



SYNERGIS 新昌

Synergis Holdings Limited

新昌管理集團有限公司*

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2003/2004

VISION, MISSION AND VALUES

VISION

The Group's vision is to be the benchmark of the property and facility management industries in Asia.

MISSION

The Group is committed to creating value for stakeholders by providing innovative and practical customized solutions that:

- *enrich quality of life*
- *improve cost and operational effectiveness*
- *provide peace of mind*
- *contribute to sustainable growth*

VALUES

The Group seeks to realize its vision by honouring the following values:

- *integrity*
- *customer focus*
- *pursuit of excellence*
- *innovation*
- *teamwork*
- *social responsibility*

Corporate Information

BOARD OF DIRECTORS

Woo Chia-Wei (*Chairman*)*
Fung Yi-hao Yvette (*Deputy Chairman*)
Fan Cheuk Hung (*Managing Director*)
Lai Ming Joseph**
Shih Wing Ching*

* *Independent non-executive Director*

** *Non-executive Director*

AUDIT COMMITTEE

Woo Chia-Wei
Lai Ming Joseph
Shih Wing Ching

COMPANY SECRETARY

Chan Ip Sing

LEGAL ADVISORS

Hong Kong

F. Zimmern & Company

Bermuda

Conyers Dill & Pearman

The People's Republic of China

Fangda Partners

AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
Liu Chong Hing Bank Limited

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

PRINCIPAL PLACE OF BUSINESS

3rd Floor, Hsin Chong Center,
107-109 Wai Yip Street,
Kwun Tong, Kowloon,
Hong Kong

WEBSITES

<http://www.synergis.com.hk>

<http://www.irasia.com/listco/hk/synergis>

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services
(Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke,
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
Rooms 1901-5, 19th Floor,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

STOCK CODE

2340



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the first announcement of unaudited interim results for the period ended 30th September 2003 of Synergis Holdings Limited and its subsidiaries (collectively, "Synergis" or the "Group") as a listed company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Successful Listing

On 9th October 2003 (the "Listing Date"), Synergis set a benchmark in the property and facilities management industry in Hong Kong and the Chinese Mainland by being the first company in the industry to be listed on an internationally recognized exchange. Synergis has consistently been able to demonstrate its commitment to creating value for all of its stakeholders, its leadership position, and its ability to provide innovative and practical customized solutions for its customers. With the listing and its successful brand launch, Synergis has effectively created the ideal platform to extend its business into the Mainland, while at the same time strengthening its existing market portfolio in Hong Kong in both property and facilities management.

Financial Performance

Synergis' financial performance for the six months period ended 30th September 2003 displayed strong growth in both turnover and net profit. Its turnover increased by 77.7% over the same period in 2002, to HK\$198.3 million, primarily as a result of its ability to secure four Property Service Contracts, which are large scale lump sum contracts from the Hong Kong Housing Authority, and to achieve high renewal rates on its existing contracts. Operating profits correspondingly increased by 24.1% to HK\$24.4 million.

Synergis' Future Prospects

Although Hong Kong's property management market is relatively mature and competitive, increased consumer awareness, advances in technology, governmental policies advocating greater owner participation, and even adverse publicity surrounding a few industry participants, have led customers to focus not only on costs but also on the quality of the property management company – all of which provides greater business opportunities for Synergis.

Synergis' other line of business – facility management – is a relatively new concept in Hong Kong and the Mainland. As the service provider becomes the strategic partner of its customer and involved with the management and daily operation of the customer's workplace, providing support services for non-core activities, it enables the customer to focus critical resources on core competencies, new innovations and key business objectives. Global surveys indicate that corporations view outsourcing as an important operational strategy. Furthermore, Hong Kong Government's current budget deficit will continue to exert pressure on itself and on quasi-governmental and non-governmental organizations to seek ways to reduce costs while minimizing the effect of such reductions on the scope and quality of their services.

CHAIRMAN'S STATEMENT *(Continued)*

Synergis is uniquely positioned to capture opportunities in both the private and public sectors because of its expertise and experience in implementing this relatively new concept. Moreover, Synergis' strategic investment in a technology-driven platform – its call center operating together with a computerized maintenance management system and ERP infrastructure – not only allows it to operate more effectively and efficiently but also to provide higher value generating services and products for Synergis' customers. As a demonstration of Synergis' facility management capabilities, I am proud to report that Synergis is the recipient of the 2003 FAME Award, given by the HKIFM.

The Chinese Mainland is undeniably a huge potential market for Synergis. Synergis' strategy is to leverage on the growing demand in key cities among Mainland companies and foreign investors for proven expertise and track record in property and facility management, and on the local knowledge and network of its business partners.

Still in its early growth stage, local Mainland service providers are far from ready in the provision of the advanced and premium services demanded by sophisticated and international clients. Thus there is enormous market potential for quality facility management companies such as Synergis. Having established itself in Beijing, Guangzhou and Shenzhen in the first quarter 2003, I am delighted to report that Synergis has established another foothold in Shanghai in the form of a joint venture with The Shui On Group, with the primary focus on providing high quality property management services to Shui On's developed properties.

