



**SYNERGIS 新昌**  
total management solutions 整合管理

# SYNERGIS HOLDINGS LIMITED

新昌管理集團有限公司\*

(Incorporated in Bermuda with Limited Liability)  
(Stock Code: 2340)

## INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30TH SEPTEMBER 2004

The directors of Synergis Holdings Limited ("Synergis" or the "Company") announce the results of Synergis and its subsidiaries (together, the "Group") for the six months ended 30th September 2004. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September 2004, and the consolidated balance sheet as at 30th September 2004 of the Group, all of which are unaudited, along with explanatory notes, (all of which have been reviewed by the Audit Committee pursuant to the Listing Rules (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) and by the Company's auditors in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA")) are set out in this announcement.

### SUMMARY HIGHLIGHTS

#### Financial Results and Operations Review

	Six Months Ended 30th September (Unaudited)		% Change
	2004 HK\$'000	2003 HK\$'000	
Turnover	187,583	198,336	-5.4
Gross profit	38,838	43,283	-10.3
Operating profit	14,428	24,377	-40.8
Interim dividend	2.0 HK cents	2.0 HK cents	-

- Decreased in turnover and gross profit primarily attributable to expiration of two Property Service Contracts ("PSC Contracts") with the Hong Kong Housing Authority ("HKHA"), which was offset by the Group's ability in maintaining a high contract renewal rate, expanding portfolio and effective cost management.
- Increases in general and administrative expenses (and hence a decrease in net profit) resulted from listing related expenses, investments in technology and management infrastructure and absence of one-time investment related gains which occurred during the same period last year.

#### Prospects

- Hong Kong:
  - Changes in tender conditions for PSC Contracts resulted in lack of flexibility in cost management because a substantial portion of tender price is pre-determined by minimum wage and working hour requirements for non-skilled labour. The industry and Synergis have been proactively liaising with HKHA to determine if there are ways to develop tender requirements which are both protect the rights of the non-skilled workers while still encouraging industry participants to provide efficient property management services.
  - At the same time, the Group has been tapping other markets and was successful in securing projects in both the facility management and higher end residential markets.
  - While the Group will continue to be a leader in the government residential property market, management is optimistic that it can benefit from the long-term prospects provided by The LINK Real Estate Investment Trust and proposed amendments to the Building Management Ordinance.
- Mainland of China (the "Mainland"):
  - The Group established a strong foothold in Shanghai through its joint venture with Shui On Land Limited, managing over 528,000 square meters of commercial and residential facilities.
  - The Group's joint venture in Beijing has secured over 131,000 square meters of commercial and industrial space with quality tenants such as IBM and Lenovo.
  - The Board believes that Synergis' success in implementation of management systems, processes and operational excellence in Shanghai and Beijing provides a springboard for further business growth in the Mainland.

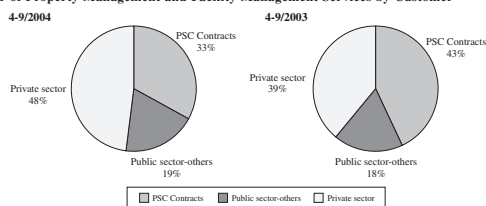
### MANAGEMENT DISCUSSION AND ANALYSIS

#### Overview of Results

For the six months ended 30th September 2004, Synergis achieved a turnover of HK\$187.6 million, a decrease of 5.4% over the same period in 2003 ("FY2003/04"). The decrease is primarily attributable to the expiration of two PSC Contracts, No. 52 and No. 55, which the HKHA temporary "withdrew" from the market in connection with the review by HKHA of its own internal resources and tender conditions, all of which were discussed in more detail in Synergis' Annual Report 2003/2004 under *Managing Director's Statement and Financial Review* (the "2003/04 Annual Report"). Consequently, no PSC Contract was awarded by HKHA during the period from 1st January 2004 to 30th September 2004.

On the other hand, the negative impact of these two PSC Contracts was offset by the growth in the Group's business through expansion of its existing portfolio in both residential and non-residential sites and its ability to maintain its existing customer base by achieving 100% renewal rate, despite the relatively mature market and a highly competitive environment. For the past six months, the number of sites under the Group's management in Hong Kong increased from 199 sites to 206 sites, or 3.5%, and the size of non-residential facilities portfolio increased 4.5% from 1.34 million square meters to 1.40 million square meters. The chart below reflects the changing nature of the Group's customer-mix, with a shift towards the private sector, where Synergis has consistently been able to achieve a high renewal rate by continuously delivering high quality and value added property and facility management services. Please also refer to "Business and Operations".

