



**SYNERGIS 新昌**

total management solutions 整全管理

**Synergis Holdings Limited**

**新昌管理集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

\* For identification purpose only

# 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 customised solutions that:

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

## VALUES

The Group seeks to realise 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\*\*  
Kwong Ki Chi\*\*  
Shih Wing Ching\*  
Tsang Cheung\*  
Pau Wah Kin\*

\* *Independent Non-executive Director*

\*\* *Non-executive Director*

### AUDIT COMMITTEE

Shih Wing Ching  
Woo Chia Wei  
Lai Ming, Joseph  
Tsang Cheung  
Pau Wah Kin

### 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

### WEBSITE

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

### E-MAIL ADDRESS

[info@synergis.com.hk](mailto:info@synergis.com.hk)

### 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 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

### STOCK CODE

2340

### BOARD LOT

4,000 shares



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 and condensed, 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 report.

## SUMMARY HIGHLIGHTS

### Financial Results and Operations Review

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



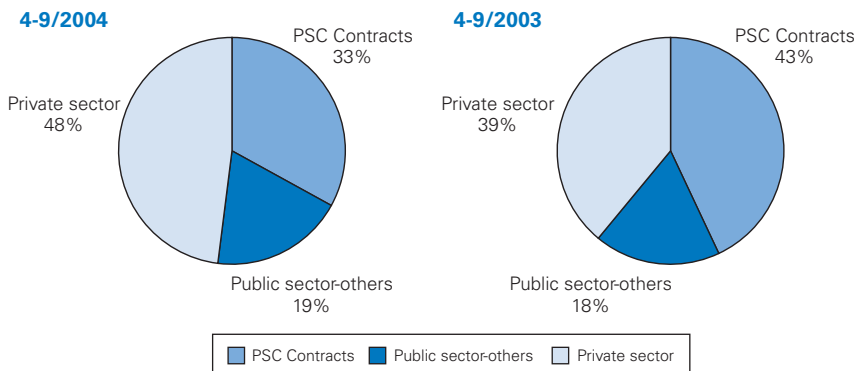
## MANAGEMENT DISCUSSION AND ANALYSIS

### 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



## **Overview of Results** *(Continued)*

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 659,000 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 profit 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 its 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.



## **Business and Operations** *(Continued)*

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), Lakeville (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 wholehearted 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.



## **Outlook** *(Continued)*

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 divestment 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.

## **Outlook** *(Continued)*

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 in 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 Profit**

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\$4.1 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 to HK\$12.0 million for the period ended 30th September 2004. Earnings 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** *(Continued)*

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 loan 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 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 its 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 be improved. Up to the date of this report, 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.

## **ADDITIONAL INFORMATION**

### **Directors**

The directors of the Company during the period and up to the date of the report are:

Woo Chia Wei (*Chairman*)\*

Fung Yi Hao, Yvette (*Deputy Chairman*)

Fan Cheuk Hung (*Managing Director*)

Lai Ming, Joseph\*\*

Kwong Ki Chi\*\*

(appointed on 13th September 2004)

Shih Wing Ching\*

Tsang Cheung\*

(appointed on 13th September 2004)

Pau Wah Kin\*

(appointed on 30th September 2004)

\* *Independent Non-executive Director*

\*\* *Non-executive Director*

## **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 overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on (Thursday) 16th December 2004.

## **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 report, there was no share option granted pursuant to the Scheme.

## 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 30th September 2004, 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 been taken 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") (Note)	-	-	-	220,448,000	66.40%
Fan Cheuk Hung	11,616,000	-	-	-	3.50%

*Note:* Mrs. Fung's interests in the shares of the Company are held through Hsin Chong International Holdings Limited ("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 (deceased) (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 30th September 2004, 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 30th September 2004, 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%
Deutsche Bank Aktiengesellschaft	26,016,000	Person having a security interest in shares	7.84%
Allard Partners Limited	16,972,000	Investment Manager	5.11%

### *Notes:*

- 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 (deceased) (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).
- The interest of Hsin Chong Holdings (BVI) Limited was held through its interest in HCHK Holdings.
- 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 30th September 2004, there was no other person (other than the directors and chief executive of the Company) who had an interest or a short position 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.

### **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.

### **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.

### **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 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 meetings in accordance with the Company's bye-law 87.

### **Adoption of the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding director's securities transactions. The Company confirms that having made specific enquiry to all directors, the directors have complied with the required standard set out in the Model Code during the six months ended 30th September 2004.

### **Disclosure Pursuant to Rule 13.20 of the Listing Rules**

As at 30th September 2004, accounts receivables due from the Hong Kong Housing Authority (“HKHA”) amounted to approximately HK\$55.6 million (the “Receivables”), representing more than 8% of the relevant percentage ratios as defined in Listing Rules. As of 2nd December 2004, approximately 52% of the Receivables have been settled by HKHA. HKHA, being the largest customer of the Group, is not a connected person (as defined in the Listing Rules) of the Company.

The Receivables are interest-free, unsecured and with credit terms ranging from 30 to 60 days and primarily arose from the provision of property management services in the ordinary course of business of the Group transacted with HKHA.