Synergis' financial performance for the six months ended 30th September 2003 has been outstanding, especially in light of the difficult economic conditions in Hong Kong and the tremendous negative impact of SARS. Leveraging on its strong financial position, proven track record, and dedicated and experienced employees, Synergis will continue to be a market leader by capturing new opportunities while maintaining a high contract renewal rate and branching into targeted markets on the Mainland. Its new brand name and technology investments will provide Synergis with a platform for continued growth and a clear picture of its value proposition.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to express our gratitude to all our customers, suppliers, bankers, business associates and shareholders for their continuous support. I would also like to thank the management and staff for their dedication and hard work over the years.

Professor Woo Chia-Wei
Non-Executive Chairman

**Financial Highlights**

	Unaudited		
	Six months ended		
	30th September		
	2003	2002	
	HK\$'000	HK\$'000	% Change
Turnover	198,336	111,593	77.7
Operating Profit	24,377	19,645	24.1
Profit attributable to Shareholders	20,131	16,033	25.6
Net cash inflow from operating activities	6,920	26,188	-73.6
Earnings per shares – Basic	8.4 cents	6.7 cents	25.4
Proposed Interim Dividend per share	2.0 cents	Nil	N/A
Return on Equity	53.3%	55.8%	-4.5
Interest coverage ratio	53.3	30.6	74.2
	As at	As at	
	30th September	31st March	
	2003	2003	
	HK\$'000	HK\$'000	% Change
Shareholders' Funds	82,612	64,934	27.2
Total Bank Borrowings	40,000	40,000	-
Total Assets	183,168	137,302	33.4
Total Liabilities	99,914	72,368	38.1
Gearing ratio	21.8%	29.1%	-25.1
Current ratio	2.93	2.44	20.1

The directors (the “Directors”) of Synergis Holdings Limited (“Synergis” or the “Company”) are pleased to present the Interim Report and condensed accounts of Synergis and its subsidiaries for the six months ended 30th September 2003 (the “Period”). The consolidated results, consolidated cash flow statements and consolidated statement of changes in equity for the Group for the Period, and the consolidated balance sheet as at 30th September 2003 of the Group, all of which are unaudited and condensed, along with the selected explanatory notes (together, the “Financial Statements”), are set out in this report. The Financial Statements have been reviewed by the Audit Committee pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by PricewaterhouseCoopers, the Group’s auditors in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants (“HKSA”).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Results

The Group’s unaudited consolidated turnover for the Period amounted to HK\$198.3 million (2002: HK\$111.6 million), representing an increase of 77.7% over the same period last year. This significant increase was due primarily to the success of Synergis in securing all four Property Service Contracts (“PSC”) by the Hong Kong Housing Authority (the “Housing Authority”) for its “Batch 7” tender. According to the Housing Authority’s tender requirements, this type of contract is awarded to pre-qualified service providers based on a number of factors, including past performance, financial wherewithal, pricing and a provider’s ability to absorb a certain percentage of existing Housing Department employees. As a leading property and facility management service provider in Hong Kong, management believes that Synergis has been successful in this sector because of its proven track record, especially in the public sector, diverse and growing customer base, strong human resource development program and healthy financial position. The contract term for these four Batch 7 contracts are for three years (April 2003 to March 2006) and has an aggregate contract value of approximately HK\$361 million.

In the wake of the severe acute respiratory syndrome (“SARS”) epidemic and negative publicity about some of the industry players, there is a heightened awareness of the importance of quality management companies and the influence they can have on the quality of one’s daily living and work environment as well as the underlying value of one’s property. Moreover, the collapse of Housing Management (Hong Kong) Limited has made owners and other facilities decision makers more focused on the financial standing and internal controls of property management companies. Synergis has been able to take advantage of these market changes by demonstrating its experience and expertise as well as financial strength, resulting in an increase in the number of properties and facilities managed from 170 projects as at 31st March 2003 to 191 projects as at 30th September 2003.

**Business Review and Financial Results** *(Continued)*

The Group's gross profit for the Period was HK\$43.3 million (2002: HK\$36.0 million), a 20.1% increase over the corresponding period last year, while the Group's gross margin for the Period was 21.8%, compared to 32.3% for the same period in 2002. This seemingly disproportionate growth in gross profit and the decrease in gross profit margin are primarily due to the continuing shift in contract mix from manager remuneration contracts ("MR Contracts") to lump sum contracts ("LS Contracts"). With the award of the Batch 7 contracts, the Group's overall contract mix has shifted from a ratio of 85% LS Contracts: 15% MR Contracts as of 31st March 2003 to 92% LS Contracts: 8% MR Contracts as of 30th September 2003, based on turnover.

