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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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

*(Incorporated in the Cayman Islands with limited liability)*

## **DISCLOSEABLE AND CONNECTED TRANSACTION** **ACQUISITION OF SHARES AND LOANS**

**Independent Financial Adviser**  
**to the Independent Board Committee**



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A letter from the Board is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee is set out on page 11 of this circular. A letter from Baron Capital Limited, containing its advice to the Independent Board Committee is set out on pages 12 to 20 of this circular. A valuation report from Jones Lang LaSalle Limited is set out on pages 21 to 33 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Peacock Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong at 10:00 a.m. on 31st March 2003 is set out on pages 38 to 39 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof should you so wish.

14th March 2003

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## DEFINITIONS

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

“Acquisition”	the acquisition by the Company through Media Group of the Sale Shares from HKRI through Amwell Property and HKR (PRC) (as the case may be) and the assignment to the Company by HKRI of the Loans, pursuant to the terms of the Agreement
“Agreement”	the conditional sale and purchase agreement dated 21st February 2003 entered into between the Company and HKRI in relation to the Acquisition
“Amwell Investments”	Amwell Investments Limited, a company incorporated in the British Virgin Islands with limited liability whose entire issued share capital is held by Amwell Property and an indirect wholly-owned subsidiary of HKRI
“Amwell Property”	Amwell Property Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of HKRI
“associate(s)”	has the same meaning ascribed to it in the Listing Rules
“Baron Capital”	Baron Capital Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee
“Berville”	Berville Investment Limited, a company incorporated in Hong Kong with limited liability whose issued share capital is owned as to 50% by HKR (PRC) and therefore a 50%-owned associated company of HKRI
“Board”	board of Directors
“Cha Family”	means Mr. Cha Chi Ming, Ms Wong May Lung, Madeline (being a daughter of Mr. Cha Chi Ming), Mr. Cha Mou Sing, Payson (being the Chairman of the Company), Mr. Cha Mou Zing, Victor and Mr. Cha Mou Daid, Johnson (being the sons of Mr. Cha Chi Ming) together with their respective associates as defined in the Listing Rules and who directly and indirectly own an aggregate of 74.8% of the entire issued share capital of the Company as at the Latest Practicable Date, with an indirect shareholding interest of 49% being held through LBJ Regent’s and other entities’ 50.67% shareholding interest in HKRI, and are connected persons
“Company”	Hanison Construction Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange

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## DEFINITIONS

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“Completion”	completion of the Acquisition pursuant to the terms of the Agreement
“connected person(s)”	has the same meanings ascribed to it in the Listing Rules
“Consideration”	the total consideration for the Acquisition pursuant to the Agreement being HK\$180,000,000, comprising of HK\$40,000,000 and HK\$130,000,000 in respect of the entire issued share capital of and the relevant portions of the Loans of each of Amwell Investments and Wisdom Concept respectively and HK\$4,802,676 and HK\$5,197,324 in respect of 50% of the entire issued share capital of and the relevant portions of the Loans of each of Berville and Fairwide respectively
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held at Peacock Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong at 10:00 a.m. on 31st March 2003 to approve the Agreement and the transactions contemplated therein, notice of which is set out on pages 38 to 39 of this circular
“Fairwide”	Fairwide Limited, a company incorporated in Hong Kong with limited liability whose issued share capital is owned as to 50% by HKR (PRC) and therefore a 50%-owned associated company of HKRI
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKR (PRC)”	HKR (PRC) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of HKRI
“HKRI”	HKR International Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange, a Substantial Shareholder and connected person of the Company, which indirectly owns 49% of the entire issued share capital of the Company as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	the shareholders of the Company other than HKRI, LBJ Regents, the Cha Family and their respective associates
“Independent Board Committee”	an independent committee of the board of Directors consisting of Dr Sun Tai Lun and Mr Chan Pak Joe, the independent non-executive Directors of the Company

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## DEFINITIONS

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“LBJ Regents”	LBJ Regents Limited, the trustee of certain irrecoverable discretionary trusts of which members of the Cha Family are among the beneficiaries and which directly and indirectly owns an aggregate of 74.6% of the entire issued share capital of the Company as at the Latest Practicable Date, with an indirect shareholding interest of 49% being held through its 50.23% shareholding interest in HKRI, and is a connected person
“Latest Practicable Date”	11th March 2003 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loans”	the aggregate amount of HK\$191,664,598.85 owed to HKRI as at the Latest Practicable Date by each of Amwell Investments, Wisdom Concept, Fairwide and Berville, comprising of HK\$56,978,104.37, HK\$107,725,606.80, HK\$15,005,912.63 and HK\$11,954,975.05 respectively
“Media Group”	Media Group International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, for the purpose herein, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale Shares”	the entire issued share capital of Amwell Investments and Wisdom Concept and 50% of the entire issued share capital of each of Fairwide and Berville
“Sentral Investment”	Sentral Investment Limited, a company incorporated in Hong Kong with limited liability whose entire issued share capital is owned by Amwell Investments and an indirect wholly-owned subsidiary of HKRI
“SDI Ordinance”	The Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Substantial Shareholder”	has the same meaning ascribed to it in the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wisdom Concept”	Wisdom Concept Development Limited, a company incorporated in Hong Kong with limited liability whose entire issued share capital is owned by Amwell Property and an indirect wholly-owned subsidiary of HKRI
“%”	per cent

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## LETTER FROM THE BOARD

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

*(Incorporated in the Cayman Islands with limited liability)*

*Directors:*

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

\* *Non-executive Director*

\*\* *Independent Non-executive Director*

*Registered Office*

P.O. Box 309, Ugland 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

14th March 2003

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF SHARES AND LOANS**

#### **1. INTRODUCTION**

It was announced on 24th February 2003 that on 21st February 2003, the Company entered into the Agreement with HKRI, a Substantial Shareholder of the Company, in relation to the acquisition by the Company through Media Group, a wholly-owned subsidiary of the Company, of the entire issued share capital of Amwell Investments and Wisdom Concept and 50% of the entire issued share capital of each of Fairwide and Berville from HKRI through Amwell Property and HKR (PRC), indirect wholly-owned subsidiaries of HKRI and the assignment to the Company by HKRI of all its rights and benefits in and to the Loans for a total consideration of HK\$180 million payable by the Company in cash in full at Completion. Such consideration monies will be financed by internal resources of the Group.

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## LETTER FROM THE BOARD

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As HKRI is a Substantial Shareholder of the Company and therefore a connected person of the Company under the Listing Rules and the Consideration will exceed 15% of the consolidated net tangible assets of the Company as disclosed in its latest published interim accounts for the six months ended 30th September 2002, the entering into of the Agreement and the Acquisition will constitute a connected and discloseable transaction under the Listing Rules.

Accordingly, Completion is conditional upon, amongst other things, the approval of the Independent Shareholders at the EGM of the Agreement and the Acquisition pursuant to the Listing Rules in respect of connected transactions. In view of the interests in the Company of each of HKRI, LBJ Regents, which directly and indirectly own an aggregate of 74.6% of the entire issued share capital of the Company as at the Latest Practicable Date and the Cha Family, which is the beneficial Substantial Shareholder of the Company, HKRI, LBJ Regents, the Cha Family and their respective associates will abstain from voting in respect of the ordinary resolution to be proposed at the EGM.

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Acquisition and Baron Capital has been appointed by the Company to advise the Independent Board Committee in relation to the Acquisition.

The purpose of this letter and other sections and appendices of this circular is (i) to provide you with further information relating to the Acquisition and the recommendation and opinion of the Independent Board Committee in respect of the Acquisition as advised by Baron Capital, (ii) to set out the letter of advice from Baron Capital to the Independent Board Committee with respect to the Acquisition, and (iii) to give notice of the EGM at which the ordinary resolution as set out in the notice of the EGM will be proposed at the EGM to approve the Agreement and the Acquisition.

## 2. THE AGREEMENT

### **Date:**

21st February 2003

### **Parties:**

HKRI through Amwell Property and HKR (PRC) as the vendor and HKRI itself as the assignor

The Company through Media Group as the purchaser and the Company itself as the assignee

### **Assets to be acquired:**

Pursuant to the Agreement, the Company has conditionally agreed, among other things, to acquire, through Media Group in respect of the Sale Shares and for itself in respect of the Loans, from HKRI through Amwell Property and HKR (PRC) (as the case may be) in respect of the Sale Shares and from itself in respect of the Loans, the following:—

- (a) the entire issued share capital in Amwell Investments and HK\$56,978,104.37 in respect to its relevant portion of the Loans for a cash consideration of HK\$40 million.

