
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 and the enclosed proxy form 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.

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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)

CONTINUING CONNECTED TRANSACTIONS

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



Baron Capital Limited

A letter from the Independent Board Committee (as herein defined) containing its advice and recommendation to the Independent Shareholders (as herein defined) is set out on pages 12 to 13 of this circular. A letter from Baron (as herein defined), the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 22 of this circular.

A notice convening the EGM (as herein defined) to be held at The Harbour Room, 3/F, The Ritz-Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on Wednesday, 21 March 2007 at 10:00 a.m., is set out on pages 29 to 30 of this circular. A proxy form is also enclosed. If you are not able to attend and/or vote at the EGM in person, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

16 February 2007

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DEFINITIONS

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

“Agreement”	the Construction and Renovation Services Framework Agreement between HKRI and the Company dated 30 January 2007;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Baron”	Baron Capital Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Agreement and the Connected Transactions;
“Board”	the board of directors of the Company;
“Building Project”	each project relating to the construction of residential, commercial, hotel and recreational properties, buildings and related infrastructure and facilities for which HKRI may from time to time seek tenders;
“CDW Building”	CDW Building, a 27-storey industrial and commercial building located at 382-392 Castle Peak Road, 27-37 Mei Wan Street, Tsuen Wan, New Territories;
“Cha Family”	comprising, for this purpose, Dr. Cha, Ms. Wong Cha May Lung, Madeline (being a daughter of Dr. Cha), Mr. Cha Mou Sing, Payson, Mr. Cha Mou Zing, Victor and Mr. Cha Mou Daid, Johnson (being the sons of Dr. Cha), Mr. Cha Yiu Chung, Benjamin (being a grandson of Dr. Cha) together with their respective associates, excluding, as the case may be, HKRI;
“Company”	Hanison Construction Holdings Limited, a company incorporated in the Cayman Islands the issued share capital of which is listed on the Stock Exchange;
“Connected Transactions”	the Construction Transactions and the Renovation Transactions;

DEFINITIONS

“Construction Transactions”	the transactions between any member(s) of the HKRI Group on the one hand and any member(s) of the Hanison Group on the other to be entered into during the three financial years ending 31 March 2010 in relation to any Building Project in respect of any tender from the Hanison Group accepted by the HKRI Group;
“Dr. Cha”	Dr. Cha Chi Ming, a non-executive director and the chairman of HKRI;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving the Agreement;
“Great Wisdom”	Great Wisdom Holdings Limited, a company incorporated in the British Virgin Islands, interested in approximately 49.00% of the Company;
“Hanison Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars;
“HKRI”	HKR International Limited, a company incorporated in the Cayman Islands the issued securities of which are listed on the Stock Exchange. HKRI, through its wholly-owned subsidiary, Great Wisdom, is interested in approximately 49.00% of the Company;
“HKRI Group”	HKRI and its subsidiaries from time to time;
“HKRI Independent Shareholders”	the independent shareholders of HKRI excluding, for all purposes in connection with the approval of the Agreement, the Related Shareholders and their respective associates;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the board of directors of the Company comprising the independent non-executive directors of the Company established on 6 December 2006 for the purpose of advising the Independent Shareholders in relation to the Connected Transactions;
“Independent Shareholders”	the independent shareholders of the Company excluding, for all purposes in connection with the approval of the Agreement, HKRI, the Related Shareholders and their respective associates;

DEFINITIONS

“Latest Practicable Date”	13 February 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;
“Previous Waivers”	previous waivers granted by the independent shareholders of HKRI and the Company respectively at extraordinary general meetings held on 12 January 2004, approving arrangements for the entering into and proposed caps on the aggregate transaction values of certain connected construction and renovation transactions for the three financial years ending 31 March 2007, together with the waivers granted by the Stock Exchange on 11 February 2004, from strict compliance with the requirements then set out in Chapter 14 of the Listing Rules for the three financial years ending 31 March 2007 in respect of the same certain connected construction and renovation transactions entered into between the Hanison Group and the HKRI Group during such period;
“Related Shareholders”	<p>CCM Trust (Cayman) Limited (“CCM Trust”), CDW Holdings Limited (“CDW”) and LBJ Regents Limited (“LBJ”) who are, together, directly or indirectly interested in approximately 24.18% of the Company (excluding, for these purposes, their interest in the Company held, indirectly, through HKRI), where:</p> <p>(a) CCM Trust is a company incorporated in the Cayman Islands with limited liability and which has a direct interest in the Company of approximately 17.63%. CCM Trust (which is also indirectly interested in the shares of the Company held via its subsidiary, CDW, as described in (b) below) is the corporate trustee of a discretionary trust of which members of the class of discretionary beneficiaries comprise Dr. Cha and his issue;</p> <p>(b) CDW is a company incorporated in the Cayman Islands with limited liability, owned as to 52.24% by CCM Trust, and which has a direct interest in the Company of approximately 3.19%; and</p>

DEFINITIONS

	(c) LBJ is a company incorporated in the British Virgin Islands with limited liability and which has a direct interest in the Company of approximately 3.36%. LBJ is the corporate trustee for certain but not identical discretionary trusts of which members of the class of discretionary beneficiaries comprise Dr. Cha and/or his issue;
“Renovation Project”	any project relating to renovation services or assistance in relation to the properties owned, operated or managed from time to time by the HKRI Group (including, without limitation, the CDW Building);
“Renovation Transactions”	the transactions between any member(s) of the HKRI Group on the one hand and any member(s) of the Hanison Group on the other to be entered into during the three financial years ending 31 March 2010 in relation to any Renovation Project(s);
“Services”	means construction, interior and renovation, maintenance and related services including the provision of services as main contractor and sub-contractor for a variety of works including superstructure, foundation, infrastructure facilities, maintenance construction renovation and interior decoration provided from time to time by members of the Hanison Group to members of the HKRI Group;
“Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shareholder(s)”	shareholder(s) of the Company; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 896)

