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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2006

SUMMARY OF RESULTS

The audited consolidated profits of Hanison Construction Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2006 were HK$82.0 million (2005: HK$92.4 million (restated)), a decrease of 11.3%. The decrease in the Group's earnings is largely attributable to the reduction in number of flats sold during the year under review.

The consolidated turnover for the year was HK$876.6 million, representing a decrease of 4.8% compared with HK$920.7 million last year. The Group's turnover comprised proceeds from the sales of the units of its property development project, Golf Parkview, revenue from the construction, interior and renovation, building materials and health products businesses, property agency, management services and rental income.

The basic earnings per share for the year were HK18.5 cents (2005: HK20.8 cents (restated)).

DIVIDEND

The Board has recommended the payment of a final dividend of HK1.5 cents per share for the year ended 31 March 2006 (2005: HK1.5 cents per share) to shareholders whose names appear on the Registers of Members of the Company on 22 August 2006. This together with the interim dividend of HK1 cent per share gives a total of HK2.5 cents per share for the year (2005: HK2.5 cents per share). The proposed dividend will be paid on 22 September 2006 following approval at the annual general meeting.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Monday, 21 August 2006 to Tuesday, 22 August 2006, both dates inclusive. During this period no share transfer will be registered. In order to qualify for the final dividend for the year ended 31 March 2006, 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 Friday, 18 August 2006.

AUDITED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	NOTES	**2006** *HK$'000*	2005 *HK$'000 (Restated)*
Turnover	*3*	**876,564**	920,717
Cost of sales		**(740,609)**	(775,417)
Gross profit		**135,955**	145,300
Other income		**931**	1,543
Marketing and distribution costs		**(13,955)**	(14,275)
Administrative expenses		**(68,328)**	(68,887)
Finance costs		**(3,142)**	(872)
Share of result of associates		**(153)**	(54)
Share of result of jointly controlled entities		**822**	1,999
Gain on change in fair value of investment properties		**44,967**	45,357
Gain on change in fair value of investments held for trading		**27**	—
Unrealised holding gain on investments in securities		**—**	11
Profit before taxation	*5*	**97,124**	110,122
Taxation	*6*	**(15,167)**	(17,733)
Profit for the year		**81,957**	92,389
Dividends paid	*7*	**9,751**	7,092
Earnings per share — basic (HK cents)	*8*	**18.5**	20.8

AUDITED CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2006

	NOTES	**2006** *HK$'000*	2005 *HK$'000 (Restated)*
Non-current assets			
Investment properties		**295,090**	180,560
Property, plant and equipment		**44,648**	55,055
Interests in associates		**9,769**	9,922
Interests in jointly controlled entities		**26,887**	26,065
Goodwill		**540**	540
Deposits for acquisition of investment properties		**1,010**	490
Deposits for acquisition of property, plant and equipment		**3,473**	—
		381,417	272,632
Current assets			
Properties held for development for future sale		**210,466**	188,067
Properties held for sale		**2,570**	54,502
Inventories		**33,572**	30,631
Amounts receivable on contract work		**88,697**	61,985
Progress payments receivable	*9*	**33,780**	57,571
Retention money receivable		**96,379**	109,712
Debtors, deposits and prepayments	*10*	**72,521**	61,349
Amounts due from associates		**534**	532
Amounts due from jointly controlled entities		**90,695**	8,565
Investments held for trading		**217**	—
Investments in securities		**—**	190
Taxation recoverable		**1,442**	1,214
Bank balances and cash		**69,838**	102,069
		700,711	676,387
Current liabilities			
Amounts payable on contract work		**121,892**	135,781
Creditors and accrued charges	*11*	**211,613**	200,290
Taxation payable		**1,133**	2,412
Secured bank loans — amount due within one year		**82,200**	68,200
		416,838	406,683
Net current assets		**283,873**	269,704
Total assets less current liabilities		**665,290**	542,336
Non-current liabilities			
Secured bank loans — amount due after one year		**88,700**	46,900
Deferred taxation		**21,219**	12,271
		109,919	59,171
		555,371	483,165
Capital and reserves			
Share capital		**44,324**	35,459
Reserves		**511,047**	447,706
		555,371	483,165

NOTES

1. BASIS OF PREPARATION AND CONSOLIDATION

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses have been eliminated on consolidation.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new HKFRSs, HKASs and INTs (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets" which were already effective during the year ended 31 March 2005. In addition, the Group has early adopted HKAS 40 "Investment Property" in last year. The application of the other new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of share of tax of associates and jointly controlled entities has been changed. 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 and prior accounting years are prepared and presented.