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## LETTER FROM THE BOARD

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- (b) the entire issued share capital of Wisdom Concept and HK\$107,725,606.80 in respect to its relevant portion of the Loans for a cash consideration of HK\$130 million.
- (c) 50% of the entire issued share capital of Berville and HK\$11,954,975.05 in respect to its relevant portion of the Loans for an aggregate cash consideration of HK\$4,802,676. The holder of the remaining 50% of the issued share capital of Berville is not a connected person of the Company (as defined in the Listing Rules). Berville will not become a subsidiary of the Company but will be a 50%-owned associated company of the Company upon Completion.
- (d) 50% of the entire issued share capital of Fairwide and HK\$15,005,912.63 in respect to its relevant portion of the Loans for an aggregate cash consideration of HK\$5,197,324. The holder of the remaining 50% of the issued share capital of Fairwide is not a connected person of the Company (as defined in the Listing Rules). Fairwide will not become a subsidiary of the Company but will be a 50%-owned associated company of the Company upon Completion.

The Directors consider that the terms of the Agreement have been entered into on normal commercial terms, on an arm's length basis and are fair and reasonable so far as the shareholders of the Company as a whole are concerned.

### 3. CONSIDERATION AND PAYMENT TERMS

The Consideration payable by the Company for the Acquisition is HK\$180 million and the Directors consider that such consideration monies are fair and reasonable so far as the shareholders of the Company as a whole are concerned as it had been arrived at after arm's length negotiations between the parties to the Agreement with reference to the net tangible asset values of each of Amwell Investments, Wisdom Concept, Berville and Fairwide and their respective underlying assets and a valuation by Jones Lang LaSalle Limited, an independent professional surveyor dated 14th February 2003 of the underlying properties owned by or the rights to the relevant underlying properties held by each of Amwell Investments, Wisdom Concept, Fairwide and Berville (directly or indirectly), details of such valuation report was amended subsequently and dated 11th March 2003 and are disclosed in Appendix I of this circular. The Consideration will be satisfied by the Company in cash in full at Completion and will be financed by internal resources of the Group.

### 4. CONDITIONS OF THE AGREEMENT

Completion is conditional upon, inter alia,:

- (a) the passing by the Independent Shareholders of an ordinary resolution at the EGM to approve the Agreement and the transactions contemplated therein; and
- (b) all necessary consents being granted by third parties (including but not limited to governmental or official or regulatory authorities or holders of the remainder of the issued share capital of each of Berville and Fairwide, where applicable) to approve the Acquisition.

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## LETTER FROM THE BOARD

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### 5. COMPLETION

Completion shall take place on the same business day as all the condition precedents to the Agreement shall have been fulfilled by the parties of the Agreement or such later date as may be mutually agreed between the Company and HKRI which shall not in any event be later than 30th April 2003.

### 6. INFORMATION ON EACH OF AMWELL INVESTMENTS, WISDOM CONCEPT, FAIRWIDE AND BERVILLE

Amwell Investments is an investment holding company which owns a parcel of land situated at Lot No. 2574 in Demarcation District 92, Castle Peak Road, Kwu Tung, New Territories through Sental Investment, its wholly-owned subsidiary. The Company proposes to develop it into a low-rise residential development and building plans approval has been granted and road formation work has been undertaken outside the boundary of such property as at the Latest Practicable Date and as disclosed in the valuation certificate set out in Appendix I of this circular.

Wisdom Concept is a property development company which owns a total of 121 vacant adjoining agricultural lots situated at Demarcation District 129, Deep Bay Road, Yuen Long, New Territories. The Company proposes to develop it into a low-density residential development and has obtained planning approval from the Town Planning Board of Hong Kong to build low-density houses. The Company is required to pay land premium for conversion of the land use of such properties from agricultural to residential. As at the Latest Practicable Date, no land premium has been paid in respect of such properties.

Fairwide and Berville are both investment holding companies which are parties to contracts granting to each of them the right to use two pieces of adjoining land situated at the junction of Hongfu Lu and Shizhu Lu, Central District, Dongguan, the PRC. Such contracts are capable of conferring on each of Fairwide and Berville the right to use such properties subject to the relevant land use rights certificates having been obtained. The Company proposes to develop it into a residential development. Applications have been submitted to the Dongguan State-owned Land Bureau for the land use rights certificates and such applications are currently in progress. The Company is advised by its PRC legal adviser that the land use rights contracts of which Fairwide and Berville are parties are capable of forming the basis on which the land use rights certificates in respect of the relevant properties may be obtained, as disclosed in Appendix I of this circular.

As at 31st March 2002, the unaudited net tangible asset value of Amwell Investments was approximately HK\$(8,656,091)\* and the audited net tangible asset value of each of Wisdom Concept, Fairwide and Berville was approximately HK\$(55,963,946), HK\$(14,510,623) and HK\$(9,635,344) respectively. Although the unaudited net tangible asset value of Amwell Investments and the audited net tangible asset value of Wisdom Concepts are negative values, the assets of these two companies as at the Latest Practicable Date relate to vacant properties and therefore do not take into account the potential income to be derived from such properties post development by the Group after Completion. For the two financial years ended 31st March 2001 and 2002, the unaudited profit before and after taxation and extraordinary

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## LETTER FROM THE BOARD

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items of Amwell Investments and the audited profits before and after taxation and extraordinary items of each of Wisdom Concept, Berville and Fairwide are as follows:

<b>Relevant company</b>	<b>Audited profits before tax and extraordinary items for year ended 31st March 2001 (HK\$)</b>	<b>Audited profits after tax and extraordinary items for year ended 31st March 2001 (HK\$)</b>	<b>Audited profits before tax and extraordinary items for year ended 31st March 2002 (HK\$)</b>	<b>Audited profits after tax and extraordinary items for year ended 31st March 2002 (HK\$)</b>
Amwell Investments	(3,731,061)*	(3,737,393)*	(4,964,285)*	(4,964,285)*
Wisdom Concept	(62,461)	(62,461)	(49,788,429)	(49,788,429)
Berville	3,761,883	3,761,883	264,758	264,758
Fairwide	6,416,886	6,416,886	287,718	287,718

\* Although the figures provided herein include those of Amwell Investments' wholly-owned subsidiary, Sental Investment, no audited consolidated accounts for both companies have been prepared. No audited accounts have been prepared for Amwell Investments as it is a company incorporated in the British Virgin Islands where it is not a legal requirement that accounts be audited. Accordingly, the figures provided herein are unaudited.

As at 30th September 2002 and as disclosed in the interim report of the Group for the six months ended 30th September 2002 published recently, the unaudited net tangible assets of the Group were approximately HK\$362.35 million and the Group had no debt, other than amounts of HK\$336.98 million due under normal trade payables. On such basis, the gearing ratio for the Group (being the total bank borrowings divided by shareholders' funds) would be approximately 0. Since the Consideration will be paid out of the Group's internal resources, the gearing ratio of the Group upon Completion will remain at 0.

As at 30th September 2002 and as disclosed in the interim report of the Group for the six months ended 30th September 2002 published recently, investments in securities of the Group were approximately HK\$40.67 million, bank balances and cash of the Group were approximately HK\$330.83 million and working capital was HK\$213.47 million. The Consideration represents 48.45% of total investments in securities and bank balances and cash and 84.32% of the working capital of the Group as at 30th September 2002. Accordingly, the current ratio of the Company will decrease from 1.62 to approximately 1.10 immediately upon Completion.

