



**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 2007**

**SUMMARY OF RESULTS**

For the year ended 31 March 2007, the consolidated turnover of Hanison Construction Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) reached a record high of HK\$1,178.9 million, representing a remarkable increment of 34.5% over last year’s figure of HK\$876.6 million. Our construction business was the main contributor to such an appreciable increase in turnover. The profit attributable to shareholders rose to HK\$105.6 million (2006: HK\$82.0 million), which was mainly due to the gain arising from the disposal of the wholly owned subsidiary holding Health Plus Centre and the 50% interest in the Dongguan project.

The basic earnings per share for the year was HK23.8 cents, compared to HK18.5 cents for the same period last year.

The Group witnessed a persistent improvement in net asset value. As at 31 March 2007, the net asset value amounted to HK\$647.6 million (2006: HK\$555.4 million), representing an increase of 16.6% over last year. Net asset value per share at 31 March 2007 was HK\$1.46 (2006: HK\$1.25) per share.

**DIVIDEND**

The Board has recommended the payment of a final dividend of HK2.5 cents per share for the year ended 31 March 2007 (2006: HK1.5 cents per share) to shareholders whose names appear on the Registers of Members of the Company on 17 August 2007. This together with the interim dividend of HK1.5 cents per share gives a total of HK4 cents per share for the year (2006: HK2.5 cents per share). The proposed dividend will be paid on 10 September 2007 following approval at the 2007 Annual General Meeting.

**CLOSURE OF REGISTERS OF MEMBERS**

The Registers of Members of the Company will be closed from Thursday, 16 August 2007 to Friday, 17 August 2007, both days inclusive. During this period no transfer of shares in the Company will be registered. In order to qualify for the final dividend for the year ended 31 March 2007, 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 Wednesday, 15 August 2007.

**AUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2007**

	<i>NOTES</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Turnover	3	<b>1,178,891</b>	876,564
Cost of sales		<b>(1,076,721)</b>	(740,609)
Gross profit		<b>102,170</b>	135,955
Other income		<b>9,609</b>	931
Marketing and distribution costs		<b>(10,895)</b>	(13,955)
Administrative expenses		<b>(74,590)</b>	(68,328)
Finance costs		<b>(4,693)</b>	(3,142)
Share of losses of associates		<b>(124)</b>	(153)
Share of profits of jointly controlled entities		<b>1,356</b>	822
Gain on change in fair value of investment properties		<b>19,259</b>	44,967
Gain on change in fair value of investments held for trading		<b>83</b>	27
Gain on disposal of a subsidiary		<b>43,470</b>	—
Gain on disposal of associates		<b>27,000</b>	—
Profit before taxation	5	<b>112,645</b>	97,124
Taxation	6	<b>(7,077)</b>	(15,167)
Profit for the year		<b><u>105,568</u></b>	<b><u>81,957</u></b>
Dividends paid	7	<b><u>13,298</u></b>	<b><u>9,751</u></b>
Earnings per share — basic ( <i>HK cents</i> )	8	<b><u>23.8</u></b>	<b><u>18.5</u></b>

**AUDITED CONSOLIDATED BALANCE SHEET**  
**AT 31 MARCH 2007**

	<i>NOTES</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets			
Investment properties		<b>232,280</b>	295,090
Property, plant and equipment		<b>61,175</b>	44,648
Interests in associates		—	9,769
Interests in jointly controlled entities		<b>18,243</b>	26,887
Goodwill		<b>540</b>	540
Deposits for acquisition of investment properties		<b>1,821</b>	1,010
Deposits for acquisition of property, plant and equipment		<b>5,052</b>	3,473
Amount due from a jointly controlled entity		—	40,695
		<b>319,111</b>	422,112
Current assets			
Properties under development		<b>251,640</b>	210,466
Properties held for sale		—	2,570
Inventories		<b>37,471</b>	33,572
Amounts receivable on contract work		<b>187,735</b>	88,697
Progress payments receivable	9	<b>61,643</b>	33,780
Retention money receivable		<b>96,315</b>	96,379
Debtors, deposits and prepayments	10	<b>47,161</b>	72,521
Amounts due from associates		—	534
Amount due from a jointly controlled entity		<b>43,750</b>	50,000
Investments held for trading		<b>300</b>	217
Taxation recoverable		<b>4,472</b>	1,442
Bank balances and cash		<b>258,457</b>	69,838
		<b>988,944</b>	660,016

