



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 896)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

INTERIM RESULTS

The Board of Directors (the "Board") of Hanison Construction Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated net profit attributable to shareholders of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2004 amounted to HK\$25.4 million, compared with HK\$12.2 million for the same period last year. The earnings per share were HK9.0 cents, compared with HK4.3 cents for the corresponding period last year.

DIVIDEND

The Board has resolved to pay an interim dividend of HK1 cent per share for the six months ended 30 September 2004 (for the six months ended 30 September 2003: HK 1 cent per share) to shareholders whose names appear on the Registers of Members of the Company as of the close of business on 31 December 2004 ("Record Date"). The dividend is expected to be paid to shareholders on or around 10 January 2005.

PROPOSED BONUS ISSUE OF SHARES

The Board has resolved to recommend a bonus issue ("Bonus Issue") of shares of HK\$0.1 each in the capital of the Company ("Bonus Shares") on the basis of one Bonus Share for every four existing shares held by the members of the Company whose names appear on the Registers of Members as at the close of business on the Record Date. 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 interim dividend or the Bonus Issue. The Bonus Issue is conditional upon members' approval at an extraordinary general meeting to be convened and the Listing Committee of The Stock Exchange of Hong Kong Limited ("Stock Exchange") 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.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from 30 to 31 December 2004, both dates inclusive. During this period no share transfer will be registered. In order to qualify for the interim dividend and the Bonus Issue, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday 29 December 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

		1.4.2004 to 30.9.2004 HK\$'000 (Unaudited)	1.4.2003 to 30.9.2003 HK\$'000 (Unaudited)
Turnover	3	362,533	358,230
Cost of sales		(291,059)	(317,091)
Gross profit		71,474	41,139
Other operating income		355	1,891
Marketing and distribution costs		(7,517)	(3,588)
Administrative expenses		(34,216)	(24,757)
Profit from operations	4	30,096	14,685
Finance costs		(454)	(76)
Share of results of associates		(12)	267
Share of results of jointly controlled entities		—	(25)
Profit before taxation		29,630	14,851
Taxation	5	(4,201)	(2,670)
Net profit for the period		25,429	12,181
Dividend	6	2,837	2,837
Earnings per share — basic	7	HK9.0 cents	HK4.3 cents

NOTES

1. BASIS OF PREPARATION

The condensed financial statements has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange and the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's audited financial statements for the year ended 31 March 2004 with the adoption of new accounting policies for recognition of income from properties held for sale as follows:

Revenue recognition

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

Properties held for sale

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

3. TURNOVER AND SEGMENT INFORMATION

Business segments

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Properties investment HK\$'000	Properties agency and management HK\$'000	Properties development HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2004									
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	185,492	42,336	55,267	26,174	4,820	3,155	72,934	(27,645)	362,533
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment	4,854	785	4,297	563	3,500	574	20,949	(1,659)	33,863
Other operating income									355
Unallocated corporate expenses									(4,122)
Profit from operations									30,096
Finance costs									(454)
Share of results of associates							(12)		(12)
Share of results of jointly controlled entities									—
Profit before taxation									29,630
Taxation									(4,201)
Net profit for the period									25,429

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Properties investment HK\$'000	Properties agency and management HK\$'000	Properties development HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2003									
TURNOVER									
External sales	246,840	69,392	22,949	16,115	2,226	708	—	—	358,230
Inter-segment sales	—	65,468	4,858	827	—	1,542	—	(72,695)	—
Total	246,840	134,860	27,807	16,942	2,226	2,250	—	(72,695)	358,230
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment	9,903	2,114	112	(1,199)	2,047	601	(12)		13,566
Other operating income									1,891
Unallocated corporate expenses									(772)
Profit from operations									14,685
Finance costs									(76)
Share of results of associates			287				(20)		267
Share of result of a jointly controlled entity		(25)							(25)
Profit before taxation									14,851
Taxation									(2,670)
Net profit for the period									12,181

Geographical segments

All of the Group's operations during the six months ended 30 September 2004 and 2003 were carried out in Hong Kong.

