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

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

**If you have sold or transferred** all your shares in Hanison Construction Holdings Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

**興勝創建控股有限公司**

# HANISON CONSTRUCTION HOLDINGS LIMITED

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

(Stock Code: 896)

# MAJOR TRANSACTION

# ACQUISITION OF PROPERTY INTEREST

9 November 2007

# CONTENTS

*Page*

# DEFINITIONS

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

| | |
|---|---|
| "Acquisition" | the acquisition of the Property |
| "associates" | has the meaning ascribed thereto in the Listing Rules |
| "Board" | the board of Directors of the Company |
| "CCM Trust" | CCM Trust (Cayman) Limited, the trustee of a discretionary trust directly holding approximately 17.63% (i.e. 78,134,996 Shares) and indirectly holding approximately 52.19% (i.e. 231,327,569 Shares through HKRI and CDW Holdings Limited) of the shares in the Company and of which members of the Cha Family are among the discretionary objects. As CCM Trust (Cayman) Limited holds approximately 41.01% and 52.24% shareholding interest in HKRI and CDW Holdings Limited respectively, it is deemed to be interested in the respective shareholding interest in the Company held by HKRI and CDW Holdings Limited under the SFO |
| "Cha Family" | comprising, *inter alia*, Mr. Cha Mou Sing, Payson, Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin, all being the Directors |
| "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 |
| "Completion Date" | 8 November 2007 |
| "connected persons" | has the meaning ascribed thereto in the Listing Rules |
| "Consideration" | The consideration for the Acquisition in the amount of HK$210 million |
| "Director(s)" | the director(s) of the Company |
| "Great Wisdom" | Great Wisdom Holdings Limited, a company incorporated in the British Virgin Islands, a controlling shareholder (as defined in the Listing Rules) with approximately 49% (i.e. 217,185,676 Shares) shareholding interest in the Company and a wholly owned subsidiary of HKRI |
| "Group" | the Company and its subsidiaries |

| | |
|---|---|
| "HKRI" | HKR International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange and an indirect controlling shareholder of the Company as to 49% of the Company's issued share capital through its wholly owned subsidiary, Great Wisdom |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | The Hong Kong Special Administrative Region of the People's Republic of China |
| "Latest Practicable Date" | 7 November 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Property" | all those pieces or parcels of ground registered in the Land Registry as Kowloon Inland Lot No. 3244, Kowloon Inland Lot No. 3243, Kowloon Inland Lot No. 3242, Kowloon Inland Lot No. 3241, Kowloon Inland Lot No. 3240 and Kowloon Inland Lot No. 1701 together with all messuages erections and buildings thereon now known as Nos.32, 34, 36, 38 and 40 Kwun Chung Street, Kowloon, Hong Kong |
| "Sanney" | Sanney Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Shareholder(s)" | shareholder(s) of the Company |
| "Shares" | ordinary shares of HK$0.1 each in the share capital of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Tender" | A document issued by the Vendor setting out the details of the Property and the terms and conditions of the Property for sale by tender |
| "Vendor" | Bright Company Limited, a company incorporated in Hong Kong with limited liability which together with its ultimate beneficial owners are independent third parties of the Company and its connected persons |

**興勝創建控股有限公司**
**HANISON CONSTRUCTION HOLDINGS LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 896)

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

* *Non-executive Director*
** *Independent Non-executive Director*

*Registered Office:—*
P.O. Box 309, 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

9 November 2007

*To the Shareholders*

Dear Sir or Madam,

# MAJOR TRANSACTION

# ACQUISITION OF PROPERTY INTEREST

## INTRODUCTION

The Directors announced that on 24 September 2007, the Company through a wholly-owned subsidiary, Sanney, was informed in writing that the Tender it submitted to purchase the Property had been accepted by the Vendor. The Consideration for the acquisition of the Property amounted to HK$210 million. The Property will be held by the Company for investment purposes.

The Consideration exceeds 25% but is less than 75% of consideration ratio as defined in Rule 14.07 of the Listing Rules. Accordingly, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and approval from Shareholders is required to be obtained under the Listing Rules. The purpose of this circular is to provide you with further information of the Acquisition and other information as required by the Listing Rules.

## THE ACQUISITION

### Acceptance Date

22 September 2007

### Parties

Purchaser : Sanney

Vendor : Bright Company Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons.

The Property was opened for tender on 1 September 2007 and the Company submitted the Tender on 19 September 2007.

The major terms of the Tender set for sale by the Vendor are set out as below.

### Details of the Property

The Property, built in the year 1995, is an 18-storey building known as Tak Hing Building and is located at Nos. 32, 34, 36, 38 and 40 Kwun Chung Street, Kowloon, Hong Kong. "No. 38 Kwun Chung Street" is the description by the Vendor of the Property, which means the entire building registered in the Land Registry as Kowloon Inland Lot Nos. 1701 and 3240 to 3244 together with all messuages erections and buildings thereon. It has a gross floor area of 45,076 square feet and a lease term of 75 years commencing from 9 May 1930 and renewable for a further term of 75 years. The Property is currently used for residential/commercial purposes with a split of 34,346 square feet for residential use and 10,730 square feet for commercial use and is partly leased with an occupancy rate of over 90%. The lease terms for the tenancies vary but the longest lease will expire in August 2009. The existing rental yield is 3.4% per annum. The Acquisition is subject to the existing tenancies of the Property.

Having perused the title deeds and documents of the Property by the Company's in-house counsel, the Vendor is able to give good title to the same.

### Consideration

The total consideration for the Acquisition is HK$210 million. This has been arrived at after detailed financial analysis by the Company. The Directors consider the terms of the Acquisition to be normal commercial terms that are fair and reasonable and in the best interests of the Company, taking into consideration the current property market in Hong Kong. Reference is made to the valuation report attached to Appendix I of this circular indicating the open market value of the Property as at 18 October 2007 to be HK$210 million.

### Payment Terms

The payment terms for the Property are as follows:

(i) an initial deposit of HK$10,000,000 was paid in cash to the Vendor upon submission of the Tender;

(ii) a further deposit of HK$11,000,000 was paid in cash on 4 October 2007;

(iii) the balance of HK$189,000,000 was paid in cash on the Completion Date.

### Completion Date

8 November 2007

### Other Terms

(1) The Property is sold to Sanney on an "as is" basis;

(2) All stamp duties and land registration fees payable in connection with the Acquisition shall be borne by Sanney and each party shall bear its own legal costs.

## INFORMATION ON THE COMPANY, SANNEY AND THE VENDOR

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

As far as the Directors are aware, the Vendor is the registered owner of the Property which is currently occupied for residential/commercial purposes. The Vendor is engaged in the business of property investment.

## FINANCIAL EFFECTS OF THE ACQUISITION

There will not be any significant impact on the net asset value of the Group following the Acquisition as the increase in investment property will be offset by the decrease in cash and bank balances and increase in secured bank loans of the Group. Since the Group retains the Property for rental income generating purpose, it will be entitled to the rental income so generated. The tenancies in effect as of the Latest Practicable Date are generating a total rental income of approximately HK$610,000 per month.

## REASONS FOR THE ACQUISITION

One of the principal businesses of the Group is real estate business. Its property portfolio comprises properties held for investment, properties under development and properties held for future development. The Acquisition allows the Group to enlarge its property portfolio with high quality assets. The Company intends to use the Property for investment purposes.

The Directors (including the independent non-executive Directors) believe that the Acquisition is fair and reasonable under the current market conditions, and that it is in the best interests of the Company and its Shareholders as a whole.

## FINANCIAL INFORMATION ON THE PROPERTY

### Background

As the Property was acquired through the submission of the Tender, the only information available to Sanney prior to the submission was the invitation to tender provided by the Vendor, which does not contain any previous financial information on the Property other than the rental income of the existing tenancies.

After the Tender was accepted by the Vendor, Sanney has requested the Vendor to provide all relevant information in relation to the Property which includes tenancy agreements, financial information including audited financial statements of the Vendor for the latest 3 financial years, information regarding the rental income, outgoings and costs of the Property and relevant supporting documents, valuation reports of the Property and books and records of the Vendor. However, the Vendor has only provided the tenancy agreements to the Company and advised that the other documents were either unavailable or unnecessary as far as this transaction was concerned.

### Profit and Loss Statement of the Property

Rule 14.67(4)(b)(i) of the Listing Rules requires the inclusion of a profit and loss statement of the Property with the financial information on the Property derived from the underlying books and records of the Vendor in this circular.

The Company has used their best practicable means to obtain all financial information of the Property including the permission from the Vendor to have access to the underlying books and records of the Vendor. However, the Company and its auditors have not been given access to such information. In addition, Sanney has conducted a land search on the Property and note that there is no information on the tenancy agreements and direct expenses attributable to the Property.

Since the Company cannot access the underlying books and records of the Vendor, after discussion with the auditors of the Company, it is not possible to provide the relevant financial information to satisfy Rule 14.67(4)(b)(i) of the Listing Rules, which requires the inclusion of a profit and loss statement of the Property with the financial information on the Property properly compiled and derived from the underlying books and records of the Vendor.

Nevertheless, the Company was able to obtain copies of existing tenancy agreements and calculated the gross rental income for the period from 1 November 2006 to 31 March 2007 and the seven months ended 31 October 2007 based on these agreements. Such information is set out in Appendix III to this circular.

Although the rental income disclosed in this circular are not derived from the underlying books and records of the Vendor, the Directors are of the view that the alternative disclosure will enable the Shareholders to form an informed view on the Property, as the management has made reference to the market value of the Property to assess the Acquisition, rather than the past rental income derived from the Property.

### Waiver application

Accordingly, the Company has requested the Stock Exchange for a waiver from strict compliance with the requirement for the Company to include in this circular the profit and loss statement of the Property with the reporting accountants confirming that the information therein are derived from the underlying books and records under Rule 14.67(4)(b)(i) of the Listing Rules.

## LISTING RULES IMPLICATIONS OF THE ACQUISITION

The Consideration exceeds 25% but is less than 75% of consideration ratio as defined in Rule 14.07 of the Listing Rules. Accordingly, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and approval from Shareholders is required to be obtained under the Listing Rules. Great Wisdom and CCM Trust, being the closely allied group of Shareholders (holding approximately 69.82% of its issued share capital in aggregate), and not having any interest in the transaction that is different from any other Shareholders, have given their approval to the Acquisition. Since no Shareholder is required to abstain from voting on the resolution to approve the Acquisition, the Company will not hold a physical Shareholders' meeting to approve the transaction pursuant to Rule 14.44 of the Listing Rules.

Great Wisdom and CCM Trust constitute a "closely allied group of shareholders" for the purposes of Rules 14.44 and 14.45 of the Listing Rules on the following basis:

(1) Great Wisdom has remained a Shareholder since its listing on the Stock Exchange on 10 January 2002 and CCM Trust became a Shareholder on 31 January 2007;

(2) CCM Trust and HKRI would together be regarded as "acting in concert" for the purposes of the Hong Kong Code on Takeovers and Mergers;

(3) CCM Trust holds shares in the Company as the trustee of a discretionary trust of which members of the Cha Family are among the discretionary objects; and

(4) CCM Trust holds approximately 41.01% of the issued share capital of HKRI as at the date hereof whilst Great Wisdom is a wholly owned subsidiary of HKRI.