The Group's operating profit for the Period amounted to HK\$24.4 million (2002: HK\$19.6 million), an increase of 24.1% as compared with the same period last year and representing an operating margin of 12.3% (2002: 17.6%). The operating profit include the write back of retirement benefit costs of approximately HK\$5.2 million which was previously provided for in the Group's consolidated profit and loss account for the year ended 31st March 2003 to cover the Group's share of the shortfall between the amount of vested liabilities and the value of the underlying assets of Hsin Chong Group Retirement Fund (the "Retirement Fund"). This is because the value of the underlying assets improved and the previous shortfall reverted to a surplus as of 30th September 2003. The members of the Retirement Fund had resolved to amend the rules of the Retirement Fund such that the employers have no obligation to make good any deficit with effect from 1st October 2003, hence the Group's obligation to fund the shortfall had been extinguished. This write back of retirement benefit costs is largely offset by costs incurred in connection with Synergis' brand-building program (approximately HK\$4.1 million). Through this program, Synergis developed a distinct corporate identity, allowing it to better communicate its value proposition to its customers and the community. The decrease in operating profit margin is due in part to the increase in the Group's selling, general and administrative expenses. These increases are a result of the Group's strategy to further strengthen its employee training and development programs and technology resources. This, coupled with the Group's investment in technology infrastructure, will make Synergis' operations even more responsive to market changes and easily scalable while enabling it to provide higher value generating services and products for Synergis' customers.

The Group's net profit attributable to shareholders and the basic earnings per share was HK\$20.1 million (2002: HK\$16.0 million) and 8.4 HK cents (2002: 6.7 HK cents), respectively. The basic earnings per share is based on the weighted average number of 240,000,000 (2002: 240,000,000) ordinary shares. The weighted average number of shares is determined as if the Group reorganization and capitalization issue as set out in Appendix V to the Company's Prospectus dated 29th September 2003 (the "Prospectus") had been effective at the beginning of the Period. On 7th October 2003, with full exercise of the Offer Size Adjustment Option, 92,000,000 shares of the Company were issued to the public by way of placing and public offer (the "Share Offer"). After the Share Offer, the issued number of shares of the Company was increased to 332,000,000.

Other Group Achievements

Quality has also been one of Synergis' top priorities. The Group continues to set new standards in all aspects of property and facility management. After the outbreak of SARS, the Group critically reviewed its own processes and developed the *Synergis Environment Hygiene Management System*, which was launched in October 2003, jointly with the Food and Environmental Hygiene Department and Department of Health. This System was the first system developed by a Hong Kong property management company which focuses on a more holistic approach to hygiene management versus the traditional emphasis on cleaning alone. This commitment to quality is also one of the reasons why Synergis has recently been selected as the Best Property Management Company by the Housing Authority for the 10th consecutive year.

Synergis has also successfully leveraged its experience and expertise in property management and invested in the facility management business for the past few years, thereby broadening its business base. This strategic focus was recently validated by Synergis being selected as the Overall Winner of the Facility Management Establishment (FAME) Award 2003 organized by the Hong Kong Institute of Facility Management, the first such industry award in Hong Kong. The Award is aimed at recognizing outstanding facility management practitioners of different sectors, based on criteria covering organizational motive, leadership, strategic management, process management, proven work record and business results.

Supporting Services to Property and Facility Management

Revenue generated from the Group companies for the provision of repair and maintenance services; security services; cleaning services; laundry services and sales of cleaning related products in aggregate amounted to HK\$21.2 million (after elimination of inter-segment transaction) (2002: HK\$11.4 million) representing a growth rate of 87.0% over the corresponding period of last year.

Overall performance was satisfactory with profit before finance cost and taxation for the six months ended 30th September 2003 increased to HK\$3.6 million from HK\$2.7 million recorded in the same period last year.

Future Prospects

Hong Kong Business

While the Hong Kong economy is expected to turn around during the second half of 2003 and most expect a better year for property owners in 2004, competition among the industry leaders in Hong Kong will remain keen. Nevertheless, the adverse impact of SARS and the continued economic and political uncertainties in other regions of the world have led to a slower than expected economic recovery in Hong Kong and consequently, continued pressure on both the public and private sectors to reduce costs.



Hong Kong Business (Continued)

Over the past 3 years, under the Housing Authority's phased service transfer program, it has outsourced the management and maintenance service of approximately 230,000 public rental housing units. The 2003 policy address of the Housing, Planning and Land Bureau specifically states that the Government intends to continue exploring "further opportunities for outsourcing the Housing Authority's services" as one of its on-going initiatives. The Group believes it will continue to benefit from the outsourcing policy of the Government.

Apart from outsourcing by organizations in both the private and public sector, the Home Affairs Bureau has initiated a review of the Building Management Ordinance (the "BMO"). The Government aims to facilitate private building owners in the better management and maintenance of their properties. The current review and proposed changes to the BMO are aimed at, among other things, facilitating owner's corporations in their performance of duties and exercise of powers and to afford better protection for the interests of the building owners. If the proposed amendments to the BMO are passed, Synergis' management believes that it will present more opportunities for independent management companies to compete with service providers closely associated with developers for large scale property developments in the private sector. While no specific timetable has been established by the Home Affairs Department, the management believes the proposed amendments are likely to become effective in fiscal 2004.

