



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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2005

SUMMARY OF RESULTS

The audited consolidated profits of Hanison Construction Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2005 were HK\$100.1 million (2004: HK\$33.3 million), an increase of 200.4%. The increase in the Group's earnings is largely attributable to the contribution from its property development business, and the credit of the revaluation surplus on its investment properties resulting from the early adoption of a new accounting policy by the Group. Excluding this revaluation surplus, the consolidated net profit attributable to shareholders was HK\$54.7 million (2004: HK\$30.5 million).

The consolidated turnover for the year was HK\$920.7 million, representing an increase of 41.0% compared with HK\$652.8 million last year. The Group's turnover comprised proceeds from the sales of approximately 60% of its property development project, Golf Parkview, revenue from the construction, interior and renovation, building materials and health products businesses, property agency, management services and rental income.

The basic earnings per share for the year was HK28.2 cents (2004: HK9.4 cents as restated).

DIVIDEND

The Board has recommended the payment of a final dividend of HK1.5 cents per share for the year ended 31 March 2005 (2004: HK1.5 cents per share) to shareholders whose names appear on the Registers of Members of the Company on 2 August 2005 ("Record Date"). This together with the interim dividend of HK1 cent per share gives a total of HK2.5 cents per share for the year (2004: HK2.5 cents per share). The proposed dividend will be paid on 31 August 2005 following approval at the Annual General Meeting ("AGM").

PROPOSED BONUS ISSUE OF SHARES

The Board has also recommended a bonus issue ("Bonus Issue") of shares of HK\$0.1 each in the capital of the Company ("Bonus Share(s)") on the basis of 1 Bonus Share for every 4 existing shares held by the shareholders of the Company whose names appear on the Registers of Members as at the close of business on the Record Date. The Bonus Shares will be fully paid at par and will rank pari passu with the existing issued ordinary shares of the Company in all respects from the date of issue, except that they will not rank for the final dividend for the year ended 31 March 2005 and the Bonus Issue. The Bonus Issue is conditional upon shareholders' approval at the AGM and the Listing Committee of The Stock Exchange of Hong Kong Limited ("Stock Exchange") granting listing of, and permission to deal in, the Bonus Shares. A circular containing further details of the Bonus Issue will be sent to shareholders of the Company in due course.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Monday, 1 August 2005 to Tuesday, 2 August 2005, both dates inclusive. During this period no share transfer will be registered. In order to qualify for the final dividend for the year ended 31 March 2005 and the Bonus Issue, 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 Friday, 29 July 2005.

AUDITED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	NOTES	2005 HK\$'000	2004 HK\$'000 (Restated)
Turnover	3	920,717	652,822
Cost of sales		(775,417)	(557,382)
Gross profit		145,300	95,440
Other operating income		1,543	2,526
Marketing and distribution costs		(14,275)	(5,810)
Administrative expenses		(68,887)	(55,691)
Gain arising on a change in fair value of investment properties		45,357	2,828
Unrealised holding gain on investments in securities		11	15
Profit from operations		109,049	39,308
Finance costs		(872)	(146)
Share of result of associates		(52)	260
Share of result of jointly controlled entities		2,425	839
Profit before taxation	5	110,550	40,261
Taxation	6	(10,430)	(6,928)
Net profit for the year		100,120	33,333
Dividends	7	8,156	7,092
Earnings per share — basic (HK cents)	8	28.2	9.4

NOTES

1. BASIS OF PREPARATION AND CONSOLIDATION

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

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

All significant intra-group transactions and balances have been eliminated on consolidation.

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "New HKFRSs"), which are effective for accounting periods beginning on or after 1 January 2005. The Group has early adopted HKAS 40 "Investment Property" ("HKAS 40") in the preparation of the consolidated financial statements for the year ended 31 March 2005.

The adoption of HKAS 40 has resulted in the following changes in the Group's accounting policies for the valuation of investment properties thereon.

In prior years, any surplus or deficit arising on the revaluation of investment properties was credited or charged to the investment property revaluation reserve unless the balance in this reserve was insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance in the investment property revaluation reserve was charged to the income statement. Where a deficit had previously been charged to the income statement and a revaluation surplus subsequently arose, this surplus was credited to the income statement to the extent of the deficit previously charged.