4. PROFIT FROM OPERATIONS

	1.4.2004 to 30.9.2004 HK\$'000	1.4.2003 to 30.9.2003 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	15	15
Depreciation	1,744	1,477
Allowance for prepayment to a supplier and after crediting:	3,000	—
Gain on disposal of investments in securities	—	293
Expenses capitalised in cost of contract work:		
Depreciation	1,254	1,145

5. TAXATION

	1.4.2004 to 30.9.2004 HK\$'000	1.4.2003 to 30.9.2003 HK\$'000
Hong Kong Profits Tax attributable to the Company and its subsidiaries	4,229	2,620
Deferred taxation	(28)	—
Share of Hong Kong Profits Tax attributable to associates	—	50
	4,201	2,670

Hong Kong Profits Tax is calculated at 17.5% (for the six months ended 30 September 2003: 17.5%) of the estimated assessable profit for the period.

6. DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 September 2004 (for the six months ended 30 September 2003: HK1 cent per share), which amounted to approximately HK\$2,837,000 (for the six months ended 30 September 2003: HK\$2,837,000).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the net profit for the period of HK\$25,429,000 (for the six months ended 30 September 2003: HK\$12,181,000) and on the weighted average number of 283,671,086 shares (for the six months ended 30 September 2003: 283,671,086 shares).

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Benefiting from the gradual recovery of the local economy and property market, the Group sustained a satisfactory operating result during the period, with a consolidated turnover of HK\$362.5 million (for the six months ended 30 September 2003: HK\$358.2 million) and consolidated net profits after tax of HK\$25.4 million (for the six months ended 30 September 2003: HK\$12.2 million), attributing mainly to the partial sales of its first property development project “Golf Parkview” launched in August 2004.

Construction Division

The Construction Division has recognized an external turnover of HK\$170.2 million (total turnover was HK\$185.5 million) during the period under review, a decrease of 31.0% compared with the corresponding period last year (for the six months ended 30 September 2003: HK\$246.8 million). In view that some large construction projects have been completed in the last financial period and several new construction project works have just been commenced, this Division has recognized a relatively lower turnover during the period under review.

Major projects completed during the period included the residential development of the Group’s property at Kwu Tung — “Golf Parkview”, the construction of a school for moderately mentally handicapped children in Yuen Long for the Architectural Services Department, the demolition works at 33 Cameron Road, and the toilet improvement works Phase VII for the Airport Authority.

Existing projects include construction of student residences at Flora Ho Sports Centre for the University of Hong Kong, Shek Yam Estate Phase 5 development for the Hong Kong Housing Authority, construction of community colleges at the junction of Shantung Street and Hak Po Street for the Tung Wah Group of Hospitals, school improvement works for S.K.H. Wei Lun Primary School in Discovery Bay, and townhouse development at Tung Chung undertaken by a joint venture with Hip Hing Construction Company Limited.

During the period, a new contract for Discovery Bay North residential development Phase 13 and a new contract from the Airport Authority for toilet improvement works Phase VI were awarded. As at 30 September 2004, the outstanding values of contracts on hand amounted to HK\$842.2 million.

Building Materials Division

The Building Materials Division has recorded an external turnover of HK\$52.5 million (total turnover was HK\$55.3 million), representing a 128.7% increase over the corresponding period last year of HK\$22.9 million.

New contracts awarded during the period included the supply and/or installation of: Polyboard for Pacifica; Polyboard, timber flooring and kitchen cabinet for Caribbean Coast; kitchen cabinet for residential development at Shek Kong; false ceiling for Disney Resort Coach and Carpark; and the student residence at Flora Ho Sports Centre of the University of Hong Kong.

Other new project contracts awarded included the supply of pipes for Aberdeen Tunnel, Hong Kong International Airport Passenger Terminal renovation project, CLP Power Substation at Discovery Bay, residential project at Lok Kwai Path, Discovery Bay North residential development Phase 13, Shatin Industrial Centre and various MTR Station renovation projects.