Mainland Business

The Mainland economy continues its robust growth with increasing inflow of foreign capital and greater fixed investments, despite the SARS outbreak. As part of its strategy in the Chinese Mainland, the Group recently entered into a joint-venture agreement with a subsidiary of Shui On Holdings Limited ("Shui On") to establish an operation for Synergis to exclusively provide property and facility management and related services to the properties developed by Shui On in Shanghai (excluding Xintiandi). This new joint venture demonstrates the importance of professional and proven property and facility management services placed by sophisticated property developers in their investments in the Chinese Mainland. The Group believes that with footholds in Beijing, Guangzhou, Shanghai and Shenzhen, it is well positioned for growth in the Chinese Mainland in its core businesses.

FINANCIAL REVIEW

Cash Flow

Cash generated from operations during the Period amounted to HK\$6.9 million, which was relatively low as compared with the operating profit of HK\$24.4 million of the same period. However, this was not unanticipated and was mainly due to the funding requirements related to the Housing Authority's Batch 7 contracts, which commenced in April 2003, and the customary time period it takes for the Housing Authority to establish contract-specific payment guidelines for new sites. The payment terms of these PSC contracts are usually 51 days after issuance of the monthly invoice, subject to agreed payment guidelines. Based on past experience, cash flows for PSC contracts are normally lower in the first few months of a new PSC contract and accelerate thereafter.

Cash Flow (Continued)

This cash flow pattern is also reflected in the Group's accounts receivables and accounts payables. The increase in the amount of accounts receivables of over 90 days is primary a reflection of the unique payment pattern associated with PSC contracts described above. It is more pronounced for the six months period ended 30th September 2003 due to the commencement of the four Batch 7 contracts, totalling 31,000 housing units and 11 estates. In recognition of the payment pattern for such contracts, the Group negotiates similar payment terms with its PSC subcontractors. However, this "matching" of the payment cycles of accounts receivables and payables still results in lower cash flows during the initial periods of a PSC contract because a substantial portion of a service provider's costs are salaries and benefits, which are payable monthly. As of 31st October 2003, approximately 90% of the outstanding accounts receivables over 90 days have been received. Management believes that it is the Group's strong liquidity position and the scalability of its operations which allows it to maintain a leadership in the public rental outsourcing market.

All the cash balance maintained by the Group as at 30th September 2003 were denominated in either US dollar or HK dollar.

Liquidity and Financial Resources

As at 30th September 2003, the Group's current ratio was 2.93, with current assets of approximately HK\$174.3 million against current liabilities of approximately HK\$59.6 million. Net working capital amounted to HK\$114.8 million (31st March 2003: HK\$75.4 million).

It is the Group's policy to use cash flow generated from operations and appropriate level of borrowings as the principal source of fund to finance its operations. As at end of the Period, the Group had total bank borrowings of HK\$40 million (31st March 2003: HK\$40 million) all of which were fallen due after 12 months (31st March 2003: HK\$20 million). The interest rate applicable to the bank borrowings was at a spread to HIBOR. The gearing ratio, defined as the ratio of total borrowings to total assets of the Group, as at the Period ended was approximately 21.8% (31st March 2003: 29.1%). The Group maintained a stable gearing ratio during the period under review. On the whole, the liquidity position of the Group remained strong and stable.

As at 30th September 2003, the Group had aggregate banking facilities of approximately HK\$70 million granted by the banks to Synergis Management Services Limited, a subsidiary of the Group, out of which approximately HK\$40 million had been utilized and which were guaranteed by Hsin Chong International Holdings Limited ("HCI Holdings"), the ultimate holding company of the Group. The Group had received consents in principle from the banks that guarantees given by HCI Holdings will be released and replaced by corporate guarantees of the Company upon listing of the Company's shares on the Stock Exchange. The facilities together with the current cash position and cash flow generated from operation provided sufficient source of funds for operation and expansion in the foreseeable future.



Financial Management and Treasury Policy

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and US dollars, hence the Group does not expect significant exposure to foreign exchange fluctuations. However, the Directors will pay close attention to monitor the financial risk and will use appropriate hedging products to cover the interest rate risk and exchange rate risk associated with respective assets, liabilities, rights or obligations. It is the Group's policy not to engage in speculative activities.

Change in the composition of the Group during the interim period

During the Period, the Group had undergone a group reorganization to rationalize the group structure in preparation for the listing of the Company's shares on the Stock Exchange, details of which are disclosed in Appendix V of the Prospectus in relation to the public offer and placing.

Going Concern

On the basis of current financial projections and facilities available, the Group has adequate financial resources to continue its operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

Reward for Employees

As at 30th September 2003, the Group employed approximately 3,500 employees in Hong Kong and the Chinese Mainland. Employees of the Group are remunerated with monthly salary, subject to annual review and discretionary bonuses. Employees of the Group are also entitled, subject to eligibility, to retirement fund and provident fund and to participate in the share option scheme. The Group places strong emphasis on nurturing a continuous learning culture within the organization and implements a variety of programs to promote training. The Group has implemented various bonus schemes for its management staff in Hong Kong. The payment of bonuses under these schemes is tied to the profitability of the Group and the performance of the particular staff. These schemes help to provide incentives for the Group's staff to pursue and achieve the targets and goals set by the Group.

