

生活源於創造 · 未來共同開拓



INTERIM REPORT

2005-06

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## CORPORATE INFORMATION

### Board of 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*

### Audit Committee

Dr. Sun Tai Lun  
Mr. Chan Pak Joe  
Dr. Lau Tze Yiu, Peter

### Company Secretary & Qualified Accountant

Mr. Lo Kai Cheong

### Registered Office

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

### Principal Place of Business

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

### Auditors

Deloitte Touche Tohmatsu

### Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
Standard Chartered Bank  
The Bank of East Asia, Limited  
Shanghai Commercial Bank Limited  
Hang Seng Bank Limited

### Share Registrars

Hong Kong  
Computershare Hong Kong Investor  
Services Limited  
Rooms 1712-6, 17th Floor  
Hopewell Centre  
183 Queen's Road East, Hong Kong  
Cayman Islands  
M&C Corporate Services Limited  
P.O. Box 309, Ugland House  
South Church Street  
George Town, Grand Cayman  
Cayman Islands, British West Indies

### Legal Advisers

Hong Kong Law  
Richards Butler  
Cayman Islands Law  
Maples and Calder Asia

### SEHK Code

896 (ordinary shares)

### Website

[www.hanison.com](http://www.hanison.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM RESULTS

The Board of Directors (the “Board”) of Hanison Construction Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated net profit attributable to shareholders of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2005 amounted to HK\$29.1 million, compared with HK\$25.4 million for the corresponding period last year. The earnings per share was HK6.6 cents, compared with HK5.7 cents (restated) for the corresponding period last year.

### DIVIDEND

The Board has resolved to pay an interim dividend of HK1 cent per share for the six months ended 30 September 2005 (for the six months ended 30 September 2004: HK1 cent per share) to shareholders whose names appear on the Registers of Members of the Company as of the close of business on 21 December 2005. The dividend is expected to be paid to shareholders on or around 12 January 2006.

### OPERATIONS REVIEW

The Group continued to achieve a satisfactory operating result during the period, with an unaudited consolidated turnover of HK\$488.2 million (for the six months ended 30 September 2004: HK\$362.5 million). In view of keen competition, the gross profit margin has generally dropped, but the Group was still able to achieve an unaudited consolidated net profit after tax of HK\$29.1 million (for the six months ended 30 September 2004: HK\$25.4 million) for the period under review.

### Construction Division

The Construction Division has recognized a total turnover of HK\$304.0 million (turnover to external parties was HK\$304.0 million) during the period under review, representing an increase of 63.9% compared with the corresponding period last year (for the six months ended 30 September 2004: HK\$185.5 million).

The main projects completed during the period included the construction of student residences at Flora Ho Sports Centre for The University of Hong Kong, the school improvement works for S.K.H. Wei Lun Primary School in Discovery Bay and the construction of community college at the junction of Shantung Street and Hak Po Street for Tung Wah Group of Hospitals.

The projects in progress included the construction of two high-rise residential buildings at Costal Skyline in Tung Chung undertaken by a joint venture with Hip Hing Construction Company Limited, the redevelopment works at 31 Wylie Road for The Chinese University of Hong Kong — Tung Wah Group of Hospitals Community College, the construction of five residential tower blocks at Discovery Bay North residential development Phase 13, the residential development at No.78 Mount Kellett Road, the design and build of Green House Facilities for The City University of Hong Kong, the fitting out work for Cheung Kong Group's Hunghom Bay Hotel development, and the maintenance works for The Airport Authority.

During the period, this Division secured two new contracts with an aggregate value of HK\$411.7 million. One of these was awarded for the construction of superstructure works at Shatin Areas 4C and 38A residential development Phase 3 for The Hong Kong Housing Authority. Another new contract was awarded for the superstructure works of the development at Wing Fung Street for Swire Group.

As at 30 September 2005, the outstanding values of contracts on hand amounted to HK\$1,307.9 million.

### **Building Materials Division**

The Building Materials Division has recorded a total turnover of HK\$62.8 million (turnover to external parties was HK\$39.6 million) during the period under review, representing a 13.6% increase over the corresponding period last year of HK\$55.3 million. The turnover was mainly derived from the supply and/or installation of kitchen cabinets, false ceiling, external louvers and timber flooring to property developers and main contractors; together with the supply of pipes, fittings and other related accessories to contractors and through retail sales.

During the period, new contracts awarded and undertaken were the supply and installation of: kitchen cabinets for The Portofino in Sai Kung; false ceiling for Costal Skyline in Tung Chung, The Legend at Jardine's Lookout, Bel-Air on the Peak Phases 3 and 4 and Education Resources Centre at Kowloon Tong; external louvers for No.8 Clear Water Bay Road development; and timber flooring for No.1 High Street development.