	<i>NOTES</i>	<b>2007</b> <b><i>HK\$'000</i></b>	2006 <i>HK\$'000</i>
<b>Current liabilities</b>			
Amounts payable on contract work		<b>105,212</b>	121,892
Creditors and accrued charges	<i>11</i>	<b>292,531</b>	211,613
Taxation payable		<b>489</b>	1,133
Bank loans — amounts due within one year		<b>185,563</b>	82,200
		<u><b>583,795</b></u>	<u>416,838</u>
Net current assets		<u><b>405,149</b></u>	<u>243,178</u>
Total assets less current liabilities		<u><b>724,260</b></u>	<u>665,290</u>
<b>Non-current liabilities</b>			
Bank loans — amounts due after one year		<b>61,500</b>	88,700
Deferred taxation		<b>15,119</b>	21,219
		<u><b>76,619</b></u>	<u>109,919</u>
		<u><b>647,641</b></u>	<u>555,371</u>
<b>Capital and reserves</b>			
Share capital		<b>44,324</b>	44,324
Reserves		<b>603,317</b>	511,047
		<u><b>647,641</b></u>	<u>555,371</u>

NOTES:

**1. BASIS OF PREPARATION AND CONSOLIDATION**

The 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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses have been eliminated on consolidation.

**2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has applied, for the first time, a number of new HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

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

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating segments <sup>2</sup>
HK(IFRIC) — INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) — INT 9	Reassessment of embedded derivatives <sup>4</sup>
HK(IFRIC) — INT 10	Interim financial reporting and impairment <sup>5</sup>
HK(IFRIC) — INT 11	HKFRS 2: Group and treasury share transactions <sup>6</sup>
HK(IFRIC) — INT 12	Service concession arrangements <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006.

<sup>6</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2008.

### 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, proceeds from 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 information on turnover and profit for the year 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
For the year ended 31 March 2007									
<b>TURNOVER</b>									
External sales	906,210	107,486	81,198	60,082	17,733	1,402	4,780	—	1,178,891
Inter-segment sales	20,445	736	26,363	2,729	—	802	—	(51,075)	—
<b>Total</b>	<b>926,655</b>	<b>108,222</b>	<b>107,561</b>	<b>62,811</b>	<b>17,733</b>	<b>2,204</b>	<b>4,780</b>	<b>(51,075)</b>	<b>1,178,891</b>
Inter-segment sales are charged at prevailing market rates									
<b>RESULTS</b>									
Segment result	13,516	2,079	2,992	(730)	31,826	282	738	162	50,865
Finance costs									(4,693)
Share of losses of associates	—	—	—	—	—	—	(124)		(124)
Share of profits (losses) of jointly controlled entities	1,371	—	—	—	—	—	(15)		1,356
Gain on change in fair value of investments held for trading									83
Gain on disposal of a subsidiary									43,470
Gain on disposal of associates									27,000
Unallocated other income									1,505
Unallocated expenses									(6,817)
Profit before taxation									112,645
Taxation									(7,077)
Profit for the year									<b>105,568</b>
<b>OTHER INFORMATION</b>									
Depreciation	1,310	39	259	2,785	92	93	—		4,578
Allowance for prepayment to a supplier									3,000