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 recognizing 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 Appendix V of the Prospectus.

Up to the date of this report, there was no share option granted pursuant to the Scheme.

ADDITIONAL INFORMATION

Interim Dividend

The Board of Directors has resolved to declare an interim dividend of 2.0 HK cents (2002: Nil) per ordinary share for the period which will be payable to shareholders whose names appear on the registers of members of the Company on 19th December 2003.

The interim dividend will be paid on 23rd December 2003.

Closure of Registers of Members

The registers of members of the Company will be closed from 17th December 2003 (Wednesday) to 19th December 2003 (Friday), both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 16th December 2003 (Tuesday).

Purchase, Sale or Redemption of Shares

The Company's shares were listed on the Stock Exchange on 9th October 2003. Since the Listing Date, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at the Listing Date, the interests and short positions of the Directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have under the provisions of the Securities and Futures Ordinance (the "SFO") in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

The Company

Long position in shares of the Company

Name of Director	Number of Ordinary Shares				Percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other interests	
Fung Yi-hao Yvette ("Mrs. Fung")	-	-	-	220,448,000 (Note)	66.40
Fan Cheuk Hung	11,616,000	-	-	-	3.50

Note: Mrs. Fung's interests in the shares of the Company are held through HCI Holdings (the ultimate holding company of Hsin Chong Holdings (H.K.) Limited ("HCHK Holdings")), the entire issued share capital of which is beneficially owned as to approximately 47.78% by Dr. Yeh Meou-tsen Geoffrey ("Dr. Yeh"), as to approximately 27.08% by Mr. Yeh Mou-chong David (the elder brother of Dr. Yeh), as to approximately 18.14% by GHY Company Limited (a trustee of The GHY HK Trust, the ultimate beneficiaries of which are Mr. Yeh V-nee (the son of Dr. Yeh), the issue of Mr. Yeh V-nee and The Hsin Chong-KN Godfrey Yeh Education Fund), as to approximately 4.86% by Mr. Yeh V-nee, as to approximately 2.13% by Mrs. Fung (the daughter of Dr. Yeh, the Deputy Chairman of the Group and an executive Director of the Company) and as to approximately 0.01% by Mrs. Yeh Wang Zung-sing Helen (the spouse of Dr. Yeh).

Save as disclosed above, as at the Listing Date, none of the Directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in any of the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at the Listing Date, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executive of the Company) had interests, being 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company:

The Company

Long position in shares of the Company

Name of Shareholder	Number of shares held	Nature of interest	Percentage interest in the Company's issued share capital
HCHK Holdings (<i>Note 1</i>)	220,448,000	Beneficial owner	66.40
Hsin Chong Holdings (BVI) Limited (<i>Note 2</i>)	220,448,000	Interest of a controlled corporation	66.40
HCI Holdings (<i>Note 3</i>)	220,448,000	Interest of a controlled corporation	66.40

Notes:

1. HCHK Holdings is beneficially wholly-owned by Hsin Chong Holdings (BVI) Limited, which in turn, is beneficially wholly-owned by HCI Holdings. HCI Holdings is beneficially owned as to approximately 47.78% by Dr. Yeh, as to approximately 27.08% by Mr. Yeh Mou-chong David (the elder brother of Dr. Yeh), as to approximately 18.14% by GHY Company Limited (a trustee of The GHY HK Trust, the ultimate beneficiaries of which are Mr. Yeh V-nee (the son of Dr. Yeh), the issue of Mr. Yeh V-nee and The Hsin Chong-KN Godfrey Yeh Education Fund), as to approximately 4.86% by Mr. Yeh V-nee, as to approximately 2.13% by Mrs. Fung (the daughter of Dr. Yeh, the Deputy Chairman of the Group and an executive Director of the Company) and as to approximately 0.01% by Mrs. Yeh Wang Zung-sing Helen (the spouse of Dr. Yeh).
2. The interest of Hsin Chong Holdings (BVI) Limited was held through its interest in HCHK Holdings.
3. The interest of HCI Holdings was held through its interest in Hsin Chong Holdings (BVI) Limited and HCHK Holdings.

Save as disclosed above, as at the Listing Date, there was no person (other than the Directors and chief executive of the Company) who had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company.



Compliance with the Code of Best Practice of the Listing Rules

None of the Directors is aware of any information that would reasonably indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules of the Stock Exchange at any time since the Listing Date.