#### Analysis of Turnover of Property Management and Facility Management Services by Customer



Apart from Synergis' success in expanding its presence in Hong Kong, the Group has been building a strong foothold in Shanghai and Beijing. As of 30th September 2004, Synergis is managing, through its joint ventures, approximately 689,000 square meters of commercial and residential space.

Nevertheless, the expiration of the two PSC Contracts adversely affected the Group's gross profit though management was successful in maintaining gross profit margins as discussed in the Financial Review section below. Gross profit decreased 10.3% to HK\$38.8 million from HK\$43.3 million during the same period in FY2003/04.

As reported in the 2003/04 Annual Report, Synergis experienced a sizable increase in its general and administrative expenses as a result of its public listing and investments in its technology infrastructure and business expansion. This increase in expenses led to operating profit of HK\$14.4 million, a decrease of 40.8% and net profit of HK\$12.0 million, a decrease of 40.5% over the corresponding period of 2003. Earnings per share for the period under review amounted to 3.6 HK cents compared to 8.4 HK cents for the same period in FY2003/04.

While this may seem alarming to the Group's shareholders, it is important to note that approximately HK\$3.5 million in operating and net profits for the corresponding period in FY2003/04 was attributable to income otherwise not directly associated with the Group's property and facility management business – that is, investment related income and incidental items. Please refer to Financial Review for a more detailed profile analysis of the Group's business.

#### Business and Operations

##### Hong Kong

As mentioned above, while the expiration of the two PSC Contracts has had a negative impact on the Group's results for the six months ended 30th September 2004, the Group's management has consistently been able to demonstrate their commitment to Synergis' vision and mission and its leadership position by not only maintaining its high renewal rate but also expanding its portfolio. While PSC Contracts will still be an integral part of the Group's business, Synergis' ability to deliver comprehensive, efficient and cost effective property and facility management solutions to meet the needs of a variety of clients means that its market is not limited to government residential properties.

Leveraging on its management and technological infrastructure as well as the dedication of its 4,500 employees, Synergis successfully won a number of contracts in both property and facility management – the HKHA Headquarters (Blocks 3 and 4), the Hong Kong Heritage Museum, the Hong Kong Jockey Club and the Society of the Prevention of Cruelty to Animals. The Group also expanded its management portfolio in the private residential market by winning a number of management contracts of luxurious properties in Hong Kong, including The Paragon (悠然山莊), Billows Villa (浪濤苑), Greenville Garden (綠怡花園) and Greenville Residence (逸翠軒).

##### Mainland of China

After 18 months of operations in the Mainland, the Group has determined that its resources would be most effectively and efficiently used by focusing on its operations and business development effort in Shanghai and Beijing. For Shanghai, we are successfully managing four projects and the Taipingqiao Lake (太平橋公園及人工湖) developed by Shui On Land Limited with an aggregate floor area of approximately 528,000 square meters – namely, Corporate Avenue (企業天地), Shui On Plaza (瑞安廣場), Lakeview (翠湖天地) and Rui Hong Xin Cheng (瑞虹新城). We are particularly pleased to report that during the intake of Corporate Avenue (企業天地) and Rui Hong Xin Cheng (瑞虹新城) in Shanghai, Synergis Shui On Property Management (Shanghai) Company Limited received a large number of communications from both corporate and residential customers commending the efforts and professionalism of our staff. This is solid evidence of our success in "exporting" Synergis

quality management systems and corporate culture to operations in the Mainland. With a solid foundation and strong team in place, Synergis started providing pre-management services to Chuangzhi Tiandi (創智天地) in Yangpu (楊浦) District, Shanghai, another Shui On flagship project. With a gross floor area of approximately 1,000,000 square meters (scheduled for completion in phases commencing in May 2005), Chuangzhi Tiandi (創智天地) is a multi-function community where people live, work, study and relax. Its emphasis is on education, technology, culture, research and business incubation.

The Group's joint venture in Zhongguancun (中關村), Beijing is focusing more on providing property and facility management services for non-residential clients. Currently, we have successfully secured four projects with an aggregate floor area of approximately 131,000 square meters. Tenants in those buildings include IBM and Lenovo.

