



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

1. BASIS OF PREPARATION

The condensed financial statements 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 financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments 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 2003 except as described below.

In the current period, the Group has adopted SSAP No. 12 (Revised) "Income taxes", for the first time, issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the condensed financial statements, but has had no significant impact on the results of the current or prior periods. Accordingly, no prior period adjustment has been required.



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3. TURNOVER AND SEGMENT INFORMATION

Business segments

(a)

	Construction HK\$'000	Interior and renovation HK\$'000	Building materials HK\$'000	Health products HK\$'000	Property investment HK\$'000	Property agency and management HK\$'000	Property development HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<i>For the six months ended 30 September 2003</i>									
TURNOVER									
External sales	246,840	69,392	22,949	16,115	2,226	708	—	—	358,230
Inter-segment sales	—	65,468	4,858	827	—	1,542	—	(72,695)	—
Total	<u>246,840</u>	<u>134,860</u>	<u>27,807</u>	<u>16,942</u>	<u>2,226</u>	<u>2,250</u>	<u>—</u>	<u>(72,695)</u>	<u>358,230</u>

Inter-segment sales are charged at prevailing market rates.

RESULTS									
Segment	<u>9,903</u>	<u>2,114</u>	<u>112</u>	<u>(1,199)</u>	<u>2,047</u>	<u>601</u>	<u>(12)</u>		13,566
Other income									1,891
Unallocated corporate expenses									(772)
Profit from operations									14,685
Finance costs									(76)
Share of results of associates	—	—	287	—	—	—	(20)		267
Share of result of a jointly controlled entity	(25)	—	—	—	—	—	—		(25)
Profit before taxation									14,851
Taxation									(2,670)
Net profit for the period									<u>12,181</u>

Hanison Construction Holdings Limited



	Construction	Interior and renovation	Building materials	Property investment	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>For the six months ended</i>						
<i>30 September 2002</i>						

TURNOVER

External sales	513,704	22,893	32,798	66	—	569,461
Inter-segment sales	—	22,939	31,107	—	(54,046)	—
Total	<u>513,704</u>	<u>45,832</u>	<u>63,905</u>	<u>66</u>	<u>(54,046)</u>	<u>569,461</u>

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment	<u>14,251</u>	<u>763</u>	<u>247</u>	<u>(304)</u>	<u>36</u>	14,993
Other income						4,323
Other expenses						(52)
Unallocated corporate expenses						<u>(1,224)</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>

- (b) Following the additions of new segments during the period, comparative figures for business segments have been restated to conform with the current period presentation. Accordingly, certain items for 2002 have also been restated.



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Geographical segments

All of the Group's operations during the six months ended 30 September 2003 and 2002 were carried out in Hong Kong.

4. PROFIT FROM OPERATIONS

	1.4.2003 to 30.9.2003 HK\$'000	1.4.2002 to 30.9.2002 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	15	—
Depreciation	1,477	1,282
and after crediting:		
Gain on disposal of investments in securities	293	—
Expenses capitalised in cost of contract work:		
Depreciation	1,145	1,330



5. TAXATION

	1.4.2003 to 30.9.2003 HK\$'000	1.4.2002 to 30.9.2002 HK\$'000
Hong Kong Profits Tax attributable to the Company and its subsidiaries	2,620	2,621
Share of Hong Kong Profits Tax attributable to associates	50	—
	<u>2,670</u>	<u>2,621</u>

Hong Kong Profits Tax is calculated at 17.5% (for the six months ended 30 September 2002: 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 2003 (for the six months ended 30 September 2002: HK1 cent per share), which amounted to approximately HK\$2,837,000 (for the six months ended 30 September 2002: HK\$2,837,000).

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\$12,181,000 (for the six months ended 30 September 2002: HK\$15,333,000) and on the weighted average number of 283,671,086 shares (for the six months ended 30 September 2002: 283,671,086 shares).

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



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8. INVESTMENT PROPERTIES

During the six months ended 30 September 2003, the Group acquired investment properties at a total cost of approximately HK\$38,049,000 (for the six months ended 30 September 2002: HK\$15,541,000).

At 30 September 2003, the directors have considered the carrying amount of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. INTERESTS IN ASSOCIATES

	30.9.2003 HK\$'000	31.3.2003 HK\$'000
Share of net assets	<u>11,136</u>	<u>10,919</u>

10. GOODWILL

The goodwill arose from the acquisition of health products business during the period and is stated at cost less accumulated amortisation. The goodwill is amortised over twenty years.



II. RETENTION MONEY RECEIVABLE

	30.9.2003 HK\$'000	31.3.2003 HK\$'000
Retention money receivable from:		
Subsidiaries of HKR International Limited ("HKRI")	68,059	71,037
A company associated with a substantial shareholder of the Company	6,000	4,525
Third parties	25,982	39,822
	100,041	115,384
Less: Amount receivable within one year included in current assets	(72,735)	(60,525)
Amount receivable after one year	27,306	54,859

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



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12. 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 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.

