



HANISON CONSTRUCTION HOLDINGS LIMITED

興勝創建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

CONTINUING CONNECTED TRANSACTIONS

The Directors announce that the Company has submitted an application to the Stock Exchange for a waiver from strict compliance with the requirements set out in Chapter 14 of the Listing Rules for the three financial years ending 31st March, 2007 in respect of the Construction Transactions and the Renovation Transactions to be entered into between the Hanison Group and the HKRI Group and the CDW Renovation Transactions entered into between the Cha Family and the Hanison Group which would require disclosure and Independent Shareholders' approval. In anticipation of the Construction Transactions and the Renovation Transactions being entered into and in respect of further work on the CDW Renovation Transactions during the three financial years ending 31st March, 2007 and in order to reduce administrative costs and expenses, the approval of the Independent Shareholders will be sought at the EGM with respect to the proposed arrangements for entering and the proposed caps on the aggregate transaction values of the Construction Transactions over the three financial years ending 31st March, 2007. On account of the de-minimis value of the Renovation Transactions to the Company, they would not be the subject of separate approval from the Independent Shareholders and none would be sought at the EGM. The proposed arrangements of the CDW Renovation Transactions in respect of the CDW Agreement for the year ending 31st March, 2005 are a subject of the Previous Waiver. Accordingly, such arrangements would not be the subject of separate approval from the Independent Shareholders. In addition, given the de-minimis value of the remaining arrangements and proposed caps of the aggregate transaction values of the CDW Renovation Transactions in respect of the HIR Agreement for the three financial years ending 31st March, 2007 to the Company, they would also not be the subject of separate approval from the Independent Shareholders and none would be sought at the EGM.

As HKRI, through a wholly owned subsidiary, and the Cha Family are substantial Shareholders (with the Cha Family currently holding approximately 73.41% direct and indirect shareholding interests in the Company), HKRI, the Cha Family and their respective associates will constitute connected persons of the Company. Accordingly, any transactions between the Hanison Group on the one hand and the HKRI Group or the Cha Family or any of their respective associates on the other, will constitute connected transactions of the Company for the purposes of the Listing Rules. As members of the HKRI Group and the Cha Family are counter-parties of the Connected Transactions, HKRI, the Cha Family and any of their respective associates will abstain from voting at the EGM with respect to the resolution(s) relating to the Construction Transactions.

A Circular containing further information concerning the Connected Transactions will be despatched to the Shareholders in due course. The Circular will be accompanied by the EGM Notice to convene the EGM.

Assuming that resolution(s) to approve the proposed arrangements for entering into and the proposed caps on the aggregate transaction values of the Construction Transactions for each such relevant period are duly passed at the EGM, members of the Hanison Group may from time to time during the three financial years ending 31st March, 2007 enter into the Connected Transactions subject to compliance with the terms of such waiver as is granted by the Stock Exchange.

An announcement of the results of the EGM will be made on the next business day after the EGM.

INTRODUCTION

The Directors announce that the Company has submitted an application to the Stock Exchange for a waiver from strict compliance with the requirements set out in Chapter 14 of the Listing Rules for the three financial years ending 31st March, 2007 in respect of the Construction Transactions and the Renovation Transactions to be entered into between the Hanison Group and the HKRI Group and the CDW Renovation Transactions entered into between the Cha Family and the Hanison Group which would require disclosure and Independent Shareholders' approval. The Shareholders are reminded that on 2nd January, 2002, the Stock Exchange granted a waiver to the Company from strict compliance with the requirements set out in Chapter 14 of the Listing Rules for the three financial years ending 31st March, 2004 in relation to certain connected construction and renovation transactions entered into between the Hanison Group (on the one hand) and, the HKRI Group and/or the Cha Family (on the other) during such period (the "Previous Waiver"). The Connected Transactions are distinct and separate from these previous transactions save for the CDW Renovation Transactions.

