



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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

INTERIM RESULTS

The results of Hanison Construction Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 30 September 2007 demonstrated a solid financial performance. In the first half of the year under review, unaudited consolidated turnover of the Group surged to HK\$589.4 million, representing an increase of 18.7% over the turnover of HK\$496.4 million for the corresponding period last year.

Unaudited consolidated profit attributable to shareholders of the Company increased to HK\$35.0 million (for the six months ended 30 September 2006: HK\$15.7 million). The current period’s profit included a revaluation surplus of HK\$27.6 million on the Group’s investment properties. The revaluation surplus after deducting the relevant deferred tax and expenses amounted to approximately HK\$20.0 million.

The earnings per share was HK7.9 cents, compared with HK3.5 cents for the corresponding period last year.

DIVIDEND

Subsequent to 30 September 2007, the board of directors of the Company has resolved to declare an interim dividend of HK1.5 cents per share for the six months ended 30 September 2007 (for the six months ended 30 September 2006: HK1.5 cents per share) which amounted to HK\$6,649,000 (for the six months ended 30 September 2006: HK\$6,649,000) to the shareholders whose names appear on the Registers of Members of the Company as at the close of business on 21 December 2007. The dividend is expected to be paid to shareholders on or around 11 January 2008.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from 20 to 21 December 2007, 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 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 19 December 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	NOTES	Six months ended	
		30.9.2007 HK\$'000 (Unaudited)	30.9.2006 HK\$'000 (Unaudited)
Turnover	3	589,350	496,372
Cost of sales		(524,577)	(446,516)
Gross profit		64,773	49,856
Other income		1,087	8,269
Marketing and distribution costs		(5,412)	(5,622)
Administrative expenses		(42,230)	(33,507)
Finance costs		(4,302)	(2,442)
Share of result of associates		103	(99)
Share of result of jointly controlled entities		210	855
Gain on change in fair value of investment properties		27,562	—
Gain on change in fair value of investments held for trading		372	3
Gain on change in fair value of derivative financial instruments		1,762	—
Profit before taxation	4	43,925	17,313
Taxation	5	(8,912)	(1,604)
Profit for the period		<u>35,013</u>	<u>15,709</u>
Dividend paid	6	<u>11,081</u>	<u>6,649</u>
Earnings per share — basic	7	<u>HK7.9 cents</u>	<u>HK3.5 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2007

	NOTES	30.9.2007 HK\$'000 (Unaudited)	31.3.2007 HK\$'000 (Audited)
Non-current assets			
Investment properties		290,410	232,280
Property, plant and equipment		71,991	61,175
Interest in an associate		16,680	—
Interests in jointly controlled entities		13,453	18,243
Goodwill		2,980	540
Deposits for acquisition of investment properties		10,000	1,821
Deposits for acquisition of property, plant and equipment		10,011	5,052
		<u>415,525</u>	<u>319,111</u>
Current assets			
Properties under development		257,397	251,640
Inventories		39,646	37,471
Amounts receivable on contract work		219,990	187,735
Progress payments receivable	8	63,222	61,643
Retention money receivable		117,325	96,315
Debtors, deposits and prepayments	9	80,291	47,161
Amount due from a jointly controlled entity		60,950	43,750
Investments held for trading		5,789	300
Taxation recoverable		4,872	4,472
Derivative financial instruments		1,801	—
Bank balances and cash		53,893	258,457
		<u>905,176</u>	<u>988,944</u>
Current liabilities			
Amounts payable on contract work		80,363	105,212
Creditors and accrued charges	10	207,309	292,531
Obligation of finance lease due within one year		85	—
Derivative financial instruments		182	—
Taxation payable		2,282	489
Bank loans — amounts due within one year		292,763	185,563
		<u>582,984</u>	<u>583,795</u>
Net current assets		<u>322,192</u>	<u>405,149</u>
Total assets less current liabilities		<u>737,717</u>	<u>724,260</u>
Non-current liabilities			
Bank loans — amounts due after one year		44,370	61,500
Obligation of finance lease due after one year		88	—
Deferred taxation		21,686	15,119
		<u>66,144</u>	<u>76,619</u>
		<u>671,573</u>	<u>647,641</u>
Capital and reserves			
Share capital		44,324	44,324
Reserves		627,249	603,317
		<u>671,573</u>	<u>647,641</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

1. BASIS OF PREPARATION

The condensed consolidated 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” issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2007.

