

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 2004 amounted to HK\$25.4 million, compared with HK\$12.2 million for the same period last year. The earnings per share were HK9.0 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 2004 (for the six months ended 30 September 2003: HK1 cent per share) to shareholders whose names appear on the Registers of Members of the Company as of the close of business on 31 December 2004 (“Record Date”). The dividend is expected to be paid to shareholders on or around 10 January 2005.

PROPOSED BONUS ISSUE OF SHARES

The Board has resolved to recommend a bonus issue (“Bonus Issue”) of shares of HK\$0.1 each in the capital of the Company (“Bonus Shares”) on the basis of one Bonus Share for every four existing shares held by the shareholders of the Company whose names appear on the Registers of Members as at the close of business on the Record Date. The Bonus Shares will be fully paid at par and will rank pari passu with the existing issued ordinary shares of the Company in all respects from the date of issue, except that they will not rank for the interim dividend declared by the Board on 1 December 2004 and the Bonus Issue. The Bonus Issue is conditional upon shareholders’ approval at an extraordinary general meeting to be convened and the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting listing of, and permission to deal in, the Bonus Shares. Details of the Bonus Issue are set out in a circular to the shareholders of the Company.



OPERATIONS REVIEW

Benefiting from the gradual recovery of the local economy and property market, the Group sustained a satisfactory operating result during the period, with a consolidated turnover of HK\$362.5 million (for the six months ended 30 September 2003: HK\$358.2 million) and consolidated net profits after tax of HK\$25.4 million (for the six months ended 30 September 2003: HK\$12.2 million), attributing mainly to the partial sales of its first property development project “Golf Parkview” launched in August 2004.

Construction Division

The Construction Division has recognized an external turnover of HK\$170.2 million (total turnover was HK\$185.5 million) during the period under review, a decrease of 31.0% compared with the corresponding period last year (for the six months ended 30 September 2003: HK\$246.8 million). In view that some large construction projects have been completed in the last financial period and several new construction project works have just been commenced, this Division has recognized a relatively lower turnover during the period under review.

Major projects completed during the period included the residential development of the Group’s property at Kwu Tung — “Golf Parkview”, the construction of a school for moderately mentally handicapped children in Yuen Long for the Architectural Services Department, the demolition works at 33 Cameron Road, and the toilet improvement works Phase VII for the Airport Authority.

Existing projects include construction of student residences at Flora Ho Sports Centre for the University of Hong Kong, Shek Yam Estate Phase 5 development for the Hong Kong Housing Authority, construction of community colleges at the junction of Shantung Street and Hak Po Street for the Tung Wah Group of Hospitals, school improvement works for S.K.H. Wei Lun Primary School in Discovery Bay, and townhouse development at Tung Chung undertaken by a joint venture with Hip Hing Construction Company Limited.

During the period, a new contract for Discovery Bay North residential development Phase 13 and a new contract from the Airport Authority for toilet improvement works Phase VI were awarded. As at 30 September 2004, the outstanding values of contracts on hand amounted to HK\$842.2 million.

Building Materials Division

The Building Materials Division has recorded an external turnover of HK\$52.5 million (total turnover was HK\$55.3 million), representing a 128.7% increase over the corresponding period last year of HK\$22.9 million.

New contracts awarded during the period included the supply and/or installation of: Polyboard for Pacifica; Polyboard, timber flooring and kitchen cabinet for Caribbean Coast; kitchen cabinet for residential development at Shek Kong; false ceiling for Disney Resort Coach and Carpark; and the student residence at Flora Ho Sports Centre of the University of Hong Kong.

Other new project contracts awarded included the supply of pipes for Aberdeen Tunnel, Hong Kong International Airport Passenger Terminal renovation project, CLP Power Substation at Discovery Bay, residential project at Lok Kwai Path, Discovery Bay North residential development Phase 13, Shatin Industrial Centre and various MTR Station renovation projects.

The outstanding values of contracts on hand as at 30 September 2004 amounted to approximately HK\$117.4 million.

Interior and Renovation Division

The Interior and Renovation Division has recorded an external turnover of HK\$34.0 million (total turnover was HK\$42.3 million), representing a 51.0% decrease when compared with that of the corresponding period last year.

