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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 2009**

SUMMARY OF RESULTS

For the year ended 31 March 2009, Hanison Construction Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) achieved a turnover of HK\$1,828.5 million, representing a growth of 26.5% over last year’s figure of HK\$1,445.9 million. Notable increase in turnover was recorded for the construction, interior and renovation and building materials businesses of the Group.

Nevertheless, impairment in fair value of the investment properties amounting to HK\$68.6 million coupled with greater strain in profits margins caused by intense competition have adversely affected the current year’s results. The Group had incurred a consolidated loss attributable to shareholders of HK\$59.4 million, the first time since its listing on The Stock Exchange of Hong Kong Limited in January 2002 (For the year ended 31 March 2008: profit of HK\$94.3 million). Despite the overall adverse result, the construction, interior and renovation and property agency and management segments of the Group continued to maintain a profitable position.

As the aforesaid impairment in fair value will not directly affect the cash flow of the Group, the Board considers that the overall operations remain sound and intact, and the financial position remains solid.

The basic loss per share for the year was HK13.4 cents, compared to an earning per share of HK21.3 cents last year.

As at 31 March 2009, the net asset value amounted to HK\$652.0 million (2008: HK\$724.2 million), representing a decrease of 10.0% over last year. Net asset value per share at 31 March 2009 was HK\$1.47 (2008: HK\$1.63).

DIVIDEND

The Board has recommended a final dividend of HK1.0 cent per share for the year ended 31 March 2009 (2008: HK2.5 cents per share) to shareholders whose names appear on the Registers of Members of the Company on 4 August 2009. This together with the interim dividend of HK0.5 cents per share (2008: HK1.5 cents per share) gives a total of HK1.5 cents per share for the year (2008: HK4 cents per share). The proposed dividend will be paid on 21 August 2009 following approval at the annual general meeting.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Monday, 3 August 2009 to Tuesday, 4 August 2009, 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 2009, 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 Friday, 31 July 2009.

AUDITED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
Turnover	3	1,828,475	1,445,869
Cost of sales		<u>(1,723,973)</u>	<u>(1,328,961)</u>
Gross profit		104,502	116,908
Other income		2,346	2,459
Marketing and distribution costs		(8,789)	(10,832)
Administrative expenses		(84,766)	(101,769)
(Loss) gain on change in fair value of investment properties		(68,609)	113,421
(Loss) gain on change in fair value of investments held for trading		(1,272)	242
(Loss) gain on change in fair value of derivative financial instruments		(58)	2,261
Share of (loss) profit of an associate		(3,483)	2,624
Share of profits of jointly controlled entities		3,045	3,509
Finance costs		<u>(9,242)</u>	<u>(10,183)</u>
(Loss) profit before taxation	5	(66,326)	118,640
Taxation	6	<u>6,960</u>	<u>(24,350)</u>
(Loss) profit for the year		<u>(59,366)</u>	<u>94,290</u>
Dividends paid	7	<u>13,297</u>	<u>17,730</u>
(Loss) earning per share — basic (HK cents)	8	<u>(13.4)</u>	<u>21.3</u>

AUDITED CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2009

	<i>NOTES</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Investment properties		535,320	584,940
Property, plant and equipment		91,484	72,764
Prepaid lease payments		6,800	—
Interest in an associate		15,717	19,200
Interests in jointly controlled entities		3,397	12,752
Goodwill		—	2,980
Deposits for acquisition of investment properties		—	100
		652,718	692,736
Current assets			
Properties under development		333,252	276,025
Inventories		34,139	42,680
Amounts receivable on contract work		197,778	306,358
Progress payments receivable	9	48,066	117,301
Retention money receivable		148,118	116,463
Trade and other receivables	10	51,614	74,997
Prepaid lease payments		200	—
Amount due from a jointly controlled entity		69,638	67,144
Investments held for trading		4,423	5,695
Taxation recoverable		495	840
Derivative financial instruments		221	336
Bank balances and cash		195,643	148,374
		1,083,587	1,156,213
Current liabilities			
Amounts payable on contract work		119,253	94,384
Trade and other payables	11	299,351	321,068
Obligation under a finance lease due within one year		44	87
Taxation payable		1,690	2,132
Derivative financial instruments		205	—
Bank loans — amounts due within one year		556,713	396,063
		977,256	813,734
Net current assets		106,331	342,479
Total assets less current liabilities		759,049	1,035,215
Non-current liabilities			
Obligation under a finance lease due after one year		—	44
Bank loans — amounts due after one year		80,500	274,000
Deferred taxation		26,556	36,970
		107,056	311,014
		651,993	724,201
Capital and reserves			
Share capital		44,324	44,324
Reserves		607,669	679,877
		651,993	724,201

