCIATES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Share of net assets	9,922	11,145

Details of the Group's associates as at 31 March 2005 are as follows:

Name of associate	Place of incorporation/ registration and principal place of operation	Attributable equity interest held by the Group	Principal activities
Berville Investment Limited	Hong Kong	50%	Investment holding
Dongguan Kee Hing Real Estate Development Limited	People's Republic of China	50%	Property development
Dongguan Kee Sing Real Estate Development Limited	People's Republic of China	50%	Property development
Fairwide Limited	Hong Kong	50%	Investment holding
Hanison Concrete Limited	Hong Kong	50%	In deregistration

All the associates are incorporated/registered.

17. INTEREST IN JOINTLY CONTROLLED ENTITIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Share of net assets	<u>26,065</u>	<u>9,066</u>

Details of the Group's interest in jointly controlled entities as at 31 March 2005 are as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation and principal place of operation	Percentage of interest attributable to the Group	Nature of business
Hip Hing-Hanison Joint Venture	Body unincorporate	Hong Kong	50%	Building construction for a basement, podium and transfer plate at Tung Chung
Hanison — Hip Hing Joint Venture	Body unincorporate	Hong Kong	50%	Building construction for townhouse development at Tung Chung
Hip Hing-Hanison Joint Venture	Body unincorporate	Hong Kong	50%	Building construction for superstructure works at Tung Chung
Crown Cosmos Investments Limited	Limited liability company	British Virgin Islands	50%	Investment holding
Poly Rising Development Limited	Limited liability company	Hong Kong	50%	Property development

18. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 April 2004	600
AMORTISATION AND IMPAIRMENT	
At 1 April 2004	30
Charge for the year	30
At 31 March 2005	60
CARRYING AMOUNT	
At 31 March 2005	<u>540</u>
At 31 March 2004	<u>570</u>

The amortisation period adopted for the goodwill is 20 years.

19. RETENTION MONEY RECEIVABLE

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Retention money receivable from:		
Subsidiaries of HKR International Limited ("HKRI")	55,639	39,904
A company associated with a substantial shareholder of the Company	3,000	6,000
Third parties	<u>51,073</u>	<u>30,616</u>
	109,712	76,520
Less: Amount receivable within one year included in current assets	<u>(66,969)</u>	<u>(71,454)</u>
Amount receivable after one year	<u>42,743</u>	<u>5,066</u>

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

20. PROPERTIES UNDER DEVELOPMENT FOR SALE

At the balance sheet date, the carrying amount of properties under development for sale comprised:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
At cost		
Land *	—	40,000
Development expenditure	—	49,483
	<u>—</u>	<u>89,483</u>
	<u>—</u>	<u>89,483</u>

* Land is in Hong Kong and held for the medium term.

21. INVENTORIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Building materials	17,991	14,022
Health products — finished goods	12,640	12,460
	<u>30,631</u>	<u>26,482</u>
	<u>30,631</u>	<u>26,482</u>
At cost	30,411	26,400
At net realisable value	220	82
	<u>30,631</u>	<u>26,482</u>
	<u>30,631</u>	<u>26,482</u>

22. AMOUNTS RECEIVABLE (PAYABLE) ON CONTRACT WORK

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Contract costs incurred plus profits		
less losses recognised	3,556,364	2,918,547
Less: Progress billings	(3,630,160)	(2,985,348)
	<u>(73,796)</u>	<u>(66,801)</u>
	<u>(73,796)</u>	<u>(66,801)</u>
Comprising:		
Amounts receivable on contract work	61,985	65,550
Amounts payable on contract work	(135,781)	(132,351)
	<u>(73,796)</u>	<u>(66,801)</u>
	<u>(73,796)</u>	<u>(66,801)</u>

23. PROGRESS PAYMENTS RECEIVABLE

Progress payments receivable represent the amounts receivable, after deduction of retention money, for construction services which usually fall due within 30 days after the work is certified. Against the amounts receivable for work certified, retention money is usually withheld. 50% of the retention money is normally due upon completion and the remaining 50% portion is due upon finalisation of construction accounts.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Progress payments receivable from:		
Subsidiaries of HKRI	14,336	904
Third parties	43,235	23,989
	<u>57,571</u>	<u>24,893</u>

The aged analysis of progress payments receivable is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within 30 days	48,107	21,790
31 — 60 days	7,646	1,853
61 — 90 days	192	—
Over 90 days	1,626	1,250
	<u>57,571</u>	<u>24,893</u>

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Debtors	40,204	29,906
Other receivables	2,421	2,170
Deposits	8,931	4,862
Prepayments	10,283	4,794
	<u>61,839</u>	<u>41,732</u>

The credit period allowed by the Group to its customers is normally 30 days.

The aged analysis of debtors included in debtors, deposits and prepayments is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within 60 days	35,426	25,717
61 — 90 days	1,254	1,384
Over 90 days	3,524	2,805
	<u>40,204</u>	<u>29,906</u>

24. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

Included in the above debtors are amounts due from related parties of a trading nature as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Subsidiaries of HKRI	401	904
A company associated with a substantial shareholder of the Company	6,716	791
Property management funds which are managed by subsidiaries of HKRI	78	210
Jointly controlled entities of the Group	535	—
	<u>7,730</u>	<u>1,905</u>

25. INVESTMENTS IN SECURITIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
TRADING SECURITIES		
Equity securities:		
Listed in Hong Kong, at fair value	<u>190</u>	<u>77</u>
Market value of listed securities	<u>190</u>	<u>77</u>

26. CREDITORS AND ACCRUED CHARGES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Creditors	68,174	47,722
Retention payable	55,784	45,356
Accrued costs and charges	65,630	54,652
Temporary receipts	4,991	4,708
Deposits received	5,711	3,511
	<u>200,290</u>	<u>155,949</u>

The aged analysis of creditors included in creditors and accrued charges is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within 60 days	62,519	42,301
61 — 90 days	1,398	2,253
Over 90 days	4,257	3,168
	<u>68,174</u>	<u>47,722</u>

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Subsidiaries of HKRI	<u>103</u>	<u>432</u>

27. BANK LOANS

The bank loans are repayable as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	68,200	4,200
In the second year	4,200	4,200
In the third to fifth years inclusive	42,700	46,900
	<u>115,100</u>	<u>55,300</u>
Less: Amount due within one year	(68,200)	(4,200)
Amount due after one year	<u><u>46,900</u></u>	<u><u>51,100</u></u>

During the year, the Group obtained new loans in the amount of HK\$64,000,000 (2004: HK\$55,300,000) as general working capital and for refinancing the purchase of properties for investment purposes.

The bank loans bear interests at market rates and are secured by charges over certain properties of the Group, which are disclosed in note 33.

28. DEFERRED TAXATION

The following are the major deferred tax liabilities of the Group and movements thereon during the current and prior accounting years:

	Accelerated tax depreciation <i>HK\$'000</i>	Properties* <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2003 and 1 April 2003	—	2,246	2,246
Charge (credit) to income statement for the year	203	(55)	148
Effect of change in tax rate			
— charge to the income statement for the year	—	211	211
	<u>203</u>	<u>(55)</u>	<u>148</u>
At 31 March 2004 and 1 April 2004	203	2,402	2,605
Charge (credit) to income statement for the year	1,512	(56)	1,456
	<u>1,715</u>	<u>2,346</u>	<u>4,061</u>
At 31 March 2005	<u><u>1,715</u></u>	<u><u>2,346</u></u>	<u><u>4,061</u></u>

* Properties which were acquired through business combinations in prior years represents the land cost not qualifying for deduction for tax purposes.

At 31 March 2005, the Group has unused tax losses of HK\$19,151,000 (2004: HK\$10,048,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. All the tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

	No. of shares	<i>HK\$'000</i>
Authorised:		
Shares of HK\$0.10 each		
Balance as at 1 April 2003, 31 March 2004 and 2005	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:		
Shares of HK\$0.10 each		
Balance as at 1 April 2003 and 31 March 2004	283,671,086	28,367
Bonus shares issued during the year	<u>70,917,770</u>	<u>7,092</u>
Balance as at 31 March 2005	<u>354,588,856</u>	<u>35,459</u>

By an ordinary resolution passed on 7 January 2005, the issued share capital was increased by way of a bonus issue by applying HK\$7,091,777 charging to the share premium account in payment in full at par of 70,917,770 shares of HK\$0.10 each on the basis of one bonus share for every four shares held on 31 December 2004.

All the bonus shares rank pari passu with the then existing shares.