	Construction	Interior and renovation	Building materials	Health products	Properties investment	Properties agency and management	Properties development	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 March 2006									
<b>TURNOVER</b>									
External sales	558,086	87,337	66,765	59,312	17,308	3,508	84,248	—	876,564
Inter-segment sales	61	3,731	48,915	2,400	—	1,145	—	(56,252)	—
Total	<u>558,147</u>	<u>91,068</u>	<u>115,680</u>	<u>61,712</u>	<u>17,308</u>	<u>4,653</u>	<u>84,248</u>	<u>(56,252)</u>	<u>876,564</u>
Inter-segment sales are charged at prevailing market rates									
<b>RESULTS</b>									
Segment result	<u>10,289</u>	<u>3,079</u>	<u>5,589</u>	<u>962</u>	<u>57,046</u>	<u>1,566</u>	<u>23,448</u>	<u>2,914</u>	104,893
Finance costs									(3,142)
Share of losses of associates	—	—	—	—	—	—	(153)	—	(153)
Share of profits (losses) of jointly controlled entities	832	—	—	—	—	—	(10)	—	822
Gain on change in fair value of investments held for trading									27
Unallocated other income									783
Unallocated expenses									(6,106)
Profit before taxation									97,124
Taxation									(15,167)
Profit for the year									<u>81,957</u>
<b>OTHER INFORMATION</b>									
Depreciation	1,709	47	394	1,826	—	63	—		4,039

**(b) Geographical segments**

All the Group's significant operations, geographical market and segment assets during the two years ended 31 March 2007 were located in Hong Kong.

## 5. PROFIT BEFORE TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation	4,578	4,039
Interest on bank and other borrowings wholly repayable within five years	4,693	3,142
Allowance for prepayment to a supplier	3,000	—
and after crediting:		
Interest income	1,017	191
Expenses capitalised in cost of contract work:		
Depreciation	4,508	2,282
Rentals under operating leases in respect of:		
— plant and machinery	11,485	4,544
— others	830	1,040
	<u>11,485</u>	<u>4,544</u>
	<u>830</u>	<u>1,040</u>

## 6. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	1,671	6,214
Underprovision in prior year	—	5
	<u>1,671</u>	<u>6,219</u>
Deferred taxation	5,406	8,948
	<u>7,077</u>	<u>15,167</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.



## 7. DIVIDENDS

Dividends recognised as distribution during the year:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Ordinary shares:		
Interim dividend paid — HK 1.5 cents per share (2006: HK 1 cent per share)	<b>6,649</b>	4,432
Final dividend paid — HK 1.5 cents per share (2006: HK 1.5 cents per share)	<b>6,649</b>	5,319
	<u><b>13,298</b></u>	<u>9,751</u>

A final dividend of HK2.5 cents (2006: HK1.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year of HK\$105,568,000 (2006: HK\$81,957,000) and on the 443,236,000 shares for the two years ended 31 March 2007.

There were no potential dilutive ordinary shares in existence for the two years ended 31 March 2007. Accordingly, no diluted earnings per share has been presented.

## 9. PROGRESS PAYMENTS RECEIVABLE

The aged analysis of progress payments receivable is as follows:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	<b>55,585</b>	32,120
31 — 60 days	<b>4,583</b>	1,660
Over 90 days	<b>1,475</b>	—
	<u><b>61,643</b></u>	<u>33,780</u>

## 10. DEBTORS, DEPOSITS AND PREPAYMENTS

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

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	<b>11,374</b>	33,480
31 — 60 days	<b>2,107</b>	1,925
61 — 90 days	<b>2,522</b>	1,440
Over 90 days	<b>5,581</b>	5,225
	<hr/> <b>21,584</b> <hr/>	<hr/> 42,070 <hr/>

## 11. CREDITORS AND ACCRUED CHARGES

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

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	<b>90,421</b>	58,962
31 — 60 days	<b>676</b>	832
61 — 90 days	<b>1,125</b>	1,326
Over 90 days	<b>5,265</b>	2,965
	<hr/> <b>97,487</b> <hr/>	<hr/> 64,085 <hr/>

## OPERATIONS REVIEW

### CONSTRUCTION DIVISION

Our Construction Division continued to make commendable progress. It delivered a record turnover of HK\$926.7 million for the year ended 31 March 2007, surpassing the previous year's figure of HK\$558.1 million by 66.0%. The division completed the financial year with a forward order book of HK\$1,770.3 million (including contracts awarded to jointly controlled entities).