Audit Committee

The Audit Committee, comprising of Professor Woo Chia-Wei and Mr. Shih Wing Ching, both 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 accounts for the Period, with the Directors.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	Notes	Unaudited Six months ended 30th September		% Change
		2003 HK\$'000	2002 HK\$'000	
Turnover	2	198,336	111,593	77.7
Cost of sales		(155,053)	(75,547)	105.2
Gross profit		43,283	36,046	20.1
Other revenues		3,456	1,846	87.2
General and administrative expenses		(22,463)	(18,278)	22.9
Transfer from deferred income		101	31	225.8
Operating profit	3	24,377	19,645	24.1
Finance costs		(450)	(642)	-29.9
Share of loss of a jointly controlled entity		(387)	-	N/A
Profit before taxation		23,540	19,003	23.9
Taxation	4	(3,521)	(2,970)	18.6
Profit after taxation		20,019	16,033	24.9
Minority interests		112	-	N/A
Profit attributable to shareholders		20,131	16,033	25.6
Dividend	5	-	-	N/A
Basic earnings per share	6	8.4 cents	6.7 cents	25.4



CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER 2003

		Unaudited 30th September 2003	Audited 31st March 2003	
	Notes	HK\$'000	HK\$'000	% Change
Fixed assets	7	7,734	8,181	-5.5
Jointly controlled entities		1,090	1,314	-17.0
Current assets				
Contracting work-in-progress		813	1,009	-19.4
Accounts and other receivables	8	72,666	33,326	118.0
Utility deposits and prepayments		5,816	3,632	60.1
Other investments		3,821	1,874	103.9
Amounts due from related companies		1,505	3,000	-49.8
Taxation recoverable		-	62	-100.0
Bank balances and cash		89,723	84,904	5.7
		174,344	127,807	36.4
Current liabilities				
Accounts payables and accruals	9	54,162	27,941	93.8
Amount due to an intermediate holding company		1,187	3,360	-64.7
Amounts due to related companies		114	131	-13.0
Deferred income		31	132	-76.5
Current portion of long-term bank loans	10	-	20,000	-100.0
Taxation payable		4,085	804	408.1
		59,579	52,368	13.8
Net current assets		114,765	75,439	52.1
Deferred tax liabilities	13	(335)	-	N/A
Long-term bank loans	10	(40,000)	(20,000)	100.0
Net assets		83,254	64,934	28.2
Financed by:				
Share capital	11	1,000	1,000	-
Reserves	12	81,612	63,934	27.7
Shareholders' funds		82,612	64,934	27.2
Minority interests		642	-	N/A
		83,254	64,934	28.2

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

		Unaudited	
		Six months ended	
		30th September	
		2003	2002
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Total equity at the beginning of the period		64,934	52,574
Profit for the period	12	20,131	16,033
Share issuance costs	12	(2,199)	–
Repurchase of shares	12	(254)	–
Total equity at the end of the period		<u>82,612</u>	<u>68,607</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	Unaudited		
	Six months ended		
	30th September		
	2003	2002	
	HK\$'000	HK\$'000	% Change
Net cash inflow from operating activities	6,920	26,188	-73.6
Cash flow from investing activities			
Purchase of fixed assets	(926)	(1,205)	-23.2
Proceeds from disposal of fixed assets	-	43	-100.0
Interest received	384	545	-29.5
Dividends received	140	29	382.8
Net cash used in investing activities	(402)	(588)	-31.6
Cash flow from financing activities			
Issue of shares	-	1,022	-100.0
Repurchase of shares	(254)	-	N/A
Capital injection from minority shareholders	754	-	N/A
Share issuance costs	(2,199)	-	N/A
Net cash (used in) / inflow from financing activities	(1,699)	1,022	N/A
Increase in cash and cash equivalents	4,819	26,622	-81.9
Cash and cash equivalents at 1st April	84,904	63,511	33.7
Cash and cash equivalents at 30th September	89,723	90,133	-0.5
Analysis of balances of cash and cash equivalents:			
Bank balances and cash	89,723	90,133	-0.5

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

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 Society of Accountants and Appendix 16 of the Listing Rules.

These condensed accounts should be read in conjunction with the Accountants’ Report as set out in the Appendix 1 of the Company’s Prospectus dated 29th September 2003 (the “Accountants’ Report”).

The Company was incorporated in Bermuda on 4th August 2003. Its shares have been listed on the Main Board of the Stock Exchange on 9th October 2003.

Pursuant to the Group reorganization to rationalize the Group structure in preparation of the listing of the Company’s shares on the Stock Exchange, the Company became the holding company of the Group on 19th September 2003. The unaudited consolidated condensed accounts, including the comparatives, are prepared as if the Company had been the holding company of the Group from 1st April 2002.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the preparation of the Group’s Accountants’ Report for the years ended 31st March 2000, 2001, 2002 and 2003, except that the Group has changed certain of its accounting policies following its adoption of SSAP 12 (revised) “Income Taxes” issued by the HKSA, which are effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group’s accounting policies and the effect of adopting the new accounting policy is set out below:

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Nevertheless, the adoption of the revised SSAP 12 has not resulted in any changes to the prior periods’ net assets and results.

**2. SEGMENT INFORMATION****(a) Primary reporting format – business segments**

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

2. SEGMENT INFORMATION (Continued)

	Six months ended 30th September 2002		
	Property management and facility management services <i>HK\$'000</i>	Supporting services to property management and facility management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	100,231	24,299	124,530
Inter-segment transactions	–	(12,937)	(12,937)
Segment turnover of the Group	100,231	11,362	111,593
Segment results of the Group	16,399	2,654	19,053
Interest and dividend income			592
Operating profit			19,645
Finance costs			(642)
Share of loss of a jointly controlled entity			–
Profit before taxation			19,003
Taxation			(2,970)
Profit attributable to shareholders			16,033

(b) Secondary reporting format – geographical segments

No geographical segment information is presented as all the major operations of the Group are carried out in Hong Kong.