### 7. REASONS FOR THE ACQUISITION

The Group is principally engaged in the construction and construction-related businesses. The Company is continuously exploring investment opportunities to broaden the Group's revenue stream and enhance the Group's profitability. The Directors believe that property development is related to and will complement its existing businesses. Although the Acquisition will result in an expansion to the Group's businesses to property development, the Directors do not consider it to be a material change in or a material departure from the Group's principal businesses as upon Completion, the core businesses of the Group will remain that of construction and construction-related services. Property development will be an add-on to the range of services the Group is able to provide. In addition, the impact of the Acquisition on the unaudited net tangible asset value of the Group after Completion is relatively small in comparison to the Group's overall businesses. The Acquisition will enable the Group to initially enter into the field

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## LETTER FROM THE BOARD

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of property development at a scale and costs which the Group considers appropriate with reference to its net tangible assets and provides it with a platform on which the Group may build at a later time should appropriate opportunities arise. It will also help expand and diversify the Group's scope of businesses, strengthen its earnings base through such diversification and in the long-term, assist the Group to maintain its competitiveness. As mentioned in HKRI's announcement published on 24th February 2003, the directors of HKRI classified such property developments in relation to Amwell Investments, Wisdom Concept, Berville and Fairwide as non-core projects of HKRI. Accordingly, the Directors do not consider the transactions contemplated as a result of the Acquisition to be in direct competition with HKRI.

The Directors believe that with the Group's existing businesses, the Group already possesses the requisite expertise to expand into property development as, although the Group is not currently engaged in the property development business, the senior management of the Group possesses extensive and sufficient experience in the property development industry and that this will contribute to the future growth of the Group. Accordingly, the Directors consider that the Acquisition will help to enhance the Company's ability to sustain its development and growth, thus raising or maintaining the value of its shares to the Company's shareholders. In addition, the Directors consider that the Acquisition and the properties owned by or the rights thereof held by each of the relevant companies are of an appropriate scale for the Group to develop, taking into account of the location, size and expected development cost of each such property and the Group's level of experience and expertise.

With the Hong Kong government's recent housing policy to stabilize the property market in Hong Kong in mind, the Directors believe that the property market in Hong Kong will likely improve. With the entry of the PRC into the World Trade Organisation and the growth prospects of the PRC's gross domestic product, the Directors are optimistic about the property market in the PRC. The acquisitions of 50% shareholding interests in each of Fairwide and Berville which are parties to contracts granting them the rights of use of the properties in Dongguan, the PRC (subject to the relevant land use rights certificates having been obtained), will provide the Group with an opportunity to develop and expand into the PRC.

The Acquisition will be funded by the Group's internal source of funds. It is the intention of the Group to seek investment opportunities to obtain better returns on its investments by utilising its surplus funds.

### **8. GENERAL INFORMATION**

The Company is an investment holding company. Its subsidiaries are principally engaged in property construction, provision of interior and renovation services, and supply and installation of building materials.

None of the Directors is interested in the Acquisition other than their respective shareholding interests in the Company and HKRI, where applicable. As HKRI is a Substantial Shareholder of the Company and therefore a connected person of the Company and the Consideration will exceed 15% of the consolidated net tangible assets of the Company as disclosed in its latest published interim accounts for the six months ended 30th September 2002, the entering into of the Agreement and the transactions contemplated therein will constitute a connected and discloseable transaction of the Company under the Listing Rules. Accordingly, the Agreement and the transactions contemplated therein are subject to, among other things, the approval of the Independent Shareholders at the EGM. In view of the interests in the Company of each of HKRI, LBJ Regents, which directly and indirectly owns an aggregate of

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## LETTER FROM THE BOARD

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74.6% of the entire issued share capital of the Company as at the Latest Practicable Date and the Cha Family, which is the beneficial Substantial Shareholder of the Company, HKRI, LBJ Regents and the Cha Family and their respective associates will abstain from voting in respect of the ordinary resolution relating to the Acquisition or the Agreement to be proposed at the EGM.

### 9. EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of the Company to be held at Peacock Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong at 10:00 a.m. on 31st March 2003 is set out on pages 38 to 39 of this circular. At the EGM, an ordinary resolution will be proposed for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the Agreement.

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

### 10. RECOMMENDATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 11 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the ordinary resolution to approve the Agreement and the Acquisition; and (b) the letter from Baron Capital set out on pages 12 to 20 of this circular which contains its recommendation to the Independent Board Committee.

The Independent Board Committee, having taken into account the advice of Baron Capital, considers that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee unanimously recommends that the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the Acquisition.

### 11. ADDITIONAL INFORMATION

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

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

*(Incorporated in the Cayman Islands with limited liability)*

14th March 2003

*To the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF SHARES AND LOANS**

We refer to the letter from the Board set out on pages 4 to 10 of the circular issued by the Company on 14th March 2003 (the “Circular”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider the Agreement and the Acquisition, to advise you as to whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and to recommend whether or not the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated therein.

Baron Capital has been appointed to advise us regarding the Agreement and the Acquisition. We wish to draw your attention to the letter from Baron Capital which contains advice to us in relation to the Agreement and the Acquisition, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out in Baron Capital’s letter.

Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having considered the terms of the Agreement, and the advice of, and the principal factors and reasons considered by Baron Capital in relation thereto as stated in its letter, we consider the terms of the Agreement and the Acquisition to be in the interests of the Company and the Shareholders as a whole and that the terms of the Agreement to be fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated therein.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee  
**Dr. Sun Tai Lun**  
**Mr. Chan Pak Joe**  
*Independent non-executive Directors*

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## LETTER FROM BARON CAPITAL

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*The following is the text of a letter of advice to the Independent Board Committee from Baron Capital dated 14th March 2003 prepared for the purpose of incorporation in this circular:*



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

14th March 2003

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

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF SHARES AND LOANS**

We refer to our appointment by the Company to advise the Independent Board Committee in respect of the terms of the Acquisition, details of which are set out in the letter from the Board contained in the circular of the Company dated 14th March 2003 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

It was announced on 24th February 2003 that on 21st February 2003, the Company entered into the Agreement with HKRI, a Substantial Shareholder of the Company, in relation to the acquisition by the Company through Media Group, a wholly-owned subsidiary of the Company, of the entire issued capital of Amwell Investments and Wisdom Concept and 50% of the entire issued share capital of each of Fairwide and Berville from HKRI through Amwell Property and HKR (PRC), indirect wholly-owned subsidiaries of HKRI and the assignment to the Company by HKRI of all its rights and benefits in and to the Loans for a total consideration of HK\$180 million payable by the Company in cash in full at Completion. Such consideration monies will be financed by internal resources of the Group.

As HKRI is a Substantial Shareholder of the Company and therefore a connected person of the Company under the Listing Rules and the Consideration will exceed 15% of the consolidated net tangible assets of the Company as disclosed in its latest published interim accounts for the six months ended 30th September 2002, the entering into of the Agreement and the Acquisition will constitute a connected and discloseable transaction under the Listing Rules.

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## LETTER FROM BARON CAPITAL

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Accordingly, Completion is conditional upon, amongst other things, the approval of the Independent Shareholders at the EGM of the Agreement and the Acquisition pursuant to the Listing Rules in respect of connected transactions. In view of the interests in the Company of each of HKRI, LBJ Regents, which directly and indirectly own an aggregate of 74.6% of the entire issued share capital of the Company as at the Latest Practicable Date and the Cha Family, which is the beneficial Substantial Shareholder of the Company, HKRI, LBJ Regents, the Cha Family and their respective associates will abstain from voting at the EGM in respect of the ordinary resolution relating to the Acquisition and the Agreement.

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

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

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

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

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

#### **1. RATIONALE**

The Company is an investment holding company. Its subsidiaries are principally engaged in property construction, provision of interior and renovation services, and supply and installation of building materials. As mentioned in the prospectus of the Company dated 31st December 2001 (the ‘Prospectus’), the Directors considered that its three principal lines of business are complementary to one another. Together, they serve to position the Group as a provider of a comprehensive range of construction-related services. The Group offers a “one-stop” design-and-build service which is a more convenient and cost effective approach to property projects. We concur with the view of the Directors that the “one-stop” design-and-build service of the Group will enhance its competitiveness in the industry.

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## LETTER FROM BARON CAPITAL

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As stated in the annual report of HKRI for the year 2001-2002 and the announcement made by HKRI published on 24th February 2003, while the core business of HKRI and its subsidiaries (the “HKRI Group”) is property development and investment, the HKRI Group has also diversified into the areas of the businesses of hotel investment and management, provision of essential, infrastructure and recreational services and other investments. In addition, the directors of HKRI classified such property developments in relation to Amwell Investments, Wisdom Concept, Berville and Fairwide as non-core projects of HKRI. Accordingly, the Directors do not consider the transactions contemplated as a result of the Acquisition to be in direct competition with HKRI.