The major contracts completed during the year are set out below:—

	<b>Project</b>	<b>Location</b>	<b>Type</b>	<b>Completion date</b>
1.	Construction of Chianti	Discovery Bay	Residential	April 2006
2.	Construction of the residential development at 78 Mount Kellett Road	The Peak	Residential	August 2006
3.	Construction of The Chinese University of Hong Kong — Tung Wah Group of Hospitals Community College at 31 Wylie Road	Homantin	Institutional	September 2006
4.	Construction of La Rossa ( <i>note</i> )	Tung Chung	Residential	October 2006
5.	Construction of canopy and the associated works at departure road, transition deck and ground transportation centre at Hong Kong International Airport	Chap Lap Kok	Commercial	November 2006
6.	MGM Grand Macau Tower Concrete Works	Macau	Commercial	December 2006
7.	Completion of the redevelopment of Shek Pai Wan Estate Phase 2	Shek Pai Wan	Residential	March 2007

*Note:* The La Rossa residential project at Tung Chung was a joint venture project, in which the Group has 50% interest.

The significant contracts awarded during the year and subsequent to the year end are tabulated below:—

<b>Project</b>	<b>Location</b>	<b>Type</b>
1. Construction of a primary cum secondary school for the English Schools Foundation	Discovery Bay	Institutional
2. Completion of the redevelopment of Shek Pai Wan Estate Phase 2	Shek Pai Wan	Residential
3. Addition and alteration works for the proposed Hong Kong Anti-Cancer Society Jockey Club Cancer Rehabilitation Centre at 30 Nam Long Shan Road	Wong Chuk Hang	Institutional
4. Construction of proposed composite building at 172-186 Java Road	North Point	Commercial
5. Redevelopment of Sau Mau Ping Estate Phase 14	Sau Mau Ping	Residential
6. Design and construction of the proposed office/commercial development at 33 Cameron Road	Tsimshatsui	Commercial
7. Construction of Choi Wan Road development Site 2 Phase 1 and Sau Mau Ping Phase 12 (District Open Space)	Choi Wan and Sau Mau Ping	Residential and recreational
8. Construction of a primary school at the junction of Texaco Road and Castle Peak Road	Tsuen Wan	Institutional
9. Construction of residential development at 35 Mount Kellett Road	The Peak	Residential

During the year, the division established Hanison Foundation Limited to further expand its foundation work business. The following foundation projects have commenced: (1) the commercial building at 33 Cameron Road in Tsimshatsui, (2) the residential development at 1 & 1E, La Salle Road in Kowloon Tong (a joint venture development of the Group with NWS Holdings Limited) and (3) the Group's development at the junction of 4 College Road and 21 Sau Chuk Yuen Road in Kowloon Tong. In tandem with providing foundation support to the Group's construction projects, this subsidiary is actively procuring external foundation projects.

## **INTERIOR AND RENOVATION DIVISION**

The Interior and Renovation Division has achieved an encouraging growth in turnover for the year under review. During the year, the turnover has risen to HK\$108.2 million, an increase of 18.8% when compared with the turnover of HK\$91.1 million for the corresponding period last year.

For the year ended 31 March 2007, the division has strengthened its presence in the high-end residential sector maintenance and renovation work. A number of prestigious building renovation work were undertaken during the year. They included:—

- (1) Renovation and repairing work for Villa Monte Rosa at 41A Stubbs Road
- (2) Room conversion work for Harbour Plaza Metropolis Hotel in Hung Hom
- (3) Repairing and renovation work for Queen's Garden at 9 Old Peak Road
- (4) Exterior addition & alteration and interior design & renovation of a residential property at 6 Fei Ngo Shan Road
- (5) External wall renovation work at C C Wu Building in Wanchai

During the year, the division secured HK\$221.5 million worth of new orders which have contributed to a significant increase in its forward order book. Major contracts clinched during the year included the renovation work for Tavistock at 10 Tregunter Path in the Mid-levels, and the abovementioned project work for Queen's Garden, the residential property at 6 Fei Ngo Shan Road and C C Wu Building. Subsequent to the year end, the division also secured the repair and renovation work for the clubhouse, lift lobby, front entrance and podium garden for Queen's Garden.

