

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

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 2003 amounted to HK\$12.2 million, compared with HK\$15.3 million for the same period last year. The earnings per share were HK4.3 cents, compared with HK5.4 cents for the corresponding

DIVIDEND

The Board has resolved to pay an interim dividend of HK 1 cent per share for the six months ended 30 September 2003 (for the six months ended 30 September 2002: HK 1 cent per share) to shareholders whose names appear on the Registers of Members of the Company as of the close of business on 12 December 2003. The dividend is expected to be paid to shareholders on or around 30 December 2003.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from 11 to 12 December 2003, both dates inclusive. During this period no share transfer will be registered. In order to qualify for the interim dividend all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday 10 December 2003.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

		1.4.2003	1.4.2002
		to	to
		30.9.2003	30.9.2002
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	358,230	569,461
Cost of sales		(317,091)	(527,935)
Gross profit		41,139	41,526
Other income		1,891	4,323
Marketing and distribution costs		(3,588)	(990)
Administrative expenses		(24,757)	(26,767)
Other expenses		_	(52)
Profit from operations	4	14,685	18,040
Finance costs		(76)	(2)
Share of results of associates		267	(89)
Share of result of a jointly controlled entity		(25)	5
Profit before taxation		14,851	17,954
Taxation	5	(2,670)	(2,621)
Net profit for the period		12,181	15,333
Dividend	6	2,837	2,837
Earnings per share	7	HK 4.3 cents	HK5.4 cents

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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's audited financial statements for the year ended 31 March 2003 except as described below.

In the current period, the Group has adopted SSAP No. 12 (Revised) "Income taxes", for the first time, issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the condensed financial statements, but has had no significant impact on the results of the current or prior periods. Accordingly, no prior period adjustment has been required.

TURNOVER AND SEGMENT INFORMATION

Business segments

ness segments									
	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Properties investment HK\$'000	Properties agency and management HK\$'000	Properties development HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2003									
TURNOVER External sales Inter-segment sales	246,840	69,392 65,468	22,949 4,858	16,115 827	2,226	708 1,542	_	(72,695)	358,230
Total	246,840	134,860	27,807	16,942	2,226	2,250		(72,695)	358,230
Inter-segment sales are charge RESULTS			112	(1.100)	2.047		(12)		12.5((
Segment Other income Unallocated corporate expenses	9,903	2,114	112	(1,199)	2,047	601	(12)		13,566 1,891 (772)
Profit from operations Finance costs Share of results of associates Share of result of a jointly controlled entity	— (25)	_ _	287	-	_	-	(20)		14,685 (76) 267 (25)
Profit before taxation Taxation									14,851 (2,670)
Net profit for the period									12,181
For the six months ended		Construction HK\$'000	Interior and renovation HK\$'00	n	Building materials HK\$'000	Properties investment HK\$'000	Elimin	nations C K\$'000	onsolidated HK\$'000
For the six months ended 30 September 2002 TURNOVER External sales Inter-segment sales			renovatio	n 00	materials	investment	Elimin Hi		
30 September 2002 TURNOVER External sales		HK\$'000	renovation HK\$'00	n 0 3 9	materials HK\$'000	investment HK\$'000	Elimir Hi	K\$'000 —	HK\$'000
30 September 2002 TURNOVER External sales Inter-segment sales Total Inter-segment sales are ch	_ =	513,704 	22,89 22,93 45,83	n 0 3 9	materials HK\$'000 32,798 31,107	investment HK\$'000	Elimir Hi	54,046)	569,461
30 September 2002 TURNOVER External sales Inter-segment sales Total	_ =	513,704 	22,89 22,93 45,83	13 9 2	materials HK\$'000 32,798 31,107	investment HK\$'000	Elimir Hi	54,046)	569,461
30 September 2002 TURNOVER External sales Inter-segment sales Total Inter-segment sales are ch	narged at preva	513,704 — 513,704 illing market rate	22,89 22,93 45,83	13 9 2	32,798 31,107 63,905	investment HK\$ '000 66 66	Elimir Hi	54,046) 54,046)	569,461
30 September 2002 TURNOVER External sales Inter-segment sales Total Inter-segment sales are cf RESULTS Segment Other income Other expenses Unallocated corporate exp Profit from operations Finance costs Share of result of an assos	narged at preva	513,704 513,704 513,704 illing market rate 14,251	22,89 22,93 45,83	13 9 2	32,798 31,107 63,905	investment HK\$ '000 66 66	Elimir Hi	54,046) 54,046)	569,461 ————————————————————————————————————
30 September 2002 TURNOVER External sales Inter-segment sales Total Inter-segment sales are ch RESULTS Segment Other income Other expenses Unallocated corporate exp Profit from operations Finance costs Share of result of an asso	narged at preva	513,704 — 513,704 illing market rate	22,89 22,93 45,83	13 9 2	32,798 31,107 63,905	investment HK\$ '000 66 66	Elimir Hi	54,046) 54,046)	569,461 569,461 14,993 4,323 (52) (1,224) 18,040 (2)

