



HANISON CONSTRUCTION HOLDINGS LIMITED

興 勝 創 建 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)



**INTERIM REPORT
2002/2003**

CONTENTS

Management Discussion and Analysis	2
Other Information	8
Condensed Consolidated Income Statement	12
Condensed Consolidated Balance Sheet	13
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Cash Flow Statement	15
Notes to the Condensed Financial Statements	16
Independent Review Report	27



MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

The Board of Directors (the "Board") of Hanison Construction Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated net profit attributable to shareholders of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2002 amounted to HK\$15.3 million, compared with HK\$12.3 million for the same period last year. The earnings per share were HK5.4 cents, compared with HK4.3 cents for the corresponding period last year.

DIVIDEND

The Board has resolved to pay an interim dividend of HK1 cent per share for the six months ended 30 September 2002 (for the six months ended 30 September 2001: Nil) to shareholders whose names appear on the Registers of Members of the Company as of the close of business on 17 December 2002. The dividend is expected to be paid to shareholders on or around 31 December 2002.

OPERATIONS REVIEW

The Group has continued to maintain a strong cash flow, with all business segments sustaining satisfactory growth in turnover.

Due to severe competition, the gross profit margin, in general, have dropped. However, the Group has still managed to improve its net profits after taxation for the period under review.

Construction Division

The Construction Division has recognised a total turnover of HK\$513.7 million during the period under review (for the six months ended 30 September 2001: HK\$257.8 million), an increase of 99.3% compared with the corresponding period last year.

The main projects undertaken included the re-development of Kwai Chung Estate Phase 7, awarded from the Hong Kong Housing Authority (“HKHA”), and the construction works at Discovery Bay. The superstructure works for the site at Barker Road, and the construction works of a school extension for the English Schools Foundation at Aberdeen are progressing satisfactorily. The project works for a basement, podium and transfer plate at Tung Chung, undertaken by a joint-venture with Hip Hing Construction Company Limited is being carried out as scheduled.

During the period, this Division was awarded new project works for a residential development at Inland Lot No. 8840 Wah Fu and a foundation works for the Discovery Bay North Resident Club.

As at 30 September 2002, the outstanding values of contracts on hand for the Construction Division amounted to approximately HK\$428.7 million. Subsequent to the period end, this Division secured a new contract from HKHA for the contract works at Shek Yam Estate Phase 5.

Both subsidiaries of this Division, Hanison Construction Company Limited (“HCCL”) and Hanison Contractors Limited were awarded the ISO 14001:1996 Environmental Management System certificates in June 2002. HCCL was also awarded the ISO 9001:2000 renovation and maintenance certificate in July 2002, and the Hong Kong Construction Association Safety Achievement Award in October 2002.

Building Materials Division

The Building Materials Division has sustained continuous growth, with total turnover increased by 22.6% to HK\$63.9 million (turnover to external parties was HK\$32.8 million), from last year’s corresponding period of HK\$52.1 million (turnover to external parties was HK\$27.2 million).



The turnover for the period has mainly been derived from the supply and installation of Polyboard, timber flooring, suspended ceiling systems and kitchen cabinets to developers and main contractors. With the piping business, apart from continuing its retail business, this Division has commenced the supply of its piping products to contractors.

The main projects in progress have included the supply and installation of: wood floorings for Siena Two Discovery Bay, Ocean Shores Phase 2 and St. George Apartments; ceilings for Coastal Skyline Tung Chung, MTRC Mei Foo Station, and Mount Austin Road; as well as kitchen cabinets for The Victoria Tower, Ma On Shan Lot 461, and 80-90 Des Voeux Road Central.

During the period, this Division was awarded new contracts for the supply and/or installation of : kitchen cabinets for Sky Tower at To Kwa Wan; Polyboards for Nob Hill and Caribbean Coast; and wood floorings for 50-52 Wharf Road, Tong Yan Sun Chuen, and 35 Cloud View Road. It has also secured the sole-distributorship for Firex board (a Canadian fire rated panel).

The outstanding values of contracts on hand as at 30 September 2002 amounted to HK\$157.5 million.