The outstanding values of contracts on hand as at 30 September 2004 amounted to approximately HK\$117.4 million.

Interior and Renovation Division

The Interior and Renovation Division has recorded an external turnover of HK\$34.0 million (total turnover was HK\$42.3 million), representing a 51.0% decrease when compared with that of the corresponding period last year.

Major contract works undertaken during the period included the external wall renovation works for Ventris Place in Happy Valley, external renovation works for Mei Foo Sun Chuen, a fitting out contract from Cheung Kong Group for hotel development at Hung Hom Bay and a term contract from the Hong Kong Housing Authority for maintenance and renovation works of shopping arcades and carparks.

During the period, this division was awarded various alteration and renovation contracts from The City University of Hong Kong, Giordano Limited and the Hong Kong Jockey Club. The outstanding value of contracts on hand as at 30 September 2004 amounted to approximately HK\$210.5 million.

Subsequent to the period end, this Division was awarded a HK\$70.1 million new contract for external renovation of Estoril Court at Garden Road and a HK\$13.6 million new contract for addition and alteration works for Stelux House in San Po Kong.

Health Products Division

The results for the Health Products Division have improved during the period. Care & Health Limited continues to enrich its product line and has introduced a new health product, namely “Premium Grade Wild Cordyceps Liquid” during the period. Other health products currently selling in the market include the “Lingzhi Master series”, “Chinese Medical Formula”, “Dia-Care” and “Bowelcare”. The health products wholesale business and the health products retailing chain store business operating under the trade name of “Health Plus” have made promising progress during the period. Currently, there are 16 Health Plus shops in different locations in Hong Kong, selling health care equipment, health supplements and beauty care products.

Property Investment Division

The Property Investment Division recorded a steady rise in rental income, generated from the Group’s investment properties at Shatin Industrial Centre in Shatin, Health Plus Centre (formerly known as Winner Building) in Tai Wai, Nos. 23-25 Mei Wan Street in Tsuen Wan, No. 95 Bedford Road in Tai Kok Tsui, No. 4 College Road and No. 21 Sau Chuk Yuen Road in Kowloon Tong, and a piece of land at Ping Che.

For the period under review, this division has received a total rental income amounting to HK\$4.8 million which was 116.5% over last year’s figure. As at 30 September 2004, the overall occupancy rate for the Group’s investment buildings was approximately 66.8%.

Property Development Division

Golf Parkview, the Group’s first property development project, has been offered for sale since August 2004. Golf Parkview is located in Kwu Tung with convenient access to Sheung Shui KCR station and Lok Ma Chau Control Point. It comprises 6 low-rise residential blocks with a total of 48 luxury flats. All units have balconies, most of which are featured with a distinctive golf course view.

With improved local property market sentiment, 16 flats were sold at an average price of \$3,287 per sq ft, producing a turnover of HK\$72.9 million for the period. The management expects that this project will continue to bring promising returns to the Group in the coming period.

Property Agency and Management Division

This division continued to generate a stable revenue stream for the Group during the period, through provision of project and property management, rental collection and leasing agency services.

OUTLOOK

The continuing recovery in the economy and encouraging rebound in the property market since the third quarter of 2003 has given impetus to growth in business investment and expansion in private consumption in Hong Kong. Sentiment towards investment spending has improved since the second half of 2003, and with the strengthening of domestic demand due to the reduction in number of homeowners with “negative equity”, together with easement of the unemployment rate, it suggests that the deflationary situation in Hong Kong could almost be over.

Residential property prices, especially for properties at the luxury end of the market, have risen significantly since August 2003. The continuing low mortgage interest rate, the strengthening of the Hong Kong dollar, the HKSAR Government’s policies towards maintaining a stable supply-and-demand market environment, the healthy recovery of both global and local economies, and the rebound of the property market from a very depressed level, has regained investors’ and end-users’ interests and confidence in Hong Kong properties.