Following the adoption of HKAS 40, changes in fair value of investment properties are included in the income statement. This change in accounting policy has been applied retrospectively.

As a result of the adoption of this accounting policy, the Group's net profit for the years ended 31 March 2004 and 2005 have been increased by \$2,828,000 and \$45,357,000 respectively, representing gains arising on changes in fair value of investment properties attributable to the Group. The accumulated profits of the Group at 1 April 2004 has been increased by \$2,828,000 and the accumulated profits of the Group at 1 April 2003 remained unchanged. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

For those new HKFRSs that the Group has not early adopted in the financial statements for the year ended 31 March 2005, the Group does not expect that their issuance will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

3. TURNOVER

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

4. SEGMENTAL INFORMATION

(a) Business segments

The following table presents turnover and contribution information for the Group's business 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
<i>For the year ended 31 March 2005</i>									
TURNOVER									
External sales	513,474	111,413	93,914	53,453	10,114	3,759	134,590	—	920,717
Inter-segment sales	45,281	9,333	19,125	86	—	1,815	—	(75,640)	—
Total	558,755	120,746	113,039	53,539	10,114	5,574	134,590	(75,640)	920,717

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment result	15,550	2,771	6,443	1,849	6,940	827	38,339	(1,018)	71,701
Other operating income									1,543
Gain arising on a change in fair value of investment properties	—	—	—	—	45,357	—	—	—	45,357
Unrealised holding gain on investments in securities									11
Unallocated expenses									(9,563)
Profit from operations									109,049
Finance costs									(872)
Share of result of associates	—	—	—	—	—	—	(52)	—	(52)
Share of result of jointly controlled entities	2,425	—	—	—	—	—	—	—	2,425
Profit before taxation									110,550
Taxation									(10,430)
Net profit for the year									100,120

OTHER INFORMATION

Depreciation	4,543	73	402	1,117	—	35	—	—	6,170
Allowance for prepayment to a supplier									3,000

	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 (Restated)
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*For the year ended
31 March 2004*

TURNOVER

External sales	423,853	98,794	83,760	38,436	6,047	1,932	—	—	652,822
Inter-segment sales	43,404	95,497	9,526	44	—	3,040	—	(151,511)	—
Total	467,257	194,291	93,286	38,480	6,047	4,972	—	(151,511)	652,822

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment result	23,117	4,438	4,285	(1,466)	5,061	1,100	(42)	—	36,493
Other operating income									2,526
Gain arising on a change in fair value of investment properties	—	—	—	—	2,828	—	—	—	2,828
Unrealised holding gain on investments in securities									15
Unallocated expenses									(2,554)
Profit from operations									39,308
Finance costs									(146)
Share of result of associates	—	—	260	—	—	—	—	—	260
Share of result of jointly controlled entities	839	—	—	—	—	—	—	—	839
Profit before taxation									40,261
Taxation									(6,928)
Net profit for the year									33,333

OTHER INFORMATION

Depreciation	4,337	110	381	529	—	22	—	—	5,379
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(b) **Geographical segments**

All the Group's operations and significant segment assets during the two years ended 31 March 2005 were in Hong Kong.

5. **PROFIT BEFORE TAXATION**

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation	3,494	3,078
Amortisation of goodwill included in administrative expenses	30	30
Interest on bank and other borrowings wholly repayable within five years	872	146
Allowance for prepayment to a supplier	3,000	—
Cost of inventories recognised as expenses	128,825	37,470
and after crediting:		
Interest income	114	1,639
Gain on disposal of investment properties	342	—
Gain on disposal of investments in securities	—	292
Expenses capitalised in cost of contract work:		
Depreciation	2,676	2,301
Rentals under operating leases in respect of:		
— plant and machinery	7,753	4,159
— others	960	960

6. **TAXATION**

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	8,516	6,286
Underprovision in prior years	30	50
	<u>8,546</u>	<u>6,336</u>
Deferred taxation		
Current year	1,456	148
Attributable to a change in tax rate	—	211
	<u>1,456</u>	<u>359</u>
Taxation attributable to the Company and its subsidiaries	10,002	6,695
Share of Hong Kong Profits Tax attributable to associates	2	34
Share of Hong Kong Profits Tax attributable to jointly controlled entities	426	199
	<u>10,430</u>	<u>6,928</u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

7. **DIVIDENDS**

An interim dividend of HK1 cent (2004: HK1 cent) per share, totalling HK\$2,837,000 (2004: HK\$2,837,000) was declared and paid by the Company during the year.