Interior and Renovation Division

The Interior and Renovation Division has recorded a total turnover of HK\$45.8 million (turnover to external parties was HK\$22.9 million), representing a 37.7% increase over the corresponding period last year of HK\$33.3 million (turnover to external parties was HK\$20.0 million).

The main contracts undertaken during the period were the addition, alteration and renovation works for The CDW Building, The University of Hong Kong, The Chinese University of Hong Kong, The Hong Kong Polytechnic University, Ladies' Recreation Club, CC Wu Building and the English Schools Foundation.

During the period, the Interior and Renovation Division secured new alteration and renovation contracts from various clients, such as the Society of Boys' Centres, South Island School, Chinese Estates Holdings Ltd and Regal Rich Ltd.

As at 30 September 2002, the outstanding values of contracts on hand amounted to HK\$135.8 million.

Health Products Division

During the period, the Group negotiated successfully with Zhong Shan University for a sole distributorship for their Lingzhi spores products, and distributorships for various health products. The Group considered it a feasible opportunity to set up a Health Products Division.

Outlook

During the period under review, Hong Kong's economy has remained sluggish due to global economic and political uncertainties, local economic stagnation with high unemployment, continuing deflationary pressure, and general business contraction. The Group felt it prudent to proceed with conservatism and caution in this adverse economic climate. It is not anticipated that Hong Kong will have an economic resurgence in the immediate future.

The profit margins may become lower due to more aggressive bidding. The long-term competitiveness of our Group will come from our persistence in continuously strengthening management efficiency and cost control, improving the standards of quality and service, as well as broadening our client base.

It is a time of economic challenges. We believe we are in a good position to meet the short-term challenges, and we are optimistic about the economy in the long-term.



FINANCIAL REVIEW

Group Liquidity and Financial Resources

The financial position of the Group remains strong, and the Group had no debt, other than amounts due under normal trade payables as at 30 September 2002. Hence, there is no gearing for the Group, calculated on the basis of the total bank borrowings over shareholders' funds, for both current period end date and last year ended 31 March 2002. As at the period end date, current assets have been maintained at 1.6 times the current liabilities.

As at the close of business on 30 September 2002, the total cash and securities investment balances increased slightly by 2.6% to HK\$371.5 million, compared with those as at 31 March 2002, and accounted for 66.8% of the current assets.

For day-to-day liquidity management and the maintenance of flexibility in funding, the Group also has access to banking facilities with aggregate amount of HK\$165.8 million, of which approximately HK\$58.1 million was utilized mainly for the issuance of letters of credit and performance bonds. There are, however, no present needs for borrowings. The Group's funding requirements for the coming year are expected to be met by available cash as at balance sheet date, cash generated by operations and the available banking facilities.

Treasury Policies

In order to achieve better risk control and to minimize the cost of funds, the Group's treasury activities are centralised and scrutinised by the top management. The Group's treasury policies remain unchanged from those described in the latest annual report 2001-2002.

Capital Structure

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. At this stage, however, with continuing strong cash flows there are no immediate requirements for debt finance. As noted above, the Group had no debt as at the date of this half-year end.

Collateral

As at 30 September 2002, the Group had no mortgages or charges on its assets.

Capital commitment

Subsequent to the half year-end date, the Board has approved in principle to purchase an industrial property at Shatin from an independent third party at a consideration of approximately HK\$28 million. The transaction is expected to complete in the first half of the year 2003 and the property will be held for investment purposes.

Contingent Liabilities

Details of the contingent liabilities are set out in note 14 of the condensed financial statements.



OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2002, the interests of the directors in the securities of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Interests in the Company's shares

Name	Number of ordinary shares				Total no. of shares
	Personal interests	Family interests	Corporate interests	Other interests	
Cha Mou Sing, Payson	294,107	—	328,075 *	—	622,182
Wong Sue Toa, Stewart	65,854	—	50,010 *	—	115,864
Tai Sai Ho	1,200	—	—	—	1,200
Shen Tai Hing	5,250	—	—	—	5,250

* The shares are held by a corporation in which the relevant director is deemed to be interested under the SDI Ordinance.