As at 31 March 2007, the total amount of contracts on hand stood at HK\$197.6 million.

## **BUILDING MATERIALS DIVISION**

The turnover for this division for the year ended 31 March 2007 was HK\$107.6 million, which is a slight decrease when compared with the turnover of HK\$115.7 million for the corresponding period last year.

### **Trigon Building Materials Limited (“Trigon HK”) and Trigon Interior Fitting-Out Works (Macau) Limited (“Trigon Macau”)**

Performance of Trigon HK has been affected by the reduction in construction work and sharp fall in the number of newly completed residential flats. Keen competition in the building materials business is inevitable.

During the previous year, the Group has taken advantage of the booming Macau economy to set up Trigon Macau to develop our building materials business in Macau. Over the past few months, we evidenced promising performance from our Macau operation.

During the year ended 31 March 2007, Trigon HK and Trigon Macau have undertaken the following major projects for the supply and installation of building materials, some of which were awarded during the year under review:—

- (1) Bel-Air on the Peak at Cyberport — False ceiling
- (2) Canaryside in Lei Yue Mun — Timber flooring (awarded during the year)
- (3) Centre Place at 1 High Street in the Mid-levels — Polyboard and engineering flooring
- (4) Chianti in Discovery Bay — Kitchen cabinets and timber flooring
- (5) CUHK-TWGHs Community College at 31 Wylie Road — False ceiling
- (6) Harbourview Horizon at Hung Hom Bay — False ceiling and kitchen cabinets
- (7) La Rossa in Tung Chung — False ceiling
- (8) Le Point in Tiu Keng Leng — Kitchen cabinets (awarded during the year)
- (9) Mount Beacon in Kowloon Tong — False ceiling
- (10) Grand Lisboa Hotel in Macau — False ceiling (awarded during the year)
- (11) Venetian Hotel Resort Development in Macau — False ceiling (awarded during the year)
- (12) Kingsville Phase 2 in Macau — Kitchen cabinets (awarded during the year)

Trigon HK and Trigon Macau have been actively tendering for project work. In addition to the abovementioned projects, the major supply and installation contracts awarded during the year ended 31 March 2007 are as follows:—

- (1) The Vineyard at Ngau Tam Mei in Yuen Long — Timber flooring
- (2) Composite building at 172-186 Java Road in North Point — Flooring
- (3) Queen's Garden at 9 Old Peak Road — Self-cleaning “Hydrotect” external wall facing tiles (supply only)

As at 31 March 2007, the aggregate amount of contracts on hand for Trigon HK and Trigon Macau was HK\$72.2 million, mainly including contracts for the supply and installation of kitchen cabinets, timber flooring and false ceiling.

#### **Tai Kee Pipes Limited (“Tai Kee”)**

Metal price soared in the first half of the financial year and continued its upward trend after a slight fall during the mid-year. In such a volatile situation, Tai Kee still made good progress and recorded a promising result for the year under review.

Tai Kee has a rapidly growing order book, as evidenced by the following contracts for supply of piping products and fittings secured during the year:—

- (1) MGM Grand Macau in Macau — Copper tubes, black steel pipes, galvanized iron pipes and fittings
- (2) Community hall at Discovery Bay North Development — Polyethylene pipes and fittings
- (3) Residential development at Areas 4C and 38A in Shatin Phase 3 and residential redevelopment at Upper Ngau Tau Kok Estate — Copper tubes
- (4) The teaching hotel for the Chinese University of Hong Kong — Copper tubes and fittings
- (5) A hotel development in Tsim Sha Tsui — Copper tubes and fittings
- (6) Vision City in Tsuen Wan — Galvanized iron pipes
- (7) Renovation work at various MTR stations — Special coated galvanized iron pipes and fittings
- (8) Hong Kong Shaolin Martial Art Institute — Galvanized iron pipes
- (9) Venetian Hotel Resort Development in Macau — Polyethylene pipes and fittings

#### **PROPERTY DEVELOPMENT DIVISION**

For the year ended 31 March 2007, the division sold the remaining one residential unit of the Golf Parkview. Other development projects are either in progress or have not commenced yet. The turnover for this division has decreased to HK\$4.8 million for the year (2006: HK\$84.2 million).