In view of the above, we consider that there would remain a clear distinction between the core businesses of the Group and the HKRI Group upon Completion. The Group is principally engaged in the construction and construction-related business while HKRI has diversified into several other areas of businesses as mentioned above. In particular since the directors of HKRI considered such property developments as non-core projects and of smaller scale than their usual undertakings, it is unlikely that the Group’s acquisition of such property developments would be directly competitive with HKRI. Although the Acquisition will result in an expansion to the Group’s businesses to property development, the Directors do not consider it to be a material change in or a material departure from the Group’s principal businesses as upon Completion. The core businesses of the Group will remain that of construction and construction related services. Property development will be an add-on to the range of services the Group is able to provide. In addition, the impact of the Acquisition on the unaudited net tangible asset value of the Group after Completion is relatively small in comparison to the Group’s overall businesses. The Acquisition will enable the Group to initially enter into the field of property development at a scale and costs which the Group considers appropriate and provide it with a platform on which the Group may build at a later time should appropriate opportunities arise.

In summary, whilst the Acquisition expands the Group’s core businesses into the area of property development, the impact of the Acquisition on the unaudited net tangible asset value of the Group after Completion is relatively small in comparison to the Group’s overall businesses with several benefits brought to the Group after the Acquisition are discussed under the section headed “Reasons for the Acquisition” below. As such, we consider that construction and construction-related businesses remain as the principal businesses of the Group and that the Acquisition will serve as an expansion of and not departure from the Group’s existing businesses.

The information of each of the companies to be acquired are set out as follows:

Amwell Investments is an investment holding company which owns a parcel of land situated at Lot No. 2574 in Demarcation District 92, Castle Peak Road, Kwu Tung, New Territories through Sental Investment, its wholly owned subsidiary. The Company proposes to develop it into a low-rise residential development and building plans approval has been granted and road formation work has been undertaken outside the boundary of such property as at the Latest Practicable Date and as disclosed in the valuation certificate set out in Appendix I of the Circular.

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## LETTER FROM BARON CAPITAL

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Wisdom Concept is a property development company which owns a total of 121 vacant adjoining agricultural lots situated at Demarcation District 129, Deep Bay Road, Yuen Long, New Territories. The Company proposes to develop it into a low-density residential development and has obtained planning approval from the Town Planning Board of Hong Kong to build low-density houses. The Company is required to pay land premium for conversion of the land use of such properties from agricultural to residential. As at the Latest Practicable Date, no land premium has been paid in respect of such properties.

Fairwide and Berville are both investment holding companies which are parties to contracts granting to each of them the right to use two pieces of adjoining land situated at the junction of Hongfu Lu and Shizhu Lu, Central District, Dongguan, the PRC. Such contracts are capable of conferring on each of Fairwide and Berville, the right to use such properties subject to the relevant land use rights certificates having been obtained. The Company proposes to develop it into a residential development. Applications have been submitted to the Dongguan State-owned Land Bureau for the land use rights certificates and such applications are currently in progress. The Company is advised by its PRC legal adviser that the land use rights contracts of which Fairwide and Berville are parties are capable of forming the basis on which the land use rights certificates in respect of the relevant properties may be obtained, as disclosed in Appendix I of the Circular.

As at 31st March 2002, the unaudited net tangible asset value of Amwell Investments was approximately HK\$(8,656,091), and the audited net tangible asset value of each of Wisdom Concept, Fairwide and Berville was approximately HK\$(55,963,946), HK\$(14,510,623) and HK\$(9,635,344) respectively. Although the unaudited net tangible asset value of Amwell Investments and the audited net tangible asset value of Wisdom Concepts are negative values, the assets of these two companies as at the Latest Practicable Date relate to vacant properties and therefore do not take into account the potential income to be derived from such properties post development by the Group after Completion. The unaudited profit before/after tax and extraordinary items of Amwell Investments and the audited profits before/after tax and extraordinary items for Wisdom Concept, Berville and Fairwide for the year ended 31st March 2002 were HK\$(4,964,285), HK\$(49,788,429), HK\$264,758 and HK\$287,718 respectively. The respective figures were HK\$(3,731,061)/HK\$(3,737,393), HK\$(62,461), HK\$3,761,883 and HK\$6,416,886 for the year ended 31st March 2001.

We have also considered the valuation report prepared by the independent valuer, Jones Lang LaSalle Limited dated 11th March 2003. The valuation was made on open market value basis and the valuer has also adopted the direct comparison and residual approaches to value the property interests. The valuation was made on the assumption that the owners sell the property interests 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 values of such property interests. In addition, no forced sale situation in any manner is assumed in the valuations. In forming the opinion of the value of the property interest in the PRC, it was assumed in the valuation report that the Company has free and uninterrupted rights to use and assign the property interest for the whole of the unexpired land use term as granted. The property interest in the PRC was valued on the assumption that it is freely disposable and transferable for the existing use to both local and overseas purchasers without payment of any premium to the relevant authorities. We note that the assumptions and the valuation approaches adopted by Jones Lang LaSalle Limited in evaluating the properties as set out in Appendix I to the Circular are widely adopted by the other valuers.

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## LETTER FROM BARON CAPITAL

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### 2. REASONS FOR THE ACQUISITION

#### (i) Complement to the existing businesses and diversify scope of businesses

The Group is principally engaged in the construction and construction-related businesses. As stated in the letter from the Board, the Company is continuously exploring investment opportunities to broaden the Group's revenue stream and enhance the Group's profitability. The construction and construction-related businesses in Hong Kong are facing difficult operating environments and becoming increasingly competitive due to several factors, including, but not limited to: (i) the diminishing number of projects available in both the public and private sectors of the building industry; and (ii) tougher laws and regulations relating to environmental management and safety standards, and the risks associated with penalties for violations of environmental laws. We concur with the views of the Directors that property development is related to and will complement its existing construction and construction-related businesses of the Group which could help expand and diversify the Group's scope of businesses, strengthen its earnings base through such diversification and in the long-term, assist the Group to maintain its competitiveness.

#### (ii) Possesses requisite expertise, diversified experience and proficiency

As mentioned in the Prospectus, the Group has been engaged in the construction business for more than 12 years and its diversified experience and proficiency in the construction field are particularly with low-rise residential buildings, communal infrastructure (such as roads, site formation, drainage, schools and bus terminals) and design-and-build works.

As mentioned in the letter from the Board, the Directors believe that with the Group's existing construction business, the Group has already possessed the requisite expertise to expand into the property development industry which may contribute to the future growth of the Group. The Directors consider that the Acquisition will help to enhance the Group's ability to sustain its development and growth, which in turn enhance the value of its shares attributed to the Company's shareholders. In addition, the Directors consider that the Acquisition and the properties owned by or the rights thereof held by each of the relevant companies are of appropriate scales for the Group to develop taking into account of their locations, sizes and expected development cost of each such property and the Group's level of experience and expertise. As mentioned in the letter from the Board, although the Group is not currently engaged in the property development business, as stated in the annual report of the Group for the year 2001-2002 ("Annual Report") on p.42 to p.49, the senior management of the Group possesses extensive and sufficient experience in the property development industry in Hong Kong and the PRC. In view of the above, we consider the Group has the requisite expertise and experience in developing the property development business.

#### (iii) Encouraging government policies in Hong Kong property market

Recently, the Hong Kong government has put much effort in stimulating the property market. Various measures have been implemented by the government, including but not limited to, freezing land sales, establishing the mortgage insurance plan, adjusting the supply of home ownership schemes residential flats. In addition, according to the annual policy address speech by the Chief Executive Tung Chee-hwa delivered on 8th January 2003 and the announcement made by the

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## LETTER FROM BARON CAPITAL

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Chief Secretary, Mr. Donald Tsang on 26th February 2003, wealthy overseas investors and mainland professionals will be encouraged to enter Hong Kong. This may create more demand for Hong Kong properties especially in the existing low interest rate environment. In view of the encouraging government policies in the Hong Kong property market, the Directors are optimistic about the prospect of the property market.