30. SHARE OPTION SCHEME

Pursuant to the Company's existing share option scheme (the "Scheme") which was adopted on 3 January 2002 and became effective on 9 January 2002, all directors (including independent non-executive directors), full-time employees and consultants of the Company, its subsidiaries and/or its associates are eligible to participate in the Scheme. The exercise price of the option shall be no less than the higher of:

- (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a business day;
- (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and
- (iii) the nominal value of the shares of the Company on the date of grant.

A consideration of HK\$1 shall be paid upon the acceptance of the option.

No option was granted by the Company since its adoption.

31. RESERVES

THE COMPANY

	Share premium <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2003	298,372	4,255	26,268	328,895
Net profit for the year	—	—	24	24
Final dividend paid in respect of the year ended 31 March 2003	—	(4,255)	—	(4,255)
Interim dividend paid in respect of the year ended 31 March 2004	—	—	(2,837)	(2,837)
Proposed final dividend in respect of the year ended 31 March 2004	—	4,255	(4,255)	—
	<u>298,372</u>	<u>4,255</u>	<u>19,200</u>	<u>321,827</u>
At 31 March 2004	298,372	4,255	19,200	321,827
Net profit for the year	—	—	1	1
Final dividend paid in respect of the year ended 31 March 2004	—	(4,255)	—	(4,255)
Interim dividend paid in respect of the year ended 31 March 2005	—	—	(2,837)	(2,837)
Bonus shares issued during the year	(7,092)	—	—	(7,092)
Proposed final dividend in respect of the year ended 31 March 2005	—	5,319	(5,319)	—
	<u>291,280</u>	<u>5,319</u>	<u>11,045</u>	<u>307,644</u>
At 31 March 2005	<u>291,280</u>	<u>5,319</u>	<u>11,045</u>	<u>307,644</u>

The Company's reserves available for distribution to shareholders as at 31 March 2005 represents the aggregate of the share premium, dividend reserve and accumulated profits of HK\$307,644,000 (2004: HK\$321,827,000).

The share premium of the Company represents the difference between the aggregate net asset values of the subsidiaries at the date on which they became subsidiaries of the Company, and the nominal amount of the Company's shares issued at the time of the group corporate reorganisation in December 2001.

31. RESERVES *(Continued)***THE GROUP**

Contributed surplus of the Group represents the difference between the aggregate share capital of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued at the time of the group corporate reorganisation.

Special reserve of the Group represents the aggregate of contributions from the then shareholders of the companies comprising the Group and other subsidiaries of HKRI before the group corporate reorganisation.

The accumulated profits at 31 March 2005 and 31 March 2004 include the following accumulated profits retained by:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Associates	(79)	1,144
Jointly controlled entities	3,065	1,066
	<u>2,986</u>	<u>2,210</u>

32. ACQUISITION OF A SUBSIDIARY

For the year ended 31 March 2005

On 21 March 2005, the Group acquired a 100% interest in General Target Limited which engaged as a property investment company whose assets and liabilities on acquisition were as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Investment properties	4,000
Debtors, deposits and prepayments	73
Creditors and accrued charges	<u>(138)</u>
Net assets acquired by the Group	3,935
Discount on acquisition	<u>(23)</u>
	<u>3,912</u>
Satisfied by:	
Cash consideration	<u>3,912</u>
Net cash outflow arising on acquisition:	
Cash consideration	<u>3,912</u>

32. ACQUISITION OF A SUBSIDIARY *(Continued)**Pro forma unaudited Group's revenue and results*

If the acquisition had been completed on 1 April 2004, unaudited Group's revenue and Group's profit attributable to the equity holders of the Company for the year ended 31 March 2005 would have been HK\$921,117,000 and HK\$99,742,000 respectively. The pro forma information is presented for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2004, nor is not intended to be a projection of future results.

For the year ended 31 March 2004

On 6 June 2003, the Group acquired a 100% interest in Retailcorp Limited which carried on a health products wholesale business and operates a health products retailing chain store business under the trade name of "Health Plus" whose assets and liabilities on acquisition were as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Properties, plant and equipment	183
Inventories	6,058
Debtors, deposits and prepayments	2,533
Bank balances and cash	6
Creditors and accrued charges	(6,323)
	<u>2,457</u>
Net assets acquired by the Group	2,457
Goodwill	600
	<u>3,057</u>
Satisfied by:	
Cash consideration	<u>3,057</u>
Net cash outflow arising on acquisition:	
Cash consideration	3,057
Bank balances and cash acquired	(6)
	<u>3,051</u>

33. PLEDGE OF ASSETS

At 31 March 2005, the Group's bank loans were secured by the Group's assets as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Investment properties	117,241	82,241
Land and buildings	12,283	12,778
	<u>129,524</u>	<u>95,019</u>

34. CONTINGENT LIABILITIES

At 31 March 2005, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entities amounting to approximately HK\$33,488,000 (2004: HK\$11,523,000).

During the year ended 31 March 2004, legal actions in respect of allegations for copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on its health products business. At 31 March 2005, as the relevant actions are at a preliminary stage, the Directors are of the opinion that it is impractical to assess their impact to the Group.

At the balance sheet date, the Company had no material contingent liabilities.

35. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Commitments for the acquisition of investment properties		
— contracted for but not provided in financial statements	4,410	—
	<u>4,410</u>	<u>—</u>

At the balance sheet date, the Company had no material capital commitments.

36. DEVELOPMENT COMMITMENTS

At the balance sheet date, no (2004: HK\$17,177,000 of which HK\$1,196,000 had been contracted for) development commitments in respect of its property under development for sale had been approved by the Group.

37. OPERATING LEASE COMMITMENTS**As lessee**

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	6,814	7,373
In the second to fifth year inclusive	5,012	9,115
Over five years	8,360	—
	<u>20,186</u>	<u>16,488</u>

Operating lease payments represent rentals payable by the Group for its office properties, warehouse and shop. Leases are negotiable for an average term of three years.

The Company had no operating lease commitments at the balance sheet date.

37. OPERATING LEASE COMMITMENTS *(Continued)***As lessor**

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	15,523	7,236
In the second to fifth year inclusive	<u>26,247</u>	<u>11,486</u>
	<u><u>41,770</u></u>	<u><u>18,722</u></u>

Property rental income earned from investment properties during the year was HK\$10,114,000 (2004: HK\$6,047,000). Leases are negotiable for an average term of five years.

38. RETIREMENT BENEFIT SCHEMES

With the implementation of Mandatory Provident Fund Scheme in Hong Kong on 1 December 2000, the Group has maintained the defined contribution scheme registered under the Occupational Retirement Schemes Ordinance ("ORSO Scheme") and has obtained an exemption satisfying the requirements of the Mandatory Provident Fund Schemes Ordinance ("MPFO").

To comply with the MPFO, a Mandatory Provident Fund Scheme ("MPF Scheme") with voluntary contributions has been established. New employees must join the MPF Scheme after it commenced on 1 December 2000.

The amounts charged to the income statements represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes less forfeitures arising from employees leaving the Group prior to completion of qualifying service period. The amount for the year is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Contributions payable	6,539	5,753
Forfeiture	<u>(65)</u>	<u>(81)</u>
	<u><u>6,474</u></u>	<u><u>5,672</u></u>

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefit schemes and which are available to reduce contributions payable in future years are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Balance of forfeited contributions	<u><u>—</u></u>	<u><u>13</u></u>

39. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries, all of which are wholly owned at 31 March 2005 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital	Principal activities
Amwell Investments Limited	British Virgin Islands	US\$1	* Investment holding
Brilliant Advance Limited	British Virgin Islands	US\$2	* Investment holding
Care & Health Limited	Hong Kong	HK\$2	Trading of health products
Emwell Limited	Hong Kong	HK\$2	Property investment
Forever Gainer Development Limited	Hong Kong	HK\$2	Property development
General Target Limited	Hong Kong	HK\$10,000	Property investment
Hamfield Enterprises Limited	Hong Kong	HK\$2	Property holding
Hanison Construction Company Limited	Hong Kong	Ordinary shares HK\$1,000 Deferred shares HK\$60,000,000 (Note 3)	Property construction
Hanison Contractors Limited	Hong Kong	HK\$2	Property construction
Hanison Eco Services Limited	Hong Kong	HK\$2	Property investment
Hanison Estate Services Limited	Hong Kong	HK\$2	Provision of property management services
Hanison Interior & Renovation Limited	Hong Kong	HK\$2	Provision of interior and renovation services
Hanison Project Management Limited	Hong Kong	HK\$2	Provision of property leasing and marketing services and project management

39. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital	Principal activities
Healthcorp Trading Limited	Hong Kong	HK\$2	Trading of health products
Health Plus (Hong Kong) Limited	Hong Kong	HK\$2	Dormant
Heatex Ceramic Limited	Hong Kong	HK\$400,000	Property holding
King Gainer Development Limited	Hong Kong	HK\$1	Dormant
Media Group International Limited	British Virgin Islands	US\$2	* Investment holding
Tai Kee Pipes Limited	Hong Kong	HK\$2,000,000	Trading of building materials
Retailcorp Limited	Hong Kong	HK\$2	Sales of health products
Sental Investment Limited	Hong Kong	HK\$2	Property development
Team Forward Limited	British Virgin Islands	US\$2	* Investment holding
Trigon Building Materials Limited	Hong Kong	HK\$2	Supply and installation of building materials
Wisdom Concept Development Limited	Hong Kong	HK\$2	Property development

Notes:

- (1) Other than those investment holding companies marked*, all the above companies operate in Hong Kong.
- (2) Other than Media Group International Limited, which is directly held by the Company, all other companies are indirectly held by the Company.
- (3) The HK\$60,000,000 deferred shares are held by a subsidiary of HKRI. The deferred shares held by the subsidiary of HKRI are shares whose shareholders are neither entitled to receive notices, attend, vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiary.

40. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

	Pricing policy <i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Construction income from subsidiaries of HKRI	<i>(a)</i>	180,870	126,649
Interior and renovation income from a company associated with a substantial shareholder of the Company	<i>(b)</i>	5,443	41,344
Supply and installation of building materials to jointly controlled entities	<i>(b)</i>	1,298	2,591
Interior and renovation income from subsidiaries of HKRI and its associates	<i>(b)</i>	1,434	950
Properties agency fees and manager's fees income received from a company associated with a substantial shareholder of the Company	<i>(b)</i>	3,171	1,520
Interior and renovation income from property management funds which are managed by subsidiaries of HKRI	<i>(b)</i>	561	334
Acquisition of a subsidiary from HKRI	<i>(c)</i>	<u>3,912</u>	<u>—</u>

Notes:

- (a) The pricing of the transactions was determined after competitive tendering process, designed and administrated by independent consultants, with other independent contractors.
- (b) The pricing of the transactions was determined in accordance with the terms of relevant agreements.
- (c) The price of the transaction was determined based on the valuation of the investment properties by an independent professional valuer on an open market value basis.

41. POST BALANCE SHEET EVENT

On 21 June 2005, the Board has recommended a bonus issue ("Bonus Issue") of shares of HK\$0.1 each in the capital of the Company ("Bonus Share(s)") on the basis of 1 Bonus Share for every 4 existing shares held by the shareholders of the Company whose names appear on the registers of members as at the close of business on 2 August 2005. The Bonus Shares will be fully paid at par and will rank pari passu with the existing issued ordinary shares of the Company in all respects from the date of issue, except that they will not rank for the final dividend for the year ended 31 March 2005 and the Bonus Issue. The Bonus Issue is conditional upon shareholders' approval at the AGM and the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the Bonus Shares. A circular containing further details of the Bonus Issue will be sent to members of the Company in due course.

3. SUMMARY OF UNAUDITED FINANCIAL INFORMATION

The following is a summary of the unaudited consolidated financial results, financial position, changes in equity and cash flow statement of the Group for the six months ended 30 September 2004 and 2005, as extracted from the unaudited consolidated financial statements of the Group for the six months ended 30 September 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	<i>Notes</i>	Six months ended	
		30.9.2005	30.9.2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Turnover	3	488,171	362,533
Cost of sales		<u>(414,755)</u>	<u>(291,059)</u>
Gross profit		73,416	71,474
Other operating income		401	355
Marketing and distribution costs		(8,424)	(7,517)
Administrative expenses		(30,793)	(34,216)
Finance costs		(1,311)	(454)
Share of results of associates		(84)	(12)
Share of results of jointly controlled entities		<u>(7)</u>	<u>—</u>
Profit before taxation	4	33,198	29,630
Taxation	5	<u>(4,130)</u>	<u>(4,201)</u>
Profit for the period		<u>29,068</u>	<u>25,429</u>
Dividend	6	<u>4,432</u>	<u>2,837</u>
Earnings per share			
— basic (restated)	7	<u>HK6.6 cents</u>	<u>HK5.7 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2005

	<i>Notes</i>	30.9.2005 <i>HK\$'000</i> (Unaudited)	31.3.2005 <i>HK\$'000</i> (Audited) (Restated)
Non-current assets			
Investment properties	8	186,376	180,560
Property, plant and equipment		52,735	55,055
Interests in associates	9	9,838	9,922
Interests in jointly controlled entities	10	26,058	26,065
Goodwill		540	540
		<u>275,547</u>	<u>272,142</u>
Current assets			
Properties held for development for future sale	11	190,629	188,067
Properties held for sale		13,509	54,502
Inventories		36,877	30,631
Amounts receivable on contract work		46,453	61,985
Progress payments receivable	12	47,969	57,571
Retention money receivable	13	101,000	109,712
Debtors, deposits and prepayments	14	74,647	61,839
Amounts due from associates		534	532
Amounts due from jointly controlled entities		89,995	8,565
Investments held for trading		173	—
Investments in securities		—	190
Taxation recoverable		1,026	1,214
Bank balances and cash		79,546	102,069
		<u>682,358</u>	<u>676,877</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 30 September 2005

	<i>Notes</i>	30.9.2005 <i>HK\$'000</i> (Unaudited)	31.3.2005 <i>HK\$'000</i> (Audited) (Restated)
Current liabilities			
Amounts payable on contract work		146,868	135,781
Creditors and accrued charges	<i>15</i>	163,932	200,290
Taxation payable		2,577	2,412
Bank loans — amount due within one year	<i>16</i>	80,200	68,200
		<u>393,577</u>	<u>406,683</u>
Net current assets		<u>288,781</u>	<u>270,194</u>
Total assets less current liabilities		<u>564,328</u>	<u>542,336</u>
Non-current liabilities			
Bank loans — amount due after one year	<i>16</i>	44,800	46,900
Deferred taxation		12,614	12,271
		<u>57,414</u>	<u>59,171</u>
		<u>506,914</u>	<u>483,165</u>
Capital and reserves			
Share capital	<i>17</i>	44,324	35,459
Reserves		462,590	447,706
		<u>506,914</u>	<u>483,165</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2005*

	Share capital <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2004							
— as originally stated	28,367	34,034	21,941	(78)	4,255	309,828	398,347
— prior year adjustment in respect of deferred taxation	—	—	—	—	—	(479)	(479)
— as restated	28,367	34,034	21,941	(78)	4,255	309,349	397,868
Profit for the period	—	—	—	—	—	25,429	25,429
2004 final dividend paid	—	—	—	—	(4,255)	—	(4,255)
2005 interim dividend declared	—	—	—	—	2,837	(2,837)	—
At 30 September 2004	<u>28,367</u>	<u>34,034</u>	<u>21,941</u>	<u>(78)</u>	<u>2,837</u>	<u>331,941</u>	<u>419,042</u>
At 1 April 2005							
— as originally stated	35,459	26,942	21,941	(78)	5,319	401,792	491,375
— prior year adjustment in respect of deferred taxation	—	—	—	—	—	(8,210)	(8,210)
— as restated	35,459	26,942	21,941	(78)	5,319	393,582	483,165
Profit for the period	—	—	—	—	—	29,068	29,068
Bonus shares issued	8,865	(8,865)	—	—	—	—	—
2005 final dividend paid	—	—	—	—	(5,319)	—	(5,319)
2006 interim dividend declared	—	—	—	—	4,432	(4,432)	—
At 30 September 2005	<u>44,324</u>	<u>18,077</u>	<u>21,941</u>	<u>(78)</u>	<u>4,432</u>	<u>418,218</u>	<u>506,914</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2005*

	Six months ended	
	30.9.2005 <i>HK\$'000</i> (Unaudited)	30.9.2004 <i>HK\$'000</i> (Unaudited)
Net cash used in operating activities	(19,869)	(52,110)
Investing activities		
Purchase of investment properties	(5,816)	(56,680)
Purchase of property, plant and equipment	(738)	(3,057)
Development costs for properties under development	(1,609)	—
Other investing cash flows	928	(389)
Net cash used in investing activities	(7,235)	(60,126)
Financing activities		
Dividends paid	(5,319)	(4,255)
Net cash inflow from bank loans	9,900	73,187
Other financing cash flows	—	(1,793)
Net cash from financing activities	4,581	67,139
Net decrease in cash and cash equivalents	(22,523)	(45,097)
Cash and cash equivalents at beginning of the period	102,069	88,153
Cash and cash equivalents at end of the period	<u>79,546</u>	<u>43,056</u>
Analysis of cash and cash equivalents		
Bank balances and cash	79,546	44,343
Bank overdraft	—	(1,287)
	<u>79,546</u>	<u>43,056</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended 30 September 2005***1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for investment properties and investments held for trading, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005 except for HKAS 40 “Investment Property” which has been early adopted by the Group during the year ended 31 March 2005. The application of the other new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of share of tax of associates and jointly controlled entities has been changed as required by HKAS 1 “Presentation of Financial Statements”. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Goodwill

In the current period, the Group has applied the transitional provisions in HKFRS 3 “Business Combinations” and the principal effects of the application of HKFRS 3 to the Group are summarised below.

Goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and goodwill arising on acquisitions after 1 April 2001 was capitalised and amortised over its estimated useful life.

From 1 April 2005 onwards, goodwill previously recognised in reserves continues to be held in reserves and will be transferred to the retained earnings of the Group at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for the year ended 31 March 2005 have not been restated. The application of HKFRS 3 has had no significant impact to the Group’s financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. The application of HKAS 32 has had no significant impact on the presentation of financial instruments in the Group’s financial statements. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in the profit or loss. “Held-to-maturity investments” are carried at amortised cost less impairment losses (if any). From 1 April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. As a result of the adoption of HKAS 39, the Group has classified “investments in securities” held for trading purposes recorded in the consolidated balance sheet at 1 April 2005 amounting to HK\$190,000 as “financial assets at fair value through profit or loss”.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit and loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method. The application of HKAS 39 has had no significant impact to the Group’s financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HK(SIC) Interpretation 21 “Income Taxes — Recovery of Revalued Non-Depreciable Assets” which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated. The effect of this change is to increase the Group’s deferred tax liabilities at 1 April 2004 and 1 April 2005 by HK\$479,000 and HK\$8,210,000 respectively. The application of HK(SIC) Interpretation 21 has had no significant impact to the profit for the six months ended 30 September 2004 and 2005.

Potential impact of new standards not yet adopted

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-INT 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC)-INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-INT 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

3. TURNOVER AND SEGMENT INFORMATION

Business segments

The entity's primary format for reporting segment information is business segments.

	Construction	Interior and renovation	Building materials	Health products	Property investment	Property agency and management	Property development	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>For the six months ended</i>									
<i>30 September 2005</i>									
TURNOVER									
External sales	304,024	40,334	39,569	30,887	8,559	1,360	63,438	—	488,171
Inter-segment sales	20	1,042	23,268	900	—	1,870	—	(27,100)	—
Total	<u>304,044</u>	<u>41,376</u>	<u>62,837</u>	<u>31,787</u>	<u>8,559</u>	<u>3,230</u>	<u>63,438</u>	<u>(27,100)</u>	<u>488,171</u>
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment results	<u>4,577</u>	<u>1,216</u>	<u>2,830</u>	<u>577</u>	<u>5,732</u>	<u>649</u>	<u>17,664</u>	<u>2,036</u>	<u>35,281</u>
Other operating income									401
Unallocated corporate expenses									(1,082)
Finance costs									(1,311)
Share of results of associates	—	—	—	—	—	—	(84)	—	(84)
Share of results of jointly controlled entities	—	—	—	—	—	—	(7)	—	(7)
Profit before taxation									33,198
Taxation									(4,130)
Profit for the period									<u>29,068</u>

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Property investment HK\$'000	Property agency and management HK\$'000	Property development HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<i>For the six months ended</i>									
<i>30 September 2004</i>									
TURNOVER									
External sales	170,212	34,026	52,494	26,107	4,820	1,940	72,934	—	362,533
Inter-segment sales	15,280	8,310	2,773	67	—	1,215	—	(27,645)	—
Total	<u>185,492</u>	<u>42,336</u>	<u>55,267</u>	<u>26,174</u>	<u>4,820</u>	<u>3,155</u>	<u>72,934</u>	<u>(27,645)</u>	<u>362,533</u>
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment results	<u>4,854</u>	<u>785</u>	<u>4,297</u>	<u>563</u>	<u>3,500</u>	<u>574</u>	<u>20,949</u>	<u>(1,659)</u>	33,863
Other operating income									355
Unallocated corporate expenses									(4,122)
Finance costs									(454)
Share of results of associates	—	—	—	—	—	—	(12)	—	(12)
Profit before taxation									29,630
Taxation									(4,201)
Profit for the period									<u>25,429</u>

Geographical segments

All of the Group's operations during the six months ended 30 September 2005 and 2004 were carried out in Hong Kong.

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2005	30.9.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	—	15
Depreciation	1,740	1,744
Allowance for prepayment to a supplier	—	3,000
and after crediting:		
Gain on disposal of property, plant and equipment	<u>750</u>	<u>47</u>
Expenses capitalised in cost of contract work:		
Depreciation	<u>1,223</u>	<u>1,254</u>

5. TAXATION

	Six months ended	
	30.9.2005 <i>HK\$'000</i>	30.9.2004 <i>HK\$'000</i>
Hong Kong Profits Tax	3,787	4,229
Deferred taxation	343	(28)
	<u>4,130</u>	<u>4,201</u>

Hong Kong Profits Tax is calculated at 17.5% (for the six months ended 30 September 2004: 17.5%) of the estimated assessable profit for the period.

6. DIVIDEND

The board of directors has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 September 2005 (for the six months ended 30 September 2004: HK1 cent per share), which amounted to HK\$4,432,000 (for the six months ended 30 September 2004: HK\$2,837,000).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit for the period of HK\$29,068,000 (for the six months ended 30 September 2004: HK\$25,429,000) and on the 443,236,068 shares (for the six months ended 30 September 2004: 443,236,068 shares) after adjusting the effect of bonus issue of shares during the year ended 31 March 2005 and the six months ended 30 September 2005.

No diluted earnings per share has been presented as the Company did not have any dilutive potential ordinary shares outstanding during both periods.

8. INVESTMENT PROPERTIES

During the six months ended 30 September 2005, the Group spent approximately HK\$5,816,000 on additions of the investment properties (for the six months ended 30 September 2004: investment properties of HK\$56,680,000 were acquired).

The directors have considered the carrying amount of the Group's investment properties carried at revalued amounts or at cost for the additions during the period and have estimated that the carrying amount does not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no increase or decrease in fair value of investment properties has been recognised in the income statement for the period.

9. INTERESTS IN ASSOCIATES

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Share of net assets	<u>9,838</u>	<u>9,922</u>

10. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Share of net assets	<u>26,058</u>	<u>26,065</u>

11. PROPERTIES HELD FOR DEVELOPMENT FOR FUTURE SALE

At 30 September 2005, total borrowing costs capitalised in the properties held for development for future sale were HK\$1,443,000 (at 31 March 2005: HK\$490,000).

12. PROGRESS PAYMENTS RECEIVABLE

Progress payments receivable represents the amounts receivable, after deduction of retention money, for construction services which usually fall due within 30 days after the work is certified. Retention money is usually withheld from the amounts receivable for work certified. 50% of the retention money is normally due upon completion and the remaining 50% portion is due upon finalisation of the construction accounts.

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Progress payments receivable from:		
Subsidiaries of HKR International Limited ("HKRI"), a company holding 49% interests in the Company	30,043	14,336
Third parties	<u>17,926</u>	<u>43,235</u>
	<u>47,969</u>	<u>57,571</u>

The aged analysis of progress payments receivable is as follows:

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Within 30 days	46,797	48,107
31 — 60 days	—	7,646
61 — 90 days	—	192
Over 90 days	<u>1,172</u>	<u>1,626</u>
	<u>47,969</u>	<u>57,571</u>

13. RETENTION MONEY RECEIVABLE

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Retention money receivable from:		
Subsidiaries of HKRI	45,062	55,639
A company associated with a substantial shareholder of the Company	—	3,000
Third parties	55,938	51,073
	<u>101,000</u>	<u>109,712</u>
Amount receivable within one year	52,154	66,969
Amount receivable after one year	48,846	42,743
	<u>101,000</u>	<u>109,712</u>

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

14. DEBTORS, DEPOSITS AND PREPAYMENTS

The credit period allowed by the Group to its customers is normally 30 days.