## RIGHT TO DEMAND A POLL

Pursuant to Article 80 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(a) the Chairman of the meeting; or

(b) at least five members present in person or by proxy and entitled to vote; or

(c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

(d) any member or members present in person or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

Unless a poll is so required or demanded and, in the latter case, not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

## RECOMMENDATION

The Board considers that the Acquisition is in the interests of the Company and that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, should a general meeting be convened to approve the Acquisition, the Board recommends that the Shareholders should vote in favour of the ordinary resolution which will be proposed at such general meeting to approve the Acquisition. However, the Company has already obtained written approval from two Shareholders which control more than 50% in the nominal value of the Shares. Since no Shareholder is required to abstain from voting on the resolution to approve the Acquisition, the Company will not hold a physical Shareholders' meeting to approve the transaction pursuant to Rule 14.44 of the Listing Rules. Details of such written approval are set out in "Listing Rules Implications of the Acquisition" section to this circular.

## ADDITIONAL INFORMATION

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

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

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

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物業估價部
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電話+852 2846 5000 傳真+852 2968 0078
牌照號碼 C-003464

9 November 2007

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 Tak Hing Building, Nos. 32, 34, 36, 38 and 40 Kwun Chung Street, Kowloon, Hong Kong**

We refer to the instructions from Hanison Construction Holdings Limited ("the Company") for us to carry out market valuation of the property interest at **Tak Hing Building, Nos. 32, 34, 36, 38 and 40 Kwun Chung Street, Kowloon, Hong Kong** ("the Property") for public disclosure purpose. We have been informed by the Company that the Property is held for investment purpose.

We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the market value of the unencumbered leasehold property interest as at 18 October 2007 ("the Date of Valuation").

## 1.0 INTRODUCTION

### 1.1 Basis of Valuation

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

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

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

We have valued the Property as a single property interest and ignored the potential effect of selling the property on a strata title basis.

Our valuation services have been executed in accordance with our Quality Assurance System, accredited by HKQAA via ISO 9001: 2001 and our report prepared with reference to the assumptions, definitions and limiting conditions as set out in our General Principles of Valuation.

### 1.2 Valuation Methodology

The Property is currently a composite building subject to existing tenancies. We have adopted the income capitalization method and the direct comparison method for the valuation of the Property.

The income capitalization method is based on the capitalization of the existing rental income and the reversionary income potential by adopting appropriate capitalization rate, which is derived from analysis of sale transactions and our interpretation of prevailing investor requirements or expectations. The market rents adopted in our valuation have reference to lettings of comparable premises.

The direct comparison method 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 and quantitative differences that may affect the price likely to be achieved by the property under consideration.

### 1.3 Valuation Assumptions

Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the Property.

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

### 1.4 Source of Information

We have relied to a very considerable extent on the information provided by the Company and those obtained from the Land Registry and the Buildings Department. We have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, site and floor areas, the identification of the property and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in copies of documents provided to us and are therefore only approximations.

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

### 1.5 Site Investigation

We have not carried out site measurements to verify the correctness of the site area. We have assumed that the site area shown on the building plans of approval date 12 May 1994 is correct.

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

### 1.6 Title Investigation

We have not been provided with copies of the title documents relating to the Property. However, we have caused searches to be made for the Property at the Land Registry in Hong Kong. We have neither scrutinized the original documents to verify ownership and encumbrances, nor to ascertain any amendment which may or may not appear on the copies handed to us. We have not 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.

### 1.7 Property Inspection

We inspected the Property on 11 October 2007. In the capacity as an external valuer, we have not carried out any building survey, nor have we inspected those parts of the Property which are covered, unexposed or inaccessible, which parts are assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of the uninspected parts of the Property. This report should not be taken as making any implied representation or statement about such parts. We are not able to report that the Property is free from rot, infestation or any other structural defects. No tests have been carried out to any of the services.

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

### 1.8 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.

### 1.9 Report

Our valuation certificate of the Property is attached.

Yours faithfully
For and on behalf of
**Jones Lang LaSalle Limited**

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

*Note:*

Ms. Chow is a qualified surveyor and a Registered Professional Surveyor. She has over 10 years of valuation and advisory experience in Hong Kong.

## 2.0 VALUATION CERTIFICATE

<table>
<tr><th>Property</th><th>Description, age and tenure</th><th>Particulars of occupancy</th><th>Market value as at 18 October 2007</th></tr>
<tr>
<td>Tak Hing Building<br>Nos. 32, 34, 36, 38 and 40<br>Kwun Chung Street<br>Kowloon<br>Hong Kong<br><br>Kowloon Inland Lot Nos. 1701 & 3240 to 3244 (inclusive)</td>
<td>The Property is currently a 18-storey composite building completed in 1995. It is situated on the south eastern side of Kwun Chung Street at its junction with Bowring Street in the Jordan District, Kowloon.<br><br>According to the Occupation Permit No. K6/95 dated 20 January 1995, the Property is designated for the following uses:<br><br>
<table>
<tr><th>Floor</th><th>Designated Use</th></tr>
<tr><td>G/F</td><td>Shops and ancillary accommodation for non-domestic use</td></tr>
<tr><td>1/F</td><td>Offices and ancillary accommodation for non-domestic use</td></tr>
<tr><td>2/F – 17/F (inclusive)</td><td>6 flats per floor for domestic use</td></tr>
</table>
<br>A total of 96 flats are provided in the Property. According to the approved building plans dated 12 May 1994, the total gross floor area (GFA) of the Property is approximately 4,187.682m$^2$ (45,076.205ft$^2$). The breakdown of the GFA of respective floors is as follows:</td>
<td>The Property is currently leased to various tenants.<br><br>According to the tenancy schedule as at September 2007 provided by the Company, the occupancy rate of the Property was approximately 95%. Majority of the leases are for terms of 1 to 2 years with the latest expiry date on 31 August 2009. The total passing rent of the Property is approximately HK$610,734 per month, exclusive of Government rates but inclusive of management fees.</td>
<td>HK$210,000,000<br>(HONG KONG DOLLARS TWO HUNDRED AND TEN MILLION)</td>
</tr>
</table>

<table>
<tr><th>Property</th><th>Description, age and tenure</th><th>Particulars of occupancy</th><th>Market value as at 18 October 2007</th></tr>
<tr><td>Tak Hing Building Nos. 32, 34, 36, 38 and 40 Kwun Chung Street Kowloon Hong Kong<br><br>Kowloon Inland Lot Nos. 1701 & 3240 to 3244 (inclusive)</td><td>
<table>
<tr><th>Floor</th><th>Approx. GFA (m$^2$)</th><th>Approx. GFA (ft$^2$)</th></tr>
<tr><td>G/F</td><td>475.999</td><td>5,123.653</td></tr>
<tr><td>1/F</td><td>520.851</td><td>5,606.440</td></tr>
<tr><td>2/F-17/F</td><td>199.427 x 16</td><td>2,146.632 x 16</td></tr>
<tr><td>**Total**</td><td>**4,187.682**</td><td>**45,076.205**</td></tr>
</table>
<br>The Property has a total registered site area of approximately 537.905m$^2$ (5,790ft$^2$). The combined lots are roughly rectangular in shape abutting onto Bowring Street, Kwun Chung Street and neighbouring private lots.<br><br>The lots are held under six Government leases for a common term of 75 years commencing from 9 May 1930 renewed for a further term of 75 years. The current total Government rent payable for the lots amounts to HK$172,876 per annum.
</td><td>—</td><td>—</td></tr>
</table>

*Notes:*

(1) The registered owner of the Property is Bright Company Limited via an assignment dated 17 December 1963 registered vide Memorial No.UB421065 for a consideration of HK$1,200,000.

(2) According to our recent Land Registry search, the following major encumbrances are registered against the Property:

- Deed of Dedication with Plan in favour of The Government of Hong Kong dated 27 May 1992 vide Memorial No.UB5309720.
- Modification Letter dated 31 July 1992 vide Memorial No.UB5380893 (Re: Kowloon Inland Lot No. 1701).

(3) The Property is zoned for "Residential (Group A)" purposes under the Tsim Sha Tsui Outline Zoning Plan No. S/K1/22 approved on 17 October 2006. This zone is intended primarily for high-density developments. Commercial uses are always permitted on the lowest three floors of a building or in the purpose-designed non-residential portion of an existing building.

(4) Under the town planning restriction, no new development, or addition, alteration and/or modification to or redevelopment of an existing building shall result in the plot ratio for the building upon development and/or redevelopment in excess of 7.5 for a domestic building or 9.0 for a building that is partly domestic and partly non-domestic, or the plot ratio of the existing building, whichever is the greater. Under no circumstances the plot ratio for the domestic part shall exceed 7.5.

(5) Under the Government leases, the Property is virtually unrestricted except the offensive trade user restriction.

(6) In the course of our valuation, we have also taken into account the potential of refurbishment or redevelopment of the Property.

## 1. SUMMARY OF FINANCIAL INFORMATION

A summary of the audited consolidated income statement and the audited consolidated balance sheet of the Group for the last three financial years extracted from the annual reports of the Company for the three years ended 31 March 2007 is set out below:

**Consolidated Income Statement**

| | **Year ended 31 March** | | |
|---|---|---|---|
| | **2007** | 2006 | 2005 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| | | | *(Restated)* |
| Turnover | **1,178,891** | 876,564 | 920,717 |
| Cost of sales | **(1,076,721)** | (740,609) | (775,417) |
| Gross profit | **102,170** | 135,955 | 145,300 |
| Other income | **9,609** | 931 | 1,543 |
| Marketing and distribution costs | **(10,895)** | (13,955) | (14,275) |
| Administrative expenses | **(74,590)** | (68,328) | (68,887) |
| Finance costs | **(4,693)** | (3,142) | (872) |
| Share of losses of associates | **(124)** | (153) | (54) |
| Share of profits of jointly controlled entities | **1,356** | 822 | 1,999 |
| Gain on change in fair value of investment properties | **19,259** | 44,967 | 45,357 |
| Gain on change in fair value of investments held for trading | **83** | 27 | — |
| Gain on disposal of a subsidiary | **43,470** | — | — |
| Gain on disposal of associates | **27,000** | — | — |
| Unrealised holding gain on investments in securities | **—** | — | 11 |
| Profit before taxation | **112,645** | 97,124 | 110,122 |
| Taxation | **(7,077)** | (15,167) | (17,733) |
| Profit for the year | **105,568** | 81,957 | 92,389 |
| Dividends paid | **13,298** | 9,751 | 7,092 |
| Earnings per share — basic (HK cents) | **23.8** | 18.5 | 20.8 |