Other new contracts awarded and undertaken by this Division included the supply of pipes for Cross Harbour Tunnel, Ping Chau DSD project, swimming pool project at Discovery Bay, Hong Kong Baptist University project at Shek Mun, Asia Airfreight Terminal, Residential Training Complex for Juveniles in Tuen Mun and commercial development project at Wai Tai Road.

As at 30 September 2005, the outstanding value of contracts on hand amounted to HK\$98.5 million.

### Interior and Renovation Division

The Interior and Renovation Division has recorded an external turnover of HK\$40.3 million (the total turnover was HK\$41.4 million) during the period under review, representing a 18.5% increase over the corresponding period last year of HK\$34.0 million.

Major contract works undertaken during the period included the external renovation works for Estoril Court at Garden Road, Ventris Place in Happy Valley, Mei Foo Sun Chuen Stage 2; the external cladding works for Stelux House in San Po Kong, and the renovation works for Hong Kong Jockey Club staff quarters at Blue Pool Road.

During the period, this division was awarded several new contracts including the rectification works to external wall at transfer plates for Tower 1 to 12 of Tierra Verde in Tsing Yi, and the room conversion works for Harbour Plaza Metropolis in Hung Hom.

As at 30 September 2005, the outstanding value of contracts on hand amounted to HK\$77.5 million. Subsequent to the period end, this division has secured two new contracts with an aggregate value of HK\$69.3 million. One of them is the renovation and repair works for Villa Monte Rosa.

## Health Products Division

The results for the Health Products Division have improved during the period with a total turnover of HK\$31.8 million, representing a 21.4% increase over the corresponding period last year of HK\$26.2 million.

The Group operates the wholesale business and the health products retailing chain store business under the trade name of "Health Plus". As at 30 September 2005, there were 16 shops in operation in Hong Kong, selling health supplements, health care equipment, anti-tumor, immune system strengthening, and beauty care products. Several new products introduced, such as a new series of "Natural Extracts", "Bee Propolis", "Royal Jelly", "Squalene", "Omega-3", "Bu Yick Fong Cordyceps" capsules and "Bee" products, were well received by the market.

The Group's health products company, Care & Health Limited launched a series of promotion programs to build up the image of its key product, "Lingzhi Master" series during the period under review. A new shop was opened in Kwun Tong MTR station during the period, and a speciality shop at Yuen Long and a promotional counter at Tsuen Kam Centre were opened in October this year. Together with the shop at Mei Foo Sun Chuen, the club house at Tsim Sha Tsui and a promotional counter within the Health Plus shop at Central MTR station, there are now a total of 6 main outlets selling the "Lingzhi Master" products and providing services to our members.

## Property Investment Division

The Property Investment Division has recorded a total rental income of HK\$8.6 million during the period under review, representing a 79.2% increase over the corresponding period last year of HK\$4.8 million.

The rental income was derived from the Group's investment properties at Shatin Industrial Centre in Shatin, Health Plus Centre in Tai Wai, No.23-25 Mei Wan Street in Tsuen Wan, No.95 Bedford Road in Tai Kok Tsui and a piece of land at Ping Che.

As at 30 September 2005, the overall occupancy rate for the Group's investment properties was approximately 81.9%.

### Property Development Division

During the period under review, the Property Development Division has achieved a turnover of HK\$63.4 million from the sale of 13 units of the Group's first property development project "Golf Parkview" in Kwu Tung. At as 30 September 2005, approximately 88% had been sold contributing a satisfactory return to the Group.

### Property Agency and Management Division

The Property Agency and Management Division continued to contribute a stable source of income during the period under review, through the provision of project and property management, leasing agency services and rental collection services.

### OUTLOOK

The Hong Kong economy has experienced a remarkable, broad-based upturn in the first half of 2005. Property prices in Hong Kong have gradually picked up and remained stable along with solid economic recovery. The unemployment rate dropped with more job opportunities and rise-back of wages in most industries. The grand opening of Hong Kong Disneyland has attracted worldwide attention, and the improving tourist and consumer spending sentiment has posted solid growth amid positive views of the economic environment. The fierce bidding in the government land auction in September this year saw the property developers' eagerness in replenishing their land banks, showing their confidence in the future property market. Going into the fourth quarter of the year, potential property buyers become cautious as both the oil price and mortgage interest rates continued to rise. Following the spread of avian flu in October this year, the property investment sentiment dampened, and the property market slowed down.

During the period under review, building and construction activity was still sluggish due to the lack of new large-scale building and construction projects, and competition remained high.

For the renovation business, under the Hong Kong Government's continuous efforts in promoting building management and maintenance, various measures such as the Mandatory Building Inspection Scheme, have been implemented or proposed. This would bring more business opportunities for the Group's interior and renovation segment.

The building materials and the health products businesses have remained highly competitive, especially the health products business. Operation costs increased enormously due to the sharp rise in retail shop rents after the SARS period. Facing such challenges, the Group will continue to exercise tight control over the other operating expenses, and strengthen its effort in sourcing high quality, unique products to satisfy customer needs.