#### Focus on Quality and People

For the past 26 years, Synergis has led the property and facility management industry by setting many benchmarks. Its leadership position has been reinforced and rewarded not only through its business growth but also by independent organisations within and outside the industry such as the Hong Kong Management Association, the Far East Economic Review, the Asian Wall Street Journal, South China Morning Post Publishers Limited, Hewitt Associates and the Hong Kong Institute of Facility Management. We are pleased to report that this trend is continuing.

In May 2004, the Group was awarded the Q-Mark Certificate by the Hong Kong Q-Mark Council of the Federation of Hong Kong Industries. In June 2004, Synergis also won The Top Service Award 2004 (Property Management Section) organised by Next Media. In July 2004, Synergis received its external validation of its rebranding exercise by being selected as a Superbrand by the Superbrands Council.

At the heart of the success of Synergis are our people. As the Best Employer, Synergis continuously invests in recruiting, developing and retaining the right people. We are honoured to have employees who are passionate about their work and commit to the Group's long term success. The Group's investment in its people is reflected in the most recent employee satisfaction survey, where Synergis achieved an overall satisfaction rate of 89.4%.

The board of directors would like to express our heartfelt appreciation to all our customers, suppliers, bankers, business associates and shareholders for their continuous support. The board would also like to thank Synergis' management and staff for their dedication and hard work.

#### Outlook

##### Areas of Concern

While Hong Kong showed a sign of economic recovery in the past six months, there is still overriding pressure on organisations in both public and private sectors to control costs and to focus resources on core businesses. Synergis anticipates continuous demand from our customers, particularly HKHA, with regards to both pricing and service standard expectations – all of which will continue to exert pressure on margins.

As mentioned earlier and in the 2003/04 Annual Report, the public residential market has been adversely affected by actions taken by HKHA with regards to its PSC Contracts. In response to the public outcry over questionable practices employed by some unscrupulous contractors with regard to non-skilled labour, HKHA revised its tender conditions for new PSC Contracts imposing strict minimum wage and working hour requirements. As a result, a significant portion of the contract price is pre-determined by minimum wage and working hour requirements (i.e. costs are basically the same for all tenderers). While Synergis applauds the government's efforts to protect the rights of non-skilled staff, we believe that the revised tender format inadvertently disadvantages those companies which have invested in management systems by reducing the ability of such companies to achieve cost savings through efficient and effective process management and training.

Although no PSC Contract was awarded in the first six months of fiscal 2004/2005, the recent award of two batches of PSC Contracts demonstrates how the revised tender format may cause service providers to focus more on price than process innovation or service improvements. Based on information published by HKHA, these contracts were awarded to contractors with an average discount of 28% against the listed tender price. We believe that this aggressive pricing approach taken by some of our competitors is unsustainable without resulting in a compromise in ultimate quality of service. The Hong Kong Association of Property Management Companies Limited has already held discussions with HKHA to urge them to review its scoring system for assessment for new PSC tenders. At the same time, Synergis has embarked on process re-engineering measures to ensure our continuing competitiveness in this dynamic market.

##### Areas for Growth

HKHA established The Link Management Limited, a real estate investment trust ("LINK"), in connection with its investment programme for its retail and car park facilities. LINK will focus on creating a favourable business environment for its commercial tenants by enhancing operational efficiency and effective cost control. We believe that in order to achieve its business and investment objectives, LINK will need to source and partner with strong and reputable business associates. While our current market share of the portfolio of LINK's commercial and car park facilities is relatively small, Synergis stands ready to capture this opportunity with our leadership position in people management and service delivery as well as our established technology infrastructure.

Despite the recent change in tender format for PSC Contracts, we believe that HKHA will continue to take the lead in outsourcing by the Hong Kong government not only in the number of housing developments awarded but also in its evaluation criteria. As a key service provider to HKHA and so long as we continue to improve on our own service delivery, Synergis believes that it can continue to maintain its leading role in this sector.

As already mentioned in the 2003/04 Annual Report, the Hong Kong government's proposal to amend the Building Management Ordinance to facilitate private building owners in the management and maintenance of its properties will benefit high quality independent property management companies. The proposed amendment is in progress.

##### Strategy for Developing Business in the Mainland

With the business development opportunities provided under the Mainland and Hong Kong Closer Economic Partnership Arrangement, the Group is pleased to announce that Synergis has successfully secured the Certificate of Hong Kong Service Supplier. This certificate will give the Group an effective access to the Mainland market and much greater flexibility in capturing upcoming business opportunity through the establishment of wholly-owned business entities in the Mainland.