Directors:—

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

Registered Office:—

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

Principal Office in Hong Kong:—

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

* *Non-executive Director*

** *Independent Non-executive Director*

16 February 2007

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Since the spin-off of the Company from the HKRI Group and its separate listing on the Stock Exchange in 2002, members of the Hanison Group have continued to provide Services to members of the HKRI Group pursuant to continuing connected transactions approved from time to time by the independent shareholders of both HKRI and the Company. The last such independent shareholder approvals were obtained at respective extraordinary general meetings of HKRI and the Company convened and held in January 2004, and are due to expire on 31 March 2007.

HKRI has a land bank which it proposes to develop over time, including as regards the intended additional phase at Yi Pak, Discovery Bay, Lantau Island. The developments will include residential, commercial and recreational projects for which HKRI proposes, from time to time, to request tenders. Both HKRI and the Company anticipate that the Company will wish to tender for some or all of these projects.

LETTER FROM THE BOARD

In addition, HKRI anticipates the prospect of engaging the Company in relation to certain renovation works which HKRI may from time to time require in relation to the properties and developments owned, operated or managed by the HKRI Group, including in relation to the CDW Building in Tsuen Wan, New Territories owned by the HKRI Group. HKRI may or may not open such renovation works to tender depending on the size of the works involved.

HKRI and the Company have entered into the Construction and Renovation Services Framework Agreement dated 30 January 2007 to govern the outline terms upon which members of the HKRI Group and members of the Hanison Group propose to engage in the Construction Transactions and Renovation Transactions during the three financial years ending 31 March 2010. A joint announcement from the Company and HKRI dated 31 January 2007 in relation to the entering into of the Agreement has been published by both companies separately.

The purpose of this circular is to provide you with details on the Agreement and Connected Transactions, the recommendation of the Independent Board Committee and the advice of Baron in respect of the Agreement and Connected Transactions and to give notice of the EGM thereof.

CONSTRUCTION AND RENOVATION SERVICES FRAMEWORK AGREEMENT

Date of agreement: 30 January 2007

Parties: (1) HKRI
(2) the Company

Provision of Services: The Agreement represents a framework agreement pursuant to which it is envisaged by the parties that members of the Hanison Group will provide the Services to members of the HKRI Group in relation to all Building Projects which form the subject of Construction Transactions entered into between the HKRI Group and the Hanison Group, and all Renovation Projects which form the subject of Renovation Transactions entered into between the HKRI Group and the Hanison Group.

The relevant members of the HKRI Group and the relevant members of the Hanison Group will enter into subsidiary agreements covering the Construction Transactions and the Renovation Transactions envisaged under the Agreement. Each such subsidiary agreement will set out the specific detailed terms upon which particular Services will be rendered by the Hanison Group to the HKRI Group. The terms of each such subsidiary agreement must comply with (i) the terms of the Agreement and (ii) relevant requirements under the Listing Rules.

The Construction Transactions and the Renovation Transactions to be entered into by the HKRI Group and the Hanison Group must be on normal commercial terms or terms no less favourable to the HKRI Group than those offered by the Hanison Group to independent third parties. The calculation of payments to be made shall be determined by reference to the size, nature and anticipated duration of the projects, the location, complexity of work and sub-contracting costs as well as any other material factors agreed on a project by project basis.

LETTER FROM THE BOARD

Annual Caps: The total value of the Construction Transactions to be entered into by the Hanison Group to the HKRI Group (in terms of revenue recognition) for each of the three years ending 31 March 2010 shall not exceed the following (except as noted below):—

1 April 2007 - 31 March 2008	HK\$450 million
1 April 2008 - 31 March 2009	HK\$450 million
1 April 2009 - 31 March 2010	HK\$450 million

The total value of the Renovation Transactions to be entered into by the Hanison Group to the HKRI Group (in terms of revenue recognition) for each of the three years ending 31 March 2010 shall not exceed the following (except as noted below):—

1 April 2007 - 31 March 2008	HK\$20 million
1 April 2008 - 31 March 2009	HK\$20 million
1 April 2009 - 31 March 2010	HK\$20 million

In the event that the total value of the Construction Transactions or the Renovation Transactions exceed the relevant amounts set out above for any year, such transactions and their total value will be subject to review and re-approval by the HKRI Independent Shareholders and the Independent Shareholders as soon as possible, either at the respective companies' next following annual general meetings or at extraordinary general meetings of HKRI and the Company convened for this specific purpose, whichever comes first.

The annual cap in respect of the Construction Transactions referred to above was arrived at as being the average of the respective caps as independently determined by each party in accordance with their own confidential bases and assumptions which were broadly comparable (and hence were agreed on the basis of an average). It is the belief of the respective directors of HKRI and the Company that the averaging of the respective caps to produce the annual cap is fair and reasonable. Each party's caps were determined as a product of their respective estimations of the following factors: i) the anticipated development plans of HKRI and in particular the estimated gross floor areas to be developed each year, ii) the anticipated average construction costs per square metre for a range of standards and styles of residential and non-residential developments, and iii) the estimated success rate of members of the Hanison Group tendering for such Construction Transactions. These estimations, together with the recent improvement in the economy in general, have produced annual caps which are higher than the amounts derived by the Hanison Group from the HKRI Group in respect of construction transactions for the past three years, which reflects the cyclical nature of construction works generally. The annual cap on the Construction Transactions has been set at a lower amount than the annual cap for the current and two previous financial years (being the higher of 50% of the Hanison Group's then latest published audited consolidated turnover and HK\$800 million).