Goodwill

In the current year, the Group has applied the transitional provisions in HKFRS 3 "Business Combinations" ("HKFRS 3") and the principal effects of the application of HKFRS 3 to the Group are summarised below.

In previous years, 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 year. 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.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" ("HKAS 32") and HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). 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 April 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 investment in equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in equity securities are classified as "other investments" which are measured at fair value, with unrealised gains or losses included in the profit or loss. On 1 April 2005, the Group classified and measured its investment in equity securities in accordance with the requirements of HKAS 39. As a result of the adoption of HKAS 39, the Group has reclassified "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" with changes in fair values recognised in 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. Financial assets under HKAS 39 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", as appropriate. 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.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases" ("HKAS 17"). Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. As the directors consider the allocation between the land and buildings elements cannot be made reliably, no restatement has been made in the financial statements.

Deferred taxes related to investment properties

In previous years, 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 year, the Group has applied HK(SIC) Interpretation 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" ("HK(SIC) Interpretation 21") 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 taxation for the year ended 31 March 2005 and 31 March 2006 has been increased by HK$7,731,000 and HK$7,711,000 respectively.

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

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment [3]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) — INT 8	Scope of HKFRS 2 [5]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives [6]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.
[5] Effective for annual periods beginning on or after 1 May 2006.
[6] Effective for annual periods beginning on or after 1 June 2006.

3. TURNOVER

Turnover represents the aggregate of the value of contract work carried out, the sales proceeds derived from supply and installation of building materials, sales proceeds of goods and properties sold, revenue from provision of properties agency and management services and gross rental income during the year.

4. SEGMENTAL INFORMATION

(a) Business segments

The following table presents information of turnover and profit for the year for the Group's business segments.

	Construction HK$'000	Interior and renovation HK$'000	Building materials HK$'000	Health products HK$'000	Properties investment HK$'000	Properties agency and management HK$'000	Properties development HK$'000	Eliminations HK$'000	Consolidated HK$'000
For the year ended 31 March 2006									
TURNOVER									
External sales	**558,086**	**87,337**	**66,765**	**59,312**	**17,308**	**3,508**	**84,248**	**—**	**876,564**
Inter-segment sales	**61**	**3,731**	**48,915**	**2,400**	**—**	**1,145**	**—**	**(56,252)**	**—**
Total	**558,147**	**91,068**	**115,680**	**61,712**	**17,308**	**4,653**	**84,248**	**(56,252)**	**876,564**
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment result	**10,289**	**3,079**	**5,589**	**962**	**57,046**	**1,566**	**23,448**	**2,914**	**104,893**
Finance costs									**(3,142)**
Share of result of associates	**—**	**—**	**—**	**—**	**—**	**—**	**(153)**	**—**	**(153)**
Share of result of jointly controlled entities	**832**	**—**	**—**	**—**	**—**	**—**	**(10)**	**—**	**822**
Gain on change in fair value of investments held for trading									**27**
Unallocated other income									**783**
Unallocated expenses									**(6,106)**
Profit before taxation									**97,124**
Taxation									**(15,167)**
Profit for the year									**81,957**
OTHER INFORMATION									
Depreciation	**1,709**	**47**	**394**	**1,826**	**—**	**63**	**—**		**4,039**

	Construction HK$'000	Interior and renovation HK$'000	Building materials HK$'000	Health products HK$'000	Properties investment HK$'000	Properties agency and management HK$'000	Properties development HK$'000	Eliminations HK$'000	Consolidated HK$'000
For the year ended 31 March 2005									
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	558,755	120,746	113,039	53,539	10,114	5,574	134,590	(75,640)	920,717
Inter-segment sales are charged at prevailing market rates.									
RESULTS									
Segment result	15,586	2,771	6,447	1,850	52,297	827	38,339	(1,018)	117,099
Finance costs									(872)
Share of result of associates	—	—	—	—	—	—	(54)	—	(54)
Share of result of jointly controlled entities	1,999	—	—	—	—	—	—	—	1,999
Unrealised holding gain on investments in securities									11
Unallocated other income									1,502
Unallocated expenses									(9,563)
Profit before taxation									110,122
Taxation									(17,733)
Profit for the year									92,389
OTHER INFORMATION									
Depreciation	1,867	73	402	1,117	—	35	—		3,494

(b) Geographical segments

All the Group's significant operations, geographical market and segment assets during the two years ended 31 March 2006 were located in Hong Kong.