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 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 are eliminated on consolidation.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, the following amendments and interpretations (collectively “new HKFRSs”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) — INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) — INT 12	Service concession arrangements
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

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 period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs May 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs April 2009 ²
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible Hedged Items ⁴
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ³
HKFRS 8	Operating Segments ³
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁵
HK(IFRIC) — INT 13	Customer Loyalty Programmes ⁶
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate ³
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation ⁷
HK(IFRIC) — INT 17	Distributions of Non-Cash Assets to Owners ⁴
HK(IFRIC) — INT 18	Transfers of Assets from Customers ⁸

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2009.

⁴ Effective for annual periods beginning on or after 1 July 2009.

⁵ Effective for annual periods ending on or after 30 June 2009.

⁶ Effective for annual periods beginning on or after 1 July 2008.

⁷ Effective for annual periods beginning on or after 1 October 2008.

⁸ Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results or the financial position of the Group.

3. TURNOVER

Turnover represents the aggregate of the revenue earned from construction contract works carried out, revenue from interior and renovation services, revenue from contracts for installation of building materials, sale of building materials and health products, rental income from property investments and provision of property agency and management services during the year.

4. SEGMENT INFORMATION

(a) Business segments

The following table presents information on turnover and loss for the year for the Group's 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 year ended 31 March 2009									
TURNOVER									
External sales	1,400,610	154,762	206,967	45,441	19,100	1,595	—	—	1,828,475
Inter-segment sales	45,326	82,749	67,480	1,200	—	861	—	(197,616)	—
Total	<u>1,445,936</u>	<u>237,511</u>	<u>274,447</u>	<u>46,641</u>	<u>19,100</u>	<u>2,456</u>	<u>—</u>	<u>(197,616)</u>	<u>1,828,475</u>
Inter-segment sales are charged on cost plus certain margin.									
RESULTS									
Segment result	<u>5,087</u>	<u>2,823</u>	<u>(11,373)</u>	<u>(2,096)</u>	<u>(49,653)</u>	<u>262</u>	<u>(16)</u>	<u>(400)</u>	<u>(55,366)</u>
Finance costs									(9,242)
Share of loss of an associate	—	—	—	—	(3,483)	—	—	—	(3,483)
Share of profits of jointly controlled entities	3,076	—	—	—	—	—	(31)	—	3,045
Loss on change in fair value of investments held for trading	(189)	—	(1,083)	—	—	—	—	—	(1,272)
Loss on change in fair value of derivative financial instruments									(58)
Unallocated other income									2,185
Unallocated expenses									(2,135)
Loss before taxation									(66,326)
Taxation									6,960
Loss for the year									<u>(59,366)</u>
OTHER INFORMATION									
Depreciation	640	—	807	1,833	705	72	—	—	4,057
Impairment loss on goodwill	—	—	2,440	540	—	—	—	—	2,980
Impairment loss on property, plant and equipment	—	—	2,145	—	—	—	—	—	2,145
Impairment loss on prepaid lease payments	—	—	383	—	—	—	—	—	383
Loss on change in fair value of investment properties	—	—	—	—	68,609	—	—	—	68,609