During the year, the Group disposed of its 50% interest in two associated companies indirectly holding two pieces of adjoining land in Dongguan, PRC, sharing sales proceeds for an amount of HK\$45.7 million and realizing a gain of approximately HK\$27.0 million which was recorded as other operating income for the Division in the financial year. The land was originally held for joint development with Chevalier International Holdings Limited into a commercial/office complex.

Continuing revival of the Hong Kong economy with higher GDP growth, declining unemployment rates and rising personal income over the past few years have fuelled the residential property market. After the successful launch of the Golf Parkview, the Group's property development activities continue apace into the year commencing 1 April 2007. Foundation work for the two property development projects in Kowloon Tong: (1) the Group's development at the junction of 4 College Road and 21 Sau Chuk Yuen Road and (2) joint development with NWS Holdings Limited at 1 & 1E, La Salle Road are under preparation. These developments will feature low-rise luxurious units, with exquisite design and unparalleled standard of living. Superbly located in the traditionally prestigious Kowloon Tong district and with excellent schooling network, the completed properties will offer both tranquility and convenience. Both developments are targeted for completion towards the end of 2008 or early 2009.

The Group has other land lots located in the rapidly developing suburban areas. The development proposal for the Group's residential development project with Sun Hung Kai Properties Limited at So Kwun Wat in Tuen Mun has been submitted to the Town Planning Board for consideration. For the Group's residential development at D.D.129, Lau Fau Shan in Yuen Long with a site area of 815,886 square feet, development planning is in progress.

## **PROPERTY INVESTMENT DIVISION**

Despite reduced rental receipts following the disposal of Health Plus Centre during the year as mentioned below, the division managed to secure renewals and new leases during the year with satisfactory rental rate growth, bringing a 2.3% increase in turnover to HK\$17.7 million for the year ended 31 March 2007 (2006: HK\$17.3 million). As in previous years, promising occupancy rates were recorded for the Group's investment properties, with an average occupancy rate of 75% as at 31 March 2007.

In December 2006, the Group disposed of the wholly owned subsidiary holding Health Plus Centre in Tai Wai at a consideration of HK\$180 million. A gain on disposal of approximately HK\$43.5 million was generated and recorded as other operating income for the division. When the property was acquired by the Group in January 2004, the occupancy rate was only 37.4%. Attributable to our effort in carrying out extensive renovation work to the building and in actively marketing the property, the property was almost fully let (98% occupancy) at the time of disposal.

During the year, the Group acquired additional leasing space at Shatin Industrial Centre in Shatin, some units at Kin Wing Industrial Building in Tuen Mun, and a unit at 5 & 5A La Salle Road in Kowloon Tong for investment purposes for a total consideration of approximately HK\$26.8 million. Together with the properties at 23-25 Mei Wan Street in Tsuen Wan, 95 Bedford Road in Tai Kok Tsui, 31 Wing Wo Street in Sheung Wan and various land lots at D.D.76 Ping Che in Fanling and D.D. 128 Deep Bay Road in Yuen Long, the division constantly produces a stable stream of income for the Group.

## **PROPERTY AGENCY AND MANAGEMENT DIVISION**

This division provides premium property and project management, rental collection and leasing agency services to 8 Hart Avenue in Tsimshatsui, Golf Parkview in Sheung Shui and Health Plus Centre in Tai Wai. After the disposal of Health Plus Centre by the Group in December 2006, the contract for the management of this property was ended with effect from 15 March 2007.