Income from the investment properties will continue to provide a steady income stream for the Group next year.

Looking ahead, if the US interest rate peaks at around 4.5%, if oil price drops in response to the expected lower demand from developing countries next year, and if the avian flu is under control, there are hopes that the global economic growth will be sustained, and the property market in Hong Kong will regain momentum. This would help stimulate activities in the building construction industry. Going forward, the Group will strive to improve its operational efficiency and cost control, explore more business opportunities to provide further avenues for the growth and profitability of the Group.

## FINANCIAL REVIEW

### Group Liquidity and Financial Resources

The Group's financial position continues to be healthy. The total cash and bank balances decreased from HK\$102.1 million as at 31 March 2005 to HK\$79.5 million at the close of business on 30 September 2005. The cash outflow was mainly due to the utilisation of funds, to acquire properties for investment and development purposes from independent third parties. As at the period end date, the current ratio (current assets divided by current liabilities) was maintained at 1.7 times.

For the purposes of maintaining flexibility in funding and day-to-day financial management, the Group has obtained banking facilities with an aggregate amount of HK\$364.0 million (HK\$49.0 million was secured by first charges over certain land and buildings and investment properties of the Group), of which HK\$125.0 million bank loans have been drawn down and approximately HK\$101.7 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 30 September 2005. The funding requirements of the Group for the coming year are anticipated to be satisfied by available banking facilities, cash generated from operations and the bank balances and cash as at the balance sheet date.

### Treasury Policy

In order to minimise the cost of funds and to achieve a better risk control, the treasury activities of the Group are centralised and scrutinised by the top management. The Group's treasury policy remains unchanged from those described in the latest annual report 2004-2005.

### Capital Structure

It is the intention of the Group to keep a proper combination of equity and debt to ensure an efficient capital structure over time. During the period under review the Group has borrowed Hong Kong dollars loans amounting to HK\$125.0 million from banks (at 31 March 2005: HK\$115.1 million). The borrowings have been used for refinancing the acquisition of properties for

investment and development purposes and as general working capital. The maturity profile of the lending spread over a period of five years with HK\$80.2 million repayable within the first year, HK\$4.2 million repayable within the second year and HK\$40.6 million repayable within the third to fifth years. Interest is based on HIBOR with a competitive margin.

As at the close of business on 30 September 2005, the Group's gearing ratio, calculated on the basis of the net borrowings of the Group (total bank borrowings less total bank balances and cash) over shareholders' funds, was 0.09 (at 31 March 2005: 0.03).

### **Major Acquisition**

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

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

### **Collateral**

As at 30 September 2005, the Group's Hong Kong dollars loans of HK\$49.0 million were secured by first charges over certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$134.1 million (at 31 March 2005: HK\$129.5 million).

### **Contingent Liabilities**

Details of the contingent liabilities are set out in note 18 of the condensed financial statements.

### Capital Commitments

As at 30 September 2005, the Group had outstanding commitments in respect of the purchase of part of the second floor of Shatin Industrial Centre, and a property investment company which owns a piece of land at Yuen Long (both properties are located in Hong Kong), from independent third parties at a total consideration of approximately HK\$61.5 million, where deposits amounting to approximately HK\$4.7 million have been paid. These properties are to be held for investment purposes.

The acquisition of the property investment company had been completed in November 2005, while the purchase of part of the second floor of Shatin Industrial Centre is expected to be finalised before the second quarter of the year 2006. Details of the acquisitions have been disclosed in the Company's circular to shareholders dated 4 October 2005.

### Post Balance Sheet Event

Details of the post balance sheet event are set out in note 21 of the condensed financial statements.

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2005, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept by the Company under Section 352 of Part XV of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

#### Long positions in shares of the Company

Name	Capacity	Number of ordinary shares				% of issued share capital
		Personal interests	Corporate interests	Other interests	Total no. of ordinary shares	
Cha Mou Sing, Payson	Beneficial owner, interest of controlled corporation & beneficiary of discretionary trusts	459,541	512,616 <i>(Note (a))</i>	104,263,263 <i>(Note (b))</i>	105,235,420	23.74%
Cha Mou Daid, Johnson	Beneficiary of discretionary trusts	—	—	105,783,769 <i>(Note (b))</i>	105,783,769	23.87%
Cha Yiu Chung, Benjamin	Beneficiary of discretionary trusts	—	—	104,263,263 <i>(Note (b))</i>	104,263,263	23.52%
Wong Sue Toa, Stewart	Beneficial owner & interest of controlled corporation	3,718,409	2,823,786 <i>(Note (c))</i>	—	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:*

- (a) The shares are held by a corporation in which the relevant Director is deemed to be interested by virtue of Part XV of the SFO.
- (b) 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 Chi Ming and his issue under certain but not identical discretionary trusts.
- (c) Mr. Wong Sue Toa, Stewart's corporate interests in the Company arise from the fact that he owns 50% of the share capital of a corporation, which holds 2,823,786 shares.