	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 year ended 31 March 2008									
TURNOVER									
External sales	1,069,385	142,532	153,013	62,428	17,648	863	—	—	1,445,869
Inter-segment sales	12,858	2,882	15,990	1,203	—	2,555	—	(35,488)	—
Total	<u>1,082,243</u>	<u>145,414</u>	<u>169,003</u>	<u>63,631</u>	<u>17,648</u>	<u>3,418</u>	<u>—</u>	<u>(35,488)</u>	<u>1,445,869</u>
Inter-segment sales are charged on cost plus certain margin.									
RESULTS									
Segment result	<u>7,460</u>	<u>6,751</u>	<u>3,131</u>	<u>(1,722)</u>	<u>125,687</u>	<u>379</u>	<u>(31)</u>	<u>(1,100)</u>	140,555
Finance costs									(10,183)
Share of profit of an associate	—	—	—	—	2,624	—	—	—	2,624
Share of profit (loss) of jointly controlled entities	3,525	—	—	—	—	—	(16)	—	3,509
Gain on change in fair value of investments held for trading									242
Gain on change in fair value of derivative financial instruments									2,261
Unallocated other income									540
Unallocated expenses									<u>(20,908)</u>
Profit before taxation									118,640
Taxation									<u>(24,350)</u>
Profit for the year									<u>94,290</u>
OTHER INFORMATION									
Depreciation	1,120	38	1,163	2,360	96	101	—	—	4,878
Impairment on prepayment to a supplier — unallocated	—	—	—	—	—	—	—	—	7,738
Gain on change in fair value of investment properties	—	—	—	—	113,421	—	—	—	113,421

(b) Geographical segments

An analysis of the Group's turnover by geographical market based on geographical location of customers has not been prepared as the Group's turnover is substantially located in Hong Kong.

5. (LOSS) PROFIT BEFORE TAXATION

	2009	2008
	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	4,057	4,878
Amortization on prepaid lease payments	17	—
Interest on bank borrowings wholly repayable within five years	8,816	10,183
Interest on bank borrowings not repayable within five years	426	—
Impairment on goodwill	2,980	—
Impairment loss on property, plant and equipment	2,145	—
Impairment loss on prepaid lease payments	383	—
Impairment loss on prepayment to a supplier	—	7,738
Interest income	(209)	(724)
Expenses capitalised in cost of contract work:		
Depreciation	11,496	10,198
Rentals under operating leases in respect of:		
— plant and machinery	14,295	12,988
— others	955	720
	—————	—————

6. TAXATION

	2009	2008
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
Current year	(1,836)	(2,593)
(Under) overprovision in prior years	(1,618)	34
	—————	—————
	(3,454)	(2,559)
Deferred taxation	10,414	(21,791)
	—————	—————
	6,960	(24,350)
	—————	—————

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is provided at 16.5% (2008: 17.5%) on the estimated assessable profits for the year.

7. DIVIDENDS

Dividends recognised as distribution during the year:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Ordinary shares:		
Interim dividend paid — HK0.5 cents per share (2008: HK1.5 cents per share)	2,216	6,649
Final dividend for 2008 paid — HK2.5 cents per share (2008: HK2.5 cents per share for 2007)	11,081	11,081
	<u>13,297</u>	<u>17,730</u>

A final dividend of HK1.0 cent (2008: HK2.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

8. (LOSS) EARNING PER SHARE

The calculation of the basic (loss) earning per share for the year is based on the (loss) profit for the year of HK\$59,366,000 (2008: HK\$94,290,000) and on the 443,236,068 shares in issue for each of the two years ended 31 March 2009.

There were no potential dilutive ordinary shares in existence for the two years ended 31 March 2009. Accordingly, no diluted (loss) earning per share has been presented.