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Within 30 days	33,686	23,717
31 — 60 days	5,296	11,709
61 — 90 days	1,266	1,254
Over 90 days	4,533	3,524
	<u>44,781</u>	<u>40,204</u>
Total debtors	44,781	40,204
Other receivables	3,348	2,421
Deposits	13,295	8,931
Prepayments	13,223	10,283
	<u>74,647</u>	<u>61,839</u>

Included in the above debtors are amounts due from related parties of trading nature as follows:

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Subsidiaries of HKRI	159	401
A company associated with a substantial shareholder of the Company	5,000	6,716
Property management funds which are managed by subsidiaries of HKRI	19	78
Jointly controlled entities of the Group	13	535
	<u>5,191</u>	<u>7,730</u>

15. CREDITORS AND ACCRUED CHARGES

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Within 30 days	21,389	61,532
31 — 60 days	2,459	987
61 — 90 days	1,171	1,398
Over 90 days	3,971	4,257
	<u>28,990</u>	<u>68,174</u>
Total creditors	28,990	68,174
Retention payable	62,070	55,784
Accrued costs and charges	61,463	65,630
Temporary receipts	5,415	4,991
Deposits received	5,994	5,711
	<u>163,932</u>	<u>200,290</u>

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

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Subsidiaries of HKRI	<u>97</u>	<u>103</u>

16. BANK LOANS

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Secured	49,000	51,100
Unsecured	76,000	64,000
	<u>125,000</u>	<u>115,100</u>
Less: Amount due within one year	(80,200)	(68,200)
	<u>44,800</u>	<u>46,900</u>

17. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Authorised:		
Shares of HK\$0.10 each		
Balance at 1 April 2005 and 30 September 2005	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:		
Shares of HK\$0.10 each		
Balance at 1 April 2005	354,588,856	35,459
Bonus shares issued during the period	<u>88,647,212</u>	<u>8,865</u>
Balance at 30 September 2005	<u>443,236,068</u>	<u>44,324</u>

By an ordinary resolution passed on 2 August 2005, the issued share capital was increased by way of a bonus issue by applying HK\$8,865,000 charging to the share premium account in payment in full at par of 88,647,212 shares of HK\$0.10 each on the basis of one bonus share for every four shares.

All the bonus shares rank pari passu with the then existing shares.

18. CONTINGENT LIABILITIES

- (1) At 30 September 2005, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entities amounting to HK\$33,488,000 (at 31 March 2005: HK\$33,488,000).
- (2) During the year ended 31 March 2004, legal actions in respect of the allegations for copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health product business. At 30 September 2005, as the relevant actions are still in the preliminary stage, the directors are of the opinion that it is impractical to assess their impacts to the Group.

19. CAPITAL COMMITMENT

At the balance sheet date, the Group had the following commitments:

	30.9.2005 <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Commitments contracted for but not provided in financial statements in respect of:		
— acquisition of investment properties	<u>24,327</u>	<u>4,410</u>
— acquisition of a subsidiary (<i>Note 21</i>)	<u>32,468</u>	<u>—</u>

20. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following transactions with related parties:

	<i>Notes</i>	Six months ended	
		30.9.2005	30.9.2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
Construction income from subsidiaries of HKRI	(a)	92,638	36,082
Interior and renovation income from subsidiaries of HKRI and its associates	(b)	219	762
Interior and renovation income from property management funds which are managed by subsidiaries of HKRI	(b)	51	158
Interior and renovation income from a company associated with a substantial shareholder of the Company	(b)	1,759	3,541
Supply and installation of building materials to jointly controlled entities	(b)	1,514	—
Property agency and manager's fee income received from a company associated with a substantial shareholder of the Company	(b)	<u>998</u>	<u>1,796</u>

Notes:

- (a) The pricing of the transactions was determined after a competitive tendering process, designed and administrated by independent consultants, with other independent contractors.
- (b) The pricing of the transactions was determined in accordance with the terms of the relevant agreements.

21. POST BALANCE SHEET EVENT

On 16 September 2005, the Group entered into an agreement with an independent third party under which the Group acquired a 100% interest in Senior Rich Development Limited, a property investment company, at a consideration of approximately HK\$34,468,000. The transaction was completed on 9 November 2005.

The directors are still in the process to assess the fair value of net assets acquired in accordance with the requirements of HKFRS 3.

4. INDEBTEDNESS

As at the close of business on 30 November 2005, the Group had outstanding bank loans of approximately HK\$125 million (of which approximately HK\$49 million was secured).

As at the close of business on 30 November 2005, the Group had pledged certain land and buildings and investment properties with a carrying value of approximately HK\$134.2 million to secure banking facilities granted to the Group.

As at 30 November 2005, the Group had contingent liabilities in respect of certain guarantee to the extent of approximately HK\$33.5 million given to a bank in respect of performance bonds granted to a jointly controlled entity. In addition, the Group had contingent liabilities regarding legal actions in respect of the allegations for copyright infringement and defamation taken against certain subsidiaries of the Company carrying on health products business during the year ended 31 March 2004. 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. Further, the amount of the claims is not stated in the documents of the relevant court proceedings.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding as at 30 November 2005 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2005, being the date to which the latest published audited financial statements of the Group were made up.

6. WORKING CAPITAL

The Directors (including the independent non-executive directors) are of the opinion that, taking into account of cash balances of the Group, its expected internally generated funds, the present available banking facilities of the Group and in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements from the Latest Practicable Date up to 31 December 2006.

7. FINANCIAL AND TRADING PROSPECTS

The Group recorded a satisfactory operating result during the six months ended 30 September 2005, with a consolidated turnover of HK\$488.2 million and consolidated net profits after tax of HK\$29.1 million.

The Group has been pursuing business opportunities to diversify its businesses into property investment and development, project management and health products retail and wholesales over the years. The Group is continuously exploring investment opportunities to broaden the Group's revenue stream and enhance the Group's profitability. The Directors believe that the development of the SKW Site would enhance the Group's profile in the property market in Hong Kong and provide a further avenue for the growth and profitability of the Group in the future.



JONES LANG
LASALLESM

仲
量
聯
行

Jones Lang LaSalle Limited
Valuation Advisory Services
28/F One Pacific Place 88 Queensway Hong Kong
tel +852 2846 5000 fax +852 2968 0078
Company Licence No.: C-003464

仲量聯行有限公司
物業估價部
香港金鐘道88號太古廣場一期28樓
電話+852 2846 5000 傳真 +852 2968 0078
牌照號碼 C-003464

Our Ref: 2/06/00011
DC/ET/ay

17 January 2006

The Directors
Hanison Construction Holdings Limited
Unit 1, 4/F, Block B
Shatin Industrial Centre
5-7 Yuen Shun Circuit
Shatin
New Territories
Hong Kong

Dear Sirs,

Re: Valuation of Various Lots in Demarcation District Nos. 374 and 375, So Kwun Wat, Tuen Mun, New Territories, Hong Kong

We refer to the instructions by Hanison Construction Holdings Limited (hereinafter referred to as “the Company”) for us to provide in our capacity as external valuer the market value of the Company’s interest in the property (“the Company’s Interest”) at **Lot Nos. 406RP, 407, 408RP, 409, 411RP, 412RP, 448, 449, 450, 451, 453, 454, 455, 456, 457, 458, 459, 462, 464RP, 466RP, 412s.B, 413, 442RP, 443RP, 445s.A, 445RP, 446RP, 447 and 460RP in Demarcation District No. 374, Lot Nos. 251, 253, 249 s.B, 250RP, 255RP, 364RP, 313, 314, 311 and 673 in Demarcation District No. 375, So Kwun Wat, Tuen Mun, New Territories, Hong Kong** (“the Property”) as at 17 January 2006 (“the date of valuation”).

Heatex Ceramic Limited (“HCL”) (a wholly owned subsidiary of the Company) is the registered owner of Lot Nos. 412s.B, 413, 442RP, 443RP, 445s.A, 445RP, 446RP, 447 in Demarcation District No. 374. Fill Year Limited (“FYL”) (a wholly owned subsidiary of Sun Hung Kai Properties Limited (“SHK”)) is the registered owner of Lot Nos. 406RP, 407, 408RP, 409, 411RP, 412RP, 448, 449, 450, 451, 453, 454, 455, 456, 457, 458, 459, 462, 464RP and 466RP in Demarcation District No. 374 and Lot Nos. 251, 253, 249 s.B, 250RP and 255RP in Demarcation District No. 375 and the beneficial owner of Lot No. 460RP in Demarcation District No. 374 and Lot Nos. 364RP, 313, 314, 311 and 673 in Demarcation District No. 375 under two agreements for sale and purchase dated 25 August 2005 and 26 August 2005. According to a Development Agreement entered into on 20 December 2005

between the Company, SHK, HCL and FYL in respect of the joint development of the Property, HCL will own 23.63% of the Property upon execution of a deed of exchange to merge the ownership of the Property. As instructed, our valuation of the Company's Interest would be our opinion of the market value of the 23.63% ownership of the Property.

We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we deem necessary to derive opinion as to the market value of the property interest as at 17 January 2006 ("the date of valuation") for public disclosure purposes.