(b) Following the additions of new segments during the period, comparative figures for business segments have been restated to conform with the current period presentation. Accordingly, certain items for 2002 have also been restated.

Geographical segments

All of the Group's operations during the six months ended 30 September 2003 and 2002 were carried out in Hong Kong

PROFIT FROM OPERATIONS

	1.4.2003 to 30.9.2003 HK\$'000	1.4.2002 to 30.9.2002 <i>HK</i> \$'000
om operations has been arrived at after charging:		
	15 1,477	1,282
r crediting:		
disposal of investments in securities	293	
s capitalised in cost of contract work:		
ation	1,145	1,330
ION		
	1.4.2003 to 30.9.2003 HK\$'000	1.4.2002 to 30.9.2002 <i>HK</i> \$'000
ong Profits Tax attributable to the Company and its subsidiaries Hong Kong Profits Tax attributable to associates	2,620 50	2,621
	2,670	2,621
	om operations has been arrived at after charging: ation of goodwill included in administrative expenses ation r crediting: disposal of investments in securities s capitalised in cost of contract work: ation ION ong Profits Tax attributable to the Company and its subsidiaries Hong Kong Profits Tax attributable to associates	to 30,9,2003

Hong Kong Profits Tax is calculated at 17.5% (for the six months ended 30 September 2002: 16%) of the estimated assessable profit for the period.

DIVIDEND

The board of directors has resolved to declare an interim dividend of HK 1 cent per share for the six months ended 30 September 2003 (for the six months ended 30 September 2002: HK1 cent), which amounted to approximately HK\$2,837,000 (for the six months ended 30 September 2002: HK\$2,837,000).

EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the net profit for the period of HK\$12,181,000 (for the six months ended 30 September 2002: HK\$15,333,000) and on the weighted average number of 283,671,086 shares (for the six months ended 30 September 2002: 283,671,086 shares).

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

MANAGEMENT DISCUSSION AND ANALYSIS

The market conditions in Hong Kong have remained difficult during the period under review. The global economic and political uncertainties, coupled with the SARS crisis in Hong Kong, have dampened investor enthusiasm and consumer confidence. In the face of such adverse conditions, some local development projects have either been slowed down or

As a result, the Group's consolidated turnover decreased by 37.1% to HK\$358.2 million (for the six months ended 30 As a result, the Group's consolidated utiliode decreased by 57.1% to HK\$538... limitor (in the six limitor) to HK\$41.5 million to HK\$41.5 million, due to the adjustment of costs over-estimated for several construction projects. Following the reduction of interest income, the amount of other income declined by HK\$2.4 million to HK\$1.9 million. Overheads have been constrained to HK\$28.3 million (last year's corresponding period: HK\$27.8 million) despite the additional expenses for the health products retailing business acquired in June this year.

Construction Division

The Construction Division has recognized a total turnover of HK\$246.8 million to external parties during the period under review (for the six months ended 30 September 2002: HK\$\$513.7 million), a decrease of \$52.0% compared with the corresponding period last year. The decline in turnover has mainly been caused by the slowdown of development progress for the Shek Yam Estate Phase 5 project for the Hong Kong Housing Authority, and the decrease in number of building construction works in both private and public sectors.