9. PROGRESS PAYMENTS RECEIVABLE

The aged analysis of progress payments receivable is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 30 days	44,583	89,257
31-60 days	—	24,085
61-90 days	—	3,098
Over 90 days	3,483	861
	<u>48,066</u>	<u>117,301</u>

10. TRADE AND OTHER RECEIVABLES

The aged analysis of trade receivables is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 30 days	15,280	16,823
31-60 days	7,816	15,957
61-90 days	2,449	4,796
Over 90 days	10,868	9,753
	<hr/> 36,413 <hr/> <hr/>	<hr/> 47,329 <hr/> <hr/>

11. TRADE AND OTHER PAYABLES

The aged analysis of trade payables is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 30 days	77,615	115,290
31-60 days	1,681	3,441
61-90 days	926	324
Over 90 days	5,302	6,048
	<hr/> 85,524 <hr/> <hr/>	<hr/> 125,103 <hr/> <hr/>

OPERATIONS REVIEW

CONSTRUCTION DIVISION

The turnover for our Construction Division was up 33.6% to HK\$1,445.9 million for the year ended 31 March 2009 (2008: HK\$1,082.2 million). However, due to the slowdown in the property market which has led to the reduction in building construction works and the keen competition in the building construction industry, the division continues to experience decrease in gross profit margins.

The total amount of contracts on hand as at 31 March 2009 stood at HK\$400.7 million.

The major contracts completed during the year and subsequent to the year end are set out below:—

	Project	Location	Type	Completion date
1.	Construction of the residential development at Areas 4C and 38A in Shatin Phase 3	Shatin	Residential	May 2008
2.	Construction of Discovery College for the English Schools Foundation	Discovery Bay	Institutional	August 2008
3.	Construction of Island Lodge at 172-186 Java Road	North Point	Residential	November 2008
4.	Construction of Si Yuan School of the Precious Blood at the junction of Texaco Road and Castle Peak Road	Tsuen Wan	Institutional	December 2008
5.	Construction of One LaSalle (formerly known as 1 & 1E La Salle Road)	Kowloon Tong	Residential	February 2009
6.	Redevelopment of Sau Mau Ping Estate Phase 14	Sau Mau Ping	Residential	March 2009
7.	Construction of the residential development at 35 Mount Kellett Road	The Peak	Residential	April 2009
8.	Construction of China Aircraft Services Limited Aircraft Maintenance Hangar at Hong Kong International Airport	Chap Lap Kok	Commercial	April 2009
9.	Proposed conference and resort hotel development	Discovery Bay	Commercial	May 2009

The division has been actively exploring construction opportunities overseas, and has secured a contract for the construction management of Villingili Resorts and Spa in Maldives. The contract regarding the addition of facilities to the CIP lounge at the Passenger Terminal Building at the Hong Kong International Airport was also won during the year.

Subsequent to the year end, the division was also awarded the projects for the construction of footbridge, landing block and landscaping works at Monmouth Path for the Swire Group and the construction of the residential development comprising three blocks of mid-rise residential buildings at Area N1d, Phase 14 in Discovery Bay.

INTERIOR AND RENOVATION DIVISION

Our interior and renovation business maintained steady growth in turnover during the year ended 31 March 2009. Turnover for the division for the year climbed to HK\$237.5 million, which has increased by an encouraging 63.3% when compared with the turnover of HK\$145.4 million last year. The division's commitment to quality has gained wide recognition among practitioners and was the main driver for the continuing business growth. Positive results were delivered for the year amid such a tough economic environment.

The division has mainly undertaken the following renovation works during the year ended 31 March 2009:—

- (1) Alteration and renovation works for Tavistock at 10 Tregunter Path in the Mid-levels
- (2) Fitting-out work to tower, front of house, restaurant and spa for conference and resort hotel at Discovery Bay North Area N3
- (3) Renovation work for Grenville House, 1-3 Magazine Gap Road

Renovation works for the clubhouses and lift lobby at Queen's Garden at 9 Old Peak Road, the clubhouse at Island Lodge at 172-186 Java Road in North Point and the Crystal Room at YMCA International House at 23 Waterloo Road have finished in accordance with schedules. Other projects are moving forward as planned.

Subsequent to the year end, this division secured the renovation and repartitioning works at Chung Fu Shopping Centre in Tin Shui Wai.