The Group has not early applied the following new standard, amendment or interpretations (“INT”s) that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the result and the financial position of the Group.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) — INT 12	Service concession arrangements ²
HK(IFRIC) — INT 13	Customer loyalty programmes ³
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

3. TURNOVER AND SEGMENT INFORMATION

Business segments

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

	Construction	Interior and renovation	Building materials	Health products	Property investment	Property agency and management	Property development	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended									
<u>30 September 2007</u>									
TURNOVER									
External sales	400,137	77,967	73,160	30,485	7,300	301	—	—	589,350
Inter-segment sales	—	664	12,299	400	—	1,315	—	(14,678)	—
Total	<u>400,137</u>	<u>78,631</u>	<u>85,459</u>	<u>30,885</u>	<u>7,300</u>	<u>1,616</u>	<u>—</u>	<u>(14,678)</u>	<u>589,350</u>

Inter-segment sales are charged at prevailing market rates.

RESULT									
Segment result	<u>6,142</u>	<u>6,397</u>	<u>4,052</u>	<u>(796)</u>	<u>33,453</u>	<u>388</u>	<u>(8)</u>	<u>(800)</u>	48,828
Unallocated other income									693
Unallocated corporate expenses									(3,741)
Gain on change in fair value of investments held for trading									372
Gain on change in fair value of derivative financial instruments									1,762
Share of result of an associate	—	—	—	—	103	—	—	—	103
Share of result of jointly controlled entities	226	—	—	—	—	—	(16)	—	210
Finance costs									<u>(4,302)</u>
Profit before taxation									43,925
Taxation									<u>(8,912)</u>
Profit for the period									<u>35,013</u>

3. TURNOVER AND SEGMENT INFORMATION (Cont'd)

Business segments (Cont'd)

	Construction	Interior and renovation	Building materials	Health products	Property investment	Property agency and management	Property development	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended									
<u>30 September 2006</u>									
TURNOVER									
External sales	376,406	46,108	29,008	29,296	9,796	978	4,780	—	496,372
Inter-segment sales	70	236	20,783	929	—	410	—	(22,428)	—
Total	<u>376,476</u>	<u>46,344</u>	<u>49,791</u>	<u>30,225</u>	<u>9,796</u>	<u>1,388</u>	<u>4,780</u>	<u>(22,428)</u>	<u>496,372</u>

Inter-segment sales are charged at prevailing market rates.

RESULT									
Segment result	<u>8,587</u>	<u>433</u>	<u>2,055</u>	<u>34</u>	<u>6,650</u>	<u>428</u>	<u>750</u>	<u>162</u>	19,099
Unallocated other income									983
Unallocated corporate expenses									(1,086)
Gain on change in fair value of investments held for trading									3
Share of result of associates	—	—	—	—	—	—	(99)	—	(99)
Share of result of jointly controlled entities	867	—	—	—	—	—	(12)	—	855
Finance costs									<u>(2,442)</u>
Profit before taxation									17,313
Taxation									<u>(1,604)</u>
Profit for the period									<u>15,709</u>

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2007 HK\$'000	30.9.2006 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation	2,618	2,352
Loss on disposal of property, plant and equipment	233	—
and after crediting:		
Gain on disposal of property, plant and equipment	<u>—</u>	<u>7,230</u>
Expenses capitalised in cost of contract work:		
Depreciation	<u>4,610</u>	<u>1,529</u>
Expenses capitalised in properties under development:		
Finance costs	<u>3,046</u>	<u>216</u>

5. TAXATION

	Six months ended	
	30.9.2007 HK\$'000	30.9.2006 HK\$'000
Hong Kong Profits Tax	2,405	831
Deferred taxation	<u>6,507</u>	<u>773</u>
	<u>8,912</u>	<u>1,604</u>

Hong Kong Profits Tax is calculated at 17.5% (for the six months ended 30 September 2006: 17.5%) of the estimated assessable profits for the period.