### *Risks relating to the property market in Hong Kong*

Independent Shareholders should note that the property development business in Hong Kong may be affected by various factors including, but not limited to, (i) cautious market sentiment in the property market due to negative equity, uncertain economic condition and deflationary pressures; and (ii) uncertainty of whether the current demand would be strong enough to digest the rather large supply due to the unsold stock and the upcoming supply. These factors could potentially affect the property development business in Hong Kong. The shareholders of the Company should note that the property market in Hong Kong may or may not turn around in the near future. The Directors estimated that the turnover generated from the development of the acquired properties will not constitute a major income source to the Group's overall business and the construction business will still remain the core business of the Group. We concur with the Directors' view that the property development business will not constitute a major income source to the Group's overall business, and we therefore consider that should the property development business become less successful than anticipated, there will not be any material adverse effect to the Group.

### **(iv) Entry into the World Trade Organization**

Furthermore, with the entry of the PRC into the World Trade Organization and the growth prospects of the PRC's gross domestic product, the Directors are optimistic about the property market in the PRC. We agreed with the Directors that the acquisitions of 50% shareholding interests in each of Fairwide and Berville which are parties to contracts granting them the rights of use of the properties in Dongguan, the PRC (subject to the relevant land use rights certificates having been obtained), will provide the Group with an opportunity to develop and expand into the PRC.

### *Risks relating to the property market in the PRC*

Independent Shareholders should note that the property development business in the PRC may be affected by various factors including, but not limited to, (i) any adverse developments in the supply and demand; (ii) housing prices in the PRC property sector; and (iii) government policies towards land supply as the supply of substantially all land is controlled by the relevant authorities in the PRC. All these factors could adversely affect the property development in the PRC and in turn, the return on investment by the Group.

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## LETTER FROM BARON CAPITAL

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### 3. CONSIDERATION FOR THE ACQUISITION

#### (i) Basis of the Consideration

The Consideration payable by the Company for the Acquisition is HK\$180 million which had been determined between the parties thereto with reference to the net tangible assets of each of Amwell Investments, Wisdom Concept, Berville and Fairwide and their respective underlying assets and their respective portion of the Loans and a valuation by Jones Lang LaSalle Limited, an independent professional surveyor, dated 14th February 2003 of the underlying properties owned by or the rights to the relevant underlying properties held by each of Amwell Investments, Wisdom Concept, Fairwide and Berville (directly and indirectly), details of such valuation report was amended subsequently and dated 11th March 2003 and are disclosed in Appendix I of the Circular. The Consideration represents no discount on the value of the assets as reflected in the valuation report. The Consideration will be satisfied by the Company in cash in full at Completion and will be financed by internal resources of the Group.

We note that there is no goodwill or any intangible assets as reflected in the unaudited accounts of Amwell Investments and the audited accounts of Wisdom Concept, Berville and Fairwide for the year ended 31st March 2002 and consider that the Acquisition was conducted on a dollar-for-dollar basis, with an increment of approximately HK\$37,000.

We have analysed a number of acquisitions recently conducted by some listed companies in Hong Kong and selected under the criterion that (i) the acquisitions by the listed companies are of similar nature, i.e. acquisitions of lands or properties in Hong Kong and the PRC; and (ii) the acquisitions conducted within the past six months. We found that the basis of considerations of the acquisitions were similar to the Acquisition, with most of them determined with reference to land valuations carried out by the independent valuers and/or the net tangible assets of the acquired companies. We note that the assumptions adopted by the independent valuers in evaluating the properties are widely adopted by the other valuers. For some acquisitions under analysis, the considerations represented discounts on the land valuations prepared by independent valuers with a range from approximately 1.8% to 6.7%. The discounts of the considerations were resulted after taken into account various factors such as property market conditions, properties qualities, terms and conditions in the leaseback agreement in addition to land valuations. Despite the fact that the Consideration represents no discount of the value of the assets as reflected in the valuation report dated 11th March 2003, we consider that the basis of Consideration is consistent with market practice and as such, is fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM BARON CAPITAL

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### **(ii) Satisfaction of the Consideration**

The Consideration will be settled by the Company in cash, paid out of the internal resources of the Group. The Group, by way of internal funding, will avoid interest expenses as a result of external borrowings. As at 30th September 2002, investments in securities and the bank balances and cash of the Group were approximately HK\$371.50 million, represented an increase of approximately HK\$9.47 million or 2.62% as compared with that of approximately HK\$362.03 million as at 31st March 2002. The Consideration represents approximately 48.45% of investments in securities and bank balances and cash and approximately 84.32% of the working capital of the Group as at 30th September 2002. The Directors have confirmed that the Group has sufficient cash to settle the Consideration and sufficient capital for the Group's operation after the Completion.

In view of the above, we are of the view that the Group is capable to satisfy the Consideration in the above manner.

## **4. FINANCIAL EFFECTS OF THE ACQUISITION**

### **(i) Effect on net tangible assets**

The unaudited pro forma net tangible assets of the Group before Completion was determined by adding the value of the unaudited net tangible assets as at 30th September 2002, which was approximately HK\$362.35 million, and the unaudited profits from 1st October 2002 to 31st January 2003, and subtracting the interim dividend for the six months ended 30th September 2002. The unaudited pro forma net tangible assets of the Group after Completion represents an increment of approximately HK\$37,000 from the unaudited pro forma net tangible assets of the Group before Completion. In view of an increase in the net tangible assets of the Group, we consider that the Acquisition is in the interests of the Group and the Independent Shareholders as a whole are concerned.

### **(ii) Effect on gearing ratio**

As shown in the interim report of the Group for the six months ended 30th September 2002 ("the Interim Report"), the financial position of the Group remains strong, and the Group had no debt, other than amounts due under normal trade payables of approximately HK\$336.98 million as at 30th September 2002. The gearing ratio for the Group is calculated on the basis of the total bank borrowings over the shareholders' funds. Since the Consideration will be paid out of the Group's internal resources, the gearing ratio of the Group upon Completion will continue standing at 0. We consider that there will have no adverse effect on the Company's financial position and the Acquisition is in the interests of the Group and the Independent Shareholders as a whole.

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## LETTER FROM BARON CAPITAL

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### (iii) Effect on liquidity of the Group

As shown in the Interim Report and the Annual Report, bank balances and cash of the Group were approximately HK\$330.83 million and HK\$345.54 million as at 30th September 2002 and 31st March 2002 respectively, which represented an increase of approximately HK\$229.94 million or 2.28 times and HK\$244.65 million or 2.42 times respectively as compared with that as at 31st March 2001, which was approximately HK\$100.89 million. Working capital were approximately HK\$213.47 million and HK\$230.29 million as at 30th September 2002 and 31st March 2002 respectively, which represented an increase of approximately HK\$105.98 million or 98.60% and HK\$122.80 million or 1.14 times as compared with the figures as at 31st March 2001, which was approximately HK\$107.49 million. As mentioned in the letter from the Board, it is the intention of the Group to seek investment opportunities to obtain better returns on its investments by utilising its surplus funds. As mentioned before, the Directors are optimistic in the property market in Hong Kong and the PRC, and property development is related to and will complement to the existing construction and construction-related businesses of the Group which could help expand and diversify the Group's scope of businesses, strengthen its earnings base through such diversification and in the long-term, assist the Group to maintain its competitiveness.

The Consideration represents approximately 48.45% of investments in securities and bank balances and cash and 84.32% of the working capital of the Group as at 30th September 2002. The current ratio of the Company will decrease to approximately 1.10 immediately upon Completion as compared to approximately 1.62 as at 30th September 2002 and 31st March 2002. Despite the decrease in the current ratio, the Company's liquidity position remains healthy so long as the current ratio is greater than one. The Directors believe that the available balance of bank and cash balance and investment in securities after Completion is sufficient for its operations. We concur with the Directors' view that the available balance of bank and cash balance and investment in securities after Completion is sufficient for its operations.

### RECOMMENDATION

Having taken into consideration of the above principal factors and reasons, we consider that the Acquisition is in the interests of the Company and the shareholders of the Company as a whole and the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Agreement and the Acquisition.