As at 31 March 2009, the order book of the division reached HK\$165.2 million.

BUILDING MATERIALS DIVISION

Despite the challenging market conditions, the division made good progress in turnover growth for the year under review. For the year ended 31 March 2009, the turnover for the division reached HK\$274.4 million, compared with that of the corresponding year of HK\$169.0 million. Due to keen competition, gross margin dropped slightly when compared with that of last year.

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

Trigon HK and Trigon Macau have undertaken the following works during the year ended 31 March 2009:—

- (1) The Palazzo at 28 Lok King Street in Shatin — False ceiling
- (2) West Kowloon Station and the railway tunnels from Jordan Road to East Tsim Sha Tsui Station — False ceiling
- (3) Hong Hom Bay Reclamation Area at Kowloon Inland Lot No. 11076 — False ceiling
- (4) 238 Aberdeen Main Road, Hong Kong — Wood flooring
- (5) Bel-Air on the Peak Phase R5 at Cyberport — False ceiling
- (6) Island Lodge at 172-186 Java Road in North Point — False ceiling and wood flooring
- (7) Tavistock at 10 Tregunter Path in the Mid-levels — False ceiling
- (8) One Central Residences in Nam Van, Macau — False ceiling

Major contracts secured during the year under review included:—

- (1) Island Lodge at 172-186 Java Road in North Point — Wood flooring
- (2) Tsuen Wan Town Lot No. 394, Yeung Uk Road in Tsuen Wan — False ceiling
- (3) The Palazzo at 28 Lok King Street in Shatin — False ceiling
- (4) 13-15, Tai Hang Road in Causeway Bay — False ceiling
- (5) Lake Silver, Wu Kai Sha in Shatin — False ceiling
- (6) Lot B, Zone B, Nape in Macau — False ceiling

Trigon HK and Trigon Macau completed the financial year with outstanding contracts on hand of HK\$52.1 million, which comprise mainly contracts for the supply and installation of kitchen cabinets, flooring and false ceiling systems.

Tai Kee Pipes Limited (“Tai Kee”)

During the year under review, Tai Kee has witnessed further increase in turnover and gross profit margins, particularly in the project sales. Turnover recognised for the year was approximately 42% higher than last year’s record.

Major contracts for supply of piping products and fittings during the year are set out below:—

- (1) Crowne Plaza Hotel at Leighton Road in Happy Valley — Black steel pipes
- (2) Wynn Hotel & Resorts II in Macau — Black steel pipes
- (3) Caritas Bianchi College of Careers at Tseung Kwan O Town Lot No. 92, Area 73B in Tseung Kwan O — Black steel pipes
- (4) One Grantai, Macau — HVAC copper pipes
- (5) Airport Development SSP 333 — Galvanized steel pipes
- (6) Various MTR stations — Galvanized steel pipes and black steel pipes
- (7) Pipe replacement and repair works at various locations for Water Supplies Department (e.g. replacement and rehabilitation of water mains, stage 2 — mains in Yuen Long, Tai Tong, Kam Tin, Pat Heung and Shek Kong and mains on Hong Kong Island North and South West) — Polyethylene pipes
- (8) Outlying islands sewerage stage 1 — Yung Shue Wan sewerage, sewage treatment works and outfall and Sok Kwu Wan sewage collection, treatment and disposal facilities for Drainage Services Department — Polyethylene pipes

The total amount of contracts on hand of Tai Kee as at 31 March 2009 amounted to HK\$31.1 million.

Million Hope Industries Limited (“Million Hope”) and 美興新型建築材料(惠州)有限公司(「美興」)

Turnover for the year was higher than that of last year, but with the deterioration in gross margins, and the loss incurred by the PRC factory on suspension of production due to moving factory, this division had suffered a loss.