INTRODUCTION

Basis of Valuation

Unless otherwise stated, our valuation has been prepared in accordance with the "HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS") and our General Principles of Valuation. Where the Valuation Standards are silent on subjects requiring guidance, we would refer to "The RICS Appraisal and Valuation Standards" published by the Royal Institution of Chartered Surveyors ("RICS") and the "International Valuation Standards" published by the International Valuation Standards Committee ("IVSC") subject to variation to meet local established law, custom, practice and market conditions.

Our valuation of the property interest is made on the basis of the "Market Value" adopted by the HKIS, set out as follows:

"Market Value is the estimated amount for which a property should exchange on the Date of Valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation services have been executed in accordance with our Quality Assurance System, accredited by HKQAA via ISO 9001:2000 and our report prepared with reference to the assumptions, definitions and limiting conditions as set out in our General Principles of Valuation.

Valuation Methodology

We have assessed the market value of the Company's Interest by applying the Agreed Proportion (i.e. 23.63%) to the market value of the Property. We have valued the Property as a single property interest and have assumed that the Property will be sold as a whole.

For the valuation of the Property, we have adopted the direct comparison method and cross-referenced with the residual method.

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transferred their legal ownership. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under consideration.

The residual method of valuation requires an assessment of the Gross Development Value (GDV) of the proposed development subject to the hypothetical assumption that the definition of market value is applied to the completed development, as at the date of valuation. The costs of development, which include construction costs (outstanding), professional fees, finance costs on construction, marketing costs of the completed development, estimated land premium for land exchange, are then deducted from the Gross Development Value. Allowance would then be made for developer's profit, acquisition costs for land and finance costs on land. The resultant figure is the residual value.

The GDV assessment is subject to the hypothetical assumption that the definition of market value is applied to the completed development, as at the date of assessment. This method is subject to a number of hypothetical assumptions/parameters. A slight change in one or more of the assumptions/parameters would have a significant impact on the conclusions reached.

Valuation Assumptions

Our valuation has been made on the assumption that the owners sell the property interest on the open market without the benefit of deferred-terms contract, leaseback, joint venture, management agreements or any similar arrangements which would serve to affect the value of such property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Source of Information

We have relied to a very considerable extent on the information provided by the Company including a site area schedule, a site plan and copies of building licences in respect of two lots within the Property. We have also relied on those information obtained from the Land Registry in Hong Kong. We have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, site and floor areas, the identification of the Property and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in copies of documents provided to us and are therefore only approximations.

Our valuation is totally dependent on the adequacy and accuracy of the information supplied and/or subsequent assumptions made. Should these prove to be incorrect or inadequate, the accuracy of our valuation may be affected.

Title Investigation

We have not been provided with copies of the title documents relating to the Property. However, we have caused searches to be made for the Property at the Land Registry in Hong Kong. We have not scrutinized the original documents to verify ownership and encumbrances, or to ascertain any amendment which may or may not appear on the copies handed to us.

Site Investigation

We have not carried out site measurements to verify the correctness of the site area. We have assumed that the site area information provided to us by the Company is correct.

We were not instructed to carry out any investigations on site in order to determine the suitability of ground conditions and services, nor did we undertake archaeological, ecological or environmental surveys. In the course of our valuation, we have assumed that as at the date of valuation these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. However, should it be established subsequently that contamination exists at the Property or on neighbouring land, or that the Property have been or are being put to any contaminative use, we reserve the right to adjust the value reported herein.

Property Inspection

We had inspected the Property on 11 January 2006. In the capacity as an external valuer, we have not carried out any building survey, nor have we inspected those parts of the Property which are covered, unexposed or inaccessible. These parts are assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of the uninspected parts of the Property. This report should not be taken as making any implied representation or statement about such parts. We are not able to report that the Property is free from rot, infestation or any other structural defects. No tests have been carried out to any of the services.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Property, or has since been incorporated, and we are therefore unable to report that the Property are free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' industrial or commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

Report

The valuation certificate is attached hereto.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited

Dorothy Chow *BSc(Hons), MSc, MHKIS, MRICS, RPS(GP)*
Associate Director
Licence No.: E-182969

Note :

Ms Chow is a Chartered Surveyor and a Registered Professional Surveyor. She has over 9 years of valuation and advisory experience in Hong Kong.

VALUATION CERTIFICATE

Property held for development

Property	Description, age and tenure	Particulars of occupancy	Market value as at 17 January 2006
<p>Lot Nos. 406RP, 407, 408RP, 409, 411RP, 412RP, 448, 449, 450, 451, 453, 454, 455, 456, 457, 458, 459, 462, 464RP, 466RP, 412s.B, 413, 442RP, 443RP, 445s.A, 445RP, 446RP, 447 and 460RP in Demarcation District No. 374, Lot Nos. 251, 253, 249s.B, 250RP, 255RP, 364RP, 313, 314, 311 and 673 in Demarcation District No. 375, So Kwun Wat, Tuen Mun, New Territories, Hong Kong</p>	<p>The Property comprises thirty nine lots. It is situated on the eastern side of So Kwun Tan Bridge in the So Kwun Wat area of Tuen Mun in the New Territories. Majority of the lots are located closely together and forming a land parcel of roughly trapezoidal in shape bounded by Kwun Chui Road and So Kwun Tan Bridge. Besides, various individual lots within the Property are located in an area to the north-east of Tuen Mun Town Lot No. 465, which in turn is located on the eastern side of the aforesaid land parcel across Kwun Chui Road.</p>	<p>Upon our inspection, we noted that the two single-storey structures and a fenced-off area on the northern part of the main land parcel were occupied for workshop/warehouse and storage purposes.</p> <p>Some lots outside the main land parcel formed part of an open storage for containers.</p>	<p>HK\$123,000,000 (HONG KONG DOLLARS ONE HUNDRED AND TWENTY THREE MILLION)</p>
	<p>According to the information provided by the Company, the total registered site area of the Property is about 188,700ft² (17,530.7m²). The total surveyed site area of the Property is approximately 186,910ft² (17,364.4m²).</p>	<p>The single-storey steel structures and the two village houses erected on the remaining areas of the Property were mainly vacant as at the date of inspection.</p>	<p>Market value of the Company's Interest in the Property as at 17 January 2006</p> <p>HK\$29,000,000 (HONG KONG DOLLARS TWENTY NINE MILLION)</p>
	<p>The surrounding environment of the Property is characterized with open container storage intermingled with some scattered village type developments. The Property is accessible via Kwun Chui Road and So Kwun Wat Tsuen Road branching off So Kwun Wat Road.</p>		
	<p>At the date of our inspection, the northern part of the main land parcel was erected with two single-storey structures used for storage purposes. The structures were mostly of concrete structure with pitched roof made of corrugated metal sheets. Various single-storey steel structures with pitched roof made of corrugated metal sheets were erected on the southern part of the main land parcel. In addition, two three-storey village houses of concrete structure and finished with mosaic-tiled exterior were erected on the central part of the main land parcel.</p>		
	<p>The Property is held from the Government under Block Government Lease for a term expiring on 30 June 2047. The current Government Rent payable for the Property (except Lot No. 460RP in Demarcation District No. 374 and Lot Nos. 364RP, 313, 314, 311 and 673 in Demarcation District No. 375) is an amount equal to 3% of the prevailing rateable value of the lots.</p>		

Notes:

- (1) According to the Land Registry record as at 10 January 2006, the registered owners of the Property are as follows:

Lot Nos. 406RP, 407, 408RP, 409, 411RP, 412RP, 448, 449, 450, 451, 453, 454, 455, 456, 457, 458, 459, 462, 464RP and 466RP in Demarcation District No. 374, Lot Nos. 251, 253, 249B, 250RP and 255RP in Demarcation District No. 375	—	Fill Year Limited
Lot Nos. 364RP, 313, 314 and 311 in Demarcation District No. 375	—	Li Sz Pit (or Pih) Tong Li Koon Tai “Manager”
Lot No. 460RP in Demarcation District No. 374 and Lot No. 673 in Demarcation District No. 375	—	Li Ting Fat Tso Li Ping Wa (Manager) Lee Tai On (Manager) Li Ping Tong (Manager) Li Sun Fat (Manager)
Lot Nos. 412s.B, 413, 442RP, 443RP, 445s.A, 445RP, 446RP, 447 in Demarcation District No. 374	—	Heatex Ceramic Limited

An Agreement for Sale and Purchase of Lot Nos. 364RP, 313, 314 and 311 in Demarcation District No. 375, together with Lot Nos. 227 and 347 in Demarcation District No. 375, in favour of FYL for a consideration of HK\$3,380,200 dated 25 August 2005 has been registered in the Land Registry vide Memorial No. 05090700130173. Subject to the grant of consent for sale of the Property to FYL by the relevant District Office, the vendor shall be entitled to give notice to FYL under the agreement in writing specifying that all the conditions precedent under the agreement have been fulfilled and requiring FYL to complete the purchase within 14 days from the date of receipt of the said notice whereupon the completion date shall be on or before 14 days from the date of receipt of such notice by FYL or its solicitors.