5. PROFIT BEFORE TAXATION

	2006 *HK$'000*	2005 *HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation	**4,039**	3,494
Amortisation of goodwill included in administrative expenses	**—**	30
Interest on bank and other borrowings wholly repayable within five years	**3,142**	872
Allowance for prepayment to a supplier	**—**	3,000
and after crediting:		
Dividend income	**4**	—
Interest income	**191**	114
Gain on disposal of investment properties	**—**	342
Expenses capitalised in cost of contract work:		
Depreciation	**2,282**	2,676
Rentals under operating leases in respect of:		
— plant and machinery	**4,544**	7,753
— others	**1,040**	960

6. TAXATION

	2006 *HK$'000*	2005 *HK$'000*
Hong Kong Profits Tax		
Current year	**6,214**	8,516
Underprovision in prior years	**5**	30
	6,219	8,546
Deferred taxation		
Current year	**8,948**	9,187
	15,167	17,733

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

7. DIVIDENDS

An interim dividend of HK1 cent (2005: HK1 cent) per share, totalling HK$4,432,000 (2005: HK$2,837,000) was declared and paid by the Company during the year.

A final dividend of HK1.5 cents (2005: HK1.5 cents) per share, totalling HK$6,649,000 (2005: HK$5,319,000) has been proposed by the Board and is subject to approval by the shareholders at the annual general meeting.

8. EARNINGS PER SHARE — BASIC

The calculation of the basic earnings per share for the year is based on the profit for the year of HK$81,957,000 (2005: HK$92,389,000 as restated) and on the 443,236,068 shares (2005: 443,236,068 shares) after adjusting for the bonus issue for the year ended 31 March 2006.

There were no potential dilutive ordinary shares in existence for the two years ended 31 March 2006. Accordingly, no diluted earnings per share has been presented.

The effect on basic earnings per share as a result of the change in accounting policy as shown in note 2 is as follows:

	Basic earnings per share	
	2006 *HK cents*	2005 *HK cents*
Figures before adjustments	**20.2**	22.5
Adjustment arising from changes in accounting policies *(note 2)*	**(1.7)**	(1.7)
Reported/restated	**18.5**	20.8

9. PROGRESS PAYMENTS RECEIVABLE

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

The aged analysis of progress payments receivable is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Within 30 days	**32,120**	48,107
31 - 60 days	**1,660**	7,646
61 - 90 days	**—**	192
Over 90 days	**—**	1,626
	33,780	57,571

10. DEBTORS, DEPOSITS AND PREPAYMENTS

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:

	2006 *HK$'000*	2005 *HK$'000*
Within 30 days	**33,480**	23,717
31 - 60 days	**1,925**	11,709
61 - 90 days	**1,440**	1,254
Over 90 days	**5,225**	3,524
	42,070	40,204

11. CREDITORS AND ACCRUED CHARGES

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

	2006 *HK$'000*	2005 *HK$'000*
Within 30 days	**58,962**	61,532
31 - 60 days	**832**	987
61 - 90 days	**1,326**	1,398
Over 90 days	**2,965**	4,257
	64,085	68,174

OPERATIONS REVIEW

Construction Division

The turnover for the Construction Division for the year amounted to HK$558.1 million, which was in line with the turnover of HK$558.8 million for the corresponding period last year. Nearly all the turnover recorded was to external parties.

During the year under review, the division completed the following major projects:– construction of Lai Shek House at Shek Yam Estate (a public housing estate in North Kwai Chung), Jockey Club Student Village II (the student residence at The University of Hong Kong), The Chinese University of Hong Kong — Tung Wah Group of Hospitals Community College at the junction of Shantung Street and Hak Po Street, school improvement work for S.K.H. Wei Lun Primary School in Discovery Bay and maintenance area utility works for the Airport Authority. The total contract sum for the completed projects amounted to HK$471.4 million.