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Crediting		
Unrealized gain on other investments	1,947	–
Write back of provision for retirement benefit costs	5,228	–
Charging		
Depreciation	1,373	1,237
Costs of brand-building program	4,096	–
Unrealized loss on other investments	–	15



4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. Chinese Mainland profits tax has not been provided as the Group has no estimated assessable profit derived in the Mainland for the period (2002: Nil).

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	3,349	2,975
– Over provision in prior year	–	(5)
Deferred taxation	335	–
Share of tax credit of a jointly controlled entity	(163)	–
	<u>3,521</u>	<u>2,970</u>

5. DIVIDEND

No dividend has been paid or declared by the Company before the listing of the Company since its incorporation.

At a meeting held on 2nd December 2003, the directors declared an interim dividend of 2.0 HK cents per share for the year ending 31st March 2004. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained profit for the year ending 31st March 2004.

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$20,131,000 (2002: HK\$16,033,000).

The basic earnings per share is based on the weighted average number of 240,000,000 (2002: 240,000,000) ordinary shares. The weighted average number of shares is determined as if the Group reorganization and capitalization issue as set out in Appendix V to the Company's Prospectus dated 29th September 2003 had been effective at the beginning of the period.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares outstanding for the period (2002: Nil).

7. CAPITAL EXPENDITURE

	2003 HK\$'000
Fixed assets	
Opening net book amount as at 1st April 2003	8,181
Additions	926
Disposals	(22)
Depreciation	
– provided for the period (<i>note 3</i>)	(1,373)
– written back on disposal	22
	7,734
Closing net book amount as at 30th September 2003	7,734

8. ACCOUNTS AND OTHER RECEIVABLES

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

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
0 to 30 days	23,313	15,183
31 to 60 days	16,647	7,673
61 to 90 days	9,961	1,984
Over 90 days	14,326	596
	64,247	25,436

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

9. ACCOUNTS PAYABLES AND ACCRUALS

Included in accounts payables and accruals are trade creditors and their ageing analysis at the respective balance date is as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
0 to 30 days	9,527	2,503
31 to 60 days	5,116	1,593
61 to 90 days	4,572	111
Over 90 days	3,226	409
	22,441	4,616



10. LONG-TERM BANK LOANS

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Unsecured bank loans wholly repayable within five years	40,000	40,000
Less: Amount due within one year included under current liabilities	—	(20,000)
	<u>40,000</u>	<u>20,000</u>
The repayment schedule of long-term bank loans is as follows:		
– within one year	—	20,000
– in the second year	40,000	20,000
	<u>40,000</u>	<u>40,000</u>

11. SHARE CAPITAL

Details of the changes in the Company's share capital for the period from 4th August 2003 (date of incorporation) to 30th September 2003 are as follows:

	Ordinary shares at HK\$0.1 each No. of shares	HK\$'000
Authorized:		
At the date of incorporation (note (a))	1,000,000	100
Increase in authorized ordinary share capital (note (b)(i))	9,999,000,000	999,900
At 30th September 2003	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At the date of incorporation (note (a))	—	—
Issue of shares (note (a) and (b)(ii))	10,000,000	1,000
At 30th September 2003	<u>10,000,000</u>	<u>1,000</u>

11. SHARE CAPITAL *(Continued)*

Notes:

- (a) The Company was incorporated on 4th August 2003 with an authorized capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. 1,000,000 shares were allotted and issued nil paid to HCHK Holdings on 5th August 2003.
- (b) Pursuant to the written resolutions of the sole shareholder of the Company on 19th September 2003:
- (i) the authorized share capital for the Company was increased from HK\$100,000 to HK\$1,000,000,000 by the creation of additional 9,999,000,000 shares of HK\$0.10 each; and
- (ii) the Company acquired the entire issued share capital in Synergis Holdings (BVI) Limited ("Synergis BVI"), in consideration of and in exchange for which the Company (a) allotted and issued, credited as fully paid, an aggregate of 9,000,000 new shares to the then shareholders of Synergis BVI and (b) credited as fully paid at par the 1,000,000 shares allotted and issued nil paid to HCHK Holdings on 5th August 2003.
- (c) As at 31st March 2003, the share capital of the Company has been presented as if it had existed and had been the holding company of the Group as set out in note 1.

12. RESERVES

	Share issuance costs <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2003	–	1,513	146	62,275	63,934
Profit for the period	–	–	–	20,131	20,131
Share issuance costs	(2,199)	–	–	–	(2,199)
Repurchase of shares <i>(note)</i>	–	–	–	(254)	(254)
At 30th September 2003	(2,199)	1,513	146	82,152	81,612
At 1st April 2002	–	1,513	–	50,061	51,574
Profit for the period	–	–	–	16,033	16,033
At 30th September 2002	–	1,513	–	66,094	67,607

Note: On 2nd June 2003, 584 non-voting ordinary "B" shares of Synergis Management Services Limited ("SMS"), a subsidiary of the Group, of HK\$1.00 each were repurchased by SMS from two employees pursuant to the Employee Share Subscription Scheme at a total consideration of HK\$254,049 when the employees left SMS after termination of their employment contracts.