At the same time, robust economic growth and improving standards in both the home and work environment will foster demand for high-quality, professional property and facility management services, particularly from multi-national corporations, Hong Kong based developers and large local conglomerates. Synergis' solid foundation in Shanghai and Beijing is evidence of the Group's ability to transfer its management systems and, equally important, its corporate culture and core values to its operations on the Mainland. The proper implementation of this strategy will lead to operational excellence and, consequently, customer loyalty and business growth. Furthermore, the Group's investment in a well-tested, state-of-the-art information technology infrastructure – a system which is continuously improved and customised to suit local operating and customer needs – will enable Synergis to provide "meaningful results" to its Mainland clients. The Group stands poised to take on opportunities arising from the 2008 Olympic Games and Shanghai World Expo 2010.

#### FINANCIAL REVIEW

##### Analysis of Turnover, Gross Profit and Gross Margins

As highlighted above, the Group was operating under a tough business environment during the reporting period. The Group's unaudited consolidated turnover and gross profit for the six months ended 30th September 2004 decreased by 5.4% and 10.3% to HK\$187.6 million (FY2003/04: HK\$198.3 million) and HK\$38.8 million (FY2003/04: HK\$43.3 million) respectively.

The decrease in turnover was primarily due to the expiration of two PSC Contracts No. 52 and No.55 in November 2003 and January 2004 respectively. Contribution from these two PSC Contracts to turnover amounted to HK\$27.4 million during the corresponding period in FY2003/04. However, the adverse effect on turnover from these two PSC contracts was offset by the increased contribution from lump sum ("LS") contracts of HK\$13.0 million and additional revenue generated from the existing PSC Contract Batch 7 of HK\$7.4 million after one year's operation.

As a result of the decline in turnover due to the expiration of the two PSC Contracts, the Group recorded a drop in gross profit. On the other hand, the impact from these two PSC Contracts on gross profit and gross profit margins was partly countered by the additional of a number of LS contracts. As a result, the overall gross profit during the reporting period decreased by 10.3% as compared with the same period of last financial year. It is important to note, however, despite the difficult operating environment, overall gross profit margins for the reporting period (20.7%) was substantially the same as compared with the corresponding period in FY2003/04 (21.8%).

Other revenues decreased by 65.0% to HK\$1.2 million from HK\$3.5 million primarily because of a decrease in investment income and revenue for the six months ended 30th September 2003 included a one-time unrealised gain on security investment.

##### Supporting Services to Property and Facility Management

Revenue generated from supporting services to the Group (before inter-segment elimination) for the period under review was slightly decreased by HK\$1.7 million (5.6%) to HK\$28.8 million from HK\$30.5 million in the same period in FY2003/04. Except for security services, which was adversely affected by the expiration of the two PSC Contracts, all other supporting services reported steady growth during the reporting period. Operating profit contributed by the supporting services for the period under review was HK\$3.0 million, slightly reduced by HK\$0.6 million, while margins remained relatively stable.

##### Analysis of General and Administrative Expenses and Net Profits

General and administrative expenses for the reporting period increased by 13.8% to HK\$25.6 million (2003: HK\$22.5 million). However, if the reversal of one-off provision for retirement fund benefit costs of HK\$5.2 million and the one-time expenses of HK\$4.4 million to develop and launch the Group's new brand recorded in the first half of FY2003/04 were excluded, general and administrative expenses increased by 8.5% to HK\$25.6 million for the period as compared to HK\$23.6 million in the corresponding period in FY2003/04. As mentioned above and discussed in the 2003/04 Annual Report, this increase is primarily associated with the listing of Synergis, investment in infrastructure and recruiting and developing people with the right skill set. Over HK\$1.2 million of additional expenses were incurred in connection with the listing, including annual listing fees, results announcements and legal expenses.

As a result, earnings before interest, taxes, depreciation and amortisation ("EBITDA") declined by HK\$9.0 million to HK\$16.4 million during the period (2003: HK\$ 25.4 million). Net profit attributable to shareholders declined by HK\$12.0 million for the period ended 30th September 2004. Earning per share was decreased to 3.6 HK cents for this period against 8.4 HK cents for the same period in FY2003/04.

**Cash Flow**

Cash generated from operating activities during the period amounted to HK\$6.9 million, which is similar to the same period in FY2003/04 even though operating profit decreased substantially. This improvement in cash generation is primarily a result of the continuous efforts of management to work closely with HKHA on the account receivables related to PSC Contracts.