6. DIVIDEND

During the period, a dividend of HK2.5 cents per share was paid to shareholders as the final dividend for 2007 which amounted to HK\$11,081,000 (for the six months ended 30 September 2006: HK1.5 cents per share as final dividend for 2006, amounting to HK\$6,649,000).

Subsequent to 30 September 2007, the board of directors of the Company has resolved to declare an interim dividend of HK1.5 cents per share for the six months ended 30 September 2007 (for the six months ended 30 September 2006: HK1.5 cents per share), which amounted to HK\$6,649,000 (for the six months ended 30 September 2006: HK\$6,649,000).

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\$35,013,000 (for the six months ended 30 September 2006: HK\$15,709,000) and on the 443,236,068 shares (for the six months ended 30 September 2006: 443,236,068 shares).

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

8. PROGRESS PAYMENTS RECEIVABLE

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

The aged analysis of progress payments receivable is as follows:

	30.9.2007 <i>HK\$'000</i>	31.3.2007 <i>HK\$'000</i>
Within 30 days	57,385	55,585
31 - 60 days	3,836	4,583
Over 90 days	2,001	1,475
	<u>63,222</u>	<u>61,643</u>

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The credit period allowed by the Group to its customers is normally 30 days, except that certain customers with a total outstanding amount of HK\$9,278,000 are granted with a credit period of 75 days.

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

	30.9.2007 <i>HK\$'000</i>	31.3.2007 <i>HK\$'000</i>
Within 30 days	20,036	11,374
31 - 60 days	7,847	2,107
61 - 90 days	3,660	2,522
Over 90 days	15,899	5,581
	<u>47,442</u>	<u>21,584</u>

10. CREDITORS AND ACCRUED CHARGES

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

	30.9.2007 <i>HK\$'000</i>	31.3.2007 <i>HK\$'000</i>
Within 30 days	24,212	90,421
31 - 60 days	3,274	676
61 - 90 days	747	1,125
Over 90 days	3,746	5,265
	<u>31,979</u>	<u>97,487</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Overview

The period under review saw continued progress for the Group. The unaudited consolidated turnover of the Group for the six months ended 30 September 2007 surged to HK\$589.4 million (for the six months ended 30 September 2006: HK\$496.4 million). The growth in turnover is mainly attributable to the increase in revenue from the construction business, interior and renovation business and building materials business.

When compared with the six months ended 30 September 2006, unaudited consolidated profit attributable to shareholders increased from HK\$15.7 million to HK\$35.0 million for the current period. The increase in profit is mainly attributable to the revaluation surplus on the Group's investment properties during the period under review.

In May 2007, the Group made a strategic move to acquire Million Hope Industries Limited, a manufacturer and trader of aluminium windows and curtain walls products in Hong Kong and Mainland China, to expand its building material business.

Construction Division

The construction sector has benefited from the upturn in the construction market in Hong Kong, which in turn was fuelled by the positive sentiment in the property market. According to the statistics provided by the Census and Statistics Department, during the period from October 2006 to September 2007, the usable floor area of private buildings with consent to commence work has increased by 33% when compared with the period from October 2005 to September 2006.

Promising growth in turnover was achieved by the construction division, with the turnover rising to HK\$400.1 million for the six months ended 30 September 2007 (for the six months ended 30 September 2006: HK\$376.5 million), representing an increase of 6.3%.