**Consolidated Balance Sheet**

| | As at 31 March | | |
|---|---|---|---|
| | **2007** | 2006 | 2005 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| | | | *(Restated)* |
| **Non-current assets** | | | |
| Investment properties | **232,280** | 295,090 | 180,560 |
| Property, plant and equipment | **61,175** | 44,648 | 55,055 |
| Interests in associates | **—** | 9,769 | 9,922 |
| Interests in jointly controlled entities | **18,243** | 26,887 | 26,065 |
| Goodwill | **540** | 540 | 540 |
| Deposits for acquisition of investment properties | **1,821** | 1,010 | 490 |
| Deposits for acquisition of property, plant and equipment | **5,052** | 3,473 | — |
| Amount due from a jointly controlled entity | **—** | 40,695 | — |
| | **319,111** | 422,112 | 272,632 |
| **Current assets** | | | |
| Properties under development | **251,640** | 210,466 | 188,067 |
| Properties held for sale | **—** | 2,570 | 54,502 |
| Inventories | **37,471** | 33,572 | 30,631 |
| Amounts receivable on contract work | **187,735** | 88,697 | 61,985 |
| Progress payments receivable | **61,643** | 33,780 | 57,571 |
| Retention money receivable | **96,315** | 96,379 | 109,712 |
| Debtors, deposits and prepayments | **47,161** | 72,521 | 61,349 |
| Amounts due from associates | **—** | 534 | 532 |
| Amount due from a jointly controlled entity | **43,750** | 50,000 | 8,565 |
| Investments held for trading | **300** | 217 | — |
| Investments in securities | **—** | — | 190 |
| Taxation recoverable | **4,472** | 1,442 | 1,214 |
| Bank balances and cash | **258,457** | 69,838 | 102,069 |
| | **988,944** | 660,016 | 676,387 |
| **Current liabilities** | | | |
| Amounts payable on contract work | **105,212** | 121,892 | 135,781 |
| Creditors and accrued charges | **292,531** | 211,613 | 200,290 |
| Taxation payable | **489** | 1,133 | 2,412 |
| Bank loans — amounts due within one year | **185,563** | 82,200 | 68,200 |
| | **583,795** | 416,838 | 406,683 |
| **Net current assets** | **405,149** | 243,178 | 269,704 |
| **Total assets less current liabilities** | **724,260** | 665,290 | 542,336 |
| **Non-current liabilities** | | | |
| Bank loans — amounts due after one year | **61,500** | 88,700 | 46,900 |
| Deferred taxation | **15,119** | 21,219 | 12,271 |
| | **76,619** | 109,919 | 59,171 |
| | **647,641** | 555,371 | 483,165 |
| **Capital and reserves** | | | |
| Share capital | **44,324** | 44,324 | 35,459 |
| Reserves | **603,317** | 511,047 | 447,706 |
| | **647,641** | 555,371 | 483,165 |

## 2. SUMMARY OF AUDITED FINANCIAL INFORMATION

The following is a summary of the audited consolidated financial results, financial position, changes in equity and cash flow statement of the Group for the two years ended 31 March 2007, as extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2007.

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2007*

| | *NOTES* | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|---|
| Turnover | *5* | **1,178,891** | 876,564 |
| Cost of sales | | **(1,076,721)** | (740,609) |
| Gross profit | | **102,170** | 135,955 |
| Other income | *7* | **9,609** | 931 |
| Marketing and distribution costs | | **(10,895)** | (13,955) |
| Administrative expenses | | **(74,590)** | (68,328) |
| Finance costs | *8* | **(4,693)** | (3,142) |
| Share of losses of associates | | **(124)** | (153) |
| Share of profits of jointly controlled entities | | **1,356** | 822 |
| Gain on change in fair value of investment properties | | **19,259** | 44,967 |
| Gain on change in fair value of investments held for trading | | **83** | 27 |
| Gain on disposal of a subsidiary | *34* | **43,470** | — |
| Gain on disposal of associates | *16* | **27,000** | — |
| Profit before taxation | *9* | **112,645** | 97,124 |
| Taxation | *11* | **(7,077)** | (15,167) |
| Profit for the year | | **105,568** | 81,957 |
| Dividends paid | *12* | **13,298** | 9,751 |
| Earnings per share — basic (HK cents) | *13* | **23.8** | 18.5 |

## CONSOLIDATED BALANCE SHEET

*At 31 March 2007*

| | *NOTES* | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | *14* | **232,280** | 295,090 |
| Property, plant and equipment | *15* | **61,175** | 44,648 |
| Interests in associates | *16* | **—** | 9,769 |
| Interests in jointly controlled entities | *17* | **18,243** | 26,887 |
| Goodwill | | **540** | 540 |
| Deposits for acquisition of investment properties | | **1,821** | 1,010 |
| Deposits for acquisition of property, plant and equipment | | **5,052** | 3,473 |
| Amount due from a jointly controlled entity | | **—** | 40,695 |
| | | **319,111** | 422,112 |
| **Current assets** | | | |
| Properties under development | *18* | **251,640** | 210,466 |
| Properties held for sale | | **—** | 2,570 |
| Inventories | *19* | **37,471** | 33,572 |
| Amounts receivable on contract work | *20* | **187,735** | 88,697 |
| Progress payments receivable | *21* | **61,643** | 33,780 |
| Retention money receivable | *22* | **96,315** | 96,379 |
| Debtors, deposits and prepayments | *23* | **47,161** | 72,521 |
| Amounts due from associates | *24* | **—** | 534 |
| Amount due from a jointly controlled entity | *25* | **43,750** | 50,000 |
| Investments held for trading | *26* | **300** | 217 |
| Taxation recoverable | | **4,472** | 1,442 |
| Bank balances and cash | *27* | **258,457** | 69,838 |
| | | **988,944** | 660,016 |

## CONSOLIDATED BALANCE SHEET *(continued)*

*At 31 March 2007*

| | | **2007** | 2006 |
|---|---|---|---|
| | *NOTES* | ***HK$'000*** | *HK$'000* |
| **Current liabilities** | | | |
| Amounts payable on contract work | *20* | **105,212** | 121,892 |
| Creditors and accrued charges | *28* | **292,531** | 211,613 |
| Taxation payable | | **489** | 1,133 |
| Bank loans — amounts due within one year | *29* | **185,563** | 82,200 |
| | | **583,795** | 416,838 |
| Net current assets | | **405,149** | 243,178 |
| Total assets less current liabilities | | **724,260** | 665,290 |
| **Non-current liabilities** | | | |
| Bank loans — amounts due after one year | *29* | **61,500** | 88,700 |
| Deferred taxation | *30* | **15,119** | 21,219 |
| | | **76,619** | 109,919 |
| | | **647,641** | 555,371 |
| **Capital and reserves** | | | |
| Share capital | *31* | **44,324** | 44,324 |
| Reserves | | **603,317** | 511,047 |
| | | **647,641** | 555,371 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2007*

| | Share capital<br>*HK$'000* | Contributed surplus<br>*HK$'000*<br>*(note 32)* | Special reserve<br>*HK$'000*<br>*(note 32)* | Goodwill reserve<br>*HK$'000* | Dividend reserve<br>*HK$'000* | Retained profits<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|---|---|
| At 1 April 2005 | 35,459 | 26,942 | 21,941 | (78) | 5,319 | 393,582 | 483,165 |
| Profit for the year and total recognised income | — | — | — | — | — | 81,957 | 81,957 |
| Bonus shares issued | 8,865 | (8,865) | — | — | — | — | — |
| Final dividend paid in respect of the year ended 31 March 2005 | — | — | — | — | (5,319) | — | (5,319) |
| Interim dividend paid in respect of the year ended 31 March 2006 | — | — | — | — | — | (4,432) | (4,432) |
| Proposed final dividend in respect of the year ended 31 March 2006 | — | — | — | — | 6,649 | (6,649) | — |
| At 31 March 2006 | 44,324 | 18,077 | 21,941 | (78) | 6,649 | 464,458 | 555,371 |
| Profit for the year and total recognised income | — | — | — | — | — | 105,568 | 105,568 |
| Final dividend paid in respect of the year ended 31 March 2006 | — | — | — | — | (6,649) | — | (6,649) |
| Interim dividend paid in respect of the year ended 31 March 2007 | — | — | — | — | — | (6,649) | (6,649) |
| Proposed final dividend in respect of the year ended 31 March 2007 | — | — | — | — | 11,081 | (11,081) | — |
| At 31 March 2007 | 44,324 | 18,077 | 21,941 | (78) | 11,081 | 552,296 | 647,641 |

## CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31 March 2007*

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before taxation | **112,645** | 97,124 |
| Adjustments for: | | |
| Share of losses of associates | **124** | 153 |
| Share of profits of jointly controlled entities | **(1,356)** | (822) |
| Dividend income | **(4)** | (4) |
| Interest income | **(1,017)** | (191) |
| Interest expense | **4,693** | 3,142 |
| Depreciation | **4,578** | 4,039 |
| Gain on change in fair value of investment properties | **(19,259)** | (44,967) |
| Gain on disposal of a subsidiary | **(43,470)** | — |
| Gain on disposal of associates | **(27,000)** | — |
| Gain on disposal of property, plant and equipment | **(7,196)** | (765) |
| Gain on change in fair value of investments held for trading | **(83)** | (27) |
| Allowance for prepayment to a supplier | **3,000** | — |
| Operating cash flows before movements in working capital | **25,655** | 57,682 |
| Increase in inventories | **(3,899)** | (2,941) |
| Development costs for properties under development | **(36,684)** | (6,423) |
| Decrease in properties held for sale | **2,570** | 51,932 |
| Increase in amounts receivable on contract work | **(99,038)** | (26,712) |
| (Increase) decrease in progress payments receivable | **(27,863)** | 23,791 |
| Decrease in retention money receivable | **64** | 13,333 |
| Decrease (increase) in debtors, deposits and prepayments | **21,437** | (11,172) |
| Decrease in amounts payable on contract work | **(12,172)** | (11,607) |
| Increase in creditors and accrued charges | **84,854** | 11,323 |
| Cash (used in) from operating activities | **(45,076)** | 99,206 |
| Hong Kong Profits Tax paid | **(4,893)** | (7,726) |
| Interest paid | **(9,183)** | (5,390) |
| Net cash (used in) from operating activities | **(59,152)** | 86,090 |

**CONSOLIDATED CASH FLOW STATEMENT** *(continued)*
*For the year ended 31 March 2007*

| | *NOTES* | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|---|
| Cash flows from investing activities | | | |
| Interest received | | **1,017** | 191 |
| Dividend received | | **4** | 4 |
| Purchase of investment properties | | **(51,956)** | (35,549) |
| Purchase of property, plant and equipment | | **(30,247)** | (8,902) |
| Increase in amounts due from associates | | **(1,442)** | (2) |
| Decrease (increase) in amounts due from jointly controlled entities | | **46,945** | (82,130) |
| Payment of deposits for acquisition of investment properties | | **(1,821)** | (1,010) |
| Payment of deposits for acquisition of property, plant and equipment | | **(5,052)** | (3,473) |
| Proceeds from disposal of property, plant and equipment | | **15,303** | 789 |
| Acquisition of a property holding company | | **—** | (34,288) |
| Proceeds from disposal of associates | *16* | **38,621** | — |
| Proceeds from disposal of a subsidiary | *34* | **163,534** | — |
| Capital distribution from a jointly controlled entity | | **10,000** | — |
| Net cash from (used in) investing activities | | **184,906** | (164,370) |
| Cash flows from financing activities | | | |
| Dividends paid | | **(13,298)** | (9,751) |
| Repayments of bank loans | | **(277,900)** | (4,200) |
| New bank loans raised | | **354,063** | 60,000 |
| Net cash from financing activities | | **62,865** | 46,049 |
| Net increase (decrease) in cash and cash equivalents | | **188,619** | (32,231) |
| Cash and cash equivalents at the beginning of the year | | **69,838** | 102,069 |
| Cash and cash equivalents at the end of the year, representing bank balances and cash | | **258,457** | 69,838 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2007*

### 1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law (2001 Second Revision), Chapter 22 of the Laws of Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

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

### 2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

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

| | |
|---|---|
| HKAS 1 (Amendment) | Capital disclosures[1] |
| HKFRS 7 | Financial instruments: Disclosures[1] |
| HKFRS 8 | Operating segments[2] |
| HK(IFRIC) — INT 8 | Scope of HKFRS 2[3] |
| HK(IFRIC) — INT 9 | Reassessment of embedded derivatives[4] |
| HK(IFRIC) — INT 10 | Interim financial reporting and impairment[5] |
| HK(IFRIC) — INT 11 | HKFRS 2: Group and treasury share transactions[6] |
| HK(IFRIC) — INT 12 | Service concession arrangements[7] |

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.
[6] Effective for annual periods beginning on or after 1 March 2007.
[7] Effective for annual periods beginning on or after 1 January 2008.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

### Goodwill

#### *Goodwill arising on acquisitions prior to 1 April 2005*

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 April 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill is related becomes impaired.