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

*The following is a text of a letter, summary of valuations and valuation certificates prepared by Jones Lang LaSalle Limited, an independent valuer for the purpose of incorporation in this circular.*



11th March 2003

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 Property Interests in Hong Kong and the People's Republic of China**

We refer to the instructions by Hanison Construction Holdings Ltd. (hereinafter referred to as "the Company") for us to carry out valuations in respect of the various property interests of in Hong Kong and the People's Republic of China ("the PRC"). The property interests are identified in Section 2.0 Summary of Valuations.

We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we deem necessary to derive opinions as to the open market value of the individual property interest as at 11th March 2003 ("the date of valuation") and that our valuation report is based on an initial report prepared for the Company dated 14th February 2003.

We would like to point out that the valuations presented in this report represent 100% interest of the various properties and not the share holdings within each by the Company.

## 1.0 INTRODUCTION

### Basis of Valuation

Unless otherwise stated, our valuation report is prepared in accordance with the “Hong Kong Guidance Notes on The Valuation of Property Assets” published by the Hong Kong Institute of Surveyors (“HKIS”) and our General Principles of Valuation adopted for Hong Kong and the PRC. If the Guidance Notes are silent on subjects requiring guidance, we refer to the “Appraisal and Valuation Manual” published by the Royal Institution of Chartered Surveyors subject to variation to meet local established law, custom, practices and market conditions.

Our valuation is made on the basis of the “open market value” defined by HKIS as “the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion”.

We have applied the definition of open market value to each property interest independently. We have therefore ignored the potential effect of selling the entire portfolio at one time. Likewise, we have valued each property as a single property interest and we have ignored the potential effect of selling the properties on a strata title basis.

Our valuations of the property interests in Hong Kong have been based on our experience of valuing property interests in Hong Kong. For the property interest in the PRC, our valuation has been based on our experience of valuing interests as “overseas consultants” in the PRC.

**Valuation Methodology**

We have adopted the direct comparison method of valuation for the three properties. For Property Nos. 2 and 3, we have also cross-referenced with the residual method.

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

The residual approach of valuation requires an assessment of the Gross Development Value (GDV) of the proposed development subject to the hypothetical assumption that the definition of open 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, 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 open 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 valuations have been made on the assumption that the owners sell the property interests 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 values of such property interests. In addition, no forced sale situation in any manner is assumed in our valuations.

In forming our opinion of the value of the property interest in the PRC, we have assumed that the Company has free and uninterrupted rights to use and assign the property interest for the whole of the unexpired land use term as granted. Unless otherwise stated, we have valued the property interest in the PRC on the assumption that it is freely disposable and transferable for the existing use to both local and overseas purchasers without payment of any premium to the relevant authorities.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale, such as the Land Appreciation Tax for property transactions in the PRC. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

**Property Inspections**

We have inspected the properties, which comprise development sites on 12th February 2003. We have not carried out site measurements to verify the correctness of the site areas of the Property and have assumed that the site areas shown on the documents and official site plans handed to us are correct.

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 properties. However, should it be established subsequently that contamination exists at the Property or on any neighbouring land, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the value reported herein.

We have not carried out any investigations on site in order to determine the suitability of the ground conditions and the services, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

**Source of Information**

We have relied to a very considerable extent on the information provided by the Company and those obtained from the Land Registries in Hong Kong. We have also relied on a legal opinion issued by the Company's PRC legal adviser on 11th March 2003 (the "PRC Legal Opinion"). 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 certificates are based on information contained in copies of documents provided to us and are therefore only approximations.

Our valuations are 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 valuations may be affected.

**Title Investigation**

We have not been provided with copies of the title documents relating to the property interests in Hong Kong. However, we have caused searches to be made for the properties at the appropriate Land Registries 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.

For the property interest in the PRC, we have been provided with copies of documents in relation to the title of the property. However, due to the nature of the land registration system in the PRC, we cannot cause searches to be made on the title of the property nor have we examined all the original documents to verify ownership and encumbrances or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only.

**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.

**Foreign Exchange**

The property in the PRC has been valued in Renminbi ("RMB") and such valuation has been translated into Hong Kong dollars at the rate of exchange prevailing on 11th March 2003 at HK\$1.0 to RMB1.06.

**Report**

Our summary of valuations and the valuation certificates are attached hereto.

Yours faithfully

For and on behalf of

**Jones Lang LaSalle Limited**

**Rita Wong** *BBus, MHKIS, AAPI, RPS(GP)*

*National Director*

Licence No.: E-130557

*Note:* Ms Wong is a registered surveyor and a National Director of the Valuation Advisory Services Department of Jones Lang LaSalle Limited who has about 10 years of experience in valuation of properties in Hong Kong, the PRC and other countries in the North Asia region.

## 2.0 SUMMARY OF VALUATIONS

<b>Property Interest</b>	<b>Capital Value in existing state as at 11th March 2003 (HK\$)</b>
<b>Group I — Property interests in Hong Kong</b>	
1. 121 Lots in Demarcation District No. 129 Lau Fau Shan Yuen Long New Territories Hong Kong	\$130,000,000
2. Lot No. 2574 in Demarcation District No. 92 Kwu Tung Sheung Shui New Territories	\$40,000,000
	<hr/>
	<b>Sub-total: \$170,000,000</b>
<b>Group II — Property interest in the PRC</b>	
3. Development Site at the Junction of Hongfu Lu and Shizhu Lu Plot Nos. H-1-1 and H-1-2 Dongguan City Guangdong Province The People's Republic of China (100% interest)	\$20,000,000
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	<b>Sub-total: \$20,000,000</b>
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	<b>GRAND TOTAL: \$190,000,000</b>
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## 3.0 VALUATION CERTIFICATES

Property	Description, age and tenure	Particulars of occupancy	Capital value in existing state as a development site as at 11th March 2003
1. 121 Lots in Demarcation District No. 129 Lau Fau Shan Yuen Long New Territories Hong Kong	The property comprises 121 adjoining lots (which are whole of or sections/sub-sections of lots) within DD 129 in Yuen Long. It is bounded by Deep Bay Road on its north-west and a closed access road leading to Mong Tseng Tsuen and Mong Tseng Wai on its north-east.	The property was vacant at the date of valuation.	HK\$130,000,000 (HONG KONG DOLLARS ONE HUNDRED AND THIRTY MILLION)
[see note 1 below]	<p>The immediate area is mainly rural in nature and characterised by the presence of some agricultural activities and local residences. The property faces some low-lying alluvial flat land on its west and bounded by vegetated knolls on its southeast. It is accessible via Deep Bay Road, which is a carriageway for single lane traffic.</p> <p>According to the Block Government Lease and Government Rent Roll records, the total site area of property is approximately 815,886ft<sup>2</sup> (75,797.6m<sup>2</sup>).</p> <p>At the time of our inspection, the property comprises vacant farmland with several abrupt changes in level. Retaining wall-like structures were noted within the property.</p> <p>The property is held from the Government under Block Government Lease for a term expiring on 30th June 2047. The current Government rent payable is an amount equal to 3% of the prevailing rateable value of the property.</p>		