During the period under review, the major projects undertaken included the following:—

1. Construction of a primary cum secondary school for the English Schools Foundation in Discovery Bay;
2. Redevelopment of Sau Mau Ping Estate Phase 14;
3. Construction of Island Lodge at 172-186 Java Road;
4. Construction of Choi Wan Road development Site 2 Phase 1 and Sau Mau Ping Phase 12 (District Open Space);
5. Construction of a primary school at the junction of Texaco Road and Castle Peak Road; and
6. Construction of a residential development at 35 Mount Kellett Road.

The construction of the residential development at Areas 4C and 38A in Phase 3, Shatin is close to completion. The foundation work for the residential development at 1 & 1E La Salle Road in Kowloon Tong (a joint venture development of the Group with NWS Holdings Limited) has been completed while that of the proposed office/commercial development at 33 Cameron Road, Tsimshatsui and the Group's development at the junction of 4 College Road and 21 Sau Chuk Yuen Road in Kowloon Tong have been completed at large.

Substantial projects secured during the period include the construction work for the proposed conference/resort hotel in Discovery Bay and the China Aircraft Services Limited Aircraft Maintenance Hangar at Hong Kong International Airport.

As at 30 September 2007, the value of outstanding contracts on hand amounted to HK\$2,228.7 million.

Building Materials Division

The division's turnover recorded a large increase for the six months ended 30 September 2007. Including the turnover from the newly acquired subsidiary, Million Hope Industries Limited ("Million Hope"), turnover for the division during the period surged to HK\$85.5 million, an increase of 71.7% when compared with the previous corresponding period of HK\$49.8 million.

As the Water Supplies Department launches a comprehensive and systemic programme to replace and rehabilitate aged water mains in Hong Kong, polyethylene pipes business records steady growth year on year.

Being the authorized manufacturer of the famous brand "Schüco", a leading developer and supplier of façade, windows, doors and skylight, Million Hope has secured a number of projects from renowned clients.

Set out below are the major projects undertaken by the Group during the period:—

Supply and installation of kitchen cabinets, false ceiling and/or flooring

Le Point in Tiu Keng Leng, Bel-Air Phase R5 at Cyberport, Island Lodge at 172-186 Java Road, 238 Aberdeen Main Road, The Vineyard at Ngau Tam Mei in Yuen Long and Hotel Grand Lisboa in Macau.

Supply of pipes, fittings and/or related accessories

(i) Copper tubes

Choi Wan Road development Site 2 Phase 1, residential development at Upper Ngau Tau Kok Estate, Hong Kong Anti-Cancer Society Jockey Club Cancer Rehabilitation Centre in Wong Chuk Hang, the Venetian Development, Phase 6 in Macau and the resort development Ponte 16 in Macau;

(ii) Galvanized iron pipes and black steel pipes

Commercial development at MTR Kowloon Station, renovation works at Shatin Grand Central Plaza, upgrading project of MTR stations for the sections from Mongkok to Yaumatei and from Diamond Hill to Wong Tai Sin;

(iii) Polyethylene pipes

Replacement and rehabilitation of water mains project in Fanling, Sheung Shui and Ping Che, mainlaying along Mount Davis Path and Victoria Road, residential development in Tung Chung.

Design and installation of aluminium windows, doors and/or curtain walls

Residential development at STTL 470, Ho Tung Lau (Site A) Development in Shatin, redevelopment of St. Teresa's Hospital in Kowloon Tong, proposed commercial building at 256 Hennessy Road, luxury detached houses at 3-5 Plunkett's Road, Cyberport Residential Development, The Open University of Hong Kong Phase Two (Stage 1) Extension, Choi Wan Road development Site 2 Phase 1, residential development at 464-474 Castle Peak Road, Hong Kong International School extension and renovation works in Tai Tam and luxury residential property at 19 Shek O Road.

As at 30 September 2007, the division has outstanding contracts on hand of value HK\$263.4 million.