Free cash flow per dollar of operating profit decreased from 24.6% in last year to 22.1% for the period, though this is an improvement over the 12-month period ended 31st March 2004, which was at 12.8%. The relatively low level of free cash flow generated from operations was primarily due to the long payment cycle associated with the PSC Contract Batch 7. The long payment cycle is attributable to the extensive and exhaustive verification process and standards used by HKHA to determine adequacy of documentation prior to acceptance of invoice and a 51-day payment cycle. Please see discussion under "Trade Receivables" below.

Cash flow from investing activities during the period under review reported a net outflow of HK\$2.3 million. HK\$3.8 million was used to fund the implementation of PeopleSoft® Financial Module and the development of call center with a customised computerised maintenance management system.

The net cash outflow from financing activities during the period included the repayment of HK\$20 million of bank loans and the payment of final dividend for FY2003/04.

**Trade Receivables**

Trade receivables as at 30th September 2004 increased by 22.5% to HK\$63.1 million (31st March 2004: HK\$51.5 million) of which HK\$46.6 million of trade receivables was due from PSC Contract Batch 7 (31st March 2004: HK\$31.1 million). As noted in the 2003/04 Annual Report – Financial Review, it was anticipated that the average turnover days of receivables would be increased in this fiscal year. As at 30th September 2004, the average turnover day of trade receivables had been increased to 55.7 days against the 36.2 days as of 31st March 2004. The deterioration of outstanding receivables also reflected in the age of trade receivables with aging over 90 days being increased to HK\$22.2 million, representing 35.2% of the total trade receivables (31st March 2004: 18.9%).

Management has taken steps to speed up the payment process with HKHA by:

- working closely with HKHA to better understand their verification process and required documentation (to the extent not already specified in the PSC Contracts);
- after understanding the requirements of HKHA, using process re-engineering to shorten the internal processing time and improve the accuracy and comprehensiveness of data submitted for verification; and
- meeting with executive management of HKHA to express our concerns on the burdens imposed on the process and explaining what Synergis has done in an attempt to address the verification needs of HKHA.

The executive management at HKHA is sympathetic to our concerns which are similar to others in the industry. We are confident that, with a concerted effort, the outstanding receivables situation should improve. Up to the date of this announcement, over 55% of the outstanding receivables for PSC Contracts had been settled and approximately 84% of the trade receivables with aging over 90 days have been received.

**Bank Borrowings and Available Banking Facilities**

The outstanding bank loan of HK\$20.0 million as at 31st March 2004 had been fully repaid on time. As at 30th September 2004, the Group had no gearing and maintained a strong balance sheet.

In order to serve the needs of the Group's business operations and provide flexibility for the Group to capitalise on potential business, the Group maintains banking facilities with bankers in aggregate of HK\$100.0 million (31st March 2004: HK\$100.0 million) in form of revolving loan, overdraft and bank guarantees.

**Financial Management and Treasury Policy**

Most of the Group's assets and liabilities are denominated in Hong Kong dollars or in US dollars. There is no significant exposure to foreign exchange fluctuation. It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In view of the strong bank balances with no gearing, the Group's exposure to financial risk in terms of interest rate fluctuation is minimal. An investment policy has been established for monitoring the investments of the Group's uncommitted funds with the objective of achieving the highest practicable return on the investments consistent with maintaining adequate liquidity and preservation of capital. The directors will closely monitor the financial risks associated with the Group's assets, liabilities, rights or obligations.

**Reward for Employees**

As of 30th September 2004, the Group employed over 4,500 employees in Hong Kong and the Mainland. The Group's compensation philosophy is to provide a competitive remuneration package commensurate with individuals' job duties, qualifications and experience, benchmarked against market practice and, for management staff, discretionary performance bonuses designed to reward employees according to their contribution of Synergis in a number of different areas – financial, process, customer service and people development. In addition, other benefits include MPF contributions or ORSO contributions (depending on year of commencement of service), medical schemes, educational subsidies and share options. The Group has implemented incentive bonus scheme for its management staff with initiatives to align the management's performance with the profitability of the Group. The management bonus is calculated by a pre-approved formula being tied to the Group's profit.

**Share Options**

Pursuant to the resolution passed by all shareholders of the Company on 19th September 2003, a share option scheme (the "Scheme") was approved and adopted for the purpose of motivating the Group's employees and recognising their contribution by granting them options to acquire shares in the Company. A summary of the principal terms of the Scheme was disclosed in the 2003/04 Annual Report. Up to the date of this announcement, there was no share option granted pursuant to the Scheme.