LETTER FROM THE BOARD

The annual cap in respect of the Renovation Transactions is based upon an average turnover of the renovation work performed by the Hanison Group for the HKRI Group over the three years ended 31 March 2006 (including, for these purposes, work performed by the Hanison Group in respect of the CDW Building, which, prior to January 2006, was owned by an associate of Dr. Cha (and was the subject of separate annual caps approved by the Independent Shareholders in respect of the work performed for the associates of Dr. Cha)). This average annual turnover was approximately HK\$18 million, to which a factor of approximately 10% has been applied to give the proposed annual cap of HK\$20 million.

Term: The Agreement will take effect as from 1 April 2007 and will continue thereafter for a term expiring on 31 March 2010. Upon the expiry of the Agreement, the parties may renew the Agreement subject to compliance with the Listing Rules and all applicable laws.

PARTICULARS OF PAST CONNECTED TRANSACTIONS

Particulars of the Construction Transactions

Shareholders are reminded that the caps on the aggregate turnover payable by the HKRI Group to the Hanison Group in respect of construction transactions over the three financial years ending 31 March 2007 under the Previous Waivers were:-

	For the year ended 31 March (HK\$)		
	2005	2006	2007
Previous Cap	The higher of: (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 800,000,000	The higher of: (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 800,000,000	The higher of: (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 800,000,000

Approximately HK\$180.8 million, HK\$187.5 million and HK\$25.3 million were derived by the Hanison Group from the HKRI Group in respect of construction transactions for the years ended 31 March 2005 and 2006 and for the six months ended 30 September 2006 respectively. The decline in the amounts derived is due to the cyclical nature of construction works generally.

LETTER FROM THE BOARD

Particulars of the Renovation Transactions

Shareholders are reminded that the caps on the aggregate turnover which may be payable by the HKRI Group in respect of renovation transactions over the three financial years ending 31 March 2007 under the Previous Waivers are as stated in part (i) of the table below. For reference, the caps on the aggregate turnover for the Hanison Group in respect of the CDW Building are as stated in part (ii) of the table below. It should be noted that after the CDW Building came under the control of the HKRI Group in January 2006, the caps on the aggregate turnover payable by the HKRI Group to the Hanison Group as stated in part (i) below were not refreshed to reflect the additional work attributable to the CDW Building after January 2006.

	For the year ended 31 March (HK\$)		
	2005	2006	2007
Previous Cap			
(i) Transactions between members of the HKRI Group and the Hanison Group	10,000,000	10,000,000	10,000,000
(ii) Renovation works for CDW Building	22,000,000	3,000,000	3,000,000

Approximately HK\$1.4 million, HK\$500,000 and HK\$50,000 were derived by the Hanison Group from the HKRI Group in respect of renovation transactions for the years ended 31 March 2005 and 2006 and for the six months ended 30 September 2006 (with the figure for the six months ended 30 September 2006 including amounts derived by the Hanison Group in respect of renovation works for the CDW Building), respectively. The decline in the amounts derived is due to the cyclical nature of renovation works generally. The actual turnover derived by the Hanison Group in respect of renovation works for the CDW Building for the years ended 31 March 2005 and 2006 were approximately HK\$5.4 million and HK\$2.7 million respectively.

REASONS FOR AND BENEFITS OF THE AGREEMENT

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.

The principal business activity of HKRI is investment holding. Its subsidiaries are principally engaged in property development and management, the provision of essential and recreational services for residential housing and leisure projects in Discovery Bay, Lantau Island, property investment, hotel operation, manufacturing and other investment.

LETTER FROM THE BOARD

The commissioning of the Services and the provisioning of the Services represent activities within the ordinary and usual course of business of the HKRI Group and the Hanison Group, respectively. Moreover the Agreement provides the basic framework for future transactions of a revenue nature for each of HKRI and the Company and which each regards as being essential to the continued operation and growth of their respective businesses.

OPINIONS OF THE DIRECTORS

Members of the Board are of the opinion that the Agreement reflects terms that are fair and reasonable so far as its shareholders are concerned and is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

HKRI, through its wholly-owned subsidiary, Great Wisdom, holds approximately 49% of the issued share capital of the Company, and is, therefore, a substantial shareholder and a connected person of the Company. Accordingly, the Agreement represents a continuing connected transaction for the Company, subject to the reporting and independent shareholders' approval requirements of the Listing Rules. HKRI, the Related Shareholders and their respective associates will abstain from voting at the EGM on the resolution to approve the Agreement and the transactions contemplated thereunder. According to the Listing Rules, the resolution must be taken on a poll.

GENERAL

Shareholders should note that, apart from the existing construction contracts relating to development projects at Discovery Bay, the Construction Transactions and Renovation Transactions have yet to be entered into, and may ultimately not materialise. In particular, the Construction Transactions may not arise, for example, because HKRI awards the relevant tenders to other contractors or because the HKRI Independent Shareholders and/or the Independent Shareholders do not give their consent to HKRI and/or the Company respectively entering into the Agreement and the transactions contemplated thereunder. Accordingly, Shareholders and other investors are advised to exercise caution when dealing in the shares of the Company.

PROCEDURES TO DEMAND A POLL

Shareholders shall have the right to demand a poll on the resolution proposed at the EGM. Pursuant to article 80 of the articles of association of the Company, at any general meeting a resolution put to the vote at 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) demanded:

- (i) by the chairman; or
- (ii) by at least five members present in person or by proxy and entitled to vote; or

LETTER FROM THE BOARD

- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or
- (iv) by any member or members present in person or by proxy and holding shares in the Company 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 the shares conferring that right.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out in this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Agreement and Connected Transactions.