The following major projects were undertaken during the year ended 31 March 2009:—

- (1) Caritas Bianchi College of Careers at Tseung Kwan O Town Lot No. 92, Area 73B in Tseung Kwan O — Design, supply and installation of curtain wall, window walls, aluminium claddings, aluminium canopy and aluminium windows
- (2) Belgravia at 57 South Bay Road — Replacement of windows
- (3) The Open University of Hong Kong — Phase Two (Stage 1) Extension — Design, supply and installation of curtain wall and window walls
- (4) Choi Wan Road development Site 2 Phase 1 and Sau Mau Ping Phase 12 (District Open Space) — Aluminium window works
- (5) Si Yuan School of the Precious Blood at the junction of Texaco Road and Castle Peak Road in Tsuen Wan — Design, supply and installation of aluminium windows, louvres and glazing works
- (6) Proposed conference and resort hotel development in Discovery Bay — Design, supply and installation of aluminium windows, doors and glazing works
- (7) Proposed office/commercial development at 33 Cameron Road in Tsimshatsui — Design, supply and installation of curtain wall and glass wall
- (8) No. 6D-6E, Babington Path in the Mid-levels — Windows, glass wall and aluminium doors and louvres installation
- (9) TPTL 179, Ma Wo in Tai Po — Aluminium window, glass wall, louvre and glass balustrade installation
- (10) Proposed residential redevelopment on R.B.L. 833 & R.B.L. 820 at No. 5-11 & 13-19 South Bay Close — Design, supply, installation and testing of curtain walls, window walls, windows, louvres, stone claddings, railings and wood features
- (11) URA Project H17, I.L. 9006, 235-245 Queen’s Road East in Wanchai — Curtain walls, window walls and cladding, aluminium windows and metal louvres works
- (12) One LaSalle at 1 & 1E La Salle Road in Kowloon Tong — Design, supply and installation of curtain wall, glass balustrades, aluminium cladding and aluminium sliding doors
- (13) Eight College at 8 College Road in Kowloon Tong — Design, supply and installation of curtain wall, aluminium windows, louvers and skylight
- (14) Residential development at 35 Mount Kellett Road — Design, supply and installation of aluminium panel and terra cotta surface

As at 31 March 2009, Million Hope’s contracts on hand amounted to HK\$78.9 million.

PROPERTY DEVELOPMENT DIVISION

Pre-sale consents of Eight College (the Group's 100% owned development and which was formerly known as 8 College Road) and One LaSalle (the joint development with NWS Holdings Limited and which was formerly known as 1 & 1E La Salle Road) were obtained in April and May 2009 respectively. One LaSalle has received enthusiastic market response. Construction of Eight College is expected to be completed in the third quarter of 2009. Both residences exhibit elegant architecture and enchanting gardens. Situated among the luxury residences of Kowloon Tong and at a nexus of transportation and prestigious school network, these two splendid properties are poised to be a perfect match of seclusion and accessibility.

For the residential development project with Sun Hung Kai Properties Limited at So Kwun Wat, Tuen Mun, we are in the course of obtaining planning approval from the Town Planning Board. The residential development at DD129, Lau Fau Shan in Yuen Long is in building submission and gazettal stage.

PROPERTY INVESTMENT DIVISION

The turnover for the division has risen slightly to HK\$19.1 million (2008: HK\$17.6 million), which was mainly due to the contribution from Tak Hing Building (now renamed The Austine).

Leasing performance for the Group's investment properties remained satisfactory during the year, with our main investment property, Shatin Industrial Centre in Shatin, attaining an occupancy rate of around 99% as at 31 March 2009.

Conversion of Tak Hing Building into a serviced-apartment building was completed in April 2009. The new building name "The Austine" connotes a contemporary London touch and highlights its vicinity to the three MTR Stations: Jordan Station, Kowloon Station and Austin Station (to be opened in the latter half of 2009). The refurbished property projects a completely new image and enhances its attraction, and is expected to improve rental revenue.