**Interim Dividend**

The board of directors has resolved to declare an interim dividend of 2.0 HK cents (2003: 2.0 HK cents) per ordinary share for the period which will be payable to shareholders whose names appear on the register of members of the Company on 17th December 2004. The board believes that, despite the tough operating environment, Synergis' leadership position in the industry, its ability to continue to grow its business in Hong Kong and the Mainland as well as the dedication and commitment of its people will enable it to continue to develop a strong cash position and reward its shareholders.

The interim dividend will be paid on 29th December 2004.

**Closure of Register of Members**

The register of members of the Company will be closed from (Friday) 17th December 2004 to (Tuesday) 21st December 2004, both days inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overlaid or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on (Thursday) 16th December 2004.

**Purchase, Sale or Redemption of Listed Shares of the Company**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th September 2004.

**Compliance with the Code of Best Practice**

None of the directors is aware of any information that would reasonably indicate that the Group is not, or during the six months ended 30th September 2004 was not, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange, save that the non-executive directors, with the exception of Mr. Pau Wah Kin, have not been appointed for a specific term. Save for Professor Woo Chia Wei who is the Chairman of the Company, all the non-executive directors are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's bye-law 87.

**Audit Committee**

The Audit Committee, comprising of Mr. Shih Wing Ching, Professor Woo Chia Wei, Mr. Tsang Cheung and Mr. Pau Wah Kin, all are independent non-executive directors, and Mr. Lai Ming Joseph, a non-executive director, has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated accounts for the six months ended 30th September 2004, with other members of the board.

**Publication of Interim Report on the Stock Exchange's website**

The interim report of the Company for the six months ended 30th September 2004 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

	Note	Unaudited Six months ended 30th September		% Change
		2004 HK\$'000	2003 HK\$'000	
Turnover	2	187,583	198,336	-5.4
Cost of sales		(148,745)	(155,053)	-4.1
Gross profit		38,838	43,283	-10.3
Other revenues		1,209	3,456	-65.0
General and administrative expenses		(25,567)	(22,463)	13.8
Transfer (to)/from deferred income		(52)	101	N/A
Operating profit	4	14,428	24,377	-40.8
Finance costs		(13)	(450)	-97.1
Share of profit/(loss) of jointly controlled entities		73	(387)	N/A
Profit before taxation		14,488	23,540	-38.5
Taxation	5	(2,670)	(3,521)	-24.2
Profit after taxation		11,818	20,019	-41.0
Minority interests		165	112	47.3
Profit attributable to shareholders		11,983	20,131	-40.5
Dividend	6	6,640	6,640	-
Basic earnings per share	7	3.6 cents	8.4 cents	-57.1

**CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 30TH SEPTEMBER 2004

	Note	Unaudited 30th September 2004 HK\$'000	Audited 31st March 2004 HK\$'000	% Change
Fixed assets	8	9,883	8,289	19.2
Jointly controlled entities		1,874	2,164	-13.4
Deferred tax assets		264	477	-44.7
Current assets		1,914	511	274.6
Contracting work-in-progress		72,046	62,799	14.7
Accounts and other receivables	9	5,528	4,902	12.8
Utility deposits and prepayments		8,203	9,123	-10.1
Other investments		513	719	-28.7
Amounts due from related companies		-	69	-100.0
Deferred income		-	69	-100.0
Taxation recoverable		91,737	117,087	-21.7
Bank balances and cash		179,941	195,210	-7.8
Current liabilities		37,730	36,321	3.9
Accounts payable and accruals	10	389	264	47.3
Amount due to an intermediate holding company		82	92	-10.9
Amounts due to related companies		83	31	167.7
Deferred income		-	20,000	-100.0
Current portion of long-term bank loans		2,883	727	296.6
Taxation payable		41,167	57,435	-28.3
Net current assets		138,774	137,775	0.7
Deferred tax liabilities		(713)	(481)	48.2
Net assets		150,082	148,224	1.3
Financed by:				
Share capital	11	33,200	33,200	-
Reserves	12	116,587	114,564	1.8
Shareholders' funds		149,787	147,764	1.4
Minority interests		295	460	-35.9
		150,082	148,224	1.3

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

	Note	Unaudited Six months ended 30th September 2004 HK\$'000	2003 HK\$'000	% Change
Total equity at beginning of the period		147,764	64,934	
Profit attributable to shareholders	12	11,983	20,131	
Dividend paid	12	(9,960)	-	
Share issuance costs		-	(2,199)	
Repurchase of shares of a subsidiary		-	(254)	
Total equity at the end of the period		149,787	82,612	