Save as disclosed above, as at 30 September 2005, none of the Directors of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code, or which were recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.

## **DIRECTORS' RIGHTS TO ACQUIRE SECURITIES**

The Company currently has a share option scheme adopted on 3 January 2002 which permits the Directors of the Company to grant options to all Directors (including independent non-executive Directors), full-time employees and consultants of the Company, its subsidiaries and associates to subscribe for shares in the Company. No options have yet been granted under this scheme during the period since its adoption.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the period.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, in addition to those interests as disclosed above in respect of the Directors, the interests or short positions of the substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO were as follows:

### Long positions in shares of the Company

Name	Capacity	Number of ordinary shares	% of issued share capital
Great Wisdom Holdings Limited ("Great Wisdom") (Note (a))	Beneficial owner	217,185,676	49.0%
HKR International Limited ("HKRI") (Note (a))	Interest of controlled corporation	217,185,957	49.0%
LBJ Regents Limited ("LBJ Regents") (Note (b))	Trustee and interest of controlled corporations	29,052,705	6.55%
Novantenor Limited ("Novantenor") (Note (c))	Trustee and interest of controlled corporations	295,320,953	66.63%

#### Notes:

- (a) 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.
- (b) These share interests comprise 14,911,093 shares directly held by LBJ Regents and 14,141,612 shares indirectly held by LBJ Regents through a subsidiary held as to approximate by 52.24% by LBJ Regents. LBJ Regents is holding these shares and the shares in HKRI as the trustee of certain irrevocable discretionary trusts of which members of the Cha Family (comprising, for this purpose, Dr. Cha Chi Ming, Ms. Wong May Lung, Madeline

(being a daughter of Dr. Cha Chi Ming), Mr. Cha Mou Sing, Payson, Mr. Cha Mou Zing, Victor and Mr. Cha Mou Daid, Johnson (being the sons of Dr. Cha Chi Ming), Mr. Cha Yiu Chung, Benjamin (being a grandson of Dr. Cha Chi Ming) together with their respective associates, excluding, as the case may be, HKRI) are among the discretionary objects.

- (c) These share interests comprise 78,134,996 shares directly held by Novantenor and 217,185,957 shares held by HKRI. As at 30 September 2005, Novantenor directly held approximately 37.46% interest in HKRI and pursuant to the SFO, Novantenor is deemed to be interested in the 217,185,957 shares held by HKRI. Novantenor is holding these shares and the shares in HKRI as the trustee of certain irrevocable discretionary trusts of which members of the Cha Family (as defined above) are among the discretionary objects.

Save as disclosed above, as at 30 September 2005, the Company has not been notified by any persons (other than Directors of the Company) who had any interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2005, the Group had over 500 employees. The Group offers competitive remuneration packages, including a discretionary bonus and share option scheme to its employees, commensurable to market level and their qualifications. The Group also provides retirement schemes, medical benefits and both in-house and external training courses for staff.

## **DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES**

As at 30 September 2005, the Group had account receivables due from HKRI, its subsidiaries and affiliated companies ("HKRI Group") amounting to HK\$75,264,000, which are required to be disclosed under Rule 13.20 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The accounts receivables due from the HKRI Group (a substantial shareholder and a connected person of the Company) are interest free, unsecured and with payment terms within 30 days from date of certification and primarily arose from the provision of construction services in the ordinary course of business of the Group.

### DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30 September 2005, the Group had given/committed financial assistance and guarantees amounted to approximately HK\$178,978,000 in aggregate to certain affiliated companies. A proforma combined balance sheet of the affiliated companies as at 30 September 2005 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

	<b>Pro forma combined balance sheet</b> <i>HK\$'000</i>	<b>Group's attributable interest</b> <i>HK\$'000</i>
Non-current assets	207,022	103,511
Current assets	99,624	49,812
Current liabilities	<u>(333,892)</u>	<u>(166,946)</u>
Net liabilities	<u>(27,246)</u>	<u>(13,623)</u>
Share Capital	—	—
Reserves	<u>(27,246)</u>	<u>(13,623)</u>
Capital and reserves	<u>(27,246)</u>	<u>(13,623)</u>

### AUDIT COMMITTEE

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

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

## REVIEW OF INTERIM RESULTS

The interim financial report of the Group for the six months ended 30 September 2005 has not been audited, but has been reviewed by the Audit Committee of the Board and the Group's auditors, Messrs. Deloitte Touche Tohmatsu.

