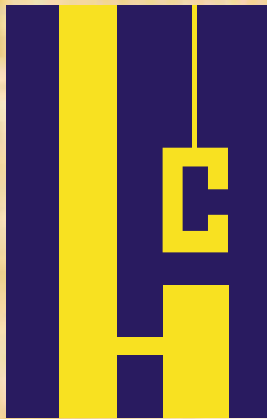


# Hsin Chong Construction Group Ltd.

*(Incorporated in Bermuda with Limited Liability)*

2005/2006  
INTERIM REPORT



QUALITY & SERVICE

SINCE 1939

## VISION STATEMENT

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An integrated construction services provider to the Hong Kong, Macau and Mainland China markets with a commitment to “quality and service”.

The “preferred business partner” to public and private sector clients seeking value-added solutions in the transport, infrastructure, healthcare and leisure sectors.



## CORPORATE INFORMATION

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### DIRECTORS

V-nee YEH (*Chairman*)  
Barry John BUTTIFANT  
(*Alternate Director to V-nee YEH*)  
Rodney Gordon FRANKS  
(*Managing Director*)  
Tobias Josef BROWN\*  
Ho-ming Herbert HUI\*  
Kin-fung Jeffrey LAM\*  
Kwok-kuen Peter LAU\*  
Ki-chi KWONG\*\*

\* *Independent Non-Executive Director*

\*\* *Non-Executive Director*

### AUDIT COMMITTEE

Tobias Josef BROWN (*Chairman*)  
Ho-ming Herbert HUI  
Kin-fung Jeffrey LAM

### REMUNERATION COMMITTEE

V-nee YEH (*Chairman*)  
Tobias Josef BROWN  
Ho-ming Herbert HUI

### COMPANY SECRETARY

Wing-yin Betty WONG

### SOLICITORS

F. Zimmern & Company  
Herbert Smith  
Richards Butler

### AUDITORS

PricewaterhouseCoopers

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited

### REFERENCE BANKS AND FINANCIAL INSTITUTIONS

Bank of China (Hong Kong) Limited  
Standard Chartered Bank  
Hang Seng Bank Ltd  
CITIC Ka Wah Bank Ltd  
Liu Chong Hing Bank Ltd  
The Bank of East Asia, Ltd  
HSBC Private Bank (Suisse) SA

### REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

Hsin Chong Center  
107-109 Wai Yip Street  
Kwun Tong  
Kowloon  
Hong Kong  
Tel: 2579 8238

### WEBSITES

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

### SHARE REGISTRARS

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

### BRANCH REGISTRARS IN HONG KONG

Computershare Hong Kong Investor  
Services Limited  
46th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### STOCK CODE

404

### BOARD LOT

2,000 shares

# HSIN CHONG CONSTRUCTION GROUP LTD.

*(Incorporated in Bermuda with Limited Liability)*

The Directors of Hsin Chong Construction Group Ltd. (“Company”) are pleased to announce the results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th September, 2005. The Group’s consolidated profit and loss account for the six months ended 30th September, 2005 and the Group’s consolidated balance sheet as at 30th September, 2005, all of which are unaudited, along with explanatory notes, (all of which have been reviewed by the Audit Committee pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”) and by the Company’s auditors in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants) are set out in this report.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### Operating Results

Profit attributable to the shareholders for the six months ended 30th September, 2005 was HK\$31.2 million (2004: HK\$7.0 million) and earnings per share was HK4.9 cents compared with HK1.1 cents for last year.

For the six months ended 30th September, 2005, the Group’s turnover increased 130% to HK\$1,200.0 million. This was mainly due to significant order book increases from Macau and the People’s Republic of China (“PRC”) and the consolidation of our electrical and mechanical (“E&M”) business, Hsin Chong Aster Building Services Limited (“Hsin Chong Aster”), which is now a subsidiary but was an associated company in last period. However, gross profit was HK\$68.7 million, down from HK\$78.8 million of last corresponding period, reflecting continued competitive conditions in the Hong Kong building construction market. In property development, a write-back of HK\$38.2 million (before minority interests) on the impairment provision in respect of Wen Chang Pavilion in Guangzhou, PRC was made in light of the improved property market in Guangzhou and the satisfactory sales achieved to date. Other income increased by 148% to HK\$11.8 million as a result of higher financial income due to improved yields. Overall, the Group reported earnings of HK\$43.6 million for the period (2004: HK\$14.7 million) of which HK\$31.2 million was attributable to our shareholders (2004: HK\$7.0 million).