Your attention is also drawn to the letter from Baron set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as regards the Agreement and Connected Transactions and the principal factors and reasons considered by it in arriving thereat.

The Independent Board Committee has considered the terms of the Agreement and the Connected Transactions and the advice given by Baron and recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Agreement and Connected Transactions.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

16 February 2007

To the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the circular dated 16 February 2007 issued by the Company to the Shareholders, of which this letter forms part. The terms defined in the circular shall have the same meanings when used in this letter, unless the context requires otherwise.

The Independent Board Committee has been constituted by the Board to advise the Independent Shareholders in respect of the terms of the Agreement and to make a recommendation as to voting at the EGM. Baron has been appointed as independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Agreement so far as the Independent Shareholders are concerned.

The terms of the Agreement and the transactions contemplated thereunder are summarised in the section headed "Letter from the Board" set out on pages 5 to 11 of this circular. In addition, you are strongly urged to read Baron's letter to the Independent Board Committee and the Independent Shareholders, which is set out on pages 14 to 22 of this circular. As referred to in the section headed "Letter from the Board", HKRI, the Related Shareholders and their respective associates, as interested parties, will abstain from voting on the ordinary resolution to be proposed at the EGM for approving the terms of the Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The Independent Board Committee has met with the management of the Company to discuss the Agreement and its reasons for entering into it and has considered Baron's letter.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the principal factors and reasons considered and the recommendation given by Baron, the Independent Board Committee considers that the terms of the Agreement and the transactions contemplated thereunder are in the best interests of the Independent Shareholders as a whole and are fair and reasonable insofar as the Independent Shareholders as a whole are concerned.

Accordingly, the Independent Board Committee recommends that you vote in favour of the ordinary resolution set out in the notice convening the EGM, set out in pages 29 to 30 of this circular, for approving the terms of the Agreement and the transactions contemplated thereunder and ratifying and authorizing the directors of the Company to enter into and implement the terms of the Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
the Independent Board Committee of
Hanison Construction Holdings Limited
Chan Pak Joe
Lau Tze Yiu, Peter
Sun Tai Lun
Independent Non-executive Directors

LETTER FROM BARON

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Baron dated 16 February 2007 prepared for the purpose of incorporation in this circular.



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

16 February 2007

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Connected Transactions, details of which are set out in the section headed "Letter from the Board" contained in the circular of the Company dated 16 February 2007 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 31 January 2007, the Board announces that HKRI and the Company had entered into the Agreement to govern the outline terms upon which members of the HKRI Group and members of the Hanison Group propose to engage in the Construction Transactions and Renovation Transactions during the three financial years ending 31 March 2010.

HKRI, through its wholly-owned subsidiary, Great Wisdom, holds approximately 49% of the issued share capital of the Company, and is, therefore, a substantial shareholder and a connected person of the Company. Accordingly, the Agreement represents a continuing connected transaction for the Company, and is therefore subject to the reporting and independent shareholders' approval requirements of the Listing Rules. Accordingly, HKRI, the Related Shareholders and their respective associates are required to abstain from voting at the EGM on the resolution to approve the Agreement.

The Independent Board Committee, comprising Mr. Chan Pak Joe, Dr. Lau Tze Yiu, Peter and Dr. Sun Tai Lun, has been established to advise the Independent Shareholders in respect of the terms of the Agreement and to make a recommendation as to voting at the EGM. Baron has been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects.

LETTER FROM BARON

BASIS OF OUR OPINION

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

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

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

We have not, however, conducted any independent verification on the information provided by the directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Hanison Group and its proposed business plan nor have we considered the taxation implication on the Hanison Group as a result of the Agreement and the Connected Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background

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. Turnover of Hanison Group in relation to construction and renovation business amounted to approximately HK\$522.6 million, HK\$624.9 million and HK\$645.4 million respectively for the three years ended 31 March 2006 and approximately HK\$422.5 million for the six months ended 30 September 2006, representing approximately 80.1%, 67.9%, 73.6% and 85.1% of the turnovers for the respective years/periods of the Hanison Group.

LETTER FROM BARON

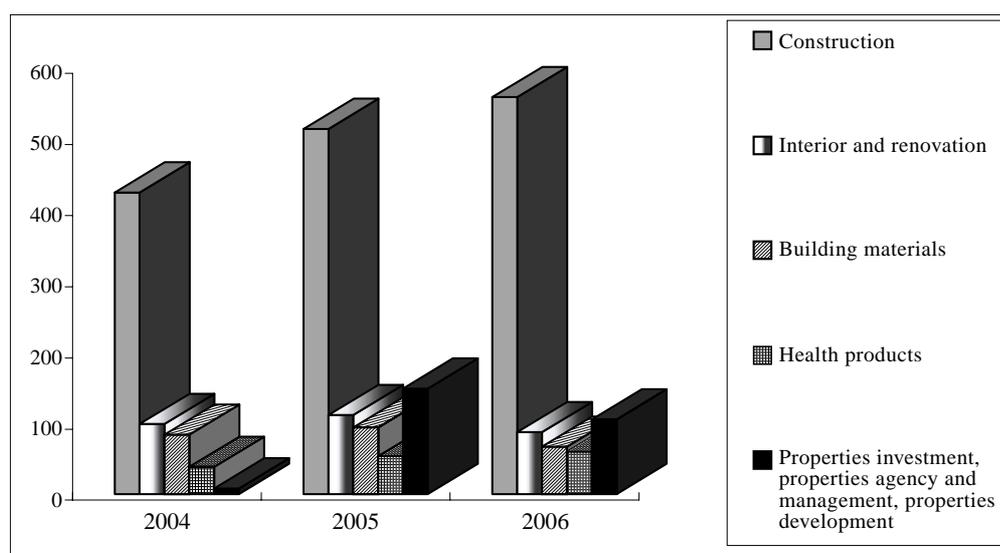
Since the spin-off of the Company from the HKRI Group and its separate listing on the Stock Exchange in 2002, members of the Hanison Group have continued to provide Services to members of the HKRI Group pursuant to continuing connected transactions approved from time to time by the independent shareholders of both HKRI and the Company. The last such independent shareholder approvals were obtained at the respective extraordinary general meetings of HKRI and the Company convened and held in January 2004, and are due to expire on 31 March 2007.