HKRI, through a wholly owned subsidiary, holds approximately 49% of the entire issued share capital of the Company and the Cha Family holds in aggregate direct and indirect shareholding interests of approximately 73.41% of the Company (such indirect interest being held through HKRI, LBJ Regents Limited, CDW Holdings Limited and Owen Gate Holdings Limited). As both of HKRI and the Cha Family are substantial Shareholders, HKRI, the Cha Family and their respective associates will constitute connected persons of the Company. Accordingly, any transactions between the Hanison Group on the one hand and the HKRI Group or the Cha Family or any of their respective associates on the other, will constitute connected transactions of the Company for the purposes of the Listing Rules.

Although the period covered under the Previous Waiver will expire on 31st March, 2004, the Directors have, on 18th June, 2003, resolved to submit an additional waiver application to the Stock Exchange in anticipation of the Construction Transactions and the Renovation Transactions being entered into and in respect of further work on the CDW Renovation Transactions during the three financial years ending 31st March, 2007 and to seek the approval of the Independent Shareholders at the EGM with respect to the proposed arrangements for entering into and the proposed caps on the aggregate transaction values of the Construction Transactions over the three financial years ending 31st March, 2007. Such approval having been confirmed by the board of directors of the Company on 26th November, 2003. On account of the de-minimis value of the Renovation Transactions to the Company, they would not be the subject of separate approval from the Independent Shareholders and none would be sought at the EGM but subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules. The proposed arrangements of the CDW Renovation Transactions in respect of the CDW Agreement for the year ending 31st March, 2005 are a subject of the Previous Waiver. Accordingly, such arrangements would not be the subject of separate approval from the Independent Shareholders and none would be sought at the EGM. In addition, given the de-minimis value of the remaining arrangements and proposed caps of the aggregate transaction values of the CDW Renovation Transactions in respect of the HIR Agreement for the three financial years ending 31st March, 2007 to the Company, they would not be the subject of separate approval from the Independent Shareholders but subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules.

A Circular containing details of the Connected Transactions will be despatched to the Shareholders in due course. The Circular will be accompanied by the EGM Notice to convene the EGM.

An announcement on the results of the EGM in respect of the Construction Transactions will be made on the next business day after the EGM.

CONTINUING CONNECTED TRANSACTIONS

Background

There are anticipated continuing connected transactions between the Hanison Group, on the one hand, and the HKRI Group, on the other, in

relation to various construction projects. The turnover for the Hanison Group from the Construction Transactions is estimated to be material, being in the order of approximately HK\$2,250 million in aggregate for the three financial years ending 31st March, 2007 (such sum having been based on, inter alia, the potential values of future contracts and the development of properties in Discovery Bay held by the HKRI Group as detailed in items 1(a) and (b) on page 146 of HKRI's annual report for the year 2002/2003).

The Directors also anticipate entering into continuing connected transactions between the Hanison Group, on the one hand, and the HKRI Group, on the other, in relation to various interior and renovation projects. The turnover for the Hanison Group from these transactions is estimated to be in the order of HK\$30 million in aggregate for the three financial years ending 31st March, 2007.

In addition, there are existing continuing connected transactions between the Hanison Group and the Cha Family in relation to work supervised and performed by the Hanison Group in respect of the maintenance and renovation of the CDW Building. The total turnover for the Hanison Group from the CDW Renovation Transactions is estimated to be in the order of approximately HK\$26 million in aggregate for the three financial years ending 31st March, 2007.

As HKRI and the Cha Family are substantial Shareholders and are counter-parties of the Connected Transactions, HKRI, the Cha Family and any of their respective associates will abstain from voting at the EGM with respect to the ordinary resolution(s) relating to the Construction Transactions.