A final dividend of HK1.5 cents (2004: HK1.5 cents) per share, totalling HK\$5,319,000 (2004: HK\$4,255,000) has been proposed by the Board and is subject to approval by the shareholders at the Annual General Meeting.

8. **EARNINGS PER SHARE — BASIC**

The calculation of the basic earnings per share for the year is based on the net profit for the year of HK\$100,120,000 (2004: HK\$33,333,000 as restated) and on the 354,588,856 shares (2004: 354,588,856 shares after adjusting for the bonus issue) for the year ended 31 March 2005.

There were no potential dilutive ordinary shares in existence for the two years ended 31 March 2005. Accordingly, no diluted earnings per share has been presented.

OPERATIONS REVIEW

CONSTRUCTION DIVISION

The Construction Division has recognised a total turnover of HK\$558.8 million during the year (2004: HK\$467.3 million), an increase of 19.6% compared with the corresponding period last year. Turnover to external parties for the year was HK\$513.5 million (2004: HK\$423.9 million).

Major projects undertaken during the year included the residential development of the Group's property at Kwu Tung — Golf Parkview, the construction of a school for moderately mentally handicapped children in Yuen Long for the Architectural Services Department, the demolition works at 33 Cameron Road, school improvement works for S.K.H. Wei Lun Primary School in Discovery Bay, the construction of student residences at Flora Ho Sports Centre for The University of Hong Kong, Shek Yam Estate Phase 5 development for the Hong Kong Housing Authority, construction of community colleges at the junction of Shantung Street and Hak Po Street for the Tung Wah Group of Hospitals, and the townhouse development at Tung Chung undertaken by a joint venture with Hip Hing Construction Company Limited.

During the year, this Division was awarded new contracts worth HK\$883.7 million. One of these was awarded for the construction of five residential tower blocks at Discovery Bay North residential development Phase 13. The construction work of this project commenced in May 2004 and is scheduled to be completed in September 2005. Another new contract for construction of superstructure works at Tung Chung undertaken by a joint venture with Hip Hing Construction Company Limited was also awarded. The project work commenced in January 2005 and is expected to be completed in July 2006. Other new contracts awarded included design and build of Green House Facilities for the City University of Hong Kong and maintenance and utility works for the Airport Authority.

As at 31 March 2005, the outstanding value of contracts on hand for this Division, including contracts for joint ventures, amounted to approximately HK\$1,028 million. Subsequent to the year-end, this Division secured two further contracts. One of these relates to a redevelopment at 31 Wylie Road for The Chinese University of Hong Kong — Tung Wah Group of Hospitals Community College. It includes the construction of a 23-storey community college for academic use. The other new contract is a proposed residential development at No. 78 Mount Kellett Road.

BUILDING MATERIALS DIVISION

With the significant rebound of the property market, the overall performance of the Building Materials Division has improved during the year as property developers have speeded up their development projects. The Division has recorded a total turnover of HK\$113.0 million (turnover to external parties was HK\$93.9 million), representing a 21.1% increase over last year's total turnover of HK\$93.3 million.

Trigon Building Materials Limited ("Trigon")

During the year, the main projects undertaken were the supply and installation of false ceiling for Hong Kong Disneyland; kitchen cabinets for a hotel development at Hunghom Bay, Caribbean Coast Phases 3, 4 & 5 at Tung Chung; and Polyboard, timber flooring and false ceiling for La Bleu at Tung Chung.