Interior and Renovation Division

The division noted a remarkable turnover growth of 69.8% to HK\$78.6 million (for the six months ended 30 September 2006: HK\$46.3 million). Our focus on quality work has gained us reputation and publicity in the industry which have greatly helped the division to secure large renovation projects.

The major contract work undertaken by the division during the period under review included the following:—

1. Repairing and renovation work for Queen's Garden at 9 Old Peak Road;
2. External wall renovation work for C C Wu Building in Wanchai;
3. Exterior addition & alteration and interior design & renovation of a residential property at 6 Fei Ngo Shan Road; and
4. Renovation work for Tavistock at 10 Tregunter Path in the Mid-levels.

During the period, the division successfully secured the contracts for the renovation and alteration works for the club house, lift lobby, front entrance, podium garden and swimming pool for Queen's Garden.

Our effort in upholding high safety standards has been recognized by the industry. The division is proud to receive "The Best Refurbishment and Maintenance Contractor in Occupation, Safety and Health (Bronze) Award" in respect of the external wall renovation work for C C Wu Building.

As at 30 September 2007, the outstanding value of order books was HK\$163.8 million.

Health Products Division

Stable turnover of HK\$30.9 million was attained for the division during the six months ended 30 September 2007, an increase of 2.3% compared with the turnover of HK\$30.2 million for the previous corresponding period.

As at 30 September 2007, there were 21 Health Plus retail shops and 2 clubhouses in operation.

The mounting challenge in the health products market arising from severe price competition and high retail shop rentals prompted the need to accelerate our efforts in effective marketing strategies and cost control. During the period, the division continued with the strategy of focusing on promoting self-developed products. New health supplements were launched under our private label Organic Plus and Metro Chinese Medicine series.

Property Development Division

Due to the lack of new property launch during the six months ended 30 September 2007, no turnover was recorded for the division during the period (for the six months ended 30 September 2006: HK\$4.8 million).

Foundation work for the Group's joint development with NWS Holdings Limited at 1 and 1E La Salle Road in Kowloon Tong has finished. For the Group's development at the junction of 4 College Road and 21 Sau Chuk Yuen Road, foundation work has been completed at large. Superstructure work for these two projects will commence thereafter and the developed properties will be launched to the market by end 2008/early 2009.

Ideally located in the most prestigious area of Kowloon Tong and within walking distance from major arteries, these two properties on completion will be the epitome of luxury and comfort.

The Group has submitted the planning application for the residential development project with Sun Hung Kai Properties Limited at So Kwun Wat in Tuen Mun to the Town Planning Board for approval. Development planning and land exchange are underway for the land lots at D.D. 129, Lau Fau Shan, Yuen Long.

Property Investment Division

The Group's rental portfolio maintained steady performance during the six months ended 30 September 2007. Full lease of the units at Shatin Industrial Centre in Shatin partially offset the effect of rental reduction as a result of the disposal of Health Plus Centre in December 2006. During the period under review, the division recorded a turnover of HK\$7.3 million, a decrease of 25.5% from the turnover of HK\$9.8 million for the corresponding period last year.

Strengthened by increasing economic activities and business expansion, the industrial property sector witnessed favourable growth during the period. Occupancy rate was satisfactory and rental rates have risen for the Group's investment properties at Shatin Industrial Centre, 23-25 Mei Wan Street in Tsuen Wan, 91 and 93 Bedford Road and certain units at 95 Bedford Road in Tai Kok Tsui, 31 Wing Wo Street in Sheung Wan, certain units at Kin Wing Industrial Building in Tuen Mun and the various land lots at D.D. 76 Ping Che in Fanling and D.D. 128 Deep Bay Road in Yuen Long.

In November 2007, the Group acquired Tak Hing Building in Jordan. Locating at a prominent position in the city hub and with convenient access to railway station and bus terminus, this composite building has a high occupancy rate of around 95%.

Property Agency and Management Division

The division noted a satisfactory turnover growth of 14.3% to HK\$1.6 million for the period under review (for the six months ended 30 September 2006: HK\$1.4 million).