### **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.



**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	<b>187,583</b>	198,336	-5.4
Cost of sales		<b>(148,745)</b>	(155,053)	-4.1
Gross profit		<b>38,838</b>	43,283	-10.3
Other revenues		<b>1,209</b>	3,456	-65.0
General and administrative expenses		<b>(25,567)</b>	(22,463)	13.8
Transfer (to)/from deferred income		<b>(52)</b>	101	N/A
Operating profit	4	<b>14,428</b>	24,377	-40.8
Finance costs		<b>(13)</b>	(450)	-97.1
Share of profit/(loss) of jointly controlled entities		<b>73</b>	(387)	N/A
Profit before taxation		<b>14,488</b>	23,540	-38.5
Taxation	5	<b>(2,670)</b>	(3,521)	-24.2
Profit after taxation		<b>11,818</b>	20,019	-41.0
Minority interests		<b>165</b>	112	47.3
Profit attributable to shareholders		<b>11,983</b>	20,131	-40.5
Dividend	6	<b>6,640</b>	6,640	-
Basic earnings per share	7	<b>3.6 cents</b>	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	14	264	477	-44.7
Current assets				
Contracting work-in-progress		1,914	511	274.6
Accounts and other receivables	9	72,046	62,799	14.7
Utility deposits and prepayments		5,528	4,902	12.8
Other investments		8,203	9,123	-10.1
Amounts due from related companies		513	719	-28.7
Taxation recoverable		-	69	-100.0
Bank balances and cash		91,737	117,087	-21.7
		179,941	195,210	-7.8
Current liabilities				
Accounts payable and accruals	10	37,730	36,321	3.9
Amount due to an intermediate holding company		389	264	47.3
Amounts due to related companies		82	92	-10.9
Deferred income		83	31	167.7
Current portion of long-term bank loan	11	-	20,000	-100.0
Taxation payable		2,883	727	296.6
		41,167	57,435	-28.3
Net current assets		138,774	137,775	0.7
Deferred tax liabilities	14	(713)	(481)	48.2
Net assets		150,082	148,224	1.3
Financed by:				
Share capital	12	33,200	33,200	-
Reserves	13	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

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2004</b>	2003
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Total equity at beginning of the period		<b>147,764</b>	64,934
Profit attributable to shareholders	13	<b>11,983</b>	20,131
Dividend paid	13	<b>(9,960)</b>	–
Share issuance costs		–	(2,199)
Repurchase of shares of a subsidiary		–	(254)
Total equity at the end of the period		<b><u>149,787</u></b>	<u>82,612</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

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

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

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

**3. SEGMENT INFORMATION** (Continued)

	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>

**(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 not presented.

#### 4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	<b>Six months ended 30th September</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Crediting</b>		
Gain on disposal of other investments	<b>82</b>	–
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	<b>132,335</b>	114,639
Depreciation – owned fixed assets	<b>1,946</b>	1,373
Loss on disposal of fixed assets	<b>130</b>	–
Provision for doubtful debts	<b>16</b>	3
Operating lease rental on land and buildings	<b>1,652</b>	1,768
Net exchange loss	<b>5</b>	–
Costs of brand-building program	–	4,096
	<b>_____</b>	<b>_____</b>

#### 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. Mainland China profits tax has not been provided as the Group has no estimated assessable profit derived in Mainland China for the period (2003: Nil).

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

**5. TAXATION (Continued)**

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

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

**6. DIVIDENDS**

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

At a meeting held on 2nd December 2004, the directors declared an interim dividend of 2.0 HK cents per ordinary share for the year ending 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 retained 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\$11,983,000 (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 figure was determined as if the Group's reorganisation and capitalisation 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.

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

## 8. CAPITAL EXPENDITURE

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

## 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 as follows:

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

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



**11. LONG-TERM BANK LOAN**

	<b>30th September 2004 HK\$'000</b>	31st March 2004 HK\$'000
Unsecured bank loan wholly repayable within five years	–	20,000
Less: Amount due within one year included under current liabilities	–	(20,000)
	<u>–</u>	<u>–</u>
The Group's bank loan is repayable as follows:		
– within one year	–	20,000
	<u>–</u>	<u>20,000</u>

**12. SHARE CAPITAL**

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

**13. RESERVES**

	<b>Share premium HK\$'000</b>	<b>Merger reserve HK\$'000</b>	<b>Investment properties revaluation reserve HK\$'000</b>	<b>Retained profits HK\$'000</b>	<b>Total HK\$'000</b>
<b>At 1st April 2004</b>	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)
	<u>25,913</u>	<u>1,513</u>	<u>146</u>	<u>89,015</u>	<u>116,587</u>
<b>At 30th September 2004</b>	<u>25,913</u>	<u>1,513</u>	<u>146</u>	<u>89,015</u>	<u>116,587</u>

## 14. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal tax rate of 17.5%.

The movement on the deferred tax liabilities/(assets) account is as follows:

	<b>Six months ended 30th September 2004 HK\$'000</b>	Year ended 31st March 2004 HK\$'000
At the beginning of the period/year	<b>4</b>	–
Deferred taxation charged to profit and loss account	<b>445</b>	4
	<hr/>	<hr/>
At the end of the period/year	<b>449</b>	4
	<hr/>	<hr/>

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The group has unrecognised tax losses of HK\$1,504,000 (31st March 2004: HK\$1,014,000) to carry forward against future taxable income.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the period/year is as follows:

### Deferred tax liabilities

	<b>Accelerated tax depreciation 30th September 2004 HK\$'000</b>	31st March 2004 HK\$'000
At the beginning of the period/year	<b>481</b>	–
Charged to profit and loss account	<b>232</b>	481
	<hr/>	<hr/>
At the end of the period/year	<b>713</b>	481
	<hr/>	<hr/>

### Deferred tax assets

	<b>Tax losses 30th September 2004 HK\$'000</b>	31st March 2004 HK\$'000
At the beginning of the period/year	<b>477</b>	–
(Charged)/Credited to profit and loss account	<b>(213)</b>	477
	<hr/>	<hr/>
At the end of the period/year	<b>264</b>	477
	<hr/>	<hr/>



**14. DEFERRED TAXATION** *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the condensed consolidated balance sheet:

	<b>30th September 2004 HK\$'000</b>	31st March 2004 HK\$'000
Deferred tax assets	<b>(264)</b>	(477)
Deferred tax liabilities	<b>713</b>	481
	<b>449</b>	4

The amounts shown in the balance sheet include the following:

Deferred tax assets to be recovered after more than 12 months	<b>(264)</b>	(477)
Deferred tax liabilities to be settled after more than 12 months	<b>713</b>	481

**15. OPERATING LEASES COMMITMENTS**

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

	<b>30th September 2004 HK\$'000</b>	31st March 2004 HK\$'000
Within one year	<b>1,813</b>	3,090
In the second to fifth years inclusive	<b>144</b>	269
	<b>1,957</b>	3,359

- (b) The future aggregate minimum lease rental expenses in respect of office equipment under non-cancellable operating leases are payable in the following periods:

	<b>30th September 2004 HK\$'000</b>	31st March 2004 HK\$'000
Within one year	<b>34</b>	34
In the second to fifth years inclusive	<b>84</b>	100
	<b>118</b>	134



## 16. CAPITAL COMMITMENTS

Capital commitments of the Group for equipment are represented as follows:

	<b>30th September 2004 HK\$'000</b>	31st March 2004 HK\$'000
Contracted but not provided for	<b>857</b>	1,537
Authorised but not contracted for	<b>24,167</b>	24,973
	<b>25,024</b>	26,510

## 17. RELATED PARTY TRANSACTIONS

The following is a summary of the significant related party transactions carried out in the Group during the period:

		<b>Six months ended 30th September 2004 HK\$'000</b>	2003 HK\$'000
Administration support fees from a related company	<i>(a)</i>	–	200
Site security services income from related companies	<i>(b)</i>	<b>211</b>	248
Repair and maintenance fee from a related company	<i>(c)</i>	<b>248</b>	189
Services charges to			
– ultimate holding company	<i>(d)</i>	<b>(180)</b>	(1,557)
– a related company	<i>(d)</i>	<b>(365)</b>	(711)
Commission fees to an intermediate and ultimate holding companies	<i>(e)</i>	–	(131)
Rental expenses to			
– an intermediate holding company	<i>(f)</i>	<b>(1,108)</b>	(1,391)
– a related company	<i>(f)</i>	<b>(68)</b>	(94)
Insurance expenses to a fellow subsidiary	<i>(g)</i>	<b>(1,500)</b>	(1,877)
Facility management income from related companies	<i>(h)</i>	<b>456</b>	449
Copying services income from related companies	<i>(i)</i>	<b>236</b>	193
Cleaning services income from			
– an intermediate holding company	<i>(j)</i>	<b>200</b>	219
– related companies	<i>(j)</i>	<b>259</b>	453
		<b>–</b>	–



**17. RELATED PARTY TRANSACTIONS** *(Continued)*

*Notes:*

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

- (a) Fee received from a related company represents administrative services and accountancy services provided by the Group and the fees were charged based on costs incurred.
- (b) 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.
- (c) 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.
- (d) Services charges paid to ultimate holding company and a related company represents administrative services provided by the ultimate holding company and the related company to the Group and were reimbursed at cost based on time and expenses allocated to the Group.
- (e) 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 fee was calculated at 0.125% on the amounts of guarantees granted by the intermediate and ultimate holding companies. The rate of commission fee is determined with reference to prevailing market rate and comparable to those with third parties.
- (f) 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.
- (g) 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 were charged at prices and terms comparable to those with third parties.
- (h) 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.
- (i) Copying services income represents fee earned on copying services rendered to related companies. The prices and terms were comparable to those with third parties.
- (j) 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.

In the opinion of the directors of the Company, the above related party transactions were carried out in the ordinary course of business and at normal commercial terms.

**Fung Yi Hao, Yvette**  
*Deputy Chairman*

Hong Kong, 2nd December 2004