New contracts awarded during this year have included the supply and installation of false ceiling for 8 Clear Water Bay Road Development; the supply and installation of wood flooring, kitchen cabinets and false ceiling for residential development at Discovery Bay, Phase 13; kitchen cabinets for Caribbean Coast Phases 4 & 5 at Tung Chung; and the supply of Polyboard for Pacifica at West Kowloon.

As at 31 March 2005, the outstanding value of contracts on hand amounted to HK\$104.1 million, mainly including contracts for the supply and/or installation of kitchen cabinets, timber flooring, and suspended ceiling systems amounting to HK\$52.8 million, HK\$12.1 million and HK\$36.6 million respectively.

Tai Kee Pipes Limited ("Tai Kee")

During the year, there has been a strong increase in the global metal price and Tai Kee has derived a promising return from selling its large metal pipe stock.

Most of the turnover has come from retail sales. New project contracts awarded during the year have included the supply of pipes to Wynn Hotel in Macau, Hammer Hill Road Park at Chi Nin Nunnery, Aberdeen Tunnel, New Territories South Regional Police Headquarters & Operational Base, Hong Kong International Airport Passenger Terminal renovation project, CLP Power Substation at Discovery Bay, residential project at Lok Kwai Path, Discovery Bay North residential development Phase 13 and various MTR Station renovation projects.

INTERIOR AND RENOVATION DIVISION

The Interior and Renovation Division has recorded a total turnover of HK\$120.7 million (turnover to external parties was HK\$111.4 million), representing a 37.9% decrease over last year's figure of HK\$194.3 million.

Major project works undertaken during the year included the external wall renovation works for Ventris Place in Happy Valley, external renovation works for Mei Foo Sun Chuen, a fitting out contract from Cheung Kong Group for hotel development at Hung Hom Bay, a term contract from the Hong Kong Housing Authority for maintenance and renovation works of shopping arcades and carparks, and various alteration and renovation contracts from the City University of Hong Kong, Giordano Limited and the Hong Kong Jockey Club.

Other major contracts awarded included the renovation works for Estoril Court at Garden Road and the addition and alteration works for Stelux House at San Po Kong. As at 31 March 2005, the outstanding value of contracts on hand amounted to HK\$220.2 million.

PROPERTY DEVELOPMENT DIVISION

In 2004/2005, our Property Development Division recorded a turnover of HK\$134.6 million from the sales of approximately 60% of the Group's first property development project — Golf Parkview.

Golf Parkview was released to the market in August 2004. This property is located in Kwu Tung with convenient access to Sheung Shui KCR station and Lok Ma Chau Control Point. It nestles among green hills and is close to luxurious residences and shopping hot spots. It comprises 6 low-rise residential blocks with a total of 48 luxury flats. All units have balconies, most of which are featured with a distinctive golf course view. As at the year-end date, approximately 60% had been sold. The Group will continue to maintain its marketing efforts, and the management expects that the remaining 40% will bring satisfactory returns.

In June 2004, the Group acquired properties at No. 4 College Road and No. 21 Sau Chuk Yuen Road in Kowloon Tong at a consideration of approximately HK\$52.8 million. The Group is considering to redevelop the properties for sales by mid 2007.

In December 2004, the Group successfully acquired a property at La Salle Road, Kowloon Tong with a joint venture partner at a consideration of HK\$171.0 million. This acquisition is expected to be completed by the end of June 2005. The property, situated in a high-class residential area, is intended to be redeveloped into luxury residential units. This project is scheduled to be completed by the end of 2007.

PROPERTY INVESTMENT DIVISION

Effective from 2005/2006, the new Hong Kong Accounting Standard 40 "Investment Property" requires that the revaluation surplus and deficit from investment properties should be credited and debited to the income statement respectively. From an independent professional valuer's report, the value of the Group's investment properties increased by HK\$45.4 million for the year under review. The Group has chosen early adoption of this accounting standard and recorded such surplus in the Group's income statement.

For the rental business, this Division also recorded stable growth from the Group's investment properties during the year.

PROPERTY AGENCY AND MANAGEMENT DIVISION

During the year, this Division continued to generate a steady revenue stream for the Group through provision of project and property management, rental collection and leasing agency services.