For Lot No. 460RP in Demarcation District No. 374 and Lot No. 673 in Demarcation District No. 375, an Agreement for Sale and Purchase in favour of FYL for a consideration of HK\$1,175,600 dated 26 August 2005 has been registered in the Land Registry vide Memorial No. 05091300140197. Subject to the grant of consent for sale of the Property to FYL by the relevant District Office, the vendor shall be entitled to give notice to FYL under the agreement in writing specifying that all the conditions precedent under the agreement have been fulfilled and requiring FYL to complete the purchase within 14 days from the date of receipt of the said notice whereupon the completion date shall be on or before 14 days from the date of receipt of such notice by FYL or its solicitors.

- (2) The Property (except Lot Nos. 364RP, 313, 314, 311 & 673 in Demarcation District No. 375 and Lot No. 460RP in Demarcation District No. 374) is zoned under the Tuen Mun Outline Zoning Plan No. S/TM/21 exhibited on 2 December 2005 for “Comprehensive Development Area”. Permission for development in form of submission of a master layout plan for the approval of the Town Planning Board is required for all development within Comprehensive Development Area. According to the notes of the Outline Zoning Plan, the maximum plot ratio of the development within the subject Comprehensive Development Area is 1.3. The maximum site coverage and building height is 25% and 10 storeys above car park respectively. The zoning of Lot Nos. 364RP, 313, 314, 311 & 673 in Demarcation District No. 375 and Lot No. 460RP in Demarcation District No. 374 is as follows:

Lot No. 364RP in Demarcation District No. 375 and Lot No. 460RP in Demarcation District No. 374	—	Greenbelt
Lot Nos. 313, 314 & 311 in Demarcation District No. 375	—	Open Space
Lot No. 673 in Demarcation District No. 375	—	Village Type Development

- (3) The land use description of the lots within the Property as shown on the schedules attached to the Block Government Lease of Demarcation District Nos. 374 and 375 is ‘Padi’.
- (4) The current storage use and the structure as erected on the northern part of the main land parcel (i.e. Lot Nos. 412s.B, 413, 445s.A, 445RP, 446RP, 447 in Demarcation District No. 374) are subject to the terms and conditions as stipulated in the Short Term Waiver No. 5 (“the STW”) dated 14 April 1975 issued by the Lands Department of the Government of HKSAR. The STW was granted for a period of one year commencing on 1 April 1975 and thereafter quarterly. According to the waiver letter, the lots concerned shall be used for manufacture of vacuum bottles and refills and such other use as may be approved by District Office Tuen Mun. The structure erected thereon shall not exceed a site coverage of 20,380 ft² and a height of 25ft.
- (5) Lot No. 448 in Demarcation District No. 374 is subject to a Building Licence No. 409 dated 28 January 1974 as modified by a Modification Letter dated 26 January 1979. According to the Building Licence and the Modification Letter, one non-industrial building containing not more than three storeys and a built-over area not exceeding 540ft² can be erected on the lot.

- (6) Lot No. 450 in Demarcation District No. 374 is subject to a Building Licence dated 18 December 1974 as modified by a Modification Letter dated 12 March 1976. According to the Building Licence and the Modification Letter, one non-industrial building containing not more than three storeys and a built-over area not exceeding 700ft² can be erected on the lot.
- (7) According to our recent Land Registry search, the following encumbrance is registered against the Property:

Lot No.	Particulars of Encumbrance	Date of Instrument
Lot No. 443RP in Demarcation District No. 374	Notice (under S.14 of Roads (Works, Use & Compensation) Ordinance) (Chapter 370)) of Resumption of Land — G.N. 6891 as registered vide Memorial No. 929613 <i>(According to G.N. 6891, portion (46 ft² or 4.3 m²) of the Remaining Portion of Lot No. 443 was reverted to the Government of the HKSAR on 12 February 2000.)</i>	11 November 1999
406RP, 407, 408RP, 409, 456, 457, 464RP and 466RP in Demarcation District No. 374	Sealed and Certified Copy Amended Defence in favour of Tat Fung Enterprises Company Limited “1st Plaintiff” Deacon Te Ken Chiu Alias Chiu Te-Ken and Ju Ching Lan “2nd Plaintiff” Occupiers of the 1st land the 2nd land both as defined in below, Section B of Lot No. 473 and Lot No. 475 in D.D 374 “1st Defendants” Ng Tam Tai “2nd Defendant” Chiu Kin Wah, Wally “3rd Defendant” (Remarks: and Counterclaim 2nd and 3rd Defendants in H.C.A No. A635 of 1997) <i>(We have been provided with a copy of a Consent to Dismissal of Appeal dated 11 January 2006 in relation to the aforesaid High Court action and have been advised that the above High Court action had been dismissed. For the purpose of valuation, we have assumed that there are no outstanding claims or costs in relation to the lots.)</i>	2 February 1998

- (8) In the course of our assessments, we have based on the site area information provided by the Company. We have also made reference to site area stated in Block Government Lease and Government Rent Rolls and have used a conversion factor of 1 acre = 43,560ft² for the site area of the Property. The areas are only approximations and the actual site area may be different from the area registered in the Block Government Lease or Rent Rolls.
- (9) During our inspection, we have relied on the relevant demarcation district sheets, survey sheets and lot index plans prepared by the Survey and Mapping Office of the Lands Department of the HKSAR Government to identify the boundaries of the subject lots. However, we have assumed that the Property is under the custody of the registered owner without any encroachment by the adjacent land owners.
- (10) The Property has been valued with benefit of the building licences and STW. We have valued the Property on the assumption that vacant possession will be available upon the sale of the Property.
- (11) We have assessed the market value of the Company’s Interest by applying the Agreed Proportion (i.e. 23.63%) to the market value of the Property. We have valued the Property as a single property interest and have assumed that the Property will be sold as a whole.

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 and chief executive were interested, or were deemed to be interested in the following long position in the Shares, underlying Shares of equity derivatives and debentures of the Company 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 Issuers (“Model Code”) adopted by the Company to be notified to the Company and the Stock Exchange:

Long position in Shares

Name	Capacity	Personal interests	Corporate interests	Other interests	Total no. of ordinary Shares	% of issued share capital
Cha Mou Sing, Payson	(1) Beneficial owner, (2) interest of controlled corporation and (3) beneficiary of discretionary trusts	459,541	512,616 (Note 1)	104,263,263 (Note 3)	105,235,420	23.74%
Cha Mou Daid, Johnson	Beneficiary of discretionary trusts	—	—	105,783,769 (Note 3)	105,783,769	23.87%
Cha Yiu Chung, Benjamin	Beneficiary of discretionary trusts	—	—	104,263,263 (Note 3)	104,263,263	23.52%
Wong Sue Toa, Stewart	(1) Beneficial owner and (2) interest of controlled corporation	3,718,409	2,823,786 (Note 2)	—	6,542,195	1.48%
Tai Sai Ho	Beneficial owner	376,875	—	—	376,875	0.09%
Shen Tai Hing	Beneficial owner	8,202	—	—	8,202	0.0019%

Notes:

- (1) 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.
- (2) Mr. Wong Sue Toa, Stewart's corporate interests in the Company arise from the fact that he owns 50% of the share capital of a corporation, which as at the Latest Practicable Date, held 2,823,786 Shares.
- (3) These Shares are held under certain discretionary trusts, of which Mr. Cha Mou Sing, Payson, Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin are members of the class of discretionary beneficiaries comprising Dr. Cha Chi Ming and his issue under certain but not identical discretionary trusts.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company were interested, or were deemed to be interested in long or 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 to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WITH NOTIFIABLE INTERESTS

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (other than the Directors of the Company) 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 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 meetings of any other member of the Group:

Long position in Shares

Name	Capacity	Number of ordinary Shares	% of issued share capital
Great Wisdom (<i>Note 1</i>)	Beneficial owner	217,185,676	49.0%
HKRI (<i>Note 1</i>)	(1) Beneficial owner and (2) interest of controlled corporation	217,185,957	49.0%
LBJ Regents Limited ("LBJ Regents") (<i>Note 2</i>)	(1) Trustee and (2) interest of controlled corporations	29,052,705	6.55%
Novantenor (<i>Note 3</i>)	(1) Trustee and (2) interest of controlled corporations	295,320,953	66.63%

Notes:

- (1) Great Wisdom is a wholly-owned subsidiary of HKRI and therefore HKRI is deemed to be interested in the 217,185,676 Shares held by Great Wisdom in accordance with the SFO.
- (2) These Share interests comprise 14,911,093 Shares directly held by LBJ Regents, 14,141,612 Shares indirectly held by LBJ Regents through a subsidiary held as to approximately 52.24% by LBJ Regents. LBJ Regents is holding these Shares and the shares in HKRI as the trustee of certain irrevocable discretionary trusts of which members of the Cha Family are among the discretionary objects.
- (3) These Share interests comprise 78,134,996 Shares directly held by Novantenor and 217,185,957 shares held by HKRI. As at the Latest Practicable Date, Novantenor directly held approximately 37.46% interest in HKRI and pursuant to the SFO, Novantenor is deemed to be interested in the 217,185,957 Shares held by HKRI. Novantenor is holding these Shares and the shares in HKRI as the trustee of certain irrevocable discretionary trusts of which members of the Cha Family are among the discretionary objects.