Major contract works undertaken during the period included the external wall renovation works for Ventris Place in Happy Valley, external renovation works for Mei Foo Sun Chuen, a fitting out contract from Cheung Kong Group for hotel development at Hung Hom Bay and a term contract from the Hong Kong Housing Authority for maintenance and renovation works of shopping arcades and carparks.

During the period, this division was awarded various alteration and renovation contracts from the City University of Hong Kong, Giordano Limited and the Hong Kong Jockey Club. The outstanding value of contracts on hand as at 30 September 2004 amounted to approximately HK\$210.5 million.



Subsequent to the period end, this Division was awarded a HK\$70.1 million new contract for external renovation of Estoril Court at Garden Road and a HK\$13.6 million new contract for addition and alteration works for Stelux House in San Po Kong.

Health Products Division

The results for the Health Products Division have improved during the period. Care & Health Limited continues to enrich its product line and has introduced a new health product, namely “Premium Grade Wild Cordyceps Liquid” during the period. Other health products currently selling in the market include the “Lingzhi Master series”, “Chinese Medical Formula”, “Dia-Care” and “Bowelcare”. The health products wholesale business and the health products retailing chain store business operating under the trade name of “Health Plus” have made promising progress during the period. Currently, there are 16 Health Plus shops in different locations in Hong Kong, selling health care equipment, health supplements and beauty care products.

Property Investment Division

The Property Investment Division recorded a steady rise in rental income, generated from the Group’s investment properties at Shatin Industrial Centre in Shatin, Health Plus Centre (formerly known as Winner Building) in Tai Wai, Nos. 23-25 Mei Wan Street in Tsuen Wan, No. 95 Bedford Road in Tai Kok Tsui, No. 4 College Road and No. 21 Sau Chuk Yuen Road in Kowloon Tong, and a piece of land at Ping Che.

For the period under review, this division has received a total rental income amounting to HK\$4.8 million which was 116.5% over last year’s figure. As at 30 September 2004, the overall occupancy rate for the Group’s investment buildings was approximately 66.8%.

Property Development Division

Golf Parkview, the Group’s first property development project, has been offered for sale since August 2004. Golf Parkview is located in Kwu Tung with convenient access to Sheung Shui KCR station and Lok Ma Chau Control Point. It comprises 6 low-rise residential blocks with a total of 48 luxury flats. All units have balconies, most of which are featured with a distinctive golf course view.

With improved local property market sentiment, 16 flats were sold at an average price of \$3,287 per sq ft, producing a turnover of HK\$72.9 million for the period. The management expects that this project will continue to bring promising returns to the Group in the coming period.

Property Agency and Management Division

This division continued to generate a stable revenue stream for the Group during the period, through provision of project and property management, rental collection and leasing agency services.

OUTLOOK

The continuing recovery in the economy and encouraging rebound in the property market since the third quarter of 2003 has given impetus to growth in business investment and expansion in private consumption in Hong Kong. Sentiment towards investment spending has improved since the second half of 2003, and with the strengthening of domestic demand due to the reduction in number of homeowners with “negative equity”, together with easement of the unemployment rate, it suggests that the deflationary situation in Hong Kong could almost be over.

Residential property prices, especially for properties at the luxury end of the market, have risen significantly since August 2003. The continuing low mortgage interest rate, the strengthening of the Hong Kong dollar, the HKSAR Government's policies towards maintaining a stable supply-and-demand market environment, the healthy recovery of both global and local economies, and the rebound of the property market from a very depressed level, has regained investors' and end-users' interests and confidence in Hong Kong properties.

During the period, the Group has achieved a satisfactory return from sales of the properties at Kwu Tung. However, the building construction business has not responded strongly to the above favourable factors. The number of construction projects on both the private and public sectors has reduced. The construction industry is highly competitive and the building construction business will remain difficult in the coming years.

Over the years, the Group has been pursuing business opportunities to diversify its businesses into property development, project management and health products retail and wholesales. Going forward, the Group will endeavor to expand its core operation, to develop its diversified businesses, and to seek other viable investment opportunities to enhance our shareholders' wealth.