HEALTH PRODUCTS DIVISION

The Health Products Division achieved considerable improvement during the year with positive contribution to the growth of the Group's turnover and earnings, as compared with the results of last year.

FINANCIAL REVIEW

Group Liquidity and Financial Resources

The Group's liquidity and financing requirements are regularly re-assessed.

The Group follows a prudent policy in managing its cash balance, and endeavours to maintain its sound cash-flow generating capability, its ability to take on investments and acquisition projects, in order to enhance shareholder value. The total cash and bank balances of the Group have increased to HK\$102.1 million as at 31 March 2005 from HK\$88.2 million as at 31 March 2004, and accounted for 16.1% of the current assets (2004: 21.6%). The net increase was mainly due to the proceeds from the sales of approximately 60% of the property development project, Golf Parkview, at Kwu Tung after deducting the utilisation of funds to purchase properties for investment purposes from independent third parties during the year. The details in relation to the acquisition of properties have been disclosed in the section "Major Acquisitions".

The Group has maintained a healthy balance sheet with net borrowings (total bank borrowings less total bank balances and cash) of HK\$13.0 million (2004: HK\$ Nil) as at 31 March 2005. Accordingly, the gearing ratio of the Group, calculated on the basis of the Group's net borrowings to shareholders' funds, was at a low level of 0.03 (2004: zero). The current ratio (current assets divided by current liabilities) increased from 1.4 times at the last year-end date to 1.6 times and the net current assets have increased by HK\$114.4 million to HK\$227.5 million as at the year-end date.

In order to maintain flexibility in funding and for day-to-day liquidity management, the Group has access to banking facilities with an aggregate amount of HK\$346.1 million (HK\$51.1 million was secured by first charges over certain land and buildings and investment properties of the Group), of which HK\$115.1 million loans have been drawn down and approximately HK\$89.5 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 31 March 2005. These banking facilities bear interest at prevailing market interest rates.

With available banking facilities, steady cash inflow from its operations, especially the proceeds from the sales of the remaining 40% Golf Parkview, together with its cash holdings, the Group's liquidity position will remain healthy in the coming year, with sufficient financial resources to meet its obligations, future development and operation requirements.

Treasury Policy

In order to achieve better risk control, to enhance the deployment of internal funds with maximum benefit and to minimise cost of funds, the Group's treasury activities are centralised and scrutinised by the top management.

The objective of the Group's treasury policy is to minimise its exposure to fluctuations in the exchange rate and not to engage in any highly leveraged or speculative derivative products. Treasury transactions unrelated to underlying financial exposure are not undertaken. Foreign currency exposures of the Group arise mainly from the purchase of goods. The Group will determine if any hedging is required, on an individual basis, depending upon the size and nature of the exposure, and the prevailing market conditions.

The surplus cash is generally placed in short-term bank deposits with reputable financial institutions. Most of these are denominated in either Hong Kong dollars or United States dollars. Nearly all revenue, expenses, assets and liabilities of the Group are denominated either in Hong Kong or United States dollars. As the Hong Kong dollar is pegged to the United States dollar, the Group therefore will not have any significant exposure to gains or losses arising from the movement of the United States' currency exchange rate against the Hong Kong dollar.

Shareholders' Funds

As at 31 March 2005, shareholders' funds of the Group were HK\$491.4 million including reserves of HK\$455.9 million, an increase of HK\$93.1 million from HK\$398.3 million at 31 March 2004. On that basis, the consolidated net asset value of the Group at the year-end date was HK\$1.39 per share, compared to the consolidated net asset value of HK\$1.12 per share at 31 March 2004. Increase in shareholders' funds was mainly attributable to profit retained after the payments of dividends.

Major Acquisitions

During the year, the Group purchased, from bank loan and internally generated funds, two properties at College Road and Sau Chuk Yuen Road, Kowloon Tong from two independent parties, at a total consideration of approximately HK\$52.8 million. These properties are located in Hong Kong and the Group is considering to redevelop the properties for sales. The details of these acquisitions have been disclosed in the Company's circular to shareholders dated 29 June 2004.