Save as disclosed above, none of the directors of the Company or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register as at 30 September 2002 kept by the Company under Section 29 of the SDI Ordinance or which had to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

The Company currently has a share option scheme adopted on 3 January 2002 which permits the directors of the Company to grant options to all directors (including independent non-executive directors), full-time employees and consultants of the Company, its subsidiaries and associates to subscribe for shares in the Company. No options have yet been granted under this scheme during the period since its adoption.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of securities in the Company or any other body corporate, and none of the directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, in addition to those interests as disclosed above in respect of the directors, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company, directly or indirectly according to the register of substantial shareholders required to be kept under section 16(1) of the SDI Ordinance:

Name	Number of shares	Approximate percentage of holding
Great Wisdom Holdings Limited (Note 1)	138,998,833	49.0%
HKR International Limited ("HKRI") (Note 1)	138,999,013	49.0%
LBJ Regents Limited ("LBJ Regents") (Note 2)	211,670,286	74.6%



Notes:

- (1) Great Wisdom Holdings Limited is a wholly-owned subsidiary of HKRI and therefore HKRI is deemed to be interested in the 138,998,833 shares held by Great Wisdom Holdings Limited in accordance with the SDI Ordinance.
- (2) These share interests include 138,999,013 shares held by HKRI. LBJ Regents is the holder of 50.67% of shares in HKRI and pursuant to the SDI Ordinance, LBJ Regents is deemed to be interested in the 138,999,013 shares held by HKRI. LBJ Regents is the trustee of certain irrecoverable discretionary trusts of which members of the Cha Family (comprising for this purpose Mr. Cha Chi Ming, the founder and the chairman of HKRI, Ms. Wong May Lung, Madeline (being a daughter of Mr. Cha Chi Ming), Mr. Cha Mou Sing, Payson, Mr. Cha Mou Zing, Victor and Mr. Cha Mou Daid, Johnson (being the sons of Mr. Cha Chi Ming), together with their respective associates, excluding, as the case may be, HKRI) are among the discretionary objects.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30 September 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2002, the Group had over 370 employees. The Group offers competitive remuneration packages, including a discretionary bonus and share option scheme to its employees, commensurable to market level and their qualifications. The Group also provides retirement schemes, medical benefits and both in-house and external training courses for staff.

REVIEW OF INTERIM RESULTS

The interim financial report of the Group for the six months ended 30 September 2002 has not been audited, but has been reviewed by the Audit Committee of the Board and the Company's auditors, Messrs. Deloitte Touche Tohmatsu.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

By order of the board
Cha Mou Sing, Payson
Chairman

Hong Kong, 28 November 2002

**CONDENSED CONSOLIDATED INCOME STATEMENT**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

		1.4.2002	1.4.2001
		to	to
		30.9.2002	30.9.2001
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Turnover	3	569,395	305,013
Cost of sales		(527,760)	(265,948)
Gross profit		41,635	39,065
Other income		4,389	2,216
Distribution costs		(990)	(728)
Administrative expenses		(26,942)	(26,749)
Other expenses		(52)	(58)
Profit from operations	4	18,040	13,746
Finance costs		(2)	(63)
Share of result of an associate		(89)	721
Share of result of a jointly controlled entity		5	—
Profit before taxation		17,954	14,404
Taxation	5	(2,621)	(2,105)
Net profit for the period		15,333	12,299
Dividend	6	2,837	2,500
Earnings per share	7	HK5.4 cents	HK4.3 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2002