During the period, the re-development of Kwai Chung Estate Phase 7 for the Hong Kong Housing Authority and the extension works for the English Schools Foundation at Aberdeen were completed. Other major projects undertaken included the construction of a school for moderately mentally handicapped children in Yuen Long for the Architectural Services Department, the residential development at Inland Lot No. 8840 Wah Fu, and the construction works for CLP Power Substation at Discovery Bay North, the Discovery Bay North Residents Club and Barker Road. The construction works for the residential development of the Group's property located at Kwu Tung have commenced and are scheduled to be completed in early 2004.

This Division was awarded a new project from the Airport Authority Hong Kong for the Express Cargo Terminal Airside Access Road Works during the period. As at 30 September 2003, the outstanding values of contracts on hand amounted to HK\$442.6 million.

Subsequent to the period end, this Division has secured a HK\$218 million new contract from The University of Hong Kong for construction of student residences at Flora Ho Sports Centre.

Building Materials Division

Due to the slowdown of development projects, some of the building material contracts were delayed at the requests of the clients. As a result, the total turnover of the Building Materials Division decreased by 56.5% to HK\$27.8 million (turnover to external parties was HK\$22.9 million) when compared with the previous corresponding period.

New contracts awarded during the period included the supply and/or installation of: timber flooring for Siu Fai Terrace; false ceiling for Skyline Tower at Kowloon Bay, a complex at Stanley and Wanchai Police Headquarters; kitchen cabinets for The Cairnhill at Tsuen Wan; and Polyboard and timber flooring for Sky Tower.

Other new project contracts awarded included the supply of pipes to the Hospital Authority, Hang Lung Centre, Las Vegas Hotel at Macau, Science Park Building V and a building at Thomson Road.

The outstanding values of contracts on hand as at 30 September 2003 amounted to approximately HK\$122.5 million.

Interior and Renovation Division

The Interior and Renovation Division has recorded a total turnover of HK\$134.9 million (turnover to external parties was HK\$69.4 million), representing a 194.2% increase over the corresponding period last year of HK\$45.8 million.

Major contract works undertaken during the period included the alteration, addition and renovation works for the University of Hong Kong, The Hong Kong Polytechnic University, Tak Sun School at Austin Road, Wylie Court and the CDW Building; and the fitting-out works for YMCA International House at Waterloo Road.

The outstanding values of contracts on hand as at 30 September 2003 amounted to approximately HK\$27.4 million.

Subsequent to the period end, this Division was awarded a term contract from the Hong Kong Housing Authority for maintenance and renovation works of shopping arcades and carparks, and a design-and-build contract from the University of Hong Kong for improvement works of the West Gate Entrance.

Health Products Division

In addition to continue operating the sole distributorship of the Lingzhi spores products, the Group has acquired a company carrying on a health products wholesale business and a health products retailing chain store business under the trade name of Health Plus.

This business is at its preliminary stage. The turnover during the period amounted to HK\$16.9 million

Property Investment Division

 $Total\ rental\ income\ was\ principally\ derived\ from\ the\ leasing\ of\ the\ Group's\ rental\ properties\ at\ Shatin\ Industrial\ Centre\ and\ Mei\ Wan\ Street.\ These\ properties\ were\ approximately\ 90\%\ leased\ as\ at\ 30\ September\ 2003.$

During the period, the Group acquired the 5th floor and part of the 6th floor of Shatin Industrial Centre. The 5th floor was acquired with an ongoing tenancy agreement for one year, and part of the 6th floor was rented out subsequent to the period end. The Group also acquired a piece of land at Ping Che, a portion of which was acquired with an ongoing tenancy agreement for nine months. The remaining area was partially leased out.

Property Development Division

The Group has commenced the development of the land situated at Lot No. 2574 in Demarcation District 92, Castle Peak Road, Kwu Tung, New Territories. This property is expected to be completed by early 2004.

Property Agency and Management Division

The turnover for this division mainly came from the fees for project management, rental collection and leasing agency

Projects managed during the period included the renovation works for CDW Building in Tsuen Wan and the property development project for the land in Kwu Tung.

This Division provides rental collection, agency and leasing services for CDW Building and a building at Hart Avenue. It also undertakes property management services for CDW Building.