Notwithstanding the keen competition in the construction industry, this division secured new contracts of HK$779.0 million in both the public and private sectors during the year. The principal project work awarded was the contract for the construction of a residential development at Areas 4C and 38A in Phase 3, Shatin, which includes three residential blocks and a community hall. Construction work commenced in September 2005 and it is scheduled for completion in early 2008. Other major contracts awarded include the construction of the proposed luxury residential development at Mount Kellett Road, construction of The Chinese University of Hong Kong — Tung Wah Group of Hospitals Community College at 31 Wylie Road, tower concrete works for MGM Grand Macau (a casino resort in Macau) and canopy construction work for the Airport Authority. Minor contract works include the commercial development at Wing Fung Street in Wanchai, refurbishment works at the Hong Kong International Airport and foundation works for the community centre in Discovery Bay.

As at 31 March 2006, the outstanding value of contracts on hand for this division, including contracts for joint ventures, amounted to approximately HK$980.7 million. Subsequent to the year end, this division has been awarded new contracts with an aggregate amount of HK$502.8 million including a building contract for completing the remaining works for the redevelopment of Shek Pai Wan Estate Phase 2 for the Hong Kong Housing Authority and the construction of a primary cum secondary school for the English Schools Foundation in Discovery Bay.

Building Materials Division

During the year ended 31 March 2006, turnover for this division (inclusive of external turnover to third parties of HK$66.8 million) amounted to HK$115.7 million, an increase of approximately 2.4% over last year's turnover of HK$113.0 million.

Trigon Building Materials Limited ("Trigon")

During the year, the main projects undertaken included the supply and installation of false ceiling for a residential development in Tung Chung, false ceiling and kitchen cabinets for Harbourview Horizon at Hunghom Bay and Caribbean Coast Phases 3, 4 & 5 in Tung Chung, and Polyboard, timber flooring and false ceiling for Le Bleu in Tung Chung.

New contracts awarded during this year have included the supply and installation of false ceiling for the residential developments in Tung Chung and Mount Beacon in Kowloon Tong, and The Chinese University of Hong Kong — Tung Wah Group of Hospitals Community College at 31 Wylie Road; the supply and installation of kitchen cabinets for certain residential developments, including Metro Town Phase II in Tiu Keng Leng and Portofino in Clear Water Bay; supply of Polyboard for The Pacifica in Cheung Sha Wan; and supply of polypropylene corrugated board for Bel-Air on the Peak at Cyberport.

The total worth of order books as at 31 March 2006 for Trigon was HK$65.0 million, mainly including contracts for the supply and installation of kitchen cabinets, timber flooring, and suspended ceiling systems.

Tai Kee Pipes Limited ("Tai Kee")

The performance of Tai Kee during the year was encouraging as there was a notable increase in turnover compared with the corresponding period last year.

A majority of the revenue came from project sales. For the year under review, Tai Kee secured the following major contracts: the supply of pipes and fittings to Wynn Resort Hotel in Macau, Penny's Bay Inspiration Lake Water Recreation Centre near Hong Kong Disneyland, Cross Harbour Tunnel, Carmina Place at Deep Water Bay Drive, residential training complex for juveniles in Tuen Mun, new club house for The Ladies Recreation Club, the swimming pool project in Discovery Bay, Hong Kong Baptist University project at Shek Mun, drainage improvement project in East Kowloon, renovation project at Jat Min Chuen, replacement of watermains at Fairview Park and upgrading of Peng Chau sewage treatment works.

Interior and Renovation Division

During the year under review, the turnover for the Interior and Renovation Division was HK$91.1 million, which has decreased by 24.5% when compared with last year's figure of HK$120.7 million.

Major project works undertaken during the year included the renovation works for Estoril Court at Garden Road, refurbishment works for Horseshoe Tower Staff Quarters of the Hong Kong Jockey Club in Happy Valley, design-and-build of aluminium cladding works at Stelux House in San Po Kong, room conversion works for Harbour Plaza Metropolis Hotel in Hung Hom, rectification works to external wall finishes and water seepage at transfer plates for Tierra Verde in Tsing Yi and various alteration and renovation contracts from local universities, Giordano Limited, Ventris Place, Mei Foo Sun Chuen and other companies of the Group. Works for the Horseshoe Tower Staff Quarters were completed on schedule and renovation of external façade of Estoril Court will be finished shortly.