Save as disclosed in this circular, the Directors are not aware of any person who, as at the Latest Practicable Date, 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 other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into any service contract with the Company or any subsidiary of the Company (except those which would expire within one year or was determinable by the employing company within one year without payment of compensation other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, the interests of Directors and their associates in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules were as follows:

Name of Director <i>(Note 1)</i>	Name of company	Nature of interest	Competing business <i>(Note 2)</i>
Cha Mou Sing, Payson	HKRI	Director of HKRI; and a member of the class of discretionary beneficiaries of certain discretionary trusts of which the trustee is deemed a substantial shareholder of HKRI under Part XV of the SFO	(a) Property development and investment (b) Property management, leasing and marketing services
Cha Mou Daid, Johnson	HKRI	Director of HKRI; and a member of the class of discretionary beneficiaries of certain discretionary trusts of which the trustee is deemed a substantial shareholder of HKRI under Part XV of the SFO	(a) Property development and investment (b) Property management, leasing and marketing services
Cha Yiu Chung, Benjamin	HKRI	A member of the class of discretionary beneficiaries of certain discretionary trusts of which the trustee is deemed a substantial shareholder of HKRI under Part XV of the SFO	(a) Property development and investment (b) Property management, leasing and marketing services

Notes:

- (1) Mr. Cha Mou Sing, Payson, Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin are non-executive directors of the Company, who are not involved in the daily management of the Group.
- (2) Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, and as at the Latest Practicable Date, none of the Directors or their respective associates was interested in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group, except for the following:—

- (i) legal actions in respect of allegations for copyright infringement and defamation have been taken during the financial year ended 31 March 2004 against certain subsidiaries of the Company carrying on health product business and since only preliminary steps have been taken against the Group, the Directors are of the opinion that it is impractical to assess the impact of such legal actions on the Group. Reference is made to Note 34 (contingent liabilities) of the Company's 2004-2005 annual report and paragraph 6(i) of the Appendix to the Company's circular to shareholders dated 4 October 2005 which had previously disclosed such actions;
- (ii) actions for personal injury claims are being taken against the Group from time to time in the course of and in connection with its construction, interior and renovation businesses 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. The Directors consider that such actions will have no material impact on the Group. Reference is made to paragraph 6(ii) of the Appendix to the Company's circular to shareholders dated 4 October 2005 which had previously disclosed such actions; and
- (iii) a subsidiary of the Company (the "Subsidiary") has taken legal action during the financial year ended 31 March 2004 in respect of a dispute relating to matters under the Employment Ordinance and/or breach of a sub-contract against a sub-contractor of the Group and the sub-contractor has subsequently made a counter-claim against the Subsidiary in respect of the alleged outstanding payment for work done, and since only preliminary steps have been taken by the Subsidiary and the sub-contractor, the Directors are of the opinion that it is impractical to assess the impact of such legal action on the Group. Reference is made to paragraph 6(iii) of the Appendix to the Company's circular to shareholders dated 4 October 2005 which had previously disclosed such action.

7. QUALIFICATION OF EXPERT, CONSENT AND EXPERT'S INTERESTS

The following are the qualification of the expert who has given its opinion or advice which are contained in this circular:

Name	Qualification
Jones Lang LaSalle Limited	Chartered surveyors

Jones Lang LaSalle Limited, an independent chartered surveyor, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its names in the form and context in which they appear.

Jones Lang LaSalle Limited confirmed that as at the Latest Practicable Date it did not have any shareholding in the Company or any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Jones Lang LaSalle Limited further confirmed that as at the Latest Practicable Date it did not have any interest, direct or indirect, in any assets which have been, since 31 March 2005 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2005, being the date up to which the latest published audited accounts of the Group were made.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within two years preceding the date of this circular and which are or may be material:

- (a) Provisional sale and purchase agreement dated 4 June 2004 entered into between a wholly owned subsidiary of the Company and Hammond Development Company Limited in relation to the acquisition of property situated at No. 4 College Road, Kowloon Tong (as disclosed in the circular dated 29 June 2004) for a total consideration of HK\$27.8 million.

- (b) Provisional sale and purchase agreement dated 4 June 2004 entered into between a wholly owned subsidiary of the Company and Megalink Holdings Limited in relation to the acquisition of property situated at No. 21 Sau Chuk Yuen Road, Kowloon Tong (as disclosed in the circular dated 29 June 2004) for a total consideration of HK\$25 million.
- (c) the tender for the property situated at Nos. 1 and 1E La Salle Road, Kowloon Tong (the “La Salle Road Property”) by a wholly owned subsidiary of Crown Cosmos Investments Limited (“Crown Cosmos”) which is owned as to 50% by Media Group International Limited (“Media Group”), a wholly owned subsidiary of the Company, under a memorandum issued by Viewfull Limited setting out the details and terms and conditions of the La Salle Road Property for sale by tender (as disclosed in the circular dated 14 January 2005). The acquisition has been completed in June 2005 and the purchase price amounted to approximately HK\$171 million.
- (d) a joint venture agreement dated 23 December 2004 entered into between Media Group, Goldstore Investments Limited and Crown Cosmos in respect of the subscription of the shares in Crown Cosmos and regulation of the relationship between shareholders in Crown Cosmos (as disclosed in the circular dated 14 January 2005). The estimated land, construction and development costs and expenses of the La Salle Road Property (including the purchase price of approximately HK\$171 million and the establishment of the joint venture) are approximately HK\$306.4 million.
- (e) Provisional agreement dated 13 September 2005 entered into between a wholly owned subsidiary of the Company and Molex Hong Kong/China Limited in relation to the acquisition of property situated at Workshops 9 to 13 (both inclusive) on 2nd Floor of Block A and 4 car parking spaces on 2nd Floor of Shatin Industrial Centre, Nos. 5-7 Yuen Shun Circuit, Shatin (as disclosed in the circular dated 4 October 2005) for a total consideration of HK\$27.03 million.
- (f) Sale shares agreement dated 16 September 2005 entered into between Media Group, Capital Full Investment Limited and Van Shung Chong Holdings Limited in relation to the acquisition of the entire issued share capital of Senior Rich Development Limited which owns the property situated at Lots Nos. 163A, 163B, 164, 165B, 165RP, 166RP, 167RP, 168, 169, 170 and 171 all in D.D. No. 128, Yuen Long (as disclosed in the circular dated 4 October 2005) for a total consideration of approximately HK\$34.5 million.
- (g) Joint development agreement dated 20 December 2005 entered into between two associated companies of the Company in respect of the joint development of two plots of land situated at Land and Resources Bureau Lot Nos. 1903130500001 and 1903130500008 in Dongguan, Guangdong, People’s Republic of China.
- (h) the SKW Development Agreement

10. GENERAL

- (a) Mr. Lo Kai Cheong Casey, who is a Fellow of the Hong Kong Institute of Certified Public Accountants, is the company secretary and the qualified accountant of the Company.
- (b) 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.
- (c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Unit 1, 4/F., Block B, Shatin Industrial Centre, 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong during normal business hours on any business day from the date of this circular until 14 days hereafter:

- (a) this circular;
- (b) the memorandum and articles of association of the Company;
- (c) the audited consolidated accounts of the Group for each of the two financial years ended 31 March 2005 and the published interim accounts of the Group for the six months ended 30 September 2005;
- (d) the written consent from Jones Lang LaSalle Limited referred to in paragraph 7 in this Appendix III;
- (e) the letter, summary of values and valuation certificate relating to certain property interests of the Group prepared by Jones Lang LaSalle Limited, the text of which is set out in Appendix II to this circular;
- (f) the material contracts referred to in paragraph 9 above including the SKW Development Agreement;
- (g) the circulars issued pursuant to the requirements set out in Chapter 14 of the Listing Rules since 31 March 2005, the date of the latest published audited accounts.