As the period covered under the Previous Waivers will expire on 31 March 2007, in order for the Hanison Group to continue to provide the Services to the HKRI Group after the expiry date, on 30 January 2007, the Company entered into the Agreement, pursuant to which it is envisaged by the parties that members of the Hanison Group will provide the Services to members of the HKRI Group in relation to all Building Projects which form the subject of Construction Transactions entered into between the HKRI Group and the Hanison Group, and all Renovation Projects which form the subject of Renovation Transactions entered into between the HKRI Group and the Hanison Group during the three financial years ending 31 March 2010.

2. Reasons for the Construction Transactions and the Renovation Transactions

We note that the commissioning of the Services and the provisioning of the Services represent activities within the ordinary and usual course of business of the HKRI Group and the Hanison Group. Moreover, the Agreement provides the basic framework for future transactions of a revenue nature for each of HKRI and the Company and which each regards as being essential to the continued operation and growth of their respective businesses.

Turnover (in HK\$ millions) of the Hanison Group for the three financial years ended 31 March 2006



LETTER FROM BARON

Revenues of the Hanison Group are largely attributed to construction income. Turnovers of the Hanison Group in relation to construction business were approximately HK\$423.9 million, HK\$513.5 million and HK\$558.1 million, representing approximately 64.9%, 55.8% and 63.7% of the annual turnover for the three financial years ended 31 March 2006 respectively. The turnover of the construction business in the financial year ended 31 March 2006 represented an increase of approximately 8.7% and 31.7% over those values of the financial years ended 31 March 2005 and 31 March 2004 respectively due to the increase in the project works performed in the financial year ended 31 March 2006. The Hanison Group has been one of the contractors in respect of the residential buildings and other related facilities and infrastructure in Discovery Bay for 16 years.

The turnovers for the interior and renovation business were approximately HK\$98.8 million, HK\$111.4 million and HK\$87.3 million, representing approximately 15.1%, 12.1% and 10.0% of the annual turnover for the three financial years ended 31 March 2006 respectively. The turnover for the interior and renovation business for the year ended 31 March 2006 represented a decrease of approximately 21.6% and 11.6% from those of the years ended 31 March 2005 and 31 March 2004 respectively. The decrease in turnover was mainly caused by the completion of an agreed scope of renovation, alteration and addition works for the CDW Building pursuant to an agreement entered into between Hanison Interior & Renovation Limited, a wholly-owned subsidiary of the Company, and CDW Building Limited on 28 December 2001 (the “CDW Renovation Transactions”). The works commenced in March 2002 and were completed during the year ended 31 March 2005.

We also note that the Agreement has provided for that the Construction Transactions and the Renovation Transactions to be entered into by the HKRI Group and the Hanison Group must be on normal commercial terms or terms no less favourable to the HKRI Group than those offered by the Hanison Group to independent third parties. The calculation of payments to be made shall be determined by reference to the size, nature and anticipated duration of the projects, the location, complexity of work and sub-contracting costs as well as any other material factors agreed on a project by project basis.

3. Construction Transactions with HKRI Group

A. Historical records

Year ended 31 March	Value of construction transactions with the HKRI Group (approximate HK\$'000)	Hanison Group's turnover (approximate HK\$'000)	Percentage of construction transactions values with the HKRI Group over Hanison Group's turnover (approximate %)
2001	273,480	463,275	59.0%
2002	475,124	641,183	74.1%
2003	516,490	891,981	57.9%
2004	126,649	652,822	19.4%
2005	180,870	920,717	19.6%
2006	187,455	876,564	21.4%

LETTER FROM BARON

There are existing and anticipated transactions between the Hanison Group and the HKRI Group in relation to construction projects, mainly comprising contracts in Discovery Bay. For the six years ended 31 March 2006, the value of the construction transactions with HKRI Group represented approximately 59.0%, 74.1%, 57.9%, 19.4%, 19.6% and 21.4% of the turnovers of the Hanison Group respectively. The turnover of the construction transactions with the HKRI Group in both absolute and percentage terms has reduced for the following reasons:— (i) the increase in Hanison Group's turnover over the years due to diversification of the activities of Hanison Group into other areas such as property development and investment; (ii) the Hanison Group had increasingly participated in construction transactions with non-HKRI parties; and (iii) fewer large-scale construction works in respect of the construction contracts at Discovery Bay were invited for tender by the HKRI Group during the three years ended 31 March 2006.