## CORPORATE GOVERNANCE

The Company has applied and complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, except Code A.4.1 of the CG Code that the non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors and the independent non-executive directors of the Company are not appointed for a specific term. However, pursuant to the Articles of Association of the Company amended on 2 August 2005, at each annual general meeting of the Company, one-third of the directors, including executive, non-executive and independent non-executive directors shall retire from office by rotation, and every directors shall be subject to retirement at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

By order of the board  
**Cha Mou Sing, Payson**  
*Chairman*

Hong Kong, 29 November 2005

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	NOTES	Six months ended	
		30.9.2005 HK\$'000 (Unaudited)	30.9.2004 HK\$'000 (Unaudited)
Turnover	3	488,171	362,533
Cost of sales		(414,755)	(291,059)
Gross profit		73,416	71,474
Other operating income		401	355
Marketing and distribution costs		(8,424)	(7,517)
Administrative expenses		(30,793)	(34,216)
Finance costs		(1,311)	(454)
Share of results of associates		(84)	(12)
Share of results of jointly controlled entities		(7)	—
Profit before taxation	4	33,198	29,630
Taxation	5	(4,130)	(4,201)
Profit for the period		29,068	25,429
Dividend	6	4,432	2,837
Earnings per share			
— basic ( <i>restated</i> )	7	HK6.6 cents	HK5.7 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2005

	NOTES	30.9.2005 HK\$'000 (Unaudited)	31.3.2005 HK\$'000 (Audited) (Restated)
<b>Non-current assets</b>			
Investment properties	8	186,376	180,560
Property, plant and equipment		52,735	55,055
Interests in associates	9	9,838	9,922
Interests in jointly controlled entities	10	26,058	26,065
Goodwill		540	540
		<u>275,547</u>	<u>272,142</u>
<b>Current assets</b>			
Properties held for development for future sale	11	190,629	188,067
Properties held for sale		13,509	54,502
Inventories		36,877	30,631
Amounts receivable on contract work		46,453	61,985
Progress payments receivable	12	47,969	57,571
Retention money receivable	13	101,000	109,712
Debtors, deposits and prepayments	14	74,647	61,839
Amounts due from associates		534	532
Amounts due from jointly controlled entities		89,995	8,565
Investments held for trading		173	—
Investments in securities		—	190
Taxation recoverable		1,026	1,214
Bank balances and cash		79,546	102,069
		<u>682,358</u>	<u>676,877</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

*(Continued)*

At 30 September 2005

	NOTES	30.9.2005 HK\$'000 (Unaudited)	31.3.2005 HK\$'000 (Audited) (Restated)
Current liabilities			
Amounts payable on contract work		146,868	135,781
Creditors and accrued charges	15	163,932	200,290
Taxation payable		2,577	2,412
Bank loans — amount due within one year	16	80,200	68,200
		<u>393,577</u>	<u>406,683</u>
Net current assets		<u>288,781</u>	<u>270,194</u>
Total assets less current liabilities		<u>564,328</u>	<u>542,336</u>
Non-current liabilities			
Bank loans — amount due after one year	16	44,800	46,900
Deferred taxation		12,614	12,271
		<u>57,414</u>	<u>59,171</u>
		<u>506,914</u>	<u>483,165</u>
Capital and reserves			
Share capital	17	44,324	35,459
Reserves		462,590	447,706
		<u>506,914</u>	<u>483,165</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	Share capital HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2004							
— as originally stated	28,367	34,034	21,941	(78)	4,255	309,828	398,347
— prior year adjustment in respect of deferred taxation	—	—	—	—	—	(479)	(479)
— as restated	28,367	34,034	21,941	(78)	4,255	309,349	397,868
Profit for the period	—	—	—	—	—	25,429	25,429
2004 final dividend paid	—	—	—	—	(4,255)	—	(4,255)
2005 interim dividend declared	—	—	—	—	2,837	(2,837)	—
At 30 September 2004	<u>28,367</u>	<u>34,034</u>	<u>21,941</u>	<u>(78)</u>	<u>2,837</u>	<u>331,941</u>	<u>419,042</u>
At 1 April 2005							
— as originally stated	35,459	26,942	21,941	(78)	5,319	401,792	491,375
— prior year adjustment in respect of deferred taxation	—	—	—	—	—	(8,210)	(8,210)
— as restated	35,459	26,942	21,941	(78)	5,319	393,582	483,165
Profit for the period	—	—	—	—	—	29,068	29,068
Bonus shares issued	8,865	(8,865)	—	—	—	—	—
2005 final dividend paid	—	—	—	—	(5,319)	—	(5,319)
2006 interim dividend declared	—	—	—	—	4,432	(4,432)	—
At 30 September 2005	<u>44,324</u>	<u>18,077</u>	<u>21,941</u>	<u>(78)</u>	<u>4,432</u>	<u>418,218</u>	<u>506,914</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	Six months ended	
	30.9.2005 HK\$'000 (Unaudited)	30.9.2004 HK\$'000 (Unaudited)
Net cash used in operating activities	<u>(19,869)</u>	<u>(52,110)</u>
Investing activities		
Purchase of investment properties	(5,816)	(56,680)
Purchase of property, plant and equipment	(738)	(3,057)
Development costs for properties under development	(1,609)	—
Other investing cash flows	<u>928</u>	<u>(389)</u>
Net cash used in investing activities	<u>(7,235)</u>	<u>(60,126)</u>
Financing activities		
Dividends paid	(5,319)	(4,255)
Net cash inflow from bank loans	9,900	73,187
Other financing cash flows	—	(1,793)
Net cash from financing activities	<u>4,581</u>	<u>67,139</u>
Net decrease in cash and cash equivalents	(22,523)	(45,097)
Cash and cash equivalents at beginning of the period	<u>102,069</u>	<u>88,153</u>
Cash and cash equivalents at end of the period	<u><u>79,546</u></u>	<u><u>43,056</u></u>
Analysis of cash and cash equivalents		
Bank balances and cash	79,546	44,343
Bank overdraft	—	(1,287)
	<u><u>79,546</u></u>	<u><u>43,056</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 September 2005*