Particulars of the Construction Transactions

Shareholders are reminded that the caps on the aggregate turnover which may be derived from the HKRI Group in respect of construction transactions over the three financial years ending 31st March, 2004 under the Previous Waiver are as follows:—

	in year ended 31st March, 2002 (HK\$)	in year ended 31st March, 2003 (HK\$)	in year ending 31st March, 2004 (HK\$)
Previous cap	550,000,000	The higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 600,000,000	The higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 450,000,000

As set out on pages 53 and 51 of the Company's annual reports for the year ended 31st March, 2002 and 2003, approximately HK\$475,124,000 and HK\$516,490,000, respectively, were derived from the HKRI Group in respect of construction transactions for such periods.

The Directors have estimated that the Hanison Group may derive the following potential additional turnover from construction transactions that may be entered into between the Hanison Group and the HKRI Group over the next three financial years ending 31st March, 2007:—

Subject matter of construction:	in year ending 31st March, 2005 (HK\$)	Estimated turnover in year ending 31st March, 2006 (HK\$)	in year ending 31st March, 2007 (HK\$)
Potential additional projects relating to the ongoing development of Discovery Bay	752,194,109	752,194,109	752,194,109

In ascertaining the estimated potential additional turnover to be derived from the Construction Transactions, the Directors have made the assumptions that HKRI will invite tenders for development work at Discovery Bay, being in respect of properties disclosed in its annual report for the year ended 31st March, 2003 (see items 1(a) and (b) on page 146 of the HKRI annual report for the year 2002/2003), that the Company

will be retained through competitive tendering of the development work at Discovery Bay, and of the estimated costings of these projects.

The Company proposes to set caps on the aggregate turnover which may be derived by the Company in respect of the Construction Transactions over the three financial years ending 31st March, 2007, as follows:—

	in year ending 31st March, 2005 (HK\$)	in year ending 31st March, 2006 (HK\$)	in year ending 31st March, 2007 (HK\$)
Proposed cap	The higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 800,000,000	The higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 800,000,000	The higher of (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 800,000,000

In the event that amounts payable to the Company in respect of the Construction Transactions exceeds the relevant cap, the transactions and the cap would be subject to review and re-approval by the Independent Shareholders at the Company's next following annual general meetings (or at extraordinary general meetings of the Company convened for this specific purpose) and/or seeking a separate waiver from the Stock Exchange.

The caps set out in the Previous Waiver in respect of construction transactions were made in part on the basis of the Hanison Group's existing business relationships with the HKRI Group whilst the current waiver application is made on the basis of future contracts which may be entered into between the HKRI Group and the Hanison Group. Accordingly, a level of flexibility in the proposed caps for the Construction Transactions is required to allow HKRI and Hanison to adjust to changing market conditions should any arise in the future.

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

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

Particulars of the Renovation Transactions

Shareholders are reminded that the caps on the aggregate amounts payable to the Hanison Group in respect of renovation transactions with the HKRI Group over the three financial years ending 31st March, 2004 under the Previous Waiver are as follows:—

	in year ended 31st March, 2002 (HK\$)	in year ended 31st March, 2003 (HK\$)	in year ending 31st March, 2004 (HK\$)
Previous cap	10,000,000	7,000,000	7,000,000

As set out on pages 53 and 51 of the Company's annual reports for the year ended 31st March, 2002 and 2003, HK\$6,229,000 and HK\$3,435,000, respectively, were derived from the HKRI Group in respect of renovation transactions for such periods.