Previously capitalised goodwill arising on acquisitions after 1 April 2001 is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired.

#### *Goodwill arising on acquisitions on or after 1 April 2005*

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 April 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Goodwill** *(continued)*

***Goodwill arising on acquisitions on or after 1 April 2005*** *(continued)*

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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

Income from properties held for sale is recognised when the respective properties have been completed and delivered to the buyers pursuant to the sales agreement and the collectivity of related receivables is reasonably assumed.

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

Service income is recognised when services are provided.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

### Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

### Properties under development

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

### Properties held for sale

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

### Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

### Inventories

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

### Construction or interior and renovation contracts

Where the outcome of a construction or interior and renovation contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys of work performed. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount receivable on contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount payable on contract work. Amounts received before the related work is performed are classified as liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under progress payment receivable.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Financial assets*

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

*Financial assets at fair value through profit or loss*

Financial assets at fair value comprise investments held for trading. At each balance sheet date subsequent to initial recognition, changes in fair values are recognised in profit or loss in the period.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including progress payments receivable, retention money receivable, debtors, deposits, amount due from a jointly controlled entity and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

***Financial liabilities and equity***

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

*Financial liabilities*

Financial liabilities including bank loans and creditors and accrued charges are subsequently measured at amortised cost, using the effective interest method.

*Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Impairment

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

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

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Taxation** *(continued)*

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

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

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

**Borrowing costs**

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessor***

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

***The Group as lessee***

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

***Leasehold land and building***

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating lease.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Retirement benefit cost

Payments to the Group's defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

## 4. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group's major financial instruments include retention money receivable, progress payments receivable, debtors, deposits, amount due from a jointly controlled entity, bank balances and cash, creditors and accrued charges and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Credit risk***

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet and financial guarantee issued by the Group to a jointly controlled entity for the borrowing of a bank loan are the amount of contingent liabilities disclosed in Note 36.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

## 4. FINANCIAL INSTRUMENTS *(continued)*

### (a) Financial risk management objectives and policies *(continued)*

***Credit risk*** *(continued)*

The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk except for the amount due from a jointly controlled entity, with exposure spread over a number of counterparties and customers.

***Market risk***

*Cash flow interest rate risk*

The Group's bank balances have exposure to cash flow interest rate due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of short term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

In addition, the Group has cash flow interest rate risk on variable-rate bank loans (see note 29). The Group currently does not have a policy to hedge the interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arises.

### (b) Fair values

The fair values of investments held for trading are determined based on the quoted bid price of the listed equity securities as stated in daily quotations sheet issued by the Stock Exchange.

The fair value of other financial assets and financial liabilities (excluding investments held for trading) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 5. TURNOVER

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

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---:|---:|
| Construction | **906,210** | 558,086 |
| Interior and renovation | **107,486** | 87,337 |
| Building materials | **81,198** | 66,765 |
| Health products | **60,082** | 59,312 |
| Properties investment | **17,733** | 17,308 |
| Properties agency and management | **1,402** | 3,508 |
| Properties development | **4,780** | 84,248 |
| | **1,178,891** | 876,564 |

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

### (a) Business segments

| | Construction | Interior and renovation | Building materials | Health products | Properties investment | Properties agency and management | Properties development | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **For the year ended 31 March 2007** | | | | | | | | | |
| **TURNOVER** | | | | | | | | | |
| External sales | 906,210 | 107,486 | 81,198 | 60,082 | 17,733 | 1,402 | 4,780 | — | 1,178,891 |
| Inter-segment sales | 20,445 | 736 | 26,363 | 2,729 | — | 802 | — | (51,075) | — |
| Total | 926,655 | 108,222 | 107,561 | 62,811 | 17,733 | 2,204 | 4,780 | (51,075) | 1,178,891 |
| Inter-segment sales are charged at prevailing market rates. | | | | | | | | | |
| **RESULTS** | | | | | | | | | |
| Segment result | 13,516 | 2,079 | 2,992 | (730) | 31,826 | 282 | 738 | 162 | 50,865 |
| Finance costs | | | | | | | | | (4,693) |
| Share of losses of associates | — | — | — | — | — | — | (124) | | (124) |
| Share of profits (losses) of jointly controlled entities | 1,371 | — | — | — | — | — | (15) | | 1,356 |
| Gain on change in fair value of investments held for trading | | | | | | | | | 83 |
| Gain on disposal of a subsidiary | | | | | | | | | 43,470 |
| Gain on disposal of associates | | | | | | | | | 27,000 |
| Unallocated other income | | | | | | | | | 1,505 |
| Unallocated expenses | | | | | | | | | (6,817) |
| Profit before taxation | | | | | | | | | 112,645 |
| Taxation | | | | | | | | | (7,077) |
| Profit for the year | | | | | | | | | 105,568 |

### 6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

### (a) Business segments *(continued)*

| | Construction | Interior and renovation | Building materials | Health products | Properties investment | Properties agency and management | Properties development | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **As at 31 March 2007** | | | | | | | | | |
| **ASSETS** | | | | | | | | | |
| Segment assets | 583,737 | 21,447 | 98,513 | 36,837 | 236,396 | 1,582 | 253,217 | | 1,231,729 |
| Interests in jointly controlled entities | 18,276 | — | — | — | — | — | (33) | | 18,243 |
| Amount due from a jointly controlled entity | — | — | — | — | — | — | 43,750 | | 43,750 |
| Unallocated corporate assets | | | | | | | | | 14,333 |
| Consolidated total assets | | | | | | | | | 1,308,055 |
| **LIABILITIES** | | | | | | | | | |
| Segment liabilities | 265,893 | 26,719 | 28,294 | 7,681 | 5,045 | 279 | 32,349 | | 366,260 |
| Unallocated corporate liabilities | | | | | | | | | 294,154 |
| Consolidated total liabilities | | | | | | | | | 660,414 |
| **OTHER INFORMATION** | | | | | | | | | |
| Additions of property, plant and equipment | 25,246 | — | 391 | 4,623 | 3,347 | 113 | — | | 33,720 |
| Additions of investment properties | — | — | — | — | 52,966 | — | — | | 52,966 |
| Depreciation | 1,310 | 39 | 259 | 2,785 | 92 | 93 | — | | 4,578 |
| Allowance for prepayment to a supplier | — | — | — | — | — | — | — | | 3,000 |

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

### (a) Business segments *(continued)*

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

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

### (a) Business segments *(continued)*

| | Construction | Interior and renovation | Building materials | Health products | Properties investment | Properties agency and management | Properties development | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **As at 31 March 2006** | | | | | | | | | |
| **ASSETS** | | | | | | | | | |
| Segment assets | 278,719 | 13,487 | 95,053 | 38,897 | 297,379 | 1,917 | 213,921 | | 939,373 |
| Interests in associates | — | — | — | — | — | — | 9,769 | | 9,769 |
| Interests in jointly controlled entities | 26,887 | — | — | — | — | — | — | | 26,887 |
| Amounts due from associates | — | — | — | — | — | — | 534 | | 534 |
| Amounts due from a jointly controlled entity | — | — | — | — | — | — | 90,695 | | 90,695 |
| Unallocated corporate assets | | | | | | | | | 14,870 |
| Consolidated total assets | | | | | | | | | 1,082,128 |
| **LIABILITIES** | | | | | | | | | |
| Segment liabilities | 263,907 | 10,237 | 28,136 | 8,131 | 8,083 | 427 | 4,390 | | 323,311 |
| Unallocated corporate liabilities | | | | | | | | | 203,446 |
| Consolidated total liabilities | | | | | | | | | 526,757 |
| **OTHER INFORMATION** | | | | | | | | | |
| Additions of property, plant and equipment | 3,698 | — | 77 | 4,775 | 289 | 63 | — | | 8,902 |
| Additions of investment properties | — | — | — | — | 70,327 | — | — | | 70,327 |
| Depreciation | 1,709 | 47 | 394 | 1,826 | — | 63 | — | | 4,039 |

### (b) Geographical segments

All the Group's significant operations, geographical market and segment assets during the two years ended 31 March 2007 were located in Hong Kong.

## 7. OTHER INCOME

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other income includes: | | |
| Dividend income | **4** | 4 |
| Interest income | **1,017** | 191 |
| Gain on disposal of property, plant and equipment | **7,196** | — |

## 8. FINANCE COSTS

| | **2007**<br>*HK$'000* | 2006<br>*HK$'000* |
|---|---|---|
| Interest on bank borrowings wholly repayable within five years | **9,183** | 5,390 |
| Less: Amount capitalised | **(4,490)** | (2,248) |
| | **4,693** | 3,142 |

## 9. PROFIT BEFORE TAXATION

| | **2007**<br>*HK$'000* | 2006<br>*HK$'000* |
|---|---|---|
| Profit before taxation has been arrived at after charging and (crediting): | | |
| Directors' emoluments *(note 10(i))* | | |
| — Fees | **650** | 650 |
| — Other emoluments | **10,335** | 8,270 |
| | **10,985** | 8,920 |
| Other staff costs | **141,402** | 113,051 |
| Retirement benefit scheme contributions for other staff *(note 39)* | **8,156** | 6,321 |
| Total staff costs | **160,543** | 128,292 |
| Depreciation | **4,578** | 4,039 |
| Auditor's remuneration | **1,186** | 824 |
| Operating lease rentals in respect of rented premises | **9,134** | 7,693 |
| Share of tax of jointly controlled entities (included in share of profits of joint controlled entities) | **268** | 177 |
| Allowance for prepayment to a supplier | **3,000** | — |
| Gain on disposal of property, plant and equipment | **—** | (765) |
| Gross rental income under operating leases | **(17,733)** | (17,308) |
| Less: Direct operating expenses that generated rental income during the year | **2,637** | 2,438 |
| | **(15,096)** | (14,870) |
| Sub-leasing income | **(543)** | (414) |
| Less: Direct operating expenses that generated sub-leasing income during the year | **184** | 179 |
| | **(359)** | (235) |
| Expenses capitalised in cost of contract work: | | |
| Depreciation | **4,508** | 2,282 |
| Rentals under operating leases in respect of: | | |
| — plant and machinery | **11,485** | 4,544 |
| — others | **830** | 1,040 |

*Note:* The Company's profit for the year amounted to approximately HK$1,000 (2006: HK$11,601,000).