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for investment properties and investments held for trading, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2005 except as described below.

In the current period, 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 that are effective for accounting periods beginning on or after 1 January 2005 except for HKAS 40 “Investment Property” which has been early adopted by the Group during the year ended 31 March 2005. The application of the other new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of share of tax of associates and jointly controlled entities has been changed as required by HKAS 1 “Presentation of Financial Statements”. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Goodwill

In the current period, the Group has applied the transitional provisions in HKFRS 3 “Business Combinations” and the principal effects of the application of HKFRS 3 to the Group are summarised below.

Goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and goodwill arising on acquisitions after 1 April 2001 was capitalised and amortised over its estimated useful life.

From 1 April 2005 onwards, goodwill previously recognised in reserves continues to be held in reserves and will be transferred to the retained earnings of the Group at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for the year ended 31 March 2005 have not been restated. The application of HKFRS 3 has had no significant impact to the Group’s financial statements.

### Financial instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. The application of HKAS 32 has had no significant impact on the presentation of financial instruments in the Group’s financial statements. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### ***Classification and measurement of financial assets and financial liabilities***

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in the profit or loss. “Held-to-maturity investments” are carried at amortised cost less impairment losses (if any). From 1 April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. As a result of the adoption of HKAS 39, the Group has classified “investments in securities” held for trading purposes recorded in the consolidated balance sheet at 1 April 2005 amounting to HK\$190,000 as “financial assets at fair value through profit or loss”.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### ***Financial assets and financial liabilities other than debt and equity securities***

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit and loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method. The application of HKAS 39 has had no significant impact to the Group’s financial statements.

#### **Deferred taxes related to investment properties**

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HK(SIC) Interpretation 21 “Income Taxes — Recovery of Revalued Non-Depreciable Assets” which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated. The effect of this change is to increase the Group’s deferred tax liabilities at 1 April 2004 and 1 April 2005 by HK\$479,000 and HK\$8,210,000 respectively. The application of HK(SIC) Interpretation 21 has had no significant impact to the profit for the six months ended 30 September 2004 and 2005.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Potential impact of new standards not yet adopted

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

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-INT 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC)-INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-INT 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

### 3. TURNOVER AND SEGMENT INFORMATION

#### Business segments

The entity's primary format for reporting segment information is business segments.

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Property investment HK\$'000	Property agency and management HK\$'000	Property development HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2005									
<b>TURNOVER</b>									
External sales	304,024	40,334	39,569	30,887	8,559	1,360	63,438	—	488,171
Inter-segment sales	20	1,042	23,268	900	—	1,870	—	(27,100)	—
<b>Total</b>	<b>304,044</b>	<b>41,376</b>	<b>62,837</b>	<b>31,787</b>	<b>8,559</b>	<b>3,230</b>	<b>63,438</b>	<b>(27,100)</b>	<b>488,171</b>
Inter-segment sales are charged at prevailing market rates.									
<b>RESULTS</b>									
Segment results	4,577	1,216	2,830	577	5,732	649	17,664	2,036	35,281
Other operating income									401
Unallocated corporate expenses									(1,082)
Finance costs									(1,311)
Share of results of associates	—	—	—	—	—	—	(84)	—	(84)
Share of results of jointly controlled entities	—	—	—	—	—	—	(7)	—	(7)
Profit before taxation									33,198
Taxation									(4,130)
<b>Profit for the period</b>									<b>29,068</b>

### 3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

#### Business segments *(Continued)*

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Property investment HK\$'000	Property agency and management HK\$'000	Property development HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2004									
<b>TURNOVER</b>									
External sales	170,212	34,026	52,494	26,107	4,820	1,940	72,934	—	362,533
Inter-segment sales	15,280	8,310	2,773	67	—	1,215	—	(27,645)	—
<b>Total</b>	<b>185,492</b>	<b>42,336</b>	<b>55,267</b>	<b>26,174</b>	<b>4,820</b>	<b>3,155</b>	<b>72,934</b>	<b>(27,645)</b>	<b>362,533</b>
Inter-segment sales are charged at prevailing market rates.									
<b>RESULTS</b>									
Segment results	4,854	785	4,297	563	3,500	574	20,949	(1,659)	33,863
Other operating income									355
Unallocated corporate expenses									(4,122)
Finance costs									(454)
Share of results of associates	—	—	—	—	—	—	(12)	—	(12)
Profit before taxation									29,630
Taxation									(4,201)
Profit for the period									<b>25,429</b>

#### Geographical segments

All of the Group's operations during the six months ended 30 September 2005 and 2004 were carried out in Hong Kong.