The Directors have estimated that the Hanison Group will derive the following additional turnover from renovation transactions that they believe are reasonably likely to be entered into between the Hanison Group

and the HKRI Group over the three financial years ending 31st March, 2007:—

	in year ending 31st March, 2005 (HK\$)	in year ending 31st March, 2006 (HK\$)	in year ending 31st March, 2007 (HK\$)
Estimated Turnover	10,000,000	10,000,000	10,000,000

The Company proposes to set caps on the aggregate turnover which may be payable to the Company in respect of the Renovation Transactions over the three financial years ending 31st March, 2007 as follows:—

	in year ending 31st March, 2005 (HK\$)	in year ending 31st March, 2006 (HK\$)	in year ending 31st March, 2007 (HK\$)
Proposed cap	10,000,000	10,000,000	10,000,000

In any event that the proposed caps were to be exceeded, the Company would not enter into any additional Renovation Transactions without complying in full with the Listing Rules, including, as necessary, making a further announcement in relation thereto and re-approval by the Independent Shareholders at the Company's next following annual general meeting (or at an extraordinary general meeting of the Company convened for this specific purpose) and/or seeking a separate waiver from the Stock Exchange.

Shareholders should also note that, as in the case for Construction Transactions, CITIC Pacific Limited's participation in all Renovation Transactions relevant to the development of Discovery Bay, ensures a degree of independence since such projects will arise only after a competitive tendering process approved jointly between HKRI and CITIC Pacific Limited. The tendering of the renovation contracts for Discovery Bay will also be administered by independent consultants, such as architects and quantity surveyors based on normal industry practice and commercial terms.

Particulars of the CDW Renovation Transactions

The CDW Renovation Transactions comprise:—

- The HIR Agreement which concerns the appointment of Hanison Interior & Renovation Limited, a wholly-owned subsidiary of the Company to undertake or supervise the performance of certain general maintenance work in respect of the CDW Building. On the basis of the Hanison Group's previous experience in respect of the HIR Agreement, the Directors expect to generate revenues to the Company of approximately HK\$3 million in each of the three financial years ending 31st March, 2007 under such agreement. Given the de-minimis value of such arrangements and proposed caps of the aggregate transaction values of the CDW Renovation Transactions in respect of the HIR Agreement for the three financial years ending 31st March, 2007 to the Company, they would not be the subject of separate approval from the Independent Shareholders but would be subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules; and
- The CDW Agreement which provides for CDW Building Limited to pay to Hanison Interior & Renovation Limited a sum of HK\$125,953,000 in consideration for an agreed scope of renovation, alteration and addition works in respect of the entire CDW Building, based on specifications prepared by CDW Building Limited's architect, a party not connected with the Cha Family or the Hanison Group. The work commenced in March, 2002 and is expected to be completed by 31st March, 2004. However, the Company expects to recognise revenues of approximately HK\$19 million during the financial year ending 31st March, 2005 which represents the balance of the original sum payable to the Hanison Group under the CDW Agreement. The proposed cap for the year ending 31st March, 2005 of HK\$22 million relates primarily to the balance of payment to be recognised by the Company during that year for work undertaken prior to such period. Such agreement was a subject of the Previous Waiver and accordingly, the proposed arrangements in respect of the CDW Agreement would not be the subject of separate approval from the Independent Shareholders.

Shareholders are reminded that the caps on the aggregate turnover which may be derived from CDW Building Limited in respect of renovation transactions with the Cha Family over the three financial years ending 31st March, 2004 under the Previous Waiver are as follows:—

	in year ended 31st March, 2002 (HK\$)	in year ended 31st March, 2003 (HK\$)	in year ending 31st March, 2004 (HK\$)
Previous cap	3,000,000	65,000,000	65,000,000

As set out on pages 54 and 51 of the Company's annual reports for the year ended 31st March, 2002 and 2003, HK\$1,440,000 and HK\$46,322,000, respectively, were paid to the Hanison Group in respect of CDW Renovation Transactions for such periods.

The Company proposes to set caps on the aggregate amounts payable to the Hanison Group in respect of the CDW Renovation Transactions over the three financial years ending 31st March, 2007 as follows:—

	in year ending 31st March, 2005 (HK\$)	in year ending 31st March, 2006 (HK\$)	in year ending 31st March, 2007 (HK\$)
Proposed cap	22,000,000	3,000,000	3,000,000

The significant decrease in the proposed caps for the CDW Renovation Transactions is a result of the CDW Agreement being completed by the year ending 31st March, 2004 and hence, no further work is anticipated to be undertaken under such agreement thereafter.