At the moment, the Group provides property management services to Golf Parkview and rental collection and leasing agency services to the office building at 8 Hart Avenue in Tsimshatsui, and project management service for the development sites at 1 & 1E La Salle Road, 4 College Road and 33 Cameron Road.

Following the acquisition of Tak Hing Building by the Group, our property management team also provides property management, rental collection and leasing agency services to this property.

OUTLOOK

Growth of the local economy remained broad-based. GDP has climbed a further 6.9% in real terms in the second quarter of 2007 over a year earlier, which represents the 15th consecutive quarter of above-trend growth.

In his policy speech in October 2007, the Chief Executive announced the government's intention to push ahead with 10 major infrastructure projects, which are expected to create annual value of HK\$100 billion and 250,000 jobs. Our construction business will stand to benefit from this initiative. Having said that, we are still mindful of the probable increase in construction costs as a result of the increase in the volume of construction works. The recent industrial actions of bar bender workers has at least brought home some alarming effects of the need to be watchful for upward revision of cost estimation for future construction projects. Cost control will continue to be the Group's focus in the years ahead.

To enhance the competitiveness of our products, we will continue to offer a wide range of building materials to our clients. We will also closely monitor the fluctuations in material price and undertake appropriate measures to hedge against the risk arising therefrom. Devoting our effort to carry out renovation work for prestigious buildings continues to be the focus for our interior and renovation division.

Supported by strong economic fundamentals, vibrant business activities and better employment prospects, we are confident that our property development, investment and management businesses will stage a sustainable growth. For our health products business, we will keep sourcing and developing our private label products and enhancing good relationship with our customers.

The Group continues to be well prepared to take advantage of the exciting opportunities ahead. We will concentrate on enhancing the quality of our works and improving our services to clients to their satisfaction.

FINANCIAL REVIEW

Group Liquidity and Financial Resources

The Group's financial position continued to be healthy. The total cash and bank balances had decreased from HK\$258.5 million as at 31 March 2007 to HK\$53.9 million at the close of business on 30 September 2007. The net cash decrease was mainly due to the utilisation of funds to finance new construction projects and to finance the acquisition of plant and machinery and investment properties. As at the period end date, the current ratio (current assets divided by current liabilities) was decreased from 1.7 times as at 31 March 2007 to 1.6 times.

For the purposes of maintaining flexibility in funding and day-to-day financial management, the Group has obtained banking facilities with aggregate amount of HK\$524.6 million (HK\$64.6 million was secured by first charges over certain land and buildings and investment properties of the Group), of which HK\$337.1 million bank loans have been drawn down and approximately HK\$157.3 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 30 September 2007. The Group's current funding requirements are satisfied by available banking facilities, cash generated from operations and the bank balances and cash as at balance sheet date.

Treasury Policies

In order to minimise the cost of funds and to achieve better risk control, the treasury activities of the Group are centralised and scrutinised by the top management. The Group's treasury policies remain unchanged from those described in the latest annual report 2006-2007.

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\$337.1 million from banks (at 31 March 2007: HK\$247.1 million). The borrowings have been used for financing 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\$292.7 million repayable within the first year (of which HK\$272.6 million were revolving loans which are to be repaid or rolled over at our discretion upon maturity of an interest period throughout the term of the relevant banking facilities), HK\$3.3 million repayable within the second year and HK\$41.1 million within the third to fifth years. Interest is based on HIBOR with a competitive margin.

As at the close of business on 30 September 2007, the Group's gearing ratio, calculated on the basis of the net borrowing of the Group (total bank borrowings less total bank balances and cash) over shareholders' funds, was 42.2% (at 31 March 2007: nil).

Major Acquisitions

On 15 May 2007, the Group acquired 100% of the issued share capital of Million Hope Industries Limited and Million Hope Holding Company Limited for a total consideration of HK\$3,385,000.