Other major contracts awarded during the year included the renovation and repair project work for the Villa Monte Rosa, a luxury residential property at Stubbs Road, and the improvement work to the drainage installation at the Hong Kong Polytechnic University.

As at 31 March 2006, the orders on hand amounted to HK$106.4 million. Subsequent to the year end, the division secured a new contract for the exterior addition & alteration and interior design & renovation of a residential property at Fei Ngo Shan Road.

Property Development Division

During the year under review, this division continues to sell the remaining flats of our development property "Golf Parkview". 18 flats were sold during the year, recording a turnover of HK$84.2 million (For 2004/05, 29 units were sold with a turnover of HK$134.6 million). Average selling price of the 18 flats sold this year was HK$3,404 per sq ft (For 2004/05: HK$3,355 per sq ft). As at 31 March 2006, only one unit remained unsold.

In December 2005, the Group announced the joint development with Sun Hung Kai Properties Limited ("SHK") for various land lots at So Kwun Wat, Tuen Mun into a residential property on a site of approximately 188,700 square feet. The Group and SHK each currently owns various adjacent/proximate sites, which, upon execution of a deed of exchange to merge the ownership, will be owned in the ratio of 23.63% and 76.37% respectively. The development will feature low-to-medium rise luxury residences, clubhouse and swimming pool. The Group will work closely with SHK to bring a synergetic effect on the Group's property development business.

We believe that the property market in the Mainland will be able to sustain stable growth in the coming years. In December 2005, the Group's two associates entered into an agreement to jointly develop two pieces of adjoining land in Dongguan, PRC, into a commercial/office complex.

The two property development projects in Kowloon Tong: (1) the Group's development at the junction of No.4 College Road and No.21 Sau Chuk Yuen Road and (2) joint development with NWS Holdings Limited ("NWS") at Nos. 1 & 1E, La Salle Road are still in building plan submission stage and will be developed into high end residential properties.

Property Investment Division

During the year, the division achieved a turnover of HK$17.3 million, representing an impressive increase of 71% over last year's figure of HK$10.1 million. The average occupancy rate for the Group's investment properties was approximately 72% as at the year end date.

The principal contributors to earnings in 2005 were the company's properties at Shatin Industrial Centre in Shatin and Health Plus Centre in Tai Wai. As at 31 March 2006, Shatin Industrial Centre recorded 85% occupancy rate while the occupancy rate for Health Plus Centre was 93%.

Property Agency and Management Division

During the year, the main source of income came from the management of the Group's development project Golf Parkview, the Group's own property Health Plus Centre and the office building at 8 Hart Avenue in Tsimshatsui. The Group also offered property management services to the CDW Building in Tsuen Wan until January 2006.

Health Products Division

The turnover for the Health Products Division was HK$61.7 million for the year, representing an increase of approximately 15.3% over last year's turnover.

FINANCIAL REVIEW

Group Liquidity and Financial Resources

The Group's liquidity and financing requirements are regularly reviewed.

For day-to-day liquidity management and to maintain flexibility in funding, the Group has access to banking facilities with an aggregate amount of HK$464.9 million (HK$94.9 million was secured by first charges over certain land and buildings and investment properties of the Group), of which HK$170.9 million loans have been drawn down and approximately HK$89.3 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 31 March 2006. These banking facilities bear interest at prevailing market interest rates.

The Group follows a prudent policy in managing its cash balance, and endeavours to maintain its sound cash-flow generating capability, its ability to take on investments and acquisition projects, in order to enhance shareholder wealth. The total cash and bank balances of the Group have decreased by HK$32.3 million to HK$69.8 million as at 31 March 2006, and accounted for 10.0% of the current assets (2005: 15.1% (restated)). The net reduction was mainly due to the utilisation of funds to acquire properties for investment purposes from independent third parties during the year. The details in relation to the acquisition of investment properties have been disclosed in the section "Major Acquisitions".

The Group has maintained a healthy balance sheet with net borrowings (total bank borrowings less total bank balances and cash) of HK$101.1 million (2005: HK$13.0 million) as at 31 March 2006. Accordingly, the gearing ratio of the Group, calculated on the basis of the Group's net borrowings to shareholders' funds, was 18.2% (2005: 2.7%). The net current assets have increased by HK$14.2 million to HK$283.9 million as at the year-end date and the current ratio (current assets divided by current liabilities) was maintained at 1.7 times.