	NOTES	30.9.2002 HK\$'000 (Unaudited)	31.3.2002 HK\$'000 (Audited)
Non-current assets			
Investment properties	8	16,741	1,200
Property, plant and equipment	9	58,229	44,535
Interest in an associate		914	3,003
Interest in a jointly controlled entity		5,007	5,002
Retention money receivable after one year	10	67,993	62,988
		<u>148,884</u>	<u>116,728</u>
Current assets			
Inventories		9,995	10,896
Amounts receivable on contract work		43,122	24,261
Progress payments receivable	11	52,357	123,976
Retention money receivable within one year	10	44,069	48,308
Debtors, deposits and prepayments	12	28,901	27,801
Amount due from an associate		11	—
Amount due from a jointly controlled entity		182	271
Investments in securities		40,672	16,485
Taxation recoverable		5,688	3,888
Bank balances and cash		330,832	345,540
		<u>555,829</u>	<u>601,426</u>
Current liabilities			
Amounts payable on contract work		180,394	209,221
Creditors and accrued charges	13	156,582	157,048
Amount due to an associate		—	1,586
Taxation payable		5,384	3,279
		<u>342,360</u>	<u>371,134</u>
Net current assets		<u>213,469</u>	<u>230,292</u>
		<u>362,353</u>	<u>347,020</u>
Capital and reserves			
Share capital		28,367	28,367
Reserves		333,986	318,653
		<u>362,353</u>	<u>347,020</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Paid-in capital HK\$'000	Share capital HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2001	62,401	—	—	21,941	(78)	—	264,009	348,273
Net profit for the period	—	—	—	—	—	—	12,299	12,299
Dividend paid	—	—	—	—	—	—	(2,500)	(2,500)
At 30 September 2001	62,401	—	—	21,941	(78)	—	273,808	358,072
Issue of new shares pursuant to the corporate reorganisation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Corporate Reorganisation")	(62,401)	28,367	34,034	—	—	—	—	—
Net profit for the period	—	—	—	—	—	—	18,948	18,948
Dividend paid	—	—	—	—	—	—	(30,000)	(30,000)
At 31 March 2002	—	28,367	34,034	21,941	(78)	—	262,756	347,020
Net profit for the period	—	—	—	—	—	—	15,333	15,333
Interim dividend declared	—	—	—	—	—	2,837	(2,837)	—
At 30 September 2002	—	28,367	34,034	21,941	(78)	2,837	275,252	362,353

The paid-in capital at 1 April 2001 represented the aggregate amount of the nominal value of the issued share capital of the Company's subsidiaries before the Corporate Reorganisation.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	1.4.2002	1.4.2001
	to	to
	30.9.2002	30.9.2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	35,421	26,316
Net cash (used in) generated from investing activities	(50,129)	13,147
Net cash used in financing activities	—	(988)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(14,708)	38,475
Cash and cash equivalents at beginning of the period	345,540	100,890
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>330,832</u>	<u>139,365</u>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group’s audited financial statements for the year ended 31 March 2002 except as described below.

In the current period, the Group has adopted for the first time a number of new and revised SSAPs issued by the HKSA. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

3. TURNOVER AND SEGMENT INFORMATION

Business segments

	Construction <i>HK\$'000</i>	Interior and renovation <i>HK\$'000</i>	Building materials <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the six months ended 30 September 2002					
TURNOVER					
External sales	513,704	22,893	32,798	—	569,395
Inter-segment sales	—	22,939	31,107	(54,046)	—
Total	<u>513,704</u>	<u>45,832</u>	<u>63,905</u>	<u>(54,046)</u>	<u>569,395</u>
RESULTS					
Segment	<u>14,166</u>	<u>753</u>	<u>236</u>	<u>226</u>	15,381
Other income, including interest income					4,389
Other expenses					(52)
Unallocated corporate expenses					<u>(1,678)</u>
Profit from operations					18,040
Finance costs					(2)
Share of result of an associate	—	—	(89)		(89)
Share of result of a jointly controlled entity	5	—	—		<u>5</u>
Profit before taxation					17,954
Taxation					<u>(2,621)</u>
Net profit for the period					<u>15,333</u>

**3. TURNOVER AND SEGMENT INFORMATION** (continued)**Business segments** (continued)

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30 September 2001					
TURNOVER					
External sales	257,786	20,027	27,200	—	305,013
Inter-segment sales	—	13,263	24,917	(38,180)	—
Total	<u>257,786</u>	<u>33,290</u>	<u>52,117</u>	<u>(38,180)</u>	<u>305,013</u>
RESULTS					
Segment	<u>10,124</u>	<u>922</u>	<u>542</u>	<u>—</u>	11,588
Other income, including interest income					2,216
Other expenses					<u>(58)</u>
Profit from operations					13,746
Finance costs					(63)
Share of result of an associate	—	—	721		<u>721</u>
Profit before taxation					14,404
Taxation					<u>(2,105)</u>
Net profit for the period					<u>12,299</u>

Geographical segments

All of the Group's operations during the six months ended 30 September 2002 and 2001 were carried out in Hong Kong.