*Notes:*

- (1) The subject property refers to Lots Nos. 736, 737RP, 741 s.B, 742 RP, 745, 747, 750 RP, 751 RP, 752, 754, 755, 756 RP, 777, 778, 779, 780, 781, 783, 785, 786, 787, 788, 789, 790, 791, 792, 793 s.A, 793 RP, 794, 795, 799, 800, 801, 802, 803, 804, 806, 807, 810, 811, 812, 813, 814, 815 s.A, 815 RP, 816, 817, 818, 819, 820, 821, 822 s.A, 822 RP, 825, 826, 827, 828, 831, 832, 833, 834, 835, 837, 838, 839, 840, 841, 842, 843, 845 RP, 848 RP, 851 RP, 852 s.A, 852 s.B RP, 854 s.A, 854 s.B, 856, 858 RP, 913 RP, 914, 915 RP, 916 RP, 917, 918, 919, 920, 921, 925, 927, 928, 929, 931, 932 s.A, 932 s.B, 932 RP, 933, 934, 936 RP, 939 RP, 940 RP, 941 RP, 947 RP, 948 RP, 949 RP, 950 s.A RP, 950 RP, 951, 952, 953, 954, 955, 956 RP, 1518, 1533, 1538, 1554 RP, 1571 RP, 1578 RP, 1579, 1588 and 1589 in Demarcation District 129.
- (2) The registered owner of the property is Wisdom Concept Development Limited via three assignments dated 17th February 2000, 28th December 2000 and 19th January 2001 vide Memorial Nos. 906340, 947127 and 950341 respectively.
- (3) According to our recent Land Registry search, no material encumbrances were registered against the property.
- (4) According to the Block Government Lease governing the property, no building can be erected on the property except with a licence from the Government. We are not aware of any licence of such kind has been issued from the Government in respect of the property.
- (5) The entire property, except Lot No. 1518 in DD 129, is zoned under Lau Fau Shan & Tsim Bei Tsui Outline Zoning Plan No. S/YL-LFS/5 dated 19th June 2001 ("OZP") for "Green Belt" purposes. Lot No. 1518 in DD 129, being situated in the north-east away from the integral part of the property, is zoned under the OZP for "Village Type Development" uses.
- (6) The property is subject to a planning permission from the Town Planning Board dated 10th May 2002 for a 128-house residential development. The plot ratio and building height for the proposed development is about 0.3 and 3-storey respectively. The planning permission is to expire on 26th April 2006 if the development is not commenced by then.
- (7) Our valuation has taken into account the present condition of the property where planning approval for residential development has been obtained but no lease modification has been undertaken. Our valuation is exclusive of any premium payable for the lease modification.
- (8) In the course of our assessments, we have based on the site area stated in the Block Government Lease and Government Rent Rolls and have used a conversion factor of 1 acre = 43,560ft<sup>2</sup> 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 and survey sheets 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 subject property is under the custody of the registered owner without any encroachment by the adjacent land owners.
- (10) The property has been valued with the benefit of vacant possession.

## 3.0 VALUATION CERTIFICATES

Property	Description, age and tenure	Particulars of occupancy	Capital value in existing state as a development site as at 11th March 2003
2. Lot No. 2574 in Demarcation District No. 92 Kwu Tung Sheung Shui New Territories	The subject property comprises a site with registered site area of approximately 66,909ft <sup>2</sup> (6,216m <sup>2</sup> ). It is a clear site of triangular shape situated along Castle Peak Road — Kwu Tung Section close to Fanling Highway in Sheung Shui, New Territories.	As at the date of valuation, road formation work was undertaken outside the boundary of the property.	HK\$40,000,000 (HONG KONG DOLLARS FORTY MILLION)
	As advised by the Company, the proposed development on the property will comprise a residential development, with a total gross floor area of approximately 59,245ft <sup>2</sup> (5,504m <sup>2</sup> ). There will be six blocks of four-storey apartments on the site upon completion of the development.		
	The lot is held from the Government of HKSAR under New Grant No. 13261 as modified by a modification letter dated 15th April 2002 for a leasehold term of 50 years commencing from 12th March 1999. The rent payable to the Government of HKSAR is equivalent to 3% of the rateable value for the time being of the lot.		

- Notes:*
- (1) The registered owner of the property is Sental Investment Limited via an assignment dated 8th July 1999 vide Memorial No. 447415.
- (2) According to our recent Land Registry search, a Modification Letter dated 15th April 2002 vide Memorial No.527859 was registered against the property.
- (3) Salient development conditions of the lot pursuant to the New Grant No. 13261 as modified by the Modification Letter dated 15th April 2002 are summarized as follows:
- |       |  |   |  |
|-------|--|---|--|
| i.    | User   | : | Private residential purposes (excluding service apartments)  |
| ii.   | Maximum Gross Floor Area                             | : | 5,504m <sup>2</sup> (approximately 59,245ft <sup>2</sup> )   |
| iii.  | Minimum Size of Residential Unit                     | : | Not less than 88m <sup>2</sup> (approximately 947ft <sup>2</sup> )   |
| iv.   | Maximum No. of Residential Unit                      | : | Not exceeding 48 residential units   |
| v.    | Maximum Site Coverage                                | : | Not exceeding 33% of the area of the lot   |
| vi.   | Height Restriction                                   | : | Not exceeding 29.9m above the Hong Kong Principal Datum save for machine room, air-conditioning units, water tanks, stairhoods and similar roof-top structures   |
| vii.  | Maximum No. of Storeys                               | : | Not exceeding 4 storeys excluding floor predominantly used for the purpose of entrance lobby, carport, sewage storage tank, sewage treatment plant, caretakers' quarters and caretakers' office accommodation. |
| viii. | Resident Car Parking Provision                       | : | 1.5 spaces for 1 residential unit  |
| ix.   | Visitor Car Parking Provision                        | : | 5 spaces for the whole development   |
| x.    | House-type development is not permitted for the lot. |   |  |
- (4) The original building covenant as stipulated in the New Grant No. 13261 lapsed on 31st March 2002. We were given to understand that the building covenant has been extended for 1 year and is due to expire on 31st March 2003 and the premium payable to Government for the extension of building covenant had been fully settled.
- (5) In the course of our valuation, we have in view of the current development progress of the lot assumed that a further 1-year extension of the building covenant will be required for the development of the lot. An extension premium has been allowed in our assessment of the property.
- (6) The key financial parameters adopted in the residual valuation are as follows:
- |   |   |                 |
|---|---|-----------------|
| Estimated gross development value of the proposed development | : | HK\$135,500,000 |
| Estimated construction costs                                  | : | HK\$61,300,000  |
| Estimated professional fees, legal costs, stamp duty, etc     | : | HK\$7,800,000   |
| Estimated interest charges                                    | : | HK\$3,500,000   |
| Estimated developer's profit and risk margin                  | : | HK\$22,400,000  |
- (7) As at the date of valuation, the lot was zoned under the Fanling/Sheung Shui Outline Zoning Plan No. S/FSS/10 approved on 22th October 2002 for "Comprehensive Development Area" purposes.
- (8) The property has been valued as a clear site with the benefit of vacant possession.

## 3.0 VALUATION CERTIFICATES

Property	Description, age and tenure	Particulars of occupancy	Capital value in existing state as a development site as at 11th March 2003
3. Development Site at the Junction of Hongfu Lu and Shizhu Lu Plot Nos. H-1-1 and H-1-2, Dongguan City Guangdong Province The People's Republic of China	The property comprises two contiguous plots of land forming a trapezoidal shaped site. The site is bounded on the north by Hongfu Lu, the east and south by adjoining lots, and the west by Shizhu Lu.  According to the State-owned Land Use Rights Grant Contracts dated 26th April 2000, the total site area of the property is approximately 9,745.34m <sup>2</sup> . The breakdown of the site area is as follows:	The Property was vacant as at the date of valuation.	HK\$20,000,000 (HONG KONG DOLLARS TWENTY MILLION) (100% interest)

Plot	Approximate Site Area
H-1-1	5,064.95m <sup>2</sup>
H-1-2	4,680.39m <sup>2</sup>
Total	<u>9,745.34m<sup>2</sup></u>

As advised by the Company, the property on completion will comprise a residential development, with a total maximum developable gross floor area ("GFA") of approximately 48,727m<sup>2</sup>. The GFA breakdown of each site is as follows:

Plot	Approximate Maximum GFA
H-1-1	25,325m <sup>2</sup>
H-1-2	23,402m <sup>2</sup>
Total	<u>48,727m<sup>2</sup></u>

According to the State-owned Land Use Rights Grant Contracts, the land use rights of the property is for a common term of 63 years from the date of issuance of the State-owned Land Use Certificate. [see note 2]