With its cash holdings, steady cash inflow from its operations, together with available banking facilities, the Group's liquidity position will remain healthy in the coming year, with sufficient financial resources to meet its obligations, operation and future development requirements.

Treasury Policy

The aim of the Group's treasury policy is to minimise its exposure to fluctuations in the exchange rate and not to engage in any highly leveraged or speculative derivative products. Treasury transactions unrelated to underlying financial exposure are not undertaken. Foreign currency exposures of the Group arise mainly from the purchase of goods. The Group will determine if any hedging is required, on an individual basis, depending upon the size and nature of the exposure, and the prevailing market circumstances.

In order to enhance the deployment of internal funds with maximum benefit, to achieve better risk control, and to minimise cost of funds, the Group's treasury activities are centralised and scrutinised by the top management.

The surplus cash is generally placed in short-term bank deposits with reputable financial institutions. Most of these deposits are denominated in Hong Kong dollars. Nearly all revenue, expenses, assets and liabilities of the Group are denominated in Hong Kong dollars. The Group therefore will not have any significant exposure to gains or losses arising from the movement of foreign currency exchange rate against the Hong Kong dollar.

Shareholders' Funds

At the year-end date, shareholders' funds of the Group were HK$555.4 million including reserves of HK$511.1 million, an increase of HK$72.2 million from HK$483.2 million (restated) at 31 March 2005. On that basis, the consolidated net asset value of the Group as at 31 March 2006 was HK$1.25 per share, compared to the consolidated net asset value of HK$1.09 per share (restated) at 31 March 2005. Increase in shareholders' funds was mainly attributable to profits retained after the payments of dividends.

Major Acquisitions

During the year under review, the Group purchased a property on the ground floor of Shatin Industrial Centre from an independent third party at a consideration of approximately HK$4.6 million. This property is located in Hong Kong and will be held for investment purposes.

In December 2004, the Group formed a joint venture company, in which the Group holds 50% interest, with NWS, an independent third party, to acquire a property at Nos. 1 & 1E La Salle Road, Kowloon Tong, Hong Kong (the "Property") at a consideration of HK$171.0 million for redevelopment purposes. The acquisition of the Property has been completed in June 2005. Details of this acquisition and the formation of the joint venture company have been disclosed in the Company's circular to shareholders dated 14 January 2005.

In November 2005, the Group also acquired a property investment company, which owns a piece of land in D.D. No. 128, Yuen Long, New Territories, Hong Kong from an independent third party at a consideration of approximately HK$34.6 million. This property is held for investment purposes. Details of this acquisition were disclosed in the Company's circular to shareholders dated 4 October 2005.

As at the year-end date, the Group purchased part of the second floor of Shatin Industrial Centre from an independent third party at a consideration of approximately HK$27.0 million. This property is located in Hong Kong and will be held for investment purposes. Details of this acquisition were also disclosed in the Company's circular to shareholders dated 4 October 2005.

Capital Structure

The Group intends to keep an appropriate mix of equity and debt to ensure an efficient capital structure over time. During the year under review, the Group has borrowed Hong Kong dollar loans amounting to HK$170.9 million from the banks (at 31 March 2005: HK$ 115.1 million). The borrowings have been used as general working capital and for refinancing the purchase of properties for investment purposes. The maturity profile of the loans spread over a period of five years with HK$82.2 million repayable within the first year, HK$6.2 million repayable within the second year and HK$82.5 million within the third to fifth years. Interest is based on HIBOR plus a competitive margin.

Collateral

As at 31 March 2006, certain land and buildings and investment properties of the Group, at the carrying value of approximately HK$218.8 million (at 31 March 2005: HK$129.5 million), were pledged to the banks to secure the Hong Kong dollar loans of HK$94.9 million (at 31 March 2005: HK$51.1 million).

Capital Commitments

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

	2006 *HK$'000*	2005 *HK$'000*
Contracted for but not provided in consolidated financial statements		
Commitments for the acquisition of investment properties	**9,090**	4,410
Commitments for the acquisition of property, plant and equipment	**7,750**	—

Authorised but not contracted for

During the year, the Group entered into a development agreement with an independent third party in respect of the joint development of a site in So Kwun Wat. Under the terms of the development agreement, the Group has an obligation to fund HK$231,500,000, representing 23.63% of the anticipated project costs.