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (i) Details of directors' remuneration are as follows:

The emoluments paid or payable to each of the ten (2006: ten) directors were as follows:

| | | Other emoluments | | | |
|---|---|---|---|---|---|
| | Fees | Salaries and other benefits | Performance related incentive payments | Retirement benefit scheme contributions | Total emoluments |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Cha Mou Sing, Payson | — | — | — | — | — |
| Wong Sue Toa, Stewart | — | 2,316 | 4,000 | 347 | 6,663 |
| Cha Mou Daid, Johnson | — | — | — | — | — |
| Cha Yiu Chung, Benjamin | — | — | — | — | — |
| Chan Pak Joe | 150 | — | — | — | 150 |
| Lam Chat Yu | 100 | — | — | — | 100 |
| Lau Tze Yiu, Peter | 150 | — | — | — | 150 |
| Shen Tai Hing | 100 | — | — | — | 100 |
| Sun Tai Lun | 150 | — | — | — | 150 |
| Tai Sai Ho | — | 1,454 | 2,000 | 218 | 3,672 |
| Total for 2007 | 650 | 3,770 | 6,000 | 565 | 10,985 |

| | | Other emoluments | | | |
|---|---|---|---|---|---|
| | Fees | Salaries and other benefits | Performance related incentive payments | Retirement benefit scheme contributions | Total emoluments |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Cha Mou Sing, Payson | — | — | — | — | — |
| Wong Sue Toa, Stewart | — | 2,254 | 2,700 | 338 | 5,292 |
| Cha Mou Daid, Johnson | — | — | — | — | — |
| Cha Yiu Chung, Benjamin | — | — | — | — | — |
| Chan Pak Joe | 150 | — | — | — | 150 |
| Lam Chat Yu | 100 | — | — | — | 100 |
| Lau Tze Yiu, Peter | 150 | — | — | — | 150 |
| Shen Tai Hing | 100 | — | — | — | 100 |
| Sun Tai Lun | 150 | — | — | — | 150 |
| Tai Sai Ho | — | 1,416 | 1,350 | 212 | 2,978 |
| Total for 2006 | 650 | 3,670 | 4,050 | 550 | 8,920 |

*Note:* The performance related incentive payment is determined by the performance of the individual and the Company's performance and profitability for the two years ended 31 March 2007.

During the two years ended 31 March 2007, no director waived any emoluments.

### 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

#### (ii) Employees' emoluments

During the year, the five highest paid individuals included two directors (2006: two directors), details of whose emoluments are set out above. The emoluments of the remaining three (2006: three) highest paid individuals were as follows:

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Salaries and other benefits | **2,130** | 2,072 |
| Performance related incentive payments | **1,850** | 1,100 |
| Retirement benefit scheme contributions | **280** | 273 |
| | **4,260** | 3,445 |

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

| | **2007** | 2006 |
|---|---|---|
| HK$1,000,001 — HK$1,500,000 | **2** | 3 |
| HK$1,500,001 — HK$2,000,000 | **1** | — |
| | **3** | 3 |

During the year, no emolument was paid by the Group to the directors or highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

## 11. TAXATION

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong Profits Tax | | |
| Current year | **1,671** | 6,214 |
| Underprovision in prior year | **—** | 5 |
| | **1,671** | 6,219 |
| Deferred taxation *(note 30)* | **5,406** | 8,948 |
| | **7,077** | 15,167 |

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

Taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation | **112,645** | 97,124 |
| Tax at the domestic income tax rate of 17.5% (2006: 17.5%) | **19,713** | 16,996 |
| Tax effect of share of losses of associates | **22** | 27 |
| Tax effect of share of profits of jointly controlled entities | **(237)** | (144) |
| Tax effect of expenses that are not deductible in determining taxable profit | **2,034** | 1,386 |
| Tax effect of income that is not taxable in determining taxable profit | **(13,881)** | (2,342) |
| Tax effect of utilisation of tax losses previously not recognised | **(793)** | (771) |
| Tax effect of tax losses not recognised | **242** | 10 |
| Tax effect of different tax rates of subsidiaries operating in other jurisdictions | **(23)** | — |
| Underprovision in prior year | **—** | 5 |
| Taxation for the year | **7,077** | 15,167 |

## 12. DIVIDENDS

Dividends recognised as distribution during the year:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Ordinary shares: | | |
| Interim dividend paid — HK 1.5 cents per share (2006: HK 1 cent per share) | **6,649** | 4,432 |
| Final dividend paid — HK 1.5 cents per share (2006: HK 1.5 cents per share) | **6,649** | 5,319 |
| | **13,298** | 9,751 |

The final dividend of HK 2.5 cents (2006: HK 1.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

## 13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year of HK$105,568,000 (2006: HK$81,957,000) and on the 443,236,000 shares for two years ended 31 March 2007.

There were no potential dilutive ordinary shares in existence for the two years ended 31 March 2007. Accordingly, no diluted earnings per share has been presented.

## 14. INVESTMENT PROPERTIES

| | *HK$'000* |
|---|---|
| **FAIR VALUE** | |
| At 1 April 2005 | 180,560 |
| Additions | 70,327 |
| Transfer to land and buildings under property, plant and equipment | (764) |
| Gain on change in fair value | 44,967 |
| At 31 March 2006 | **295,090** |
| Additions | **52,966** |
| Disposal of a subsidiary *(note 34)* | **(135,035)** |
| Gain on change in fair value | **19,259** |
| At 31 March 2007 | **232,280** |

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

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Long lease | **1,310** | 1,100 |
| Medium-term lease | **230,970** | 293,990 |
| | **232,280** | 295,090 |

The fair value of the Group's investment properties at 31 March 2007 has been arrived at on the basis of a valuation carried out on that date by Jones Lang LaSalle Limited, an independent property valuer not connected with the Group. Jones Lang LaSalle Limited have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation, which was carried out in accordance with the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | **Land and buildings** | **Plant and equipment** | **Furniture and fixtures** | **Leasehold improvements** | **Motor vehicles** | **Total** |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **COST** | | | | | | |
| At 1 April 2005 | 49,932 | 22,671 | 7,557 | 3,455 | 10,680 | 94,295 |
| Additions | — | 2,850 | 1,061 | 4,750 | 241 | 8,902 |
| Transfer from investment properties | 764 | — | — | — | — | 764 |
| Transfer to properties under development | (15,745) | — | — | — | — | (15,745) |
| Disposals/write-off | — | (3,735) | (1,137) | (29) | — | (4,901) |
| At 31 March 2006 | **34,951** | **21,786** | **7,481** | **8,176** | **10,921** | **83,315** |
| Additions | **8,034** | **22,308** | **515** | **1,040** | **1,823** | **33,720** |
| Disposals/write-off | **(8,500)** | **(448)** | **(549)** | **(1,174)** | **(1,299)** | **(11,970)** |
| At 31 March 2007 | **34,485** | **43,646** | **7,447** | **8,042** | **11,445** | **105,065** |
| **DEPRECIATION** | | | | | | |
| At 1 April 2005 | 5,524 | 19,277 | 5,320 | 1,420 | 7,699 | 39,240 |
| Provided for the year | 1,158 | 1,477 | 945 | 1,700 | 1,041 | 6,321 |
| Eliminated on transfer to properties under development | (2,017) | — | — | — | — | (2,017) |
| Eliminated on disposals/write-off | — | (3,735) | (1,113) | (29) | — | (4,877) |
| At 31 March 2006 | **4,665** | **17,019** | **5,152** | **3,091** | **8,740** | **38,667** |
| Provided for the year | **1,003** | **3,629** | **918** | **2,468** | **1,068** | **9,086** |
| Eliminated on disposals/write-off | **(950)** | **(199)** | **(498)** | **(1,018)** | **(1,198)** | **(3,863)** |
| At 31 March 2007 | **4,718** | **20,449** | **5,572** | **4,541** | **8,610** | **43,890** |
| **CARRYING VALUES** | | | | | | |
| At 31 March 2007 | **29,767** | **23,197** | **1,875** | **3,501** | **2,835** | **61,175** |
| At 31 March 2006 | 30,286 | 4,767 | 2,329 | 5,085 | 2,181 | 44,648 |

## 15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

| | |
|---|---|
| Leasehold land and buildings | Over the shorter of the unexpired term of the relevant lease period or 20 years |
| Leasehold improvements | Over the shorter of the term of the lease period or 5 years |
| Other assets | 5 years |

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

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Long lease | **2,413** | 2,454 |
| Medium-term lease | **27,354** | 27,832 |
| | **29,767** | 30,286 |

## 16. INTERESTS IN ASSOCIATES

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Cost of unlisted investments in associates | **—** | 10,000 |
| Share of post-acquisition losses | **—** | (231) |
| | **—** | 9,769 |

All associates of the Group were disposed of during the year. The effect of the disposal is summarised as follows:

| | **2007**<br>***HK$'000*** |
|---|---|
| Net assets disposed of: | |
| Interests in associates | **9,645** |
| Amounts due from associates | **1,976** |
| | **11,621** |
| Gain on disposal of associates | **27,000** |
| Cash consideration received | **38,621** |
| Total cash consideration | **45,706** |
| Less: Directly attributable costs | **(7,085)** |
| Cash consideration received | **38,621** |

## 17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Cost of unlisted investments in jointly controlled entities | **13,000** | 23,000 |
| Share of post-acquisition profits | **5,243** | 3,887 |
| | **18,243** | 26,887 |

Details of the Group's jointly controlled entities as at 31 March 2007 are as follows:

| **Name of jointly controlled entity** | **Form of business structure** | **Place of incorporation** | **Attributable interest held by the Group** | **Principal activities** |
|---|---|---|---|---|
| Hip Hing-Hanison Joint Venture | Unincorporate | Hong Kong | 50% | Building construction for a basement, podium and transfer plate at Tung Chung |
| Hanison-Hip Hing Joint Venture | Unincorporate | Hong Kong | 50% | Building construction for townhouse development at Tung Chung |
| Hip Hing-Hanison Joint Venture | Unincorporate | Hong Kong | 50% | Building construction for superstructure work at Tung Chung |
| Crown Cosmos Investments Limited | Limited liability company | British Virgin Islands | 50% | Investment holding in Hong Kong |
| Poly Rising Development Limited | Limited liability company | Hong Kong | 50% | Property development in Hong Kong |

## 17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The summarised financial information in respect of the Group's jointly controlled entities is set out below:

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Current assets | **329,004** | 291,458 |
| Current liabilities | **188,595** | 237,684 |
| Non-current liabilities | **103,923** | — |
| Total net assets | **36,486** | 53,774 |
| Share of net assets | **18,243** | 26,887 |
| Income | **230,916** | 213,864 |
| Expenses | **228,205** | 212,220 |
| Profit for the year | **2,711** | 1,644 |
| Share of profits of jointly controlled entities | **1,356** | 822 |

## 18. PROPERTIES UNDER DEVELOPMENT

At balance sheet date, total borrowing costs capitalised in the properties under development were HK$7,228,000 (2006: HK$2,738,000).

The carrying value of properties under development comprises properties in Hong Kong under medium-term lease.

The amount is expected to be recovered more than twelve months after the balance sheet date.