The Group continued to expand its investment property portfolio. It acquired additional units at 97 Bedford Road in Tai Kok Tsui during the year. The investment properties of the Group, including the various units at Shatin Industrial Centre in Shatin, 23-25 Mei Wan Street in Tsuen Wan, 91, 93, 95 and 97 Bedford Road in Tai Kok Tsui, 31 Wing Wo Street in Sheung Wan, some units at Kin Wing Industrial Building in Tuen Mun, various land lots in D.D.76 Ping Che in Fanling, various land lots in D.D. 128 Deep Bay Road in Yuen Long and Hoi Bun Godown in Tuen Mun in which the Group has 50% interest all produced satisfactory income contribution for the Group during the year.

PROPERTY AGENCY AND MANAGEMENT DIVISION

Currently, the division is providing property management, rental collection and leasing agency services to 8 Hart Avenue in Tsimshatsui, Golf Parkview in Sheung Shui and The Austine in Jordan. It also acts as the project manager of One LaSalle, Eight College and the property development project at 33 Cameron Road.

The division's turnover for the year was HK\$2.5 million, compared to HK\$3.4 million for the corresponding period last year.

On 1 April 2009, a wholly owned subsidiary of the Group entered into project management service agreements with property development companies under the Cha Family for the management of the construction of a large-scale integrated development project comprising hospitality, residential, commercial and retail developments in Haining City, Zhejiang Province, the People's Republic of China ("PRC"). This enables the Group to fully utilize its expertise and experience for the master planning of large-scale integrated development projects and will ensure that the high quality standards of the Group can be applied to the project.

HEALTH PRODUCTS DIVISION

Due to the reduction in number of unprofitable retail shops, turnover for the year ended 31 March 2009 dropped to HK\$46.6 million (2008: HK\$63.6 million). Gross profit margin was slightly lower than last year.

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\$1,038.4 million (HK\$391.8 million was secured by first charges over certain land and buildings, investment properties and properties under development of the Group), of which HK\$637.2 million loans have been drawn down and approximately HK\$115.9 million has been utilised mainly for the issuance of letters of credit and performance bonds as at 31 March 2009. 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 amounted to HK\$195.6 million as at 31 March 2009 (2008: HK\$148.4 million), and accounted for 18.1% of the current assets (2008: 12.8%).

During the year, the Group has a net cash inflow of HK\$146.8 million in its operating activities (mainly due to the decrease in amount receivable on contract work and progress payments receivable, trade and other receivables), a net cash outflow of HK\$52.6 million in its investing activities (mainly to finance the purchase of a factory building in Huizhou, and properties at Bedford Road), and a net cash outflow of HK\$46.2 million in its financing activities (mainly for paying dividends to shareholders and repayment of bank loans). As a result, the cash and bank balances increased and the bank borrowings decreased. Net bank borrowings (total bank borrowings less total cash and bank balances) amounted to HK\$441.6 million at 31 March 2009 (2008: net cash and bank balances of HK\$521.7 million). Accordingly, the gearing ratio of the Group, calculated on the basis of the Group's net borrowings to shareholders' funds, was 67.7% (2008: 72.0%). The net current assets have decreased by HK\$236.1 million to HK\$106.3 million as at the year-end date and the current ratio (current assets divided by current liabilities) was 1.11 times (2008: 1.42 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\$652.0 million including reserves of HK\$607.7 million, a decrease of HK\$72.2 million from HK\$724.2 million at 31 March 2008. On that basis, the consolidated net asset value of the Group as at 31 March 2009 was HK\$1.47 per share, compared to the consolidated net asset value of HK\$1.63 per share at 31 March 2008. Decrease in shareholders' funds was mainly attributable to loss incurred and the payments of dividends during the year.

Major Acquisitions

During the year under review, the Group purchased a factory building in Huizhou and established it as a processing plant for our aluminium windows and curtain wall business. It has also purchased certain properties from independent third parties for investment purposes:

The details of the acquisitions are as follows:—

- The Group established a new aluminium window processing plant in Huizhou, the PRC, which commenced its operation in November 2008.
- During the year, the Group purchased the mezzanine floor, 1/F, 4/F, and roof and penthouse at 97 Bedford Road in Tak Kok Tsui, Kowloon for an aggregate consideration of HK\$4.1 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\$637.2 million from the banks (at 31 March 2008: HK\$670.1 million). The borrowings have been used as general working capital and for financing the acquisition of a factory building in Huizhou and properties for investment purposes. The maturity profile of the loans spread over a period of five years with HK\$556.7 million repayable within the first year, HK\$5.5 million repayable within the second year, HK\$49.5 million within the third to fifth years and HK\$25.5 million repayable more than five years. Interest is based on HIBOR plus a competitive margin.