In any event that the proposed caps were to be exceeded, the Company would comply in full with any requirements set out in the Listing Rules as necessary in respect of the CDW Renovation Transactions and the cap relating thereto including, as required, seeking a separate waiver from the Stock Exchange.

Opinions of the Directors

The Directors (subject, in the case of the independent non-executive Directors, to the advice of the Independent Financial Adviser as regards the Construction Transactions, details of which will be set out in the

Circular) are of the opinion that the Construction Transactions and the Renovation Transactions will, in each case, represent transactions:—

- entered into in the ordinary and usual course of business of the Hanison Group;
- on normal commercial terms (or on terms that are fair and reasonable as far as the Shareholders are concerned and/or are in the interests of the Company as a whole); and
- that will be conducted in accordance with the terms of the relevant contracts to be agreed in writing between relevant members of the HKRI Group and the Hanison Group respectively.

The Directors are further of the opinion that the CDW Renovation Transactions represent transactions that:—

- are in the ordinary and usual course of business of Hanison Interior & Renovation Limited;
- are on normal commercial terms (or on terms that are fair and reasonable as far as the Shareholders are concerned and/or are in the interests of the Company as a whole); and
- have been and will continue to be conducted in accordance with the terms of the relevant existing agreements.

Meeting of the Independent Board Committee

An Independent Board Committee has been appointed to consider the principal factors and reasons considered and the advice given by the Independent Financial Adviser as set out in a letter, a copy of which will be contained in the Circular. Details of the conclusions of the Independent Board Committee in respect of the Construction Transactions will be disclosed in the Circular.

General

Shareholders should note that, apart from the CDW Renovation Transactions which are the subject of existing agreements, the Connected Transactions have yet to be entered into, and may ultimately not materialise. In particular, the Construction Transactions may not arise, for example, because HKRI awards the relevant tenders to other contractors or because the independent shareholders of HKRI do not give their consent to HKRI entering into all or any of the Construction Transactions. Accordingly, Shareholders and other investors are advised to exercise caution when dealing in the Shares.

Waiver Application

The Directors believe that it would be impractical to make piecemeal disclosures in respect of the Connected Transactions, as and when the same may be required under the Listing Rules. Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements of Chapter 14 of the Listing Rules (in particular, from Rule 14.26 of the Listing Rules in respect of the Construction Transactions and from Rule 14.25(1) of the Listing Rules in respect of the Renovation Transactions and the CDW Renovation Transactions) on the basis of the conditions set out below, for a period of the three financial years ending 31st March, 2007 subject to the approval of the Independent Shareholders being sought and obtained at the EGM as regards the Construction Transactions:—

- that the Construction Transactions and the Renovation Transactions must and will be:—
 - carried out in the ordinary and usual course of business of the Hanison Group;
 - on normal commercial terms (or on terms that are fair and reasonable so far as the Shareholders are concerned); and
 - conducted in accordance with terms of agreements (reflecting the matters referred to in sub-paragraph (ii) above) to be agreed in writing between the relevant parties;
- that the CDW Renovation Transactions must and will continue to be:—
 - carried out in the ordinary and usual course of business of Hanison Interior & Renovation Limited;
 - on normal commercial terms (or on terms that are fair and reasonable so far as the Shareholders are concerned); and
 - conducted in accordance with terms of the relevant existing agreements;
- that the aggregate revenue from the Construction Transactions, the Renovation Transactions and the CDW Renovation Transactions shall not, in respect of the three financial years ending 31st March, 2007, exceed the proposed annual caps set out in this announcement;
- that the independent non-executive Directors will review the Connected Transactions annually to monitor their compliance with the items specified in sub-paragraphs (a), (b) and (c) above, and confirm the same in the next annual report of the Company from time to time;
- that the auditors of the Company shall review the Connected Transactions applicable for each of the three financial year ending 31st March, 2007 and provide the Directors with a letter (with a copy provided to the Stock Exchange) stating, that such transactions for the financial year in question:—
 - received the approval of the board of Directors;
 - were conducted in accordance with the terms of the relevant agreement or agreements applicable thereto; and
 - did not exceed the relevant annual caps referred to in sub-paragraph (c) above.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide such letter, the Directors must contact the Stock Exchange immediately;