Year ended/ ending 31 March	Caps on the aggregate turnover from the connected construction transactions with the HKRI Group	Actual turnover from the connected construction transactions with the HKRI Group (approximate HK\$'000)
2005	The higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year (approximately HK\$326 million); and (ii) HK\$800 million	180,870
2006	The higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year (approximately HK\$460 million); and (ii) HK\$800 million	187,455
2007	The higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year (approximately HK\$438 million); and (ii) HK\$800 million	Not available as at the date of this letter

LETTER FROM BARON

We noted that the value of the construction transactions between the Hanison Group and the HKRI Group for the two years ended 31 March 2006 did not exceed their respective caps. We have also reviewed the gross profit margin of the construction transactions of the Hanison Group with other independent third parties and the gross profit margin of the connected construction transactions with the HKRI Group for the six years ended 31 March 2006 and found that there were no material discrepancy in the 6-year average gross profit margins between the two sectors.

B. Basis for setting the proposed caps

The Directors have estimated that the Hanison Group may derive potential additional turnover for each of the three years ending 31 March 2010 from the Construction Transactions in relation to the potential development in the residential, commercial and recreational areas in Discovery Bay. Accordingly, the caps proposed by the directors of the Company on the aggregate value of the Construction Transactions for each of the three financial years ending 31 March 2010 were as follows:

	Year ending 31 March 2008	Year ending 31 March 2009	Year ending 31 March 2010
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Proposed cap	450 million	450 million	450 million

In ascertaining the estimated potential additional turnover to be derived from the Construction Transactions, the directors of the Company have based on the following: (i) that HKRI will invite tenders for development works of the HKRI Group in respect of properties disclosed generally in its annual report for the year ended 31 March 2006; (ii) that the Company may be retained through competitive tendering of the development work; and (iii) the estimated costings of these projects.

The Hanison Group has been one of the contractors in respect of the residential buildings and other related facilities and infrastructure in Discovery Bay for 16 years. Hence, we consider the assumptions of the directors of the Company that the HKRI Group will invite tenders for the development works and the Company may be retained through competitive tendering of the development works are fair and reasonable.

Secondly, we have confirmed with the directors and management of the Company that the estimation of the projected turnover of approximately HK\$450 million for the Hanison Group from Construction Transactions for each of the three years ending 31 March 2010 is determined by the following factors: (i) the gross floor area (sq. ft.) as disclosed under the section "Properties held for/ under development" as disclosed on P.162 of the annual report 2005-2006 of HKRI; (ii) the estimated average construction costs per square metre of these projects; (iii) the estimated tendering success rate of members of the Hanison Group for such Construction Transactions based on the tendering record with the HKRI

LETTER FROM BARON

Group over the past 5 years; and (iv) the value of the Construction Transactions be evenly spread throughout the three financial years ending 31 March 2010 due to the fact that it is difficult to predict the changes of the values of the construction transactions for each of the three years ending 31 March 2010 because of the uncertainty of the market demand and the construction schedules of the HKRI Group. Based on the above factors, together with the recent improvement in the economy in general which may result in an increase in the construction work offered for tender by the HKRI Group, the Hanison Group has come up with annual caps which are higher than the amounts derived by the Hanison Group from the HKRI Group in respect of construction transactions for the past three years, which reflects the cyclical nature of construction works generally.

Based on the above, we consider that it is fair and reasonable for the Company to set the annual cap at an aggregate amount of HK\$450 million for each of the three years ending 31 March 2010.

C. Tendering Process

With regard to all Construction Transactions relevant to the development work of Discovery Bay, Shareholders should note that CITIC Pacific Limited's ("CITIC") participation in such projects ensures a degree of independence. The developer of Discovery Bay is Hong Kong Resort Company Limited ("HKRC") and the remaining 50% is owned by CITIC. (HKRC is a subsidiary of HKRI on account of HKRI's entitlement to control more than half of the voting power of the board of directors of HKRC).

Aside from being a substantial shareholder of HKRC, CITIC is not connected with HKRI, the Company, or their respective chief executives, directors, substantial shareholders or the associates of any of them. All transactions between members of the Hanison Group and HKRC will arise only after a competitive tendering process approved jointly by HKRI and CITIC. The tendering of the construction contracts for Discovery Bay will also be administered by independent consultants, such as architects and quantity surveyors based on normal industry practice and commercial terms. In view of the above tendering process, we consider the Construction Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM BARON

4. Renovation Transactions with HKRI Group

A. *The historical annual caps of renovation transactions*

The historical annual caps and the actual turnover of renovation transactions as extracted from the Company's announcement dated 27 November 2003 and the annual reports for the three years ended 31 March 2006 are illustrated in the table below:

Year ended 31 March	Renovation transactions between members of the HKRI Group and the Hanison Group		Renovation works for CDW Building performed by the Hanison Group	
	Caps on the aggregate turnover (HK\$)	Actual turnover (HK\$)	Caps on the aggregate turnover (HK\$)	Actual turnover (HK\$)
2002	10,000,000	6,229,000	3,000,000	1,440,000
2003	7,000,000	3,435,000	65,000,000	46,322,000
2004	7,000,000	950,000	65,000,000	41,344,000
2005	10,000,000	1,434,000	22,000,000	5,443,000
2006	10,000,000	500,000	3,000,000	2,748,000
2007	10,000,000	Not available	3,000,000	Not available

As shown from the table above, the historical annual caps in respect of aggregate turnover from renovation transactions between members of the HKRI Group and the Hanison Group ranged from HK\$7 million to HK\$10 million for the years ended 31 March 2002 to 2007. The historical annual caps in respect of aggregate turnover from renovation works for CDW Building performed by the Hanison Group increased significantly for the three years ended 31 March 2005 before returning to HK\$3 million for the two years ended 31 March 2007. As advised by the Company, the significant increase was due to the carrying out of the CDW Renovation Transactions.