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 total redevelopment costs of the Property (including the acquisition cost of the Property) are estimated to be in the region of approximately HK\$306.4 million. A deposit amounting to HK\$17.1 million has been paid to the vendor and the balance of the acquisition cost of the Property shall be payable on or before 30 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.

In March 2005, the Group also acquired a property leasing company, which owns a leasehold interest in GT House, No. 31 Wing Wo Street, Sheung Wan, Hong Kong from HKR International Limited, a substantial shareholder of the Company at a consideration of approximately HK\$4 million. This acquisition has further broadened the Group's property investment portfolio. Details of this acquisition were disclosed in the Company's announcement dated 21 March 2005.

Capital Structure

The Group intends to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. During the year under review, the Group has borrowed Hong Kong dollar loans amounting to HK\$115.1 million from the banks (at 31 March 2004: HK\$ 55.3 million). The borrowings have been used as general working capital and for refinancing the purchase of properties for investment purposes. The maturity profile of the loans spread over a period of five years with HK\$68.2 million repayable within the first year, HK\$4.2 million repayable within the second year and HK\$42.7 million within the third to fifth years. Interest is based on HIBOR plus a competitive margin.

Collateral

As at 31 March 2005, certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$129.5 million (at 31 March 2004: HK\$ 95.0 million), were pledged to a bank to secure the Hong Kong dollars loans of HK\$51.1 million.

Capital Commitments

As at 31 March 2005, the Group had outstanding commitments in respect of the purchase of the properties at Shatin, Hong Kong from an independent third party at a consideration of approximately HK\$4.9 million, where deposits amounting to approximately HK\$0.5 million have been paid. The transaction has been completed in April 2005.

Contingent Liabilities

At 31 March 2005, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entities amounting to approximately HK\$33,488,000 (at 31 March 2004: HK\$11,523,000).

During the year, legal actions in respect of allegations of copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health products business. As the relevant actions are at a preliminary stage, the Directors are of the opinion that it is impractical to assess their impacts to the Group.

Employees and Remuneration Policy

The number of full time employees of the Group, excluding its associated companies and jointly controlled entities, was over 500 as at 31 March 2005. The Group recruits and promotes individuals based on their competencies, merits and development potential, and ensures that their remuneration packages are at a reasonable market level.

FUTURE DIRECTIONS AND PROSPECTS

The year 2004 has witnessed Hong Kong's economy on the track of significant recovery after the setbacks and downturn during the SARS period. Looking ahead, positive views of the economic and business environment in Hong Kong should be sustained through 2005 and the next few years.

There are nevertheless some negative impacts arising from a number of external factors, such as the interest hike in the United States and possibly in Mainland China, the twin deficits in the United States that might affect its economic growth and that of its trading partners, the macro-economic control in Mainland China in certain industries, and the rising oil price. However, with strong support from the Central Government's preferential policies and the HKSAR Government's persistent efforts, all signs of economic statistical data have pointed to a continuing growth in the Hong Kong economy. The Group is optimistic about Hong Kong's medium to long-term prospects.

Several years ago, the Group purchased some industrial buildings and acquired several pieces of agricultural land with development potential. The industrial buildings have generated a steady rental income stream for the Group, and it is expected that the land once developed should deliver the Group with sustainable growth in future. The construction, building material, health products, interior and renovation businesses remain highly competitive, but the improved business environment and our increased industry recognition reinforce our belief that Hanison will continue to make encouraging progress in the coming years. We are investing for the future as well as strengthening our existing business to bring premium returns and growth for our shareholders.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, 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, 21 June 2005

As at the date of this announcement, the executive directors of the Company are Mr. Wong Sue Toa, Stewart, Mr. Tai Sai Ho, Dr. Lam Chat Yu and Mr. Shen Tai Hing; the non-executive directors of the Company are Mr. Cha Mou Sing, Payson, Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin; and the independent non-executive directors of the Company are Mr. Chan Pak Joe, Dr. Sun Tai Lun and Dr. Lau Tze Yiu, Peter.