- that details of the Connected Transactions, together with statements of opinion from the independent non-executive Directors (as referred to in sub-paragraph (d) above) are disclosed in the annual report of the Company in respect of the period during which such transactions took place (including the details required under Rule 14.25(1)(A) to (D) of the Listing Rules); and

- that HKRI undertakes to the Stock Exchange to provide the Company's auditors with full access to the records of the relevant members of the HKRI Group for the purposes of enabling such auditors to conduct the reviews referred to in paragraph (e) above.

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

"associates"	has the meaning ascribed to it in the Listing Rules;
"CDW Agreement"	an agreement dated 28th December, 2001 between CDW Building Limited and Hanison Interior & Renovation Limited, a wholly-owned subsidiary of the Company, concerning specific renovation work to the CDW Building;
"CDW Building"	the CDW Building located on Castle Peak Road, Tsuen Wan, New Territories;
"CDW Renovation Transactions"	the transactions between members of the Hanison Group on the one hand and the Cha Family on the other hand comprising of the HIR Agreement and the CDW Agreement;
"Cha Family"	Mr. Cha Chi Ming (being the Chairman of HKRI), Ms Wong Cha May Lung, Madeline, Mr. Cha Mou Sing, Payson (being the Chairman of the Company), Mr. Cha Mou Zing, Victor (being the Managing Director of HKRI), Mr. Cha Mou Daid, Johnson and Mr. Cha Yiu Chung, Benjamin together with their respective associates as defined in the Listing Rules;
"Circular"	the circular of the Company containing details concerning the Connected Transactions;
"Company" or "Hanison"	Hanison Construction Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
"Connected Transactions"	the Construction Transactions, the Renovation Transactions and the CDW Renovation Transactions;
"Construction Transactions"	the transactions between members of the HKRI Group on the one hand and members of the Hanison Group on the other in relation to the construction contracts to be entered into during the three financial years ending 31st March, 2007;
"Director(s)"	the director(s) of the Company;
"EGM"	an extraordinary general meeting of the Company will tentatively be held on 12th January, 2004 for the purposes of considering matters relevant to the Connected Transactions;
"EGM Notice"	the notice convening the EGM to be set out in the Circular;
"Hanison Group"	the Company and its subsidiaries from time to time;
"HIR Agreement"	an agreement dated 17th February, 2001 between Hanison Interior & Renovation Limited, a wholly-owned subsidiary of the Company, and CDW Building Limited, the latter being an associate of the Cha Family;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKRI"	HKR International Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
"HKRI Group"	HKRI and its subsidiaries from time to time;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	an independent committee of the board of Directors comprising the independent non-executive Directors established for the purpose of advising the Independent Shareholders in relation to the Connected Transactions;
"Independent Financial Adviser"	the independent financial adviser appointed to advise the Independent Board Committee in relation to the Connected Transactions;
"Independent Shareholders"	the Shareholders other than HKRI, members of the Cha Family and any of their respective associates;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Renovation Transactions"	the transactions between members of the HKRI Group on the one hand and members of the Hanison Group on the other in relation to the renovation contracts to be entered into during the three financial years ending 31st March, 2007;
"Shareholder(s)"	holder(s) of the Shares;
"Shares"	shares in the capital of the Company with a nominal value of HK\$0.10 each; and
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.

By Order of the Board
Cha Mou Sing, Payson
Chairman

Hong Kong, 27th November, 2003