## 19. INVENTORIES

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Building materials | **20,649** | 18,748 |
| Health products – finished goods | **16,822** | 14,824 |
| | **37,471** | 33,572 |

## 20. AMOUNTS RECEIVABLE (PAYABLE) ON CONTRACT WORK

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Contract costs incurred plus recognised profits less recognised losses | **5,068,824** | 3,983,647 |
| Less: progress billings | **(4,986,301)** | (4,016,842) |
| | **82,523** | (33,195) |
| Analysed for reporting purposes as: | | |
| Amounts receivable on contract work | **187,735** | 88,697 |
| Amounts payable on contract work | **(105,212)** | (121,892) |
| | **82,523** | (33,195) |

## 21. PROGRESS PAYMENTS RECEIVABLE

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

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Progress payments receivable from: | | |
| Subsidiaries of HKR International Limited ("HKRI") | **14,900** | 11,369 |
| Third parties | **46,743** | 22,411 |
| | **61,643** | 33,780 |

The aged analysis of progress payments receivable is as follows:

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Within 30 days | **55,585** | 32,120 |
| 31 — 60 days | **4,583** | 1,660 |
| Over 90 days | **1,475** | — |
| | **61,643** | 33,780 |

## 22. RETENTION MONEY RECEIVABLE

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Retention money receivable from | | |
| Subsidiaries of HKRI | **16,400** | 42,249 |
| Third parties | **79,915** | 54,130 |
| | **96,315** | 96,379 |
| Amount receivable within one year | **72,453** | 57,419 |
| Amount receivable after one year | **23,862** | 38,960 |
| | **96,315** | 96,379 |

## 23. DEBTORS, DEPOSITS AND PREPAYMENTS

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Debtors | **21,584** | 42,070 |
| Other receivables | **5,370** | 3,871 |
| Deposits | **8,919** | 13,336 |
| Prepayments | **11,288** | 13,244 |
| | **47,161** | 72,521 |

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

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

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **11,374** | 33,480 |
| 31 — 60 days | **2,107** | 1,925 |
| 61 — 90 days | **2,522** | 1,440 |
| Over 90 days | **5,581** | 5,225 |
| | **21,584** | 42,070 |

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

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Subsidiaries of HKRI | **6** | — |
| Property management funds which are managed by subsidiaries of HKRI | **—** | 13 |
| Jointly controlled entities of the Group | **—** | 13 |
| | **6** | 26 |

## 24. AMOUNTS DUE FROM ASSOCIATES

The amounts were unsecured, interest-free and fully repaid during the year.

## 25. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and repayable on demand.

## 26. INVESTMENTS HELD FOR TRADING

Investments held for trading include investment in equity securities listed in Hong Kong amounting to HK$300,000 (2006: HK$217,000).

## 27. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at an average interest rate of 0.62% (2006: 0.20%) per annum.

## 28. CREDITORS AND ACCRUED CHARGES

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Creditors | **97,487** | 64,085 |
| Retention payable | **70,657** | 59,723 |
| Accrued costs and charges | **112,906** | 76,127 |
| Temporary receipts | **6,765** | 5,265 |
| Deposits received | **4,716** | 6,413 |
| | **292,531** | 211,613 |

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

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Within 30 days | **90,421** | 58,962 |
| 31 — 60 days | **676** | 832 |
| 61 — 90 days | **1,125** | 1,326 |
| Over 90 days | **5,265** | 2,965 |
| | **97,487** | 64,085 |

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

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Subsidiaries of HKRI | **94** | 99 |

## 29. BANK LOANS

The bank loans are repayable as follows:

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Within one year | **185,563** | 82,200 |
| In the second year | **20,700** | 6,200 |
| In the third to fifth years inclusive | **40,800** | 82,500 |
| | **247,063** | 170,900 |
| Less: Amount due within one year | **(185,563)** | (82,200) |
| Amount due after one year | **61,500** | 88,700 |
| Secured | **63,500** | 94,900 |
| Unsecured | **183,563** | 76,000 |
| | **247,063** | 170,900 |

The bank loans are secured by charges over certain properties of the Group, which are disclosed in note 35.

The Group's bank borrowings are floating-rate borrowings which are denominated in Hong Kong dollars. The interest is charged at a range from Hong Kong Interbank Offered Rate ("HIBOR") + 0.625% to HIBOR + 1.000% (2006: from HIBOR + 0.625% to HIBOR + 1.000%) per annum.

The range of effective interest rates on the Group's borrowings is 4.280% to 5.750% (2006: 2.465% to 5.178%) per annum.

## 30. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) of the Group and movements thereon during the current and prior years:

| | **Accelerated tax depreciation**<br>*HK$'000* | **Properties**<br>*HK$'000* | **Tax losses**<br>*HK$'000* | **Total**<br>*HK$'000* |
|---|---|---|---|---|
| At 1 April 2005 | 1,715 | 10,556 | — | 12,271 |
| Charge to consolidated income statement for the year | 1,237 | 7,711 | — | 8,948 |
| At 31 March 2006 | **2,952** | **18,267** | **—** | **21,219** |
| Charge to consolidated income statement for the year | **3,643** | **3,760** | **(1,997)** | **5,406** |
| Disposal of a subsidiary *(note 34)* | **(1,682)** | **(9,824)** | **—** | **(11,506)** |
| At 31 March 2007 | **4,913** | **12,203** | **(1,997)** | **15,119** |

### 30. DEFERRED TAXATION *(continued)*

For the purpose of the consolidated balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Deferred tax assets | **1,997** | — |
| Deferred tax liabilities | **(17,116)** | (21,219) |
| | **(15,119)** | (21,219) |

At the balance sheet date, the Group has unused tax losses of HK$23,125,000 (2006: HK$14,801,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$11,414,000 (2006: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$11,711,000 (2006: HK$14,801,000) due to the unpredictability of future profit streams. All the unrecognised tax losses may be carried forward indefinitely.

### 31. SHARE CAPITAL

| | **No. of shares** | **HK$'000** |
|---|---|---|
| Authorised: | | |
| Shares of HK$0.10 each | | |
| Balance as at 1 April 2005, 31 March 2006 and 31 March 2007 | 800,000,000 | 80,000 |
| Issued and fully paid: | | |
| Shares of HK$0.10 each | | |
| Balance as at 1 April 2005 | 354,588,856 | 35,459 |
| Bonus shares issued for the year ended 31 March 2006 | 88,647,212 | 8,865 |
| Balance as at 31 March 2006 and 31 March 2007 | 443,236,068 | 44,324 |

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

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

### 32. RESERVES

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

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

## 33. SHARE OPTION SCHEME

Pursuant to the Company's existing share option scheme (the "Scheme") which was adopted on 3 January 2002 and became effective on 9 January 2002, all directors (including independent non-executive directors), full-time employees and consultants of the Company, its subsidiaries and/or its associates are eligible to participate in the Scheme.

The purpose of the Scheme is to provide the participants who have been granted options under the Scheme to subscribe for ordinary shares in the Company with the opportunity to acquire proprietary interest in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

### (a) Maximum number of shares available for issuance

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company shall not exceed 10% of the shares of the Company in issue as at the date of approval of the Scheme. A total of 28,367,108 shares of the Company is available for issue under the Scheme which represents 10% of the issued share capital of the Company as at the date of approval of the Scheme and approximately 6.4% of the issued share capital of the Company as at the date of this report.

The overall limit on the number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time.

### (b) Maximum entitlement of each participant

(1) The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the shares in issue unless otherwise approved by shareholders of the Company.

(2) Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates (as defined in rule 1.01 of the Listing Rules), would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in any 12-month period up to and including the date of the grant:

  (i) representing in aggregate over 0.1% of the shares in issue; and

  (ii) having an aggregate value, based on the closing price of the shares on date of grant in excess of HK$5.0 million,

such grant of option shall be subject to prior approval of the shareholders of the Company who are not connected persons of the Company as defined in the Listing Rules of the Stock Exchange.

### (c) Period within which the shares must be taken up under an option

Within ten years from the date on which an option is granted or such shorter period as the Board of Directors or the relevant committee thereof may specify.

## 33. SHARE OPTION SCHEME *(continued)*

### (d) Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting an option, the Board of Directors or the relevant committee thereof must specify the minimum period(s) and/or achievement of performance targets, if any, for which an option must be held before it can be exercised.

Options may be exercised at any time after the minimum periods of time held and/or achievement of performance targets, if any, specified in the terms of grant at the time of grant.

### (e) Remaining life of the Scheme

The Scheme has a life of 10 years and will expire on 3 January 2012 unless otherwise terminated in accordance with the terms of the Scheme.

The exercise price of the option shall be no less than the higher of:

(i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, which must be a business day;

(ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and

(iii) the nominal value of the shares of the Company on the date of grant.

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

No option has been granted under the Scheme since its adoption.

## 34. DISPOSAL OF A SUBSIDIARY

During the year ended 31 March 2007, the Group disposed of a subsidiary, Hanison Eco Services Limited ("Hanison Eco"), to a property holding company of an international investment house. Hanison Eco is engaged in property investment and a gain on disposal of HK$43,470,000 was recognised.

A summary of the effect of disposal of a subsidiary is as follows:

| | **2007**<br>*HK$'000* |
|---|---|
| Net assets disposed of: | |
| Investment properties | **135,035** |
| Debtors, deposits and prepayments | **923** |
| Bank balances and cash | **122** |
| Creditors and accrued charges | **(3,936)** |
| Taxation payable | **(452)** |
| Deferred tax liabilities | **(11,506)** |
| Shareholder's loan | **(64,077)** |
| | **56,109** |
| Assignment of shareholder's loan | **64,077** |
| | **120,186** |
| Gain on disposal | **43,470** |
| Total consideration | **163,656** |
| Satisfied by: | |
| Cash consideration | **180,000** |
| Directly attributable costs | **(16,344)** |
| | **163,656** |
| Net cash inflow arising on disposal: | |
| Cash consideration received | **163,656** |
| Cash and cash equivalent disposed of | **(122)** |
| | **163,534** |

The subsidiary disposed of during the year contributed HK$6,944,000 (2006: HK$8,911,000) to the turnover and HK$3,407,000 (2006: HK$26,012,000) to the profit for the year of the Group.

## 35. PLEDGE OF ASSETS

At the balance sheet date, the Group's bank loans were secured by the Group's assets as follows:

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Investment properties | **105,250** | 207,014 |
| Land and buildings | **11,295** | 11,790 |
| | **116,545** | 218,804 |

## 36. CONTINGENT LIABILITIES

At the balance sheet date, the Group had given guarantees to a bank in respect of performance bonds and a bank loan granted to the jointly controlled entities amounting to HK$33,488,000 (2006: HK$33,488,000) and HK$68,500,000 (2006: nil) respectively.

During the year ended 31 March 2004, legal actions in respect of allegations of copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health products business. No further steps have been taken against the Group in respect of such actions after the court hearing for directions to appoint experts and exchange witness statements since 2004. At 31 March 2007, the directors of the Company are of the opinion that in view of the uncertainty, it is not practicable to assess the financial effect.

## 37. CAPITAL COMMITMENTS

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

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Contracted for but not provided in consolidated financial statements | | |
| Commitments for the acquisition of investment properties | **26,399** | 9,090 |
| Commitments for the acquisition of property, plant and equipment | **11,713** | 7,750 |

**Authorised but not contracted for**

At the balance sheet date, the Group has an obligation to fund HK$231,500,000 (2006: HK$231,500,000), representing 23.63% of the anticipated project costs for the joint development of a site in So Kwun Wat.

## 38. OPERATING LEASE COMMITMENTS

**As lessee**

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

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **7,643** | 9,383 |
| In the second to fifth year inclusive | **4,868** | 8,478 |
| Over five years | **8,120** | 8,240 |
| | **20,631** | 26,101 |

Operating lease payments represent rentals payable by the Group for its office properties, warehouses and shops. Except for a lease with a remaining term of 42 years which has fixed rentals for the remaining term, leases are negotiable and rentals are fixed for an average term of three years.