#### 4. PROFIT BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30.9.2005</b>	<b>30.9.2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<hr/>		
Profit before taxation has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	—	15
Depreciation	<b>1,740</b>	1,744
Allowance for prepayment to a supplier	—	3,000
and after crediting:		
Gain on disposal of property, plant and equipment	<u><b>750</b></u>	<u>47</u>
Expenses capitalised in cost of contract work:		
Depreciation	<u><b>1,223</b></u>	<u>1,254</u>

## 5. TAXATION

	<b>Six months ended</b>	
	<b>30.9.2005</b>	30.9.2004
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong Profits Tax	<b>3,787</b>	4,229
Deferred taxation	<b>343</b>	(28)
	<b>4,130</b>	4,201

Hong Kong Profits Tax is calculated at 17.5% (for the six months ended 30 September 2004: 17.5%) of the estimated assessable profit for the period.

## 6. DIVIDEND

The board of directors has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 September 2005 (for the six months ended 30 September 2004: HK1 cent per share), which amounted to HK\$4,432,000 (for the six months ended 30 September 2004: HK\$2,837,000).

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit for the period of HK\$29,068,000 (for the six months ended 30 September 2004: HK\$25,429,000) and on the 443,236,068 shares (for the six months ended 30 September 2004: 443,236,068 shares) after adjusting the effect of bonus issue of shares during the year ended 31 March 2005 and the six months ended 30 September 2005.

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

## 8. INVESTMENT PROPERTIES

During the six months ended 30 September 2005, the Group spent approximately HK\$5,816,000 on additions of the investment properties (for the six months ended 30 September 2004: investment properties of HK\$56,680,000 were acquired).

The directors have considered the carrying amount of the Group's investment properties carried at revalued amounts or at cost for the additions during the period and have estimated that the carrying amount does not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no increase or decrease in fair value of investment properties has been recognised in the income statement for the period.

## 9. INTERESTS IN ASSOCIATES

	<b>30.9.2005</b> <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Share of net assets	<u>9,838</u>	<u>9,922</u>

## 10. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<b>30.9.2005</b> <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Share of net assets	<u>26,058</u>	<u>26,065</u>

## 11. PROPERTIES HELD FOR DEVELOPMENT FOR FUTURE SALE

At 30 September 2005, total borrowing costs capitalised in the properties held for development for future sale were HK\$1,443,000 (at 31 March 2005: HK\$490,000).

## 12. PROGRESS PAYMENTS RECEIVABLE

Progress payments receivable represents 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 the construction accounts.

	<b>30.9.2005</b> <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Progress payments receivable from:		
Subsidiaries of HKR International Limited ("HKRI"), a company holding 49% interests in the Company	<b>30,043</b>	14,336
Third parties	<b>17,926</b>	43,235
	<b>47,969</b>	57,571

The aged analysis of progress payments receivable is as follows:

	<b>30.9.2005</b> <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Within 30 days	<b>46,797</b>	48,107
31 — 60 days	—	7,646
61 — 90 days	—	192
Over 90 days	<b>1,172</b>	1,626
	<b>47,969</b>	57,571

**13. RETENTION MONEY RECEIVABLE**

	<b>30.9.2005</b> <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Retention money receivable from:		
Subsidiaries of HKRI	<b>45,062</b>	55,639
A company associated with a substantial shareholder of the Company	—	3,000
Third parties	<b>55,938</b>	51,073
	<b><u>101,000</u></b>	<u>109,712</u>
Amount receivable within one year	<b>52,154</b>	66,969
Amount receivable after one year	<b>48,846</b>	42,743
	<b><u>101,000</u></b>	<u>109,712</u>

The amount represents retention money in respect of the progress payments receivable on contract works.

#### 14. DEBTORS, DEPOSITS AND PREPAYMENTS

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

	<b>30.9.2005</b> <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Within 30 days	<b>33,686</b>	23,717
31 — 60 days	<b>5,296</b>	11,709
61 — 90 days	<b>1,266</b>	1,254
Over 90 days	<b>4,533</b>	3,524
Total debtors	<b>44,781</b>	40,204
Other receivables	<b>3,348</b>	2,421
Deposits	<b>13,295</b>	8,931
Prepayments	<b>13,223</b>	10,283
	<b>74,647</b>	61,839

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

	<b>30.9.2005</b> <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Subsidiaries of HKRI	<b>159</b>	401
A company associated with a substantial shareholder of the Company	<b>5,000</b>	6,716
Property management funds which are managed by subsidiaries of HKRI	<b>19</b>	78
Jointly controlled entities of the Group	<b>13</b>	535
	<b>5,191</b>	7,730