**13. DEFERRED TAXATION**

	Six months ended 30th September 2003 HK\$'000	Year ended 31st March 2003 HK\$'000
At the beginning of the period/year	–	–
Deferred taxation charged to profit and loss account	<u>335</u>	<u>–</u>
At the end of the period/year	<u>335</u>	<u>–</u>

14. OPERATING LEASES COMMITMENTS

The future aggregate minimum lease rental expenses in respect of land and buildings under non-cancellable operating leases are payable in the following periods:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Within one year	2,713	224
In the second to fifth years inclusive	<u>1,309</u>	<u>47</u>
	<u>4,022</u>	<u>271</u>

15. CAPITAL COMMITMENTS

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Contracted but not provided for	581	581
Authorized but not contracted for	<u>29,024</u>	<u>–</u>
	<u>29,605</u>	<u>581</u>

16. RELATED PARTY TRANSACTIONS

Significant related party transactions, which in the opinion of the directors of the Company, were carried out in the normal course of the Group's business are as follows:

	Notes	Six months ended 30th September	
		2003 HK\$'000	2002 HK\$'000
Public relation services income from related companies	(a)	–	180
Administration support fees from			
– an intermediate holding company	(b)	–	420
– a related company	(b)	200	–
Site security services income from related companies	(c)	248	1,055
Repair and maintenance fee from a related company	(d)	189	–
Services charges to			
– ultimate holding company	(e)	(1,557)	(1,788)
– a related company	(e)	(711)	(370)
Commission fees to an intermediate and ultimate holding companies	(f)	(131)	(84)
Rental expenses to			
– an intermediate holding company	(g)	(1,391)	(1,042)
– a related company	(g)	(94)	–
Insurance expenses to a fellow subsidiary	(h)	(1,877)	(780)
Facility management income from related companies	(i)	449	–
Copying services income from related companies	(j)	193	156
Cleaning services income from			
– an intermediate holding company	(k)	219	214
– related companies	(k)	453	173

Notes:

Related companies are entities which have common shareholders and directors with the Company.

- (a) Public relation services income represents fee earned on public relation services rendered to related companies at fixed monthly fees and are based on the level of public relation services rendered.
- (b) Fees received from an intermediate holding company and a related company represent administrative services and accountancy services provided by the Group and the fees are charged based on costs incurred.
- (c) Site security services income received from related companies represents fee earned on security services rendered to related companies. The prices and terms were comparable to those with third parties.
- (d) Repair and maintenance income represents fee earned on repair and maintenance works rendered to a related company. The prices and terms were comparable to those with third parties.



16. RELATED PARTY TRANSACTIONS *(Continued)*

- (e) Services charges paid to ultimate holding company and a related company represent administrative services provided by the ultimate holding company and a related company to the Group and were reimbursed at cost based on time and expenses allocated to the Group.
- (f) An intermediate and ultimate holding companies provide guarantees in respect of the Group's performance under various property management contracts and certain bank loans to the Group. Commission fees were calculated at 0.125% on the amounts of guarantees granted by the intermediate and ultimate holding companies. The rate of commission fees is determined with reference to prevailing market rate and comparable to those with third parties.
- (g) Rental expenses paid to an intermediate holding company and a related company were based on the floor area occupied by the Group at prevailing market rate.
- (h) A fellow subsidiary company provides certain general insurance policy to the Group and guarantees to third parties in respect of the Group's performance under various property management contracts. Insurance expenses are charged at prices and terms comparable to those with third parties.
- (i) Facility management income represents fixed monthly fee earned on facility management services rendered to related companies. The prices and terms were comparable to those with third parties.
- (j) Copying services income represents fee earned on copying services rendered to related companies. The prices and terms were comparable to those with third parties.
- (k) Cleaning services income represents fee earned on cleaning services rendered to an intermediate holding company and related companies. The prices and terms were comparable to those with third parties.

17. SUBSEQUENT EVENTS

Subsequent to 30th September 2003, the following significant events took place:

On 7th October 2003, 230,000,000 shares of HK\$0.10 each were issued at par as fully paid to the shareholders whose names appeared on the register of members of the Company on 19th September 2003. The amounts were paid up in full by applying an amount of HK\$23,000,000 standing to the credit of the share premium account of the Company.

On 7th October 2003, with full exercise of the Offer Size Adjustment Option, 92,000,000 shares of the Company were issued to the public by way of placing and public offer (the "Share Offer") at HK\$0.75 each. The net proceeds of the Share Offer, after deduction of the expenses payable by the Company, amounted to approximately HK\$58 million.

On 9th October 2003, the shares of the Company were successfully listed on the Main Board of the Stock Exchange.

Save as aforesaid, no other significant event took place subsequent to 30th September 2003.

Fung Yi-hao Yvette
Deputy Chairman

Hong Kong, 2nd December 2003