During the period, the Group has achieved a satisfactory return from sales of the properties at Kwu Tung. However, the building construction business has not responded strongly to the above favourable factors. The number of construction projects on both the private and public sectors has reduced. The construction industry is highly competitive and the building construction business will remain difficult in the coming years.

Over the years, the Group has been pursuing business opportunities to diversify its businesses into property development, project management and health products retail and wholesales. Going forward, the Group will endeavor to expand its core operation, to develop its diversified businesses, and to seek other viable investment opportunities to enhance our shareholders’ wealth.

FINANCIAL REVIEW

Group Liquidity and Financial Resources

The financial position of the Group remains healthy. As at the close of business on 30 September 2004, the total cash and bank balances had decreased by HK\$43.8 million or 49.7%, compared with those as at 31 March 2004. The decrease was mainly due to the utilization of funds, during the period, to purchase properties for investment purposes, from independent third parties. The current ratio (current assets divided by current liabilities) was decreased to 1.2 times from 1.4 times at the last year-end date.

For day-to-day liquidity management and the maintenance of flexibility in funding, the Group has also obtained banking facilities with aggregate amount of HK\$258.2 million (HK\$53.2 million was secured by first charges over certain land and buildings and investment properties of the Group), of which approximately HK\$128.5 million bank loans and overdraft have been drawn down and approximately HK\$94.3 million has been utilized mainly for the issuance of letters of credit and performance bonds as at 30 September 2004. The Group’s funding requirements for the coming year are expected to be met by available cash as at balance sheet date, cash generated by operations, especially the proceeds from the sales of our property development project “Golf Parkview” at Kwu Tung and the available banking facilities.

Treasury Policies

In order to achieve better risk control and to minimize the cost of funds, the Group’s treasury activities are centralised and scrutinised by the top management. The Group’s treasury policies remain unchanged from those described in the latest annual report 2003-2004.

Capital Structure

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. During the period under review, the Group has borrowed Hong Kong dollars loans amounting to HK\$127.2 million from banks (at 31 March 2004 : HK\$ 55.3 million). The loans have been used as general working capital and for refinancing the acquisition of properties for investment purposes. The maturity profile of the borrowings spread over a period of five years with HK\$78.2 million repayable within the first year, HK\$4.2 million repayable within the second year and HK\$44.8 million within the third to fifth years. Interest is based on HIBOR with a competitive margin.

As at 30 September 2004, the gearing ratio of the Group, calculated on the basis of the Group’s net bank borrowings (total bank borrowings less total bank balances and cash) over shareholders’ funds, was 20.1% (at 31 March 2004: Nil).

Major Acquisition

During the period, the Group purchased from internally generated funds and bank loan, two properties at Kowloon Tong, Kowloon, from independent third parties, at a total consideration of approximately HK\$52.8 million. These properties are located in Hong Kong, and are being held for investment purposes.

Collateral

As at 30 September 2004, the Group’s Hong Kong dollars loans of HK\$53.2 million were secured by first charges over certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$95.9 million (at 31 March 2004: HK\$ 95.0 million).

Contingent Liabilities

(1) At 30 September 2004, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entities amounting to approximately HK\$7,095,000 (31 March 2004: HK\$11,523,000).

(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 products business. As at 30 September 2004, 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.

Capital Commitments

The Group had no material capital commitments as at 30 September 2004.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2004, the Group had over 500 employees. The Group offers competitive remuneration packages, including a discretionary bonus and share option scheme to its employees, commensurable to market level and their qualifications. The Group also provides retirement schemes, medical benefits and both in-house and external training courses for staff.

REVIEW OF INTERIM RESULTS

The interim financial report of the Group for the six months ended 30 September 2004 has not been audited, but has been reviewed by the Audit Committee of the Board and the Group’s auditors, Messrs Deloitte Touche Tohmatsu.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the website of the Stock Exchange in due course.

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

By order of the Board
Cha Mou Sing, Payson
Chairman

Hong Kong, 1 December 2004