B. *Basis of the proposed caps of the Renovation Transactions*

As stated in the section headed "Letter from the Board" in the Circular, the proposed annual cap of the Renovation Transactions to be entered into for each of the three years ended 31 March 2010 shall not exceed HK\$20 million which is based on an average turnover of the renovation work performed by the Hanison Group for the HKRI Group over the three years ended 31 March 2006 (including, for these purposes, work performed by the Hanison Group in respect of the CDW Building, which, prior to January 2006, was owned by an associate of Dr. Cha, and was the subject of separate annual caps approved by the then independent shareholders of the Company in respect of the work performed for the associate of Dr. Cha). The average annual turnover was approximately HK\$18 million, to which a factor of approximately 10% has been applied to give the proposed annual cap of HK\$20 million.

LETTER FROM BARON

We have reviewed the calculations of the average annual turnover of the Company for the three years ended 31 March 2006 of approximately HK\$18 million. As advised by the Company, the increase in the proposed annual cap compared to the aggregate annual cap of HK\$13 million for the year ending 31 March 2007 (being the aggregate of the related annual caps for renovation transactions between members of the HKRI Group and the Hanison Group and the renovation works for CDW Building performed by the Hanison Group) is due to anticipation of future additional renovation works. The HKRI Group, apart from its interests in the Discovery Bay, also owns certain commercial and industrial centers in Hong Kong, such as the Commercial Centre in Discovery Bay and the West Gate Tower in Cheung Sha Wan. Therefore, the HKRI Group may require to carry out renovation works on these properties. As such, it is anticipated that there may be additional renovation works in the future. In addition, the Company also provides a buffer of approximately 10% of the estimated turnover for each of the three years ending 31 March 2010 after taking into account of various factors such as inflation rate and the anticipation of increasing number of renovation projects from HKRI Group of different scales due to the rebound of the economy. As advised by the Company, a large-scale renovation project may amount to approximately HK\$10 million or even more, therefore, the Company has provided for a buffer of approximately 10%, being approximately HK\$2 million, in the annual caps for the Renovation Transactions as a prudent and safe margin. We concur with the view of the Company and consider it is fair and reasonable for the Company to increase the annual cap and provide a buffer of approximately 10% to allow flexibility to meet the changing market conditions for the coming years, changes in the renovation schedule of the HKRI Group and the possibility that the Hanison Group may undertake additional renovation works with the HKRI Group.

5. Re-approval is required if the values exceed the proposed annual caps

In the event that the total value of the Construction Transactions or the Renovation Transactions exceed the relevant amounts set out above for any year, such transactions and their total value will be subject to review and re-approval by the HKRI Independent Shareholders and the Independent Shareholders as soon as possible, either at the respective companies' next following annual general meetings or at extraordinary general meetings of HKRI and the Company convened for this specific purpose, whichever comes first.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that the Agreement and the Connected Transactions are on normal commercial terms, in the ordinary and usual course of business, and are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM for approving the terms of the Agreement and the transactions contemplated thereunder and the annual caps of the Connected Transactions.

Yours faithfully,
For and on behalf of
Baron Capital Limited
Sheron Yau
Director

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 of the Company 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

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

Notes:

- (1) The Shares are held by 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 comprising Dr. Cha and his issue under certain but not identical discretionary trusts.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the directors or chief executive of the Company were interested, or were deemed to be interested, in long or short positions in the Shares, underlying Shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (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 of the Company, 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 Hanison Group:

Long position in the Shares

Name	Capacity	Number of ordinary Shares	% of issued share capital
Great Wisdom (<i>Note 1</i>)	Beneficial owner	217,185,676	49.0%
HKRI (<i>Note 1</i>)	(1) Beneficial owner, and (2) interest of controlled corporation	217,185,957	49.0%
CCM Trust (<i>Note 2</i>)	(1) Trustee, and (2) interests of controlled corporations	309,462,565	69.82%
Cha Chi Ming (<i>Note 3</i>)	(1) Interest of spouse, (2) Founder of discretionary trust, and (3) Beneficiary of discretionary trust	313,050,880	70.63%

Notes:

- (1) Great Wisdom is a wholly-owned subsidiary of HKRI and therefore HKRI is deemed to be interested in the 217,185,676 Shares held by Great Wisdom in accordance with the SFO. 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.
- (3) These Share interests comprise 25,390 Shares directly held by Ms Liu Bie Ju, the spouse of Dr. Cha, 309,462,565 Shares directly or indirectly held by CCM Trust mentioned in (2) above and 3,562,925 Shares held by LBJ Regents Limited as the trustee of certain discretionary trusts of which members of the Cha Family are among the discretionary objects.

Save as disclosed in this circular, the directors of the Company 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 Hanison Group.

4. DIRECTORS' INTERESTS

- (i) As at the Latest Practicable Date, none of the directors of the Company had any existing or proposed service contract with any member of the Hanison Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).
- (ii) As at the Latest Practicable Date, none of the directors of the Company had any interest, direct or indirect, in any assets which have, since 31 March 2006 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by or leased to any member of the Hanison Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Hanison Group.
- (iii) None of the directors of the Company was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Hanison Group.

5. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

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

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

Notes:

- (1) Mr. Cha Mou Sing, Payson, Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin are non-executive directors of the Company, who are not involved in the daily management of the Hanison Group. Accordingly, the Company is capable of carrying on its business independently of, and at arms length from the above mentioned competing business;
- (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 of the Company or their respective associates was interested in, apart from the Hanison Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with businesses of the Hanison Group.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Hanison Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors of the Company to be pending or threatened against any member of the Hanison 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 31st March 2004 against certain subsidiaries of the Company carrying on health product business. No further steps have been taken against the Hanison Group in respect of such actions after the court hearing for directions to appoint experts/exchange witness statements since 2004. Hence, the directors of the Company are of the opinion that it is impractical to assess the impact of such legal actions on the Hanison Group. Reference is made to Note 34 (contingent liabilities) of the Company's 2005-2006 annual report and paragraph 6(i) of the Appendix III to the Company's circular to shareholders dated 28 November 2006 which had previously disclosed such actions; and
- (ii) actions for personal injury claims are being taken against the Hanison 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 of the Company consider that such actions will have no material impact on the Hanison Group. Reference is made to paragraph 6(ii) of the Appendix III to the Company's circular to shareholders dated 28 November 2006 which had previously disclosed such actions.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the directors of the Company were not aware of any material adverse change in the financial or trading position of the Hanison Group since 31 March 2006, being the date to which the latest published audited financial statements of the Hanison Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERT AND EXPERT'S INTERESTS

- (i) The following is the qualification of the expert who has given opinion or advice which are contained in the circular.

Name	Qualification
Baron	A corporation licensed to conduct types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

- (ii) As at the Latest Practicable Date, Baron did not have any shareholding in any member of the Hanison Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Hanison Group.

- (iii) As at the Latest Practicable Date, Baron did not have any interest, direct or indirect, in any assets which have been, since 31 March 2006 (being the date to which the latest published audited accounts of the Hanison Group were made up), acquired or disposed of by or leased to any member of the Hanison Group, or are proposed to be acquired or disposed of by or leased to any member of the Hanison Group.
- (iv) Baron has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name included herein in the form and context in which they appear.

9. GENERAL

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be 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) the Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Baron, the text of which is set out in this circular; and
- (d) the written consent referred to in the paragraph headed “Qualification and Consent of Expert and Expert’s Interests” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Hanison Construction Holdings Limited (the “**Company**”) will be held at The Harbour Room, 3/F, The Ritz-Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on Wednesday, 21 March 2007 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT,**

- (a) the construction and renovation services framework agreement dated 30 January 2007 entered into between the Company and HKR International Limited (the “**Agreement**”), in respect of which a copy of the circular dated 16 February 2007 (the “**Circular**”) marked “A” and a copy of the Agreement marked “B” have been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, and the terms of and the transactions contemplated thereunder (the “**Connected Transactions**”) be and are hereby approved, ratified and confirmed;
- (b) the annual caps (as defined in the Circular) in relation to the Connected Transactions be and are hereby approved, ratified and confirmed; and
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents and to do all such acts or things incidental to, ancillary to or in connection with the Connected Transactions.”

By Order of the Board
Lo Kai Cheong
Company Secretary

Hong Kong, 16 February 2007

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice (or at any adjournment thereof) is entitled to appoint a proxy to attend and vote on poll instead of him/her at the meeting. A proxy need not be a member of the Company.
2. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be lodged at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy will not preclude any member from attending and voting in person should you so wish.
3. In case of joint registered holders of any shares of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares of the Company as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first in the register of members of the Company in respect of such shares of the Company shall alone be entitled to vote in respect thereof.
4. A form of proxy for use at the meeting is enclosed.



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)

**FORM OF PROXY for use at the Extraordinary General Meeting
to be held on 21 March 2007 at 10:00 a.m. or at any adjournment thereof**

I/We ^(note 1) _____
of _____ being the
registered holder(s) of ^(note 2) _____ shares of HK\$0.10 each in the capital of
Hanison Construction Holdings Limited (the "Company"), **HEREBY APPOINT** ^(note 3) the Chairman of the extraordinary general
meeting or _____ of _____
_____ or failing him
_____ of _____
_____ as my/our proxy to attend for me/us at the extraordinary general meeting of the Company
to be held at The Harbour Room, 3/F, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on 21 March 2007 at
10:00 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution as set out in the notice convening the said
meeting and at such meeting (or at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the said resolution
as hereunder indicated.

Ordinary Resolution	For ^(note 4)	Against ^(note 4)
TO APPROVE, RATIFY AND CONFIRM the construction and renovation services framework agreement dated 30 January 2007 entered into between the Company and HKR International Limited (the "Agreement"), in respect of which a copy of the circular dated 16 February 2007 (the "Circular") marked "A" and a copy of the Agreement marked "B" have been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, the terms of and the transactions contemplated thereunder (the "Connected Transactions"), and the annual caps (as defined in the Circular) in relation to the Connected Transactions; and TO AUTHORISE any one director of the Company to execute all such documents and to do all such acts or things incidental to, ancillary to or in connection with the Connected Transactions, for and on behalf of the Company.		

Signature: _____

Date: _____

Notes:—

1. Full name(s) and address(es) must be inserted in **BLOCK CAPITAL**.
2. Please insert the number of Shares registered in your name(s); if no number is inserted, this form of proxy will be deemed to relate to all the Shares in the capital of the Company registered in your name(s).
3. If any proxy other than the Chairman is preferred, please strike out "the Chairman of the extraordinary general meeting or" and insert the name and address of the proxy desired in the space provided. Any alteration made to this form of proxy must be initialled by the person(s) who sign(s) it.
4. **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RELEVANT RESOLUTION, TICK THE BOX MARKED "AGAINST"**. Failure to tick either box will entitle your proxy to cast your vote or abstain at his discretion on the relevant resolution. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the said meeting other than those referred to in the notice convening the meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
6. To be valid, this proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
7. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll, vote for him. A proxy need not be a member of the Company.
8. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by reference to the order in which the names stand on the Registers of Members in respect of the joint holding.
9. Completion and return of the form of proxy shall not preclude a member from attending and voting in person at the meeting or any adjourned meeting should he so wish.