Outlook

Hong Kong has regained much momentum as the threat of SARS has receded. The introduction of the Mainland Individual Visit Scheme, the establishment of the CEPA, and the agreement allowing local banks to offer Renminbi services by the Central Government have helped stimulate the Hong Kong economy further. The local tourism and retailing industries have already shown promising improvements.

Following the various housing policies of the Hong Kong Government to redress the issue of the over-supply of properties, the property prices in Hong Kong have stabilized and the Hong Kong property market has become more active. On the financial side, though the economy has not responded significantly so far, it should benefit from an extended period of low interest rates.

In the United States, the increase in GDP during the third quarter of 2003, and October's stronger-than-expected employment record suggest that business investment has been picking up.

With so many positive factors, there is growing hope that the worst is over for the Hong Kong economy. The greatest concern, as well as the greatest hope, is the restoration of investor and consumer confidence in Hong Kong.

While the Group is optimistic about Hong Kong's medium to long-term prospects, it will continue to maintain its competitiveness through tight control over costs, quality and efficiency, to be well prepared for the business opportunities

FINANCIAL REVIEW

Group Liquidity and Financial Resources

The financial position of the Group remains healthy. As at the close of business on 30 September 2003, the total cash and bank balances had decreased by HK\$1.6 million or 1.3%, compared with those as at 31 March 2003, and accounted for 31.2% of the current assets. As at the period end date, current assets had been maintained at 1.2 times the current liabilities.

For day-to-day liquidity management and the maintenance of flexibility in funding, the Group has also obtained banking ror day-to-day industry management and the maintenance of flexibility in funding, the Group has also obtained banking facilities with aggregate amount of HK\$183.3 million (HK\$17.5 million was secured by first charges over certain land and buildings and investment properties of the Group), of which approximately HK\$88.2 million has been utilized mainly for the issuance of letters of credit and performance bonds. The Group's funding requirements for the coming year are expected to be met by available cash as at balance sheet date, cash generated by operations and the available banking facilities.

Treasury Policies

In order to achieve better risk control and to minimize the cost of funds, the Group's treasury activities are centralised and scrutinised by the top management. The Group's treasury policies remain unchanged from those described in the latest annual report 2002-2003.

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. During the period under review, the Group has taken out a Hong Kong dollars loan amounting to HK\$17.5 million from a bank (at 31 March 2003; HK\$ Nil). The borrowing has been used as general working capital and is long term in nature. Interest is based on HIBOR with a competitive margin.

As at 30 September 2003, the gearing ratio of the Group, calculated on the basis of the total bank borrowings over shareholders' funds, was 4.6% (at 31 March 2003: Nil).

Major Acquisition

During the period, the Group purchased, from internally generated funds, the whole 5th floor and part of the 6th floor of Shatin Industrial Centre, and a piece of land at Ping Che, from independent third parties, at a total consideration of approximately HK\$38.0 million. These properties are located in Hong Kong, and are held for investment purposes.

In June 2003, the Group also acquired from an independent third party the entire issued share capital of Retailcorp Limited which carries on a health products wholesale business and operates a health products retailing chain store business under the trade name of "Health Plus", at a consideration of approximately HK\$3.1 million.

As at 30 September 2003, the Group's Hong Kong dollars loan of HK\$17.5 million was secured by first charges over certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$27.8 million (at 31 March 2003: HK\$ Nil).

- At 30 September 2003, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entity amounting to approximately HK\$4.4 million (at 31 March 2003: HK\$4.4 million).
- During the period, legal actions in respect of the allegations for copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health products business. As the relevant actions are in the preliminary stage, the directors are of the opinion that it is impractical to assess their impacts to the Group.

Capital Commitments

At 30 September 2003, the Group had no material outstanding capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2003, the Group had over 470 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.

REVIEW OF INTERIM RESULTS

The interim financial report of the Group for the six months ended 30 September 2003 has not been audited, but has been reviewed by the Audit Committee of the Board and the Group's auditors, Messrs Deloitte Touche Tohmatsu

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules on the Stock Exchange will be published on the website of the Stock Exchange in due course.

By order of the Board Cha Mou Sing, Payson Chairman

Hong Kong, 26 November 2003