	30.9.2003 <i>HK\$'000</i>	31.3.2003 <i>HK\$'000</i>
Progress payments receivable from:		
Subsidiaries of HKRI	19,527	10,267
Third parties	43,780	19,294
	<u>63,307</u>	<u>29,561</u>

The aged analysis of progress payments receivable is as follows:

	30.9.2003 <i>HK\$'000</i>	31.3.2003 <i>HK\$'000</i>
Within 30 days	43,147	28,468
31 - 60 days	1,879	—
61 - 90 days	8	—
Over 90 days	18,273	1,093
	<u>63,307</u>	<u>29,561</u>



13. DEBTORS, DEPOSITS AND PREPAYMENTS

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

	30.9.2003 HK\$'000	31.3.2003 <i>HK\$'000</i>
Within 60 days	27,712	13,287
61 - 90 days	1,446	750
Over 90 days	23,704	1,775
	<hr/>	<hr/>
Total trade debtors	52,862	15,812
Other receivables	2,934	5,151
Deposits	3,822	8,143
Prepayments	2,299	279
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	61,917	29,385
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Included in the above trade debtors are amounts due from related parties of a trading nature as follows:

	30.9.2003 HK\$'000	31.3.2003 <i>HK\$'000</i>
Subsidiaries of HKRI	1,125	1,518
A company associated with a substantial shareholder of the Company	33,445	3,330
Property management funds which are managed by subsidiaries of HKRI	41	94
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	34,611	4,942
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14. INVESTMENTS IN SECURITIES

During the period, the Group realised all its unlisted debt securities of approximately HK\$40,423,000.



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15. CREDITORS AND ACCRUED CHARGES

	30.9.2003 HK\$'000	31.3.2003 HK\$'000
Within 60 days	35,198	41,530
61 - 90 days	2,078	—
Over 90 days	966	862
	<hr/>	<hr/>
Creditors	38,242	42,392
Retention payable	51,843	51,252
Accrued costs and charges	64,766	60,790
Other creditors	5,665	4,550
Deposits received	2,138	949
	<hr/>	<hr/>
	162,654	159,933

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

	30.9.2003 HK\$'000	31.3.2003 HK\$'000
Subsidiaries of HKRI	24	87

16. BANK LOAN-SECURED

During the period, the Group obtained a bank loan of the amount of HK\$17,500,000 as general working capital. The loan bears interest at market rates and is repayable after five years from the date of drawdown of the loan.



17. CONTINGENT LIABILITIES

- (1) At 30 September 2003, 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 2003: HK\$4,428,000).
- (2) During the period, legal actions in respect of the allegations for copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health products business. As the relevant actions are in the preliminary stage, the Directors are of the opinion that it is impractical to assess their impacts to the Group.

18. CAPITAL COMMITMENTS

	30.9.2003 HK\$'000	31.3.2003 HK\$'000
Commitments for the acquisition of property, plant and equipment		
— contracted for but not provided in financial statements	<u>—</u>	<u>10,335</u>
Commitments for the acquisition of investment properties		
— contracted for but not provided in financial statements	<u>—</u>	<u>22,400</u>



19. OPERATING LEASE COMMITMENTS

As lessee

The Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	30.9.2003 <i>HK\$'000</i>	31.3.2003 <i>HK\$'000</i>
Within one year	4,385	1,406
In the second to fifth year inclusive	4,914	1,775
	<u>9,299</u>	<u>3,181</u>

Operating lease payments represent rental payable by the Group for its office properties, warehouses and shops. Leases are negotiable for an average term of three years.

As lessor

The Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	30.9.2003 <i>HK\$'000</i>	31.3.2003 <i>HK\$'000</i>
Within one year	4,725	2,231
In the second to fifth year inclusive	7,146	8,349
Over five years	—	288
	<u>11,871</u>	<u>10,868</u>

Leases are negotiable for an average term of five years.



20. RELATED PARTY TRANSACTIONS

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

		1.4.2003 to 30.9.2003 <i>HK\$'000</i>	1.4.2002 to 30.9.2002 <i>HK\$'000</i>
	<i>Notes</i>		
Construction income from subsidiaries of HKRI	(a)	60,327	455,571
Interior and renovation income from subsidiaries of HKRI and its associates	(b)	328	1,317
Interior and renovation income from property management funds which are managed by subsidiaries of HKRI	(b)	115	889
Interior and renovation income from a company associated with a substantial shareholder of the Company	(b)	38,243	724
Property agency and manager's fee income received from a company associated with a substantial shareholder of the Company	(b)	561	—
Rental expenses paid to companies associated with certain directors of the Company or a substantial shareholder of the Company	(c)	—	352
Rental income from a company associated with a director of the Company	(b)	184	—
Purchase of building materials from an associate	(c)	—	119
Technical support fee from an associate	(d)	—	1
		<u> </u>	<u> </u>



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Notes:

- (a) The pricing of the transactions was determined after a 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 the 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.