Collateral

As at 30 September 2007, the Group's Hong Kong dollars loans of HK\$64.6 million were secured by first charges over certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$136.7 million (at 31 March 2007: HK\$116.5 million).

Contingent Liabilities

- (1) At 30 September 2007, the Group had given guarantees to banks in respect of performance bonds and a bank loan granted to the jointly controlled entities amounting to HK\$34.1 million (at 31 March 2007: HK\$33.5 million) and HK\$68.5 million respectively (at 31 March 2007: HK\$68.5 million).
- (2) During the year ended 31 March 2004, legal actions in respect of allegations for copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health products business. No further steps have been taken against the Group in respect of such actions after the court hearing for directions to appoint experts and exchange witness statements since 2004. Hence, the directors are of the opinion that in view of the uncertainty, it is not practical to assess the financial effect.

Capital Commitments

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

	30.9.2007 <i>HK\$'000</i>	31.3.2007 <i>HK\$'000</i>
<i>Contracted for but not provided in condensed consolidated financial statements</i>		
Commitments for the acquisition of investment properties	<u>200,000</u>	<u>26,399</u>
Commitments for the acquisition of property, plant and equipment	<u>6,435</u>	<u>11,713</u>

Authorised but not contracted for

As at 30 September 2007, the Group has a plan to fund a joint development project of a site in So Kwun Wat amounting to HK\$231.5 million (at 31 March 2007: HK\$231.5 million) which represented 23.63% of the anticipated project costs.

Post Balance Sheet Events

Subsequent to 30 September 2007, the Group has entered into a contract to purchase an investment property located at Jordan, Kowloon from an independent third party at a total consideration of HK\$210.0 million. An initial deposit of HK\$10.0 million was paid in cash to the vendor upon submission of the tender; and the remaining balance was wholly paid by November 2007.

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 2007, the Group had over 900 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.

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 2007 has not been audited, but has been reviewed by the Audit Committee of the Board and the Group's auditor, Messrs Deloitte Touche Tohmatsu.

CORPORATE GOVERNANCE

The corporate governance principles of the Company emphasise a quality Board and transparency and accountability to all shareholders.

The Company has applied the principles of, and complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period ended 30 September 2007, except for certain deviations which are summarized below:—

- (a) The positions of the Chairman and Managing Director are held by Mr. Cha Mou Sing, Payson and Mr. Wong Sue Toa, Stewart respectively. Code Provision A.2.1 of the CG Code stipulates that the division of responsibilities between the Chairman and Managing Director should be set out in writing. Although the respective responsibilities of the Chairman and Managing Director are not set out in writing, power and authority are not concentrated in one individual and all major decisions are made in consultation with members of the Board and appropriate Board committees, as well as senior management. The Board is considering to set out in writing the roles and duties of the Chairman and the Managing Director in due course.
- (b) Code Provision A.4.1 of the CG Code stipulates that 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. 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 director 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.
- (c) Code Provision E.1.2 provides that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board, Mr. Cha Mou Sing, Payson was unable to attend the annual general meeting of the Company held on 17 August 2007 as he had other important business engagement. However, an executive director, present at the annual general meeting, took the chair of that meeting in accordance with Article 78 of the Articles of Association of the Company.

MODEL CODE FOR SECURITIES TRANSACTION 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.

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors of the Company comprises:

Non-executive chairman

Mr. Cha Mou Sing, Payson

Executive directors

Mr. Wong Sue Toa, Stewart (Managing Director)

Mr. Tai Sai Ho (General Manager)

Dr. Lam Chat Yu

Mr. Shen Tai Hing

Non-executive directors

Mr. Cha Mou Daid, Johnson

Mr. Cha Yiu Chung, Benjamin

Independent non-executive directors

Mr. Chan Pak Joe

Dr. Lau Tze Yiu, Peter

Dr. Sun Tai Lun

By order of the board
Cha Mou Sing, Payson
Chairman

Hong Kong, 4 December 2007