**As lessor**

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

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **13,036** | 18,315 |
| In the second to fifth year inclusive | **6,994** | 14,941 |
| | **20,030** | 33,256 |

Leases are negotiable for an average term of three years.

## 39. RETIREMENT BENEFIT SCHEMES

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

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

## 39. RETIREMENT BENEFIT SCHEMES *(continued)*

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

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Contributions payable | **8,811** | 6,913 |
| Forfeiture | **(90)** | (42) |
| | **8,721** | 6,871 |

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

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Balance of forfeited contributions | **32** | 30 |

## 40. RELATED PARTY TRANSACTIONS

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

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Construction income from subsidiaries of HKRI *(Note)* | **70,108** | 187,455 |
| Interior and renovation income from a company associated with a substantial shareholder of the Company | **—** | 2,748 |
| Supply and installation of building materials to jointly controlled entities | **3,305** | 1,554 |
| Interior and renovation income from subsidiaries of HKRI *(Note)* and its associates | **152** | 717 |
| Properties agency fees and manager's fee income from a company associated with a substantial shareholder of the Company | **—** | 2,227 |
| Interior and renovation income from property management funds which are managed by subsidiaries of HKRI *(Note)* | **388** | 263 |

**Compensation of key management personnel**

Details of the remuneration of key management personnel, which are the directors, during the year were set out in note 10.

*Note:* HKRI is a substantial shareholder of the Company.

## 41. POST BALANCE SHEET EVENT

On 15 May 2007, the Group entered into a sale and purchase agreement with independent third parties to acquire the entire issued share capital of Million Hope Industries Limited and Million Hope Holding Company Limited at a consideration of HK$3,385,000. The completion date was on the same date.

## 42. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries, all of which are wholly owned, at 31 March 2007 are as follows:

| **Name of subsidiary** | **Place of incorporation/ operation** | **Issued and fully paid share capital *(note 1)*/ registered capital/ quota capital** | **Principal activities** |
|---|---|---|---|
| Amwell Investments Limited | British Virgin Islands /Hong Kong | US$1 | Investment holding |
| Brilliant Advance Limited | British Virgin Islands /Hong Kong | US$2 | Investment holding |
| Care & Health Limited | Hong Kong | HK$2 | Trading of health products |
| Emwell Limited | Hong Kong | HK$2 | Property investment |
| Excel Gaining Limited | Hong Kong | HK$1 | Property investment |
| Famous Era International Limited | Hong Kong | HK$1 | Property investment |
| Forever Gainer Development Limited | Hong Kong | HK$2 | Property development |
| General Target Limited | Hong Kong | HK$10,000 | Property investment |
| Hamfield Enterprises Limited | Hong Kong | HK$2 | Property holding |
| Hanison Construction Company Limited | Hong Kong | Ordinary shares HK$1,000<br>Deferred shares HK$60,000,000 *(note 3)* | Property construction |
| Hanison Contractors Limited | Hong Kong | HK$2 | Property construction |
| Hanison Estate Services Limited | Hong Kong | HK$2 | Provision of property management services |
| Hanison Foundation Limited | Hong Kong | HK$1 | Property construction |
| Hanison Holdings Limited | Hong Kong | HK$1 | Investment holding |

**42. PARTICULARS OF SUBSIDIARIES** *(continued)*

| **Name of subsidiary** | **Place of incorporation/ operation** | **Issued and fully paid share capital *(note 1)*/ registered capital/ quota capital** | **Principal activities** |
|---|---|---|---|
| Hanison Interior & Renovation Limited | Hong Kong | HK$2 | Provision of interior and renovation services |
| Hanison (Macau) Limited | Macau | MOP25,000 | Property construction |
| Hanison Project Management Limited | Hong Kong | HK$2 | Provision of property leasing and marketing services and project management |
| Hantex Engineering Limited | Hong Kong | HK$1 | Dormant |
| Healthcorp Trading Limited | Hong Kong | HK$2 | Trading of health products and investment holding |
| Health Plus (Hong Kong) Limited | Hong Kong | HK$2 | Dormant |
| Heatex Ceramic Limited | Hong Kong | HK$400,000 | Property development |
| Media Group International Limited | British Virgin Islands /Hong Kong | US$2 | Investment holding |
| Retailcorp Limited | Hong Kong | HK$2 | Sales of health products |
| Rich Color Limited | British Virgin Islands /Hong Kong | US$1 | Dormant |
| Senior Rich Development Limited | Hong Kong | HK$10,380 | Property investment |
| Sental Investment Limited | Hong Kong | HK$2 | Property development |
| Tai Kee Pipes Limited | Hong Kong | HK$2,000,000 | Trading of building materials |
| Team Forward Limited | British Virgin Islands /Hong Kong | US$2 | Investment holding |
| Top Rising Development Limited | Hong Kong | HK$1 | Investment holding |
| Trigon Building Materials Limited | Hong Kong | HK$2 | Supply and installation of building materials |

## 42. PARTICULARS OF SUBSIDIARIES *(continued)*

| Name of subsidiary | Place of incorporation/ operation | Issued and fully paid share capital *(note 1)*/ registered capital/ quota capital | Principal activities |
|---|---|---|---|
| Trigon Interior Fitting-Out Works (Macau) Limited | Macau | MOP25,000 | Building materials, renovation and trading |
| Triple Sky Limited | Hong Kong | HK$1 | Property investment |
| Wisdom Concept Development Limited | Hong Kong | HK$2 | Property development |
| 健怡坊(上海)貿易有限公司 *(note 5)* | The People's Republic of China | US$600,000 | Trading of health products |

*Notes:*

(1) All being ordinary shares except otherwise stated.

(2) Other than Media Group International Limited, which is directly held by the Company, all other companies are indirectly held by the Company.

(3) The HK$60,000,000 deferred shares are held by a subsidiary of HKRI. The deferred shares held by the subsidiary of HKRI are shares whose shareholders are neither entitled to receive notices, attend, vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiary.

(4) None of the subsidiaries had issued any debt securities at the end of the year.

(5) A wholly foreign-owned enterprise.

## 3. INDEBTEDNESS

As at the close of business on 31 August 2007, the Group had outstanding bank loans of approximately HK$321.7 million (of which approximately HK$65.1 million was secured).

As at the close of business on 31 August 2007, the Group had pledged certain land and buildings and investment properties with a carrying value of approximately HK$119.3 million to secure banking facilities granted to the Group.

As at 31 August 2007, the Group had contingent liabilities in respect of certain guarantees to the extent of approximately HK$33.5 million given to a bank in respect of performance bonds and a bank loan of HK$68.5 million granted to the jointly controlled entities. In addition, the Group had contingent liabilities regarding legal actions in respect of the allegations for copyright infringement and defamation taken against certain subsidiaries of the Company carrying on health products business during the year ended 31 March 2004. No further steps have been taken against the Group in respect of such actions after the court hearing for directions to appoint experts and exchange witness statements since 2004. Hence, the Directors are of the opinion that in view of the uncertainty, it is not practicable to assess the financial effect.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding as at 31 August 2007 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

## 4. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest published audited financial statements of the Group were made up.

## 5. WORKING CAPITAL

The Directors (including the independent non-executive Directors) are of the opinion that, taking into account of bank balances and cash of the Group, its expected internally generated funds, the present available banking facilities of the Group and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

## 6. FINANCIAL AND TRADING PROSPECTS

During the year ended 31 March 2007, the consolidated turnover was HK$1,178.9 million (2006: HK$876.6 million) and consolidated net profits after tax was HK$105.6 million (2006: HK$82.0 million). The results for the year ended 31 March 2007 were the best since the Company's listing on the Stock Exchange.

The Group has been pursuing business opportunities to diversify its businesses into property investment and development, project management and health products retail and wholesales over the years. The Group is continuously exploring investment opportunities to broaden the Group's revenue stream and enhance the Group's profitability.

## UNAUDITED FINANCIAL INFORMATION ON THE PROPERTY

| | For the seven months ended 31 October 2007<br>*HK$'000* | For the period from 1 November 2006 to 31 March 2007<br>*HK$'000* |
|---|---|---|
| Gross rental income | 3,820 | 1,337 |

*Notes:*

(1) The gross rental income is based on the existing valid tenancy agreements provided by the Vendor, the only information available to us. It may not give a true picture of the profit attributable to the Property, since no books of accounts are available for us to check whether the rental income has been received by the Vendor.

(2) For the following reasons, the Directors were unable to ascertain the direct expenses of the Property for disclosure in this circular:—

  (a) The tenants are responsible for the payment of water and electricity charges, telephone, repair and maintenance, gas and air-conditioning charges for all the units. These expenses vary according to their consumption and are therefore not stated in the tenancy agreements.

  (b) The rates and management fees are not ascertainable, as:—

    (i) the rates for most of the shops on the ground floor are borne by the tenants which are not stated in the tenancy agreements as they are subject to adjustments in each fiscal year. The rates for the offices on the first floor and the domestic flats from the second to seventeenth floors are borne by the Vendor and therefore should have been recorded in the books and records of the Vendor. However, we were unable to gain access to these documents.

    (ii) the Property was self-managed by the Vendor, there was no management fee chargeable to the tenants. The Vendor cannot produce the books and records for us to calculate the management fee.

(3) No government rent is payable for the Property.

Unaudited financial information on the Property for the period from 1 November 2006 to 31 March 2007 and for the seven months ended 31 October 2007 set out above have been prepared by the Directors based on the information provided by the Vendor and procedures have been undertaken by the auditor of the Company in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants to compare the amounts of gross rental income presented above, on a sample basis, to the tenancy agreements provided by the Vendor. With respect to the aforesaid procedures that were performed, the auditor found that the selected amounts of gross rental income were in agreement with the information provided by the Vendor.

## 1. UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP

### A. Introduction to the unaudited pro forma net assets statement

The unaudited pro forma net assets statement of the Group is prepared based on the audited consolidated balance sheet extracted from the annual report of the Group for the year ended 31 March 2007, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable, as if the Acquisition had been completed on 31 March 2007.

The unaudited pro forma net assets statement of the Group has been prepared to provide the unaudited pro forma financial information of the Group as if the Acquisition had been completed on 31 March 2007. As it is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 March 2007 or at any future date.