*Notes:*

- (1) In accordance with two State-owned Land Use Rights Grant Contract Nos. (2000) 001 and (2000) 002, both dated 26th April 2000, Plot Nos. H-1-1 and H-1-2 of the property are held by Fairwide Limited【輝華有限公司】 and Berville Investment Limited【寶羅投資有限公司】 (the “Grantees”) respectively for “Residential” uses. In accordance with the PRC Legal Opinion, the land premium of the subject sites has been paid in full.
- (2) As advised by the Company, we understand that the application for the State-owned Land Use Certificates of the property is in progress as at the date of valuation.
- (3) According to the Land Use Conditions annexed to the State-owned Land Use Rights Grant Contracts, 20% of the total developable GFA is required to be completed by 30th May 2003 and completion of the entire development by 30th December 2005. Under the Land Use Rights Grant Contracts, if the Grantees fail to comply with the deadline for development of the property, it is liable for payment of a penalty equivalent to 20% of the land premium to Dongguan State-owned Land Bureau. If the Grantees fail to invest money to develop the property for two years, Dongguan State-owned Land Bureau is entitled to forfeit the land use rights granted to the Grantees. As per our inspection, no construction work has been commenced. As advised by the Company, the government and the Company have entered into negotiations with respect to the issuance of the State-owned Land Use Certificates of the subject sites which has postponed the progress of the proposed development project. We understand that the Company would obtain approval from the government for an extension relating to the 30th May 2003 time limit for the completion of the first 20% of the total developable GFA. Our valuation is made on the assumption that the extension will be obtained and no further costs will be incurred in obtaining such extension.
- (4) In accordance with the PRC Legal Opinion:
  - (i) The land premium of the subject sites has been paid in full.
  - (ii) There is valid and legally enforceable written land use rights grant contracts which are capable of forming the basis on which the land use certificates may be obtained.
  - (iii) Once the land use certificates have been granted, the title to the subject sites are capable of being vested in each of Fairwide Limited and Berville Investment Limited.
  - (iv) Construction work planning permits and construction licences are only required to be obtained immediately before construction work commences on the subject sites.
  - (v) In accordance with Clause 14 of the State-owned Land Use Rights Grant Contracts, Fairwide Limited and Berville Investment Limited are only entitled to sell, transfer, assign, lease or charge the subject sites or any part of them when they have duly completed the construction work of 25% of total permissible gross floor area and have duly obtained the State-owned Land Use Certificates of the subject sites.
  - (vi) The State-owned Land Use Rights Grant Contracts do not contain any restrictions on change of control of Fairwide Limited and Berville Investment Limited.
- (5) We have relied on the PRC Legal Opinion and have prepared our valuation on the following assumptions:
  - (i) Fairwide Limited and Berville Investment Limited are in possession of a proper legal title to the property and are entitled to freely transfer the property within the residual term of its land use rights without further payment of any premium to the relevant authorities in the PRC.
  - (ii) All costs, land grant premiums, and expenses otherwise payable in respect of the acquisition of the property have been fully settled.
  - (iii) The design and construction of the property as set out in this valuation certificate are in compliance with relevant planning rules and regulations in the PRC.
  - (iv) The property is freely transferrable to both local and overseas purchasers.

(6) The key financial parameters adopted in the residual valuation are as follows:

Estimated gross development value of the proposed development	:	RMB251,000,000
Estimated construction costs	:	RMB146,200,000
Estimated professional fees, legal costs, deed tax, etc	:	RMB14,700,000
Estimated interest charges	:	RMB11,700,000
Estimated developer's profit and risk margin	:	RMB56,700,000

(7) According to the PRC Legal Opinion, the status of title and grant of major approvals and licences etc. are as follows:

<b>Document/Approval</b>	<b>Availability</b>
State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Certificate	No
Realty Title Certificate	No
Red Line Drawing	Yes
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	No
Completion of Construction Work Certificate	No
Business Licence	Yes

(8) For the purpose of our valuation, we have assumed that vacant possession of the property can be made available.

## 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

### (A) DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the securities of the Company and its associated corporations (within the meaning of the SDI Ordinance) which have been notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance include interests which they are deemed or taken to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance or which are required to be and are recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

#### *Interests in the Company's shares*

Name	Number of ordinary shares				Total no. of shares
	Personal interests	Family interests	Corporate interests	Other interests	
Cha Mou Sing, Payson	294,107	—	328,075*	—	622,182
Wong Sue Toa, Stewart	65,854	—	50,010*	—	115,864
Tai Sai Ho	1,200	—	—	—	1,200
Shen Tai Hing	5,250	—	—	—	5,250

\* The shares are held by a corporation in which the relevant director is deemed to be interested under the SDI Ordinance.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which he is taken or deemed to have under Section 31 of or Part I of the SDI Ordinance) or which are required to be recorded by and as recorded in the register as at the Latest Practicable Date kept by the Company under Section 29 of the SDI Ordinance or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(B) SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at the Latest Practicable Date, in addition to those interests as disclosed above in respect of the Directors, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company, directly or indirectly according to the register of Substantial Shareholders required to be kept under Section 16(1) of the SDI Ordinance:

Name	Number of shares	Approximate percentage of holding
Great Wisdom Holdings Limited ( <i>Note 1</i> )	138,998,833	49.0%
HKRI ( <i>Note 1</i> )	138,999,013	49.0%
LBJ Regents ( <i>Note 2</i> )	211,670,286	74.6%

*Notes:*

- (1) Great Wisdom Holdings Limited is a wholly-owned subsidiary of HKRI and therefore HKRI is deemed to be interested in the 138,998,833 shares of HK\$0.10 each in the Company held by Great Wisdom Holdings Limited in accordance with the SDI Ordinance.
- (2) LBJ Regents is the holder of 50.23% of shares in HKRI and pursuant to the SDI Ordinance, LBJ Regents is deemed to be interested in the 138,999,013 shares of HK\$0.10 each in the Company held by HKRI. LBJ Regents is the trustee of certain irrecoverable discretionary trusts of which members of the Cha Family (comprising for this purpose Mr. Cha Chi Ming, the founder and the chairman of HKRI, Ms. Wong May Lung, Madeline (being a daughter of Mr. Cha Chi Ming), Mr. Cha Mou Sing, Payson, Mr. Cha Mou Zing, Victor and Mr. Cha Mou Daid, Johnson (being the sons of Mr. Cha Chi Ming), together with their respective associates, excluding, as the case may be, HKRI) are among the discretionary objects.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at the Latest Practicable Date.

**3. SERVICE CONTRACT**

None of the Directors has entered or is proposing to enter into any service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

**4. QUALIFICATION OF EXPERT**

The following are the qualifications of the experts who have given opinion or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Baron Capital Limited	Registered investment adviser under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
Hengtong & Co	Legal advisers to the Company in respect of PRC law
Jones Lang LaSalle Limited	Registered professional surveyors

As at the Latest Practicable Date, none of Baron Capital, Hengtong & Co or Jones Lang LaSalle Limited has any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, none of the experts referred to above had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31st March 2002 (being the date to which the latest published audited accounts of the Company were made up).

**5. CONSENTS**

Each of Baron Capital, Hengtong & Co and Jones Lang LaSalle Limited has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of the letter from Baron Capital dated 14th March 2003 and the report dated 11th March 2003 made by Jones Lang LaSalle Limited and reference to their names in the form and context in which they respectively appear.

**6. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March 2002, being the date to which the latest published audited financial statements of the Group were made up.

**7. LITIGATION**

As at the Latest Practicable Date, the Group was not involved in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Group.

**8. MATERIAL CONTRACTS**

Save as disclosed herein in respect of the Agreement, no contract (not being contracts entered into in the ordinary course of business) has ever been entered into by any member of the Group within the two years immediately preceding the date of this circular and are or may be material.

**9. GENERAL**

- (a) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The company secretary of the Company is Mr. Lo Kai Cheong Casey, FHKSA.
- (c) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at Richards Butler, 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong up to and including 31st March 2003:

- (a) the Agreement;
- (b) the letter from the Independent Board Committee as set out in page 11 of this circular;
- (c) the letter from Baron Capital as set out in pages 12 to 20 of this circular;
- (d) the valuation report from Jones Lang LaSalle Limited as set out in Appendix I;
- (e) the written consents referred to in this appendix.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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

*(Incorporated in the Cayman Islands with limited liability)*

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Hanison Construction Holdings Limited (the “Company”) will be held at Peacock Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong at 10:00 a.m. on 31st March 2003 for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

“**THAT:**

the sale and purchase agreement (the “Agreement”) dated 21st February 2003 entered into between the Company and HKR International Limited (as described in the circular of the Company dated 14th March 2003 and despatched to the shareholders of the Company) and the transactions contemplated therein be and are hereby generally and unconditionally approved, ratified and confirmed and the directors of the Company be and are hereby authorised for and on behalf of the Company to sign and execute all such documents, to take all steps and to do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or to give effect to the Agreement and the transactions contemplated therein.”

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

Hong Kong, 14th March 2003

*Registered office:*

P.O. Box 309, Uglan 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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

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