4. PROFIT FROM OPERATIONS

	1.4.2002 to 30.9.2002 HK\$'000	1.4.2001 to 30.9.2001 HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation	<u>1,282</u>	<u>1,017</u>
Expenses capitalised in cost of contract work:		
Depreciation	<u>1,330</u>	<u>1,758</u>

5. TAXATION

	1.4.2002 to 30.9.2002 HK\$'000	1.4.2001 to 30.9.2001 HK\$'000
Hong Kong Profits Tax attributable to the Company and its subsidiaries	2,621	1,997
Share of Hong Kong Profits Tax attributable to an associate	<u>—</u>	<u>108</u>
	<u>2,621</u>	<u>2,105</u>

Hong Kong Profits Tax is calculated at 16% (for the six months ended 30 September 2001: 16%) of the estimated assessable profit for the period.



6. DIVIDEND

The board of directors has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 September 2002, which amounted to approximately HK\$2,837,000.

An interim dividend of HK\$2,500,000 was paid before the Corporate Reorganisation by the 50% associate, Hanison Concrete Limited, to a subsidiary of HKR International Limited ("HKR International"), one of the then shareholders of the associate, on 26 July 2001.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the net profit for the period of HK\$15,333,000 (for the six months ended 30 September 2001: HK\$12,299,000) and on the weighted average number of 283,671,086 shares (for the six months ended 30 September 2001: 283,671,086 shares), on the assumption that the Corporate Reorganisation had been completed on 1 April 2001.

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

8. INVESTMENT PROPERTIES

During the six months ended 30 September 2002, the Group acquired investment properties at a cost of approximately HK\$15,541,000 (for the six months ended 30 September 2001: nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2002, the Group acquired property, plant and equipment amounting to approximately HK\$16,336,000 (for the six months ended 30 September 2001: HK\$1,936,000).

10. RETENTION MONEY RECEIVABLE

	30.9.2002 <i>HK\$'000</i>	31.3.2002 <i>HK\$'000</i>
Retention money receivable from:		
Subsidiaries of HKR International	76,041	78,136
A company associated with a substantial shareholder of the Company	1,453	—
Third parties	34,568	33,160
	112,062	111,296
Less: Amount receivable within one year included in current assets	(44,069)	(48,308)
Amount receivable after one year	67,993	62,988

The amount represents retention money in respect of the progress payments receivable on contract work.

11. PROGRESS PAYMENTS RECEIVABLE

Progress payments receivable represent the amounts receivable, after deduction of retention money, for construction services which usually fall due within 30 days after the work is certified. Against the amounts receivable for work certified, a retention money is usually withheld. 50% of the retention money is normally due upon completion and the remaining 50% portion is due upon finalisation of the construction accounts.

	30.9.2002 <i>HK\$'000</i>	31.3.2002 <i>HK\$'000</i>
Progress payments receivable from:		
Subsidiaries of HKR International	39,143	97,986
Third parties	13,214	25,990
	52,357	123,976

**11. PROGRESS PAYMENTS RECEIVABLE** *(continued)*

The aged analysis of progress payments receivable is as follows:

	30.9.2002 <i>HK\$'000</i>	31.3.2002 <i>HK\$'000</i>
Within 30 days	49,186	97,431
31 — 60 days	—	19,903
61 — 90 days	1,010	1
Over 90 days	2,161	6,641
	<u>52,357</u>	<u>123,976</u>