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

	Note	Unaudited Six months ended 30th September 2004 HK\$'000	2003 HK\$'000	% Change
Net cash inflow from operating activities		6,864	6,920	-0.8
Cash flow from investing activities				
Purchase of fixed assets		(3,763)	(926)	306.4
Proceeds from disposal of fixed assets		93	-	N/A
Proceeds from disposal of other investment		1,002	-	N/A
Interest received		51	384	-86.7
Shareholders' advance to a jointly controlled entity		363	-	N/A
Dividends received		-	140	-100.0
Net cash used in investing activities		(2,254)	(402)	460.7
Cash flow from financing activities				
Repayment of bank loan		(20,000)	-	N/A
Dividend paid		(9,960)	-	N/A
Repurchase of shares of a subsidiary		-	(254)	-100.0
Capital injection from minority shareholders		-	754	-100.0
Share issuance costs		-	(2,199)	-100.0
Net cash used in financing activities		(29,960)	(1,699)	1,663.4
(Decrease)/Increase in cash and cash equivalents		(25,350)	4,819	N/A
Cash and cash equivalents at 1st April		117,087	84,904	37.9
Cash and cash equivalents at 30th September		91,737	89,723	2.2
Analysis of balances of cash and cash equivalents:				
Bank balances and cash		91,737	89,723	2.2

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES**  
These unaudited consolidated condensed accounts are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and Appendix 16 of the Listing Rules.

These condensed accounts should be read in conjunction with the 2004 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2004.

2. **TURNOVER**  
The Group is principally engaged in the provision of property management and facility management services, security services, cleaning services, laundry services, repair and maintenance works and trading of related products. Revenues recognised during the period are as follows:

	Six months ended 30th September 2004 HK\$'000	2003 HK\$'000
Turnover		
Property management and facility management services	165,791	177,092
Security services	5,394	5,645
Cleaning services	4,430	4,642
Laundry services	1,082	1,077
Repair and maintenance works	8,552	8,037
Trading of related products	2,334	1,843
	187,583	198,336
Other revenues		
Copying services	251	284
Rental income	96	83
Dividend income from other investments	-	139
Interest income on bank deposits	96	352
Net unrealised gain on other investments	-	1,947
Gain on disposal of other investments	82	651
Miscellaneous income	684	-
	1,209	3,456
	188,792	201,792

**3. SEGMENT INFORMATION**

(a) **Primary reporting format – business segments**  
The Group is organised into two major business segments, being provision of property management and facility management services and provision of supporting services to property management and facility management.

	Six months ended 30th September 2004		Total
	Property management and facility management services HK\$'000	Supporting services to property management and facility management HK\$'000	HK\$'000
Segment revenue	165,791	28,826	194,617
Inter-segment transactions	-	(7,034)	(7,034)
Segment turnover of the Group	165,791	21,792	187,583
Segment results of the Group	12,489	2,969	15,458
Unallocated corporate expenses, net of income			(1,126)
Interest and dividend income			96
Operating profit			14,428
Finance costs			(13)
Share of profit of jointly controlled entities			73
Profit before taxation			14,488
Taxation			(2,670)
Minority interests			165
Profit attributable to shareholders			11,983
Unallocated costs primarily represent corporate expenses.			-

	Six months ended 30th September 2003		Total
	Property management and facility management services HK\$'000	Supporting services to property management and facility management HK\$'000	HK\$'000
Segment revenue	177,092	30,494	207,586
Inter-segment transactions	–	(9,250)	(9,250)
Segment turnover of the Group	177,092	21,244	198,336
Segment results of the Group	20,328	3,558	23,886
Interest and dividend income			491
Operating profit			24,377
Finance costs			(450)
Share of loss of a jointly controlled entity			(387)
Profit before taxation			23,540
Taxation			(3,521)
Minority interests			112
Profit attributable to shareholders			20,131

(b) Secondary reporting format – geographical segments

Over 90% of the activities of the Group during the period were carried out in Hong Kong. Accordingly, a geographical analysis is presented.

#### 4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000
<b>Crediting</b>		
Gain on disposal of other investments	82	–
Unrealised gain on other investments	–	1,947
Write back of provision for retirement benefit costs	–	5,228
Net exchange gain	–	59
<b>Charging</b>		
Staff costs, including directors' emoluments	132,335	114,639
Depreciation of owned fixed assets	1,946	1,373
Loss on disposal of fixed assets	130	–
Provision for doubtful debts	16	3
Operating lease rental on land and buildings	1,652	1,768
Net exchange loss	5	–
Costs of brand-building program	–	4,096

#### 5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. China profits tax has not been provided as the Group has no estimated assessable profit derived in Mainland China for the period (2003: Nil).

	Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000
Current taxation	–	–
– Hong Kong profits tax	2,225	3,349
Deferred taxation relating to the origination and reversal of temporary differences	445	172
	2,670	3,521

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rate in the home country of the Company as follows:

	Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000
Profit before taxation	14,488	23,540
Calculated at a taxation rate of 17.5%	2,535	4,120
Effect of different taxation rates in other countries	(50)	(60)
Income not subject to taxation	(31)	(976)
Expenses not deductible for taxation purposes	2	1
Recognition of previously deferred tax liabilities	56	172
Unrecognised tax loss	160	239
Temporary difference not recognised	(2)	25
	2,670	3,521

#### 6. DIVIDENDS

	Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000
Interim, proposed, of 2.0 HK cents (2003: 2.0 HK cents) per ordinary share	6,640	6,640

At a meeting held on 2nd December 2004, the directors declared an interim dividend of 2.0 HK cents per ordinary share to be paid on 31st March 2005. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of profit for the year ending 31st March 2005.

#### 7. EARNINGS PER SHARE

The calculation of basic earnings per share are calculated based on the Group's profit attributable to shareholders of HK\$20,131,000 (2003: HK\$20,131,000).

The basic earnings per share is based on the weighted average number of 332,000,000 (2003: 240,000,000) ordinary shares. The weighted average number of shares for 2003 comparative figures was determined as if the Group's reorganisation and capitalisation issue as set out in Appendix V of the prospectus dated 29th September 2003 had been effective at the beginning of the period.

No diluted earnings per share for the six months ended 30th September 2004 is presented as there were no dilutive potential shares outstanding during the period (2003: Nil).

#### 8. CAPITAL EXPENDITURE

	2004 HK\$'000	
Fixed assets		
Opening net book amount as at 1st April 2004		8,289
Additions		3,763
Disposals		(1,224)
Depreciation		
– provided for the period (note 4)		(1,946)
– written back on disposal		1,001
Closing net book amount as at 30th September 2004		9,883

#### 9. ACCOUNTS AND OTHER RECEIVABLES

Included in accounts and other receivables are trade debtors and their ageing analysis at the respective balance sheet date is:

	30th September 2004		31st March 2004	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	20,315	18,148		
31 to 60 days	11,149	10,956		
61 to 90 days	9,425	12,662		
Over 90 days	22,182	9,734		
	63,071	51,500		

The credit period of the Group's accounts receivables generally ranges from one to two months.

#### 10. ACCOUNTS PAYABLE AND ACCRUALS

Included in accounts payable and accruals are trade creditors and their ageing analysis at the respective balance sheet date is:

	30th September 2004		31st March 2004	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	5,088	7,459		
31 to 60 days	2,613	4,147		
61 to 90 days	653	1,988		
Over 90 days	7,436	3,709		
	15,790	17,303		

#### 11. SHARE CAPITAL

	30th September 2004		31st March 2004	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Authorised:</b>				
10,000,000,000 ordinary shares of HK\$0.10 each (At 31st March 2004: 10,000,000,000 shares)	1,000,000	1,000,000		
<b>Issued and fully paid:</b>				
332,000,000 ordinary shares of HK\$0.10 each (At 31st March 2004: 332,000,000 shares)	33,200	33,200		

#### 12. RESERVES

	Share premium HK\$'000	Merger reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April 2004	25,913	1,513	146	86,992	114,564
Profit attributable to shareholders	–	–	–	11,983	11,983
2004 final dividend paid	–	–	–	(9,960)	(9,960)
At 30th September 2004	25,913	1,513	146	89,015	116,587

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors:  
Mrs. Fung Yi Hao Yvette (Deputy Chairman)  
Mr. Fan Cheuk Hung (Managing Director)

Independent Non-executive Directors:  
Professor Woo Chia Wee (Chairman)  
Mr. Shih Wing Ching  
Mr. Tsang Cheung  
Mr. Pau Wah Kin

Non-executive Directors:  
Mr. Lai Ming Joseph  
Mr. Kwong Ki Chi

By Order of the Board  
Chan Ip Sing  
Company Secretary

Hong Kong, 2nd December 2004

\* For identification purpose only