**15. CREDITORS AND ACCRUED CHARGES**

	<b>30.9.2005</b> <b>HK\$'000</b>	31.3.2005 HK\$'000
Within 30 days	<b>21,389</b>	61,532
31 — 60 days	<b>2,459</b>	987
61 — 90 days	<b>1,171</b>	1,398
Over 90 days	<b>3,971</b>	4,257
Total creditors	<b>28,990</b>	68,174
Retention payable	<b>62,070</b>	55,784
Accrued costs and charges	<b>61,463</b>	65,630
Temporary receipts	<b>5,415</b>	4,991
Deposits received	<b>5,994</b>	5,711
	<b>163,932</b>	200,290

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

	<b>30.9.2005</b> <b>HK\$'000</b>	31.3.2005 HK\$'000
Subsidiaries of HKRI	<b>97</b>	103

**16. BANK LOANS**

	<b>30.9.2005</b> <i>HK\$'000</i>	31.3.2005 <i>HK\$'000</i>
Secured	<b>49,000</b>	51,100
Unsecured	<b>76,000</b>	64,000
	<b>125,000</b>	115,100
Less: Amount due within one year	<b>(80,200)</b>	(68,200)
Amount due after one year	<b>44,800</b>	46,900

**17. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Share capital</b> <i>HK\$'000</i>
Authorised:		
Shares of HK\$0.10 each		
Balance at 1 April 2005 and 30 September 2005	<b>800,000,000</b>	<b>80,000</b>
Issued and fully paid:		
Shares of HK\$0.10 each		
Balance at 1 April 2005	354,588,856	35,459
Bonus shares issued during the period	<b>88,647,212</b>	<b>8,865</b>
Balance at 30 September 2005	<b>443,236,068</b>	<b>44,324</b>

## 17. SHARE CAPITAL *(Continued)*

By an ordinary resolution passed on 2 August 2005, the issued share capital was increased by way of a bonus issue by applying HK\$8,865,000 charging to the share premium account 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.

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

## 18. CONTINGENT LIABILITIES

- (1) At 30 September 2005, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entities amounting to HK\$33,488,000 (at 31 March 2005: HK\$33,488,000).
- (2) During the year ended 31 March 2004, legal actions in respect of the allegations for copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health product business. At 30 September 2005, as the relevant actions are still in the preliminary stage, the directors are of the opinion that it is impractical to assess their impacts to the Group.

## 19. CAPITAL COMMITMENT

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

	<b>30.9.2005</b> <b>HK\$'000</b>	31.3.2005 HK\$'000
Commitments contracted for but not provided in financial statements in respect of:		
— acquisition of investment properties	<u>24,327</u>	<u>4,410</u>
— acquisition of a subsidiary ( <i>Note 21</i> )	<u>32,468</u>	<u>—</u>

## 20. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following transactions with related parties:

		<b>Six months ended</b>	
		<b>30.9.2005</b>	30.9.2004
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Construction income			
from subsidiaries of HKRI	<i>(a)</i>	<b>92,638</b>	36,082
Interior and renovation			
income from subsidiaries			
of HKRI and its associates	<i>(b)</i>	<b>219</b>	762
Interior and renovation			
income from property			
management funds which			
are managed by subsidiaries			
of HKRI	<i>(b)</i>	<b>51</b>	158
Interior and renovation			
income from a company			
associated with a			
substantial shareholder			
of the Company	<i>(b)</i>	<b>1,759</b>	3,541
Supply and installation of			
building materials to jointly			
controlled entities	<i>(b)</i>	<b>1,514</b>	—
Property agency and			
manager's fee income			
received from a company			
associated with a substantial			
shareholder of the Company	<i>(b)</i>	<b>998</b>	1,796

## **20. RELATED PARTY TRANSACTIONS** *(Continued)*

*Notes:*

- (a) The pricing of the transactions was determined after a competitive tendering process, designed and administrated by independent consultants, with other independent contractors.
- (b) The pricing of the transactions was determined in accordance with the terms of the relevant agreements.

## **21. POST BALANCE SHEET EVENT**

On 16 September 2005, the Group entered into an agreement with an independent third party under which the Group acquired a 100% interest in Senior Rich Development Limited, a property investment company, at a consideration of approximately HK\$34,468,000. The transaction was completed on 9 November 2005.

The directors are still in the process to assess the fair value of net assets acquired in accordance with the requirements of HKFRS 3.

## INDEPENDENT REVIEW REPORT

**Deloitte.**  
**德勤**

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Hong Kong

**TO THE BOARD OF DIRECTORS OF  
HANISON CONSTRUCTION HOLDINGS LIMITED**  
*(incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 18 to 40.

### DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures

to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### **REVIEW CONCLUSION**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2005.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
29 November 2005