Collateral

As at 31 March 2009, certain land and buildings, investment properties and properties under development of the Group, at the carrying value of approximately HK\$608.6 million (at 31 March 2008: HK\$606.8 million), were pledged to the banks to secure the Hong Kong dollar loans of HK\$374.3 million (at 31 March 2008: HK\$293.5 million).

Contingent Liabilities

At the balance sheet date, the Group had given guarantees to banks in respect of performance bonds entered into by the jointly controlled entities amounting to HK\$34,138,000 (2008: HK\$34,138,000).

In addition, at the balance sheet date, the Group has given guarantees to the banks in respect of bank loan granted to the jointly controlled entities amounting to HK\$108,500,000 (2008: HK\$108,500,000). The banking facilities of approximately HK\$91,582,000 (2008: HK\$59,716,000) were utilised by the jointly controlled entities.

During the year ended 31 March 2008, legal action in respect of allegations of nuisance and negligent works have been taken against a subsidiary of the Company preparing the foundation for a new building. At 31 March 2009, the directors are of the opinion that in view of this early stage, it is premature and not practicable to assess the financial effect, given that the claim is for damages to be assessed.

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 2009, the directors 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:

	2009	2008
	HK\$'000	HK\$'000
<u>Contracted for but not provided in consolidated financial statements</u>		
Commitments for the acquisition of investment properties	<u>—</u>	<u>900</u>
Commitments for the acquisition of property, plant and equipment	<u>—</u>	<u>6,911</u>
<u>Authorised but not contracted for</u>		

At the balance sheet date, the Group had an obligation to fund HK\$231,500,000 (2008: HK\$231,500,000), representing 23.63% (2008: 23.63%) of the anticipated project costs for the joint development of a site in So Kwun Wat, Hong Kong.

Employees and Remuneration Policy

The number of full time monthly employees of the Group, excluding its jointly controlled entities, was around 600 as at 31 March 2009. 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

Although there are indications that the world's major economies will continue to feel the effects of the financial crisis for some time, there is broad consensus that the PRC will be among the first to recover and get back on the path of economic growth.

As Hong Kong's economy is closely synchronized with the PRC's, Hong Kong will certainly benefit from the PRC's swift recovery. The Hong Kong government estimates that the local economy will start recovering as early as 2010 with an estimated GDP growth rate of 3.5% per annum for the next 4 years.

More specifically, the Hong Kong government has announced government expenditures for the construction of 10 major infrastructure projects. These expenditures will continue to increase year on year. By 2011, it is estimated that the Hong Kong government will be spending HK\$50 billion a year on infrastructure projects.

Given the Group's proven track record with government works, it is expected that the Group will continue to see the benefit from these infrastructure projects for the next 5-7 years.

Going forward, the Group will continue its prudent business strategies to strengthen the existing businesses. Our management has taken every means to save costs. We hope that the Group will emerge from this global crisis as a leaner and more profitable operation.

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 year ended 31 March 2009, 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 4 August 2008 as he had other important business engagement. However, the Managing 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 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 2009 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. 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 2009 as set out in the preliminary announcement have been agreed by the Group’s auditor, 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

Non-executive directors

Mr. Cha Mou Daid, Johnson

Mr. Cha Yiu Chung, Benjamin

Executive directors

Mr. Wong Sue Toa, Stewart (*Managing Director*)

Mr. Tai Sai Ho (*General Manager*)

Dr. Lam Chat Yu

Mr. Shen Tai Hing

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, 22 June 2009