### B. Unaudited pro forma net assets statement

| | **The Group as at 31 March 2007 (Audited)** *HK$'000* | **Pro forma adjustment** *HK$'000* *(Note)* | **The Group after the Acquisition** *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 232,280 | 220,475[1] | 452,755 |
| Property, plant and equipment | 61,175 | | 61,175 |
| Interests in jointly controlled entities | 18,243 | | 18,243 |
| Goodwill | 540 | | 540 |
| Deposits for acquisition of investment properties | 1,821 | | 1,821 |
| Deposits for acquisition of property, plant and equipment | 5,052 | | 5,052 |
| | 319,111 | | 539,586 |
| **Current assets** | | | |
| Properties under development | 251,640 | | 251,640 |
| Inventories | 37,471 | | 37,471 |
| Amounts receivable on contract work | 187,735 | | 187,735 |
| Progress payments receivable | 61,643 | | 61,643 |
| Retention money receivable | 96,315 | | 96,315 |
| Debtors, deposits and prepayments | 47,161 | | 47,161 |
| Amount due from a jointly controlled entity | 43,750 | | 43,750 |
| Investments held for trading | 300 | | 300 |
| Taxation recoverable | 4,472 | | 4,472 |
| Bank balances and cash | 258,457 | (220,475)[1] | 37,982 |
| | 988,944 | | 768,469 |

| | The Group as at 31 March 2007 (Audited) *HK$'000* | Pro forma adjustment *HK$'000* | The Group after the Acquisition *HK$'000* |
|---|---|---|---|
| **Current liabilities** | | | |
| Amounts payable on contract work | 105,212 | | 105,212 |
| Creditors and accrued charges | 292,531 | | 292,531 |
| Taxation payable | 489 | | 489 |
| Bank loans — amount due within one year | 185,563 | | 185,563 |
| | 583,795 | | 583,795 |
| **Net current assets** | 405,149 | | 184,674 |
| **Total assets less current liabilities** | 724,260 | | 724,260 |
| **Non-current liabilities** | | | |
| Bank loans — amount due after one year | 61,500 | | 61,500 |
| Deferred taxation | 15,119 | | 15,119 |
| | 76,619 | | 76,619 |
| **Net assets** | 647,641 | | 647,641 |

*Notes:*

1. The total cost of the Acquisition is as follows:

| | *HK$* |
|---|---|
| Consideration for the Acquisition | 210,000,000 |
| Stamp duty wholly borne by Sanney | 7,875,000 |
| Agency fee | 2,100,000 |
| Professional fees | 500,000 |
| | 220,475,000 |

2. To finance the Consideration for the Acquisition, the Company will raise a borrowing of HK$165,000,000 from a bank. Such bank loan had not been reflected in the unaudited pro forma net assets statement of the Group.

## 2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP

Deloitte.
德勤

### ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP

**TO THE DIRECTORS OF HANISON CONSTRUCTION HOLDINGS LIMITED**

We report on the unaudited pro forma net assets statement of Hanison Construction Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisition of the entire interest of all those pieces or parcels of ground registered in the Land Registry as Kowloon Inland Lot No. 3244, Kowloon Inland Lot No. 3243, Kowloon Inland Lot No. 3242, Kowloon Inland Lot No. 3241, Kowloon Inland Lot No. 3240 and Kowloon Inland Lot No. 1701 together with all messuages erections and buildings thereon now known as Nos. 32, 34, 36, 38 and 40 Kwun Chung Street, Kowloon, Hong Kong (the "Acquisition") might have affected the financial information presented, for inclusion in Appendix IV of the circular dated 9 November 2007 (the "Circular"). The basis of preparation of the unaudited pro forma net assets statement is set out on page 67 to the Circular.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma net assets statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma net assets statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma net assets statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

## BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma net assets statement with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma net assets statement has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma net assets statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma net assets statement is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 March 2007 or any future date.

## OPINION

In our opinion:

(a) the unaudited pro forma net assets statement has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group so far as such policies relate to the Acquisition; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma net assets statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

9 November 2007

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long position in the Shares of the Company (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") adopted by the Company to be notified to the Company and the Stock Exchange:

### Long position in the Shares

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

*Notes:*

(1) The Shares are held by Accomplished Investments Ltd. in which the relevant director is deemed to be interested by virtue of Part XV of the SFO.

(2) Mr. Wong Sue Toa, Stewart's corporate interests in the Company arise from the fact that he owns 50% of the share capital of Executive Plaza Limited, which as at the Latest Practicable Date, held 2,823,786 Shares.

(3) These Shares are held under certain discretionary trusts, of which Mr. Cha Mou Sing, Payson, Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin are members of the class of discretionary beneficiaries under certain but not identical discretionary trusts.

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

## 3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WITH NOTIFIABLE INTERESTS

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had an interest in the following long positions in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

### Long position in the Shares

| Name | Capacity | Number of ordinary Shares | % of issued share capital |
|---|---|---|---|
| Great Wisdom *(Note 1)* | Beneficial owner | 217,185,676 | 49.0% |
| HKRI *(Note 1)* | (1) Beneficial owner, and<br>(2) interest of controlled corporation | 217,185,957 | 49.0% |
| CCM Trust *(Note 2)* | (1) Trustee, and<br>(2) interests of controlled corporations | 309,462,565 | 69.82% |

*Notes:*

(1) Great Wisdom is a wholly-owned subsidiary of HKRI and therefore HKRI is deemed to be interested in the 217,185,676 Shares held by Great Wisdom in accordance with the SFO. Mr. Cha Mou Sing, Payson and Mr. Cha Mou Daid, Johnson, both of whom are Directors of the Company, are also directors of HKRI.

(2) These Share interests comprise 78,134,996 Shares directly held by CCM Trust, 217,185,957 Shares indirectly held through HKRI and 14,141,612 Shares indirectly held through CDW Holdings Limited. As CCM Trust controls more than one-third of the share capital of each of HKRI (held as to approximately 41.01% by CCM Trust) and CDW Holdings Limited (held as to approximately 52.24% by CCM Trust), it is deemed to be interested in the respective Share interests of these companies. CCM Trust is holding these Shares as the trustee of a discretionary trust of which members of the Cha Family are among the discretionary objects. Mr. Cha Mou Sing, Payson is also a director of CCM Trust.

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

## 4. DIRECTORS' SERVICE CONTRACTS

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

## 5. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

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

| **Name of Director**<br>*(Note 1)* | **Name of Company** | **Nature of interest** | **Competing business**<br>*(Note 2)* |
|---|---|---|---|
| Cha Mou Sing, Payson | HKRI | Director of HKRI and a member of the class of discretionary beneficiaries of certain discretionary trusts of which the trustees are deemed substantial shareholders of HKRI under Part XV of the SFO | (a) Property development and investment<br>(b) Property management, leasing and marketing services |

| Name of Director<br>*(Note 1)* | Name of Company | Nature of interest | Competing business<br>*(Note 2)* |
|---|---|---|---|
| | New World Development Company Limited ("NWDCL") | Independent non-executive director of NWDCL | (a) Property development and investment<br>(b) Property management, leasing and marketing services |
| | Champion Real Estate Investment Trust ("CREIT") | Independent non-executive director of Eagle Asset Management (CP) Limited, the manager of CREIT | (a) Property investment<br>(b) Property management, leasing and marketing services |
| Cha Mou Daid, Johnson | HKRI | Director of HKRI and a member of the class of discretionary beneficiaries of certain discretionary trusts of which the trustees are deemed substantial shareholders of HKRI under Part XV of the SFO | (a) Property development and investment<br>(b) Property management, leasing and marketing services |
| Cha Yiu Chung, Benjamin | HKRI | A member of the class of discretionary beneficiaries of certain discretionary trusts of which the trustees are deemed substantial shareholders of HKRI under Part XV of the SFO | (a) Property development and investment<br>(b) Property management, leasing and marketing services |

*Notes:*

(1) Mr. Cha Mou Sing, Payson, Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin are non-executive Directors, who are not involved in the daily management of the Group. Accordingly, the Company is capable of carrying on its business independently of, and at arms length from the above mentioned competing businesses;

(2) Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

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

## 6. LITIGATION

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

(i) legal actions in respect of allegations for copyright infringement and defamation have been taken during the financial year ended 31 March 2004 against certain subsidiaries of the Company carrying on health products business. No further steps have been taken against the Group in respect of such actions after the court hearing for directions to appoint experts and exchange witness statements since 2004. Hence, the Directors are of the opinion that it is impractical to assess the impact of such legal actions on the Group. Reference is made to Note 36 (contingent liabilities) of the Company's 2006-2007 annual report and paragraph 6(i) of the Appendix to the Company's circular to Shareholders dated 4 June 2007 which had previously disclosed such actions; and

(ii) actions for personal injury claims are being taken against the Group from time to time in the course of and in connection with its construction, interior and renovation businesses and the costs of which are generally covered by insurers and/or the liquidator of the relevant insurance company where such company has been put into liquidation and/or the Employee Compensation Assistance Fund Board. The Directors consider that such actions will have no material impact on the Group. Reference is made to paragraph 6(ii) of the Appendix to the Company's circular to Shareholders dated 4 June 2007 which had previously disclosed such actions.

## 7. QUALIFICATIONS OF EXPERTS, CONSENTS AND EXPERTS' INTERESTS

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

| **Name** | **Qualification** |
|---|---|
| Jones Lang LaSalle Limited | Chartered Surveyors |
| Deloitte Touche Tohmatsu | Certified Public Accountants |

Each of Jones Lang LaSalle Limited and Deloitte Touche Tohmatsu has given and has not withdrawn their written consents to the issue of this circular with the inclusion of their letters or reports and references to their names in the form and context in which they appear.

Each of Jones Lang LaSalle Limited and Deloitte Touche Tohmatsu confirmed that as at the Latest Practicable Date neither of them has any shareholding in the Company or any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Jones Lang LaSalle Limited and Deloitte Touche Tohmatsu further confirmed that as at the Latest Practicable Date neither of them has any interest, direct or indirect, in any assets which have been, since 31 March 2007 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

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

None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, being the date up to which the latest published audited accounts of the Group were made.

## 9. MATERIAL CONTRACTS

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

(a) Provisional sale and purchase agreement dated 4 May 2006 and entered into by Hamfield Enterprises Limited and Fortune Land Limited in relation to the disposal of the land situated at Lot Nos. 1282s.A, 1282s.B, 1283, 2209s.A, 2209RP and 1303 in D.D.92, Sheung Shui, New Territories for a consideration of HK$15,733,760. An announcement was made on 9 May 2006;

(b) The agreement for sale and purchase of the Sale Shares and the irrevocable undertaking regarding the Loan Assignment both dated 4 October 2006 entered into between Hanison Construction Holdings (BVI) Limited ("Hanison (BVI)", formerly known as "Media Group International Limited") and Chevalier (Development) Company Limited as the vendors and Max Pine Limited as the purchaser relating to the disposal of Fairwide Limited and Berville Investment Limited for aggregate consideration of HK$91,412,310. An announcement was made on 4 October 2006;

(c) The agreement for the sale and purchase of the Sale Shares and Sale Loan dated 20 October 2006 entered into between Hanison (BVI), the Company and a property holding company of an international investment house relating to the disposal of Hanison Eco Services Limited for a consideration of HK$180,000,000. An announcement was made on 24 October 2006;

(d) The agreement dated 15 May 2007 entered into by Rich Color Limited for the acquisition of the share(s) in Million Hope Holding Company Limited and Million Hope Industries Limited for an aggregate consideration of HK$3,385,190. An announcement was made on 15 May 2007; and

(e) The Tender.

## 10. GENERAL

(a) Mr. Lo Kai Cheong Casey, who is a Fellow of the Hong Kong Institute of Certified Public Accountants, is the company secretary and the qualified accountant of the Company.

(b) The registered office of the Company is situated at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

(c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) this circular;

(b) the memorandum and articles of association of the Company;

(c) the audited consolidated accounts of the Group for each of the two financial years ended 31 March 2007;

(d) the letter and valuation certificate prepared by Jones Lang LaSalle Limited, the texts of which are set out in Appendix I to this circular;

(e) the report by Deloitte Touche Tohmatsu on the pro forma net assets statement set out in Appendix IV to this circular;

(f) the written consents from Jones Lang LaSalle Limited and Deloitte Touche Tohmatsu referred to in paragraph 7 in this Appendix V;

(g) the material contracts referred to in paragraph 9 above including the Tender; and

(h) the circular dated 4 June 2007 in relation to the acquisition of Million Hope Industries Limited and Million Hope Holding Company Limited.