The Group's associates also entered into another joint development agreement in relation to the joint development of a site in Dongguan, the PRC. Under the terms of the joint development agreement, the Group has an obligation to fund RMB101,500,000 (equivalent to HK$98,544,000), representing 50% of the anticipated development costs.

Contingent Liabilities

At 31 March 2006, 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).

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 its health products business. At 31 March 2006, as the relevant actions are at a preliminary stage, the directors are of the opinion that it is impractical to assess their impacts to the Group.

Post Balance Sheet Event

On 4 May 2006, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of certain land and buildings in Hong Kong at a consideration of approximately HK$15,734,000 and the estimated gain was amounting to HK$7,100,000. The transaction has been completed on 8 June 2006. Such property was not separately disclosed as assets classified as held for sale as criteria are not met at the balance sheet date. Details of this disposal were disclosed in the Company's circular to shareholders dated 29 May 2006.

Employees and Remuneration Policy

The number of full time employees of the Group, excluding its associated companies and jointly controlled entities, was over 500 as at 31 March 2006. The Group recruits and promotes individuals based on their development potential, merits and competencies, and ensures that their remuneration packages are at a reasonable market level.

FUTURE DIRECTIONS AND PROSPECTS

The global economy sustained above-trend growth in the year 2005. The major economic giants: USA, European Union, and Mainland China experienced continuous growth throughout the year, with Japan gradually reviving from years of economic hardships. It is envisaged that the world economy will undergo further solid growth in 2006, even though the US economy is expected to ease back into a lower gear. On the back of this favourable global economic climate and with the continuous strong supports from Mainland China, the outlook for the Hong Kong economy remains positive. Due to its well-established financial and legal systems, geographical proximity to Mainland China and good corporate governance standards, Hong Kong becomes a regional financial hub and an international fundraising platform of Mainland China's enterprises. However, there are a number of downside risks, such as the escalating threats of avian flu, record high oil and commodity prices, and repeated interest rate hikes in the US as well as Hong Kong which may bring adverse impact to the local economy.

Looking ahead, 2006 will be another challenging year for the Group. Our core businesses are expected to be operating in a highly competitive market. The building construction business and the health products business, in particular, have always been difficult, but what matters most is that we build quality buildings, provide superb health products and service, and control our costs to maintain our competitiveness in the market. We will continue to expand our property development business and to seek new business opportunities. During the year under review, we welcome the opportunities to work with prestigious listed companies such as SHK, NWS and Chevalier International Holdings Limited to develop the properties in Hong Kong and in the PRC.

CORPORATE GOVERNANCE

The Company has applied and complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 March 2006, except for the following provisions:—

(a) Code Provision A.2.1 stipulates that the division of responsibilities between the Chairman and Managing Director should be set out in writing. The list of responsibilities of the Chairman and Managing Director is still under discussion and will be submitted to the Board for approval at the coming Board meetings.

(b) Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors and the independent non-executive directors of the Company are not appointed for a specific term. Pursuant to the Articles of Association of the Company amended on 2 August 2005, at each annual general meeting of the Company, one-third of the directors, including executive, non-executive and independent non-executive directors shall retire from office by rotation, and every director shall be subject to retirement at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the CG Code.

(c) Code Provisions D.2.1 and D.2.2 require (i) the board committees to prescribe sufficiently clear terms of reference; and (ii) the terms of reference of the board committees to report back to the Board on their decisions or recommendations. The Company is drawing up written terms of reference for the aforementioned board committees for approval at the coming Board meetings.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee of the Company has been established since December 2001 and has written terms of reference. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee has three members, being the independent non-executive directors, namely, Dr. Sun Tai Lun, Mr. Chan Pak Joe and Dr. Lau Tze Yiu, Peter. Dr. Sun Tai Lun has been appointed the chairman of the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The financial statements for the year ended 31 March 2006 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 March 2006 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

BOARD OF DIRECTORS

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. Lau Tze Yiu, Peter.

By order of the board
Cha Mou Sing, Payson
Chairman

Hong Kong, 28 June 2006