12. DEBTORS, DEPOSITS AND PREPAYMENTS

The credit period allowed by the Group to its customers is normally 30 days. The aged analysis of trade debtors included in debtors, deposits and prepayments is as follows:

	30.9.2002 <i>HK\$'000</i>	31.3.2002 <i>HK\$'000</i>
Within 60 days	15,366	14,008
61 — 90 days	1,664	1,903
Over 90 days	3,143	2,201
Total trade debtors	20,173	18,112
Other debtors	6,441	7,452
Deposits	1,979	2,183
Prepayments	308	54
	<u>28,901</u>	<u>27,801</u>

12. DEBTORS, DEPOSITS AND PREPAYMENTS *(continued)*

Included in the above trade debtors are amounts due from related parties of a trading nature as follows:

	30.9.2002 <i>HK\$'000</i>	31.3.2002 <i>HK\$'000</i>
Subsidiaries of HKR International	1,848	1,162
A company associated with a substantial shareholder of the Company	—	114
Property management funds which are managed by subsidiaries of HKR International	—	579
	<u>1,848</u>	<u>1,855</u>

13. CREDITORS AND ACCRUED CHARGES

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

	30.9.2002 <i>HK\$'000</i>	31.3.2002 <i>HK\$'000</i>
Within 60 days	37,407	42,277
61 — 90 days	223	748
Over 90 days	1,555	1,259
	<u>39,185</u>	<u>44,284</u>
Creditors	39,185	44,284
Retention payable	51,396	48,600
Accrued costs and charges	61,768	59,989
Temporary receipts	3,986	4,151
Deposits received	247	24
	<u>156,582</u>	<u>157,048</u>



13. CREDITORS AND ACCRUED CHARGES *(continued)*

Included in the above creditors are amounts due to related parties of a trading nature as follows:

	30.9.2002 HK\$'000	31.3.2002 HK\$'000
Subsidiaries of HKR International	<u>665</u>	<u>601</u>

14. CONTINGENT LIABILITIES

At 30 September 2002, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entity amounting to approximately HK\$4,428,000 (at 31 March 2002: nil).

15. CAPITAL COMMITMENTS

At 30 September 2002, the Group had commitments for capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements amounting to approximately HK\$797,000 (at 31 March 2002: HK\$863,000).

16. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following transactions with related parties:

		1.4.2002 to 30.9.2002 HK\$'000	1.4.2001 to 30.9.2001 HK\$'000
Construction income from subsidiaries of HKR International	(a)	455,571	257,020
Interior and renovation income from subsidiaries of HKR International and its associates	(b)	1,317	2,677
Interior and renovation income from property management funds which are managed by subsidiaries of HKR International	(b)	889	1,151
Interior and renovation income from a company associated with a substantial shareholder of the Company	(b)	724	697
Rental expenses paid to companies associated with certain directors of the Company or a substantial shareholder of the Company	(c)	352	475
Purchase of building materials from an associate	(c)	119	11,361
Technical support fee from an associate	(d)	1	1,002
Rental expenses paid to a subsidiary of HKR International	(c)	—	180
Administration fee from a property management fund which is managed by a subsidiary of HKR International	(e)	—	106
Company secretarial service fee paid to a subsidiary of HKR International	(e)	—	90
		—————	—————



16. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

- (a) The pricing of the transactions was determined after competitive tendering process, designed and administrated by independent consultants, with other independent contractors.
- (b) The pricing of the transactions was determined in accordance with the terms of relevant agreements.
- (c) The pricing of the transactions was determined with reference to market prices.
- (d) The pricing of the transactions was determined after negotiation with the management of the associate.
- (e) The charges were calculated based on cost reimbursement basis.

INDEPENDENT REVIEW REPORT

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**Deloitte
Touche
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INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HANISON CONSTRUCTION HOLDINGS LIMITED *(incorporated in the Cayman Islands with limited liability)*

INTRODUCTION

We have been instructed by the directors of the Company to review the interim financial report set out on pages 12 to 26.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" ("SAS 700") issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.



REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2002.

Without modifying on review conclusion, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 September 2001 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu

Hong Kong, 28 November 2002