## **HEALTH PRODUCTS DIVISION**

For the year ended 31 March 2007, the Health Products Division recorded a turnover of HK\$62.8 million (2006: HK\$61.7 million), and a loss of HK\$730,000 (2006: profit of HK\$962,000), mainly due to margin compression arising from intense price competition and increase in rental charges for the retail shops.



## FINANCIAL REVIEW

### Group Liquidity and Financial Resources

The Group's liquidity and financing requirements are regularly reviewed.

For day-to-day liquidity management and to maintain flexibility in funding, the Group has access to banking facilities with an aggregate amount of HK\$468.5 million (HK\$63.5 million was secured by first charges over certain land and buildings and investment properties of the Group), of which HK\$247.1 million loans have been drawn down and approximately HK\$150.8 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 31 March 2007. The bank loans under these banking facilities bear interests at prevailing market interest rates.

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 wealth. The total cash and bank balances of the Group have increased by HK\$188.6 million to HK\$258.5 million as at 31 March 2007, and accounted for 26.1% of the current assets (2006: 10.6%). The net increase was mainly due to the sales proceeds received from the disposal of the wholly owned subsidiary holding Health Plus Centre and the 50% interest in the Dongguan project and the receipts from construction and renovation work. Subsequent to the year end, part of these funds were utilized in paying land premiums for our development project at the junction of 4 College Road and 21 Sau Chuk Yuen Road and a joint development project at 1 & 1E LaSalle Road; for acquisition of investment properties, construction plant and equipment, and an aluminium window company Million Hope Industries Limited; for partial repayment of bank loans; and for working capital of the construction projects.

The Group has maintained a healthy balance sheet with net bank balances and cash (total bank balances and cash less total bank borrowings) of HK\$11.4 million (2006: net borrowings of HK\$101.1 million) as at 31 March 2007. Accordingly, the gearing ratio of the Group, calculated on the basis of the Group's net borrowings to shareholders' funds, was 0% (2006: 18.2%). The net current assets have increased by HK\$162.0 million to HK\$405.1 million as at the year-end date and the current ratio (current assets divided by current liabilities) was 1.69 times (2006: 1.58 times).

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

### Treasury Policy

The aim 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 circumstances.

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

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

## Shareholders' Funds

At the year-end date, shareholders' funds of the Group were HK\$647.6 million including reserves of HK\$603.3 million, an increase of HK\$92.2 million from HK\$555.4 million at 31 March 2006. On that basis, the consolidated net asset value of the Group as at 31 March 2007 was HK\$1.46 per share, compared to the consolidated net asset value of HK\$1.25 per share at 31 March 2006. Increase in shareholders' funds was mainly attributable to profits retained after the payments of dividends.

## Major Acquisitions

During the year under review, the Group purchased the following properties from independent third parties for investment purposes:

- (1) Rooms 204-206 and 2 carparking spaces, Kin Wing Industrial Building, Tuen Mun, New Territories at a consideration of approximately HK\$1.9 million.
- (2) Workshop 8, 2/F, Block B and a carparking space, Shatin Industrial Centre, 5-7 Yuen Shun Circuit, Shatin, New Territories at a consideration of HK\$3.0 million.
- (3) Workshop 7, 1/F, Block A and a carparking space, Shatin Industrial Centre, 5-7 Yuen Shun Circuit, Shatin, New Territories at a consideration of approximately HK\$2.4 million.
- (4) Workshop 5, G/F, Block A and a carparking space, Shatin Industrial Centre, 5-7 Yuen Shun Circuit, Shatin, New Territories at a consideration of HK\$12.0 million.
- (5) Southern Half Portion of ground floor, 5 & 5A La Salle Road, Kowloon Tong, Kowloon at a consideration of HK\$7.5 million.

Subsequent to the year end, in May 2007, the Group acquired Million Hope Industries Limited which carries on aluminium windows and curtain wall business at an acquisition cost of approximately HK\$3.4 million.

## Capital Structure

The Group intends to keep 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\$247.1 million from the banks (at 31 March 2006: HK\$170.9 million). The borrowings have been used as general working capital and for refinancing the acquisition of properties for investment purposes. The maturity profile of the loans spread over a period of five years with HK\$185.6 million repayable within the first year, HK\$20.7 million repayable within the second year and HK\$40.8 million within the third to fifth years. Interest is based on HIBOR plus a competitive margin.

## Collateral

As at 31 March 2007, certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$116.5 million (at 31 March 2006: HK\$218.8 million), were pledged to the banks to secure the Hong Kong dollar loans of HK\$63.5 million (at 31 March 2006: HK\$94.9 million).

## Contingent Liabilities

At the balance sheet date, the Group had given guarantees to a bank in respect of performance bonds and a bank loan granted to the jointly controlled entities amounting to HK\$33,488,000 (2006: HK\$33,488,000) and HK\$68,500,000 (2006: nil) respectively.

During the year ended 31 March 2004, 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. 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. At 31 March 2007, the directors of the Company are of the opinion that in view of the uncertainty, it is not practicable to assess the financial effect.

## Capital Commitments

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<u>Contracted for but not provided in consolidated financial statements</u>		
Commitments for the acquisition of investment properties	<u>26,399</u>	<u>9,090</u>
Commitments for the acquisition of property, plant and equipment	<u>11,713</u>	<u>7,750</u>

### Authorised but not contracted for

At the balance sheet date, the Group has an obligation to fund HK\$231,500,000 (2006: HK\$231,500,000), representing 23.63% of the anticipated project costs for the joint development of a site in So Kwun Wat.

## Post Balance Sheet Event

On 15 May 2007, the Group entered into a sale and purchase agreement with independent third parties to acquire the entire issued share capital of Million Hope Industries Limited and Million Hope Holding Company Limited at a consideration of HK\$3,385,000. The completion date was on the same date.

## Employees and Remuneration Policy

The number of full time employees of the Group, excluding its jointly controlled entities, was over 700 as at 31 March 2007. The Group recruits and promotes individuals based on their development potential, merits and competencies, and ensures that their remuneration packages are at a reasonable market level.

## **FUTURE DIRECTIONS AND PROSPECTS**

The HKSAR government has forecasted a growth rate of 4.5 – 5.5% in real terms for the year 2007. In the Mainland China, the steady export performance and impressive economic expansion will continue to be the drivers of further growth of the Hong Kong economy. In the global context, despite the uncertainty stemming from the US economy, Europe, Japan and other Asian markets all exhibit upbeat economic sentiment, reflecting a positive economic outlook.

Going forward, the Group remains cautiously optimistic about our core businesses in 2007. We have a record high amount of contract on hand, particularly in the construction division, however the gross margins in general decline. To sustain growth, the Group will put continuous effort into cost control, quality enhancement and efficiency improvement.

Over the years, the Group has acquired land and properties at relatively low costs. We expect that these acquisitions will bring promising returns to the Group in the years ahead. We will continue to look for every suitable investment and business opportunity to enhance shareholders' value.

## **CORPORATE GOVERNANCE**

The Company has applied and complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2007, except for the following provisions:—

- (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 of directors of the Company (“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 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 Provisions D.2.1 and D.2.2 require (i) the Board committees to prescribe sufficiently clear terms of reference; and (ii) the terms of reference of the Board committees to report back to the Board on their decisions or recommendations. The Board established the General Business Committee and the Property Acquisition/Disposal Committee in April 2002 to handle the Company's general business and acquisition and disposal of properties within a designated threshold respectively. The written terms of reference for these two board committees have been drawn up and approved at the Board meeting held on 13 September 2006. Code Provisions D.2.1 and D.2.2 have been fully complied with thereafter.

## **MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors of the Company, all directors confirmed they have complied with the required standard set out in the Model Code.

## **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.

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

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

## **REVIEW OF ANNUAL RESULTS**

The financial statements for the year ended 31 March 2007 have been reviewed by the Audit Committee of the Company.

## **SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 March 2007 as set out in the Preliminary Announcement have been agreed by the Group’s auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **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, 26 June 2007