### Segment Analysis

#### (1) Building construction and civil engineering

Turnover for the building and civil engineering divisions was HK\$1,071.7 million (after eliminating inter-group construction work of HK\$133.7 million), an increase of 112% compared with last corresponding period. The improvement was mainly attributable to higher turnover of projects awarded last year in Macau and mainland China while there was also increase in the volume of construction work in Hong

Kong. Loss after finance costs was HK\$1.9 million (2004: profit of HK\$23.4 million, including HK\$18.2 million of deferred income recognised upon the change of deferred income policy as a result of the introduction of an improved contract review system) for the period due to reduced margin in current construction projects.

**(2) Property development and rental**

The segment reported turnover of HK\$9.7 million mainly being rental income from Hsin Chong Center not occupied by the Group, No.3 Lockhart Road and Lung Mun Oasis, Tuen Mun (2004: HK\$11.3 million). Lower rental income was mainly due to lower average occupancy rate of 94% in No.3 Lockhart Road (2004: 100%). Lease renewal and new letting rentals were in line with market rate. Profit after finance costs was HK\$39.5 million (2004: HK\$1.7 million), including a write-back of the impairment provision for Wen Chang Pavilion in Guangzhou, PRC.

**(3) Electrical and mechanical installation**

During the period, the Group acquired the full interest in Hsin Chong Aster and increase its shareholding from 50% to 100% for a total consideration of HK\$28.4 million (details as per note 16 to the accounts). Consolidated turnover and total profit were HK\$118.6 million and HK\$2.0 million (including equity share of net profit of HK\$0.4 million) respectively (2004: loss of HK\$0.7 million).

**(4) Other operations**

Other operations included integrated facility management division that incurred overheads of HK\$0.8 million for the period (2004: HK\$0.8 million). Results from other associated companies and joint ventures included a hotel business reported a net profit of HK\$0.4 million.

The Novotel Century Harbourview's average occupancy rate for the period was 89% (2004: 89%) and average room rate was 8% higher than the rate recorded in the same period of the last year. However, given higher depreciation charges resulting from higher property valuation in the period, the hotel operation recorded a minimal profit of HK\$0.1 million (2004: HK\$0.3 million) for the period.

On consolidation, annualised return on equity was 13.2% (2004: 3.1%).

The Group has been quite successful to date in winning the Macau construction management market, while at the same time, making significant inroads into the PRC contracting market via the recent award of quality projects in Beijing. These achievements are consistent with the Group's long-term strategy to establish a sustainable service business portfolio, and to take its core contracting capabilities to new markets. The Group will continue to position itself in Macau to maximize exposure to further demands in construction management, and to leverage the experience and client relations in Macau to bring about further construction management opportunities to the Group, with focus on the PRC market within a selective

client base consisting of foreign direct investors and prime local clients. In contracting, the Group will continue to be selective and clients driven, with emphasis on producing quality work and value engineering, and in the PRC, the development and strengthening of the Group's supply chain.

### **Financial Position**

The Group maintains its policy of conservative capital management with a debt to capitalization of 35% at the balance sheet date (31st March, 2005: 34%). However, it is to be noted that the Group has sufficient bank balances to eliminate all debt and be cash positive. Total bank borrowing carried at weighted average interest rate of 4.7% per annum amounted to HK\$270.1 million (31st March, 2005: HK\$243.6 million), of which 52% (31st March, 2005: 58%) falls due after one year. Out of these borrowings, HK\$144.0 million are charged at a spread to HIBOR with the rest are denominated in Renminbi for which applicable interest rate are charged at a spread to the reference interest rate as prescribed by The People's Bank of China. Up to 15th November, 2005, total credit facilities (exclude construction finance for Guangzhou Wen Chang Pavilion) available to the Group amounted to HK\$459.0 million with an undrawn balance of HK\$315.0 million. In respect of Guangzhou Wen Chang Pavilion, first phase development in which the Group has an effective interest of 42%, a construction bank loan of RMB130.0 million has been arranged and RMB123.0 million has been drawn down as of 15th November, 2005. The Group's other financing requirements for the coming year will be amply met by available cash as at balance sheet date, cash generated by operations and bank credit facilities.

As of 30th September, 2005, net working capital amounted to HK\$279.9 million (31st March, 2005: HK\$298.5 million). Cash balances, held-to-maturity investments and financial assets at fair value through profit or loss are 26.7% higher at HK\$640.1 million compared with last year end (HK\$505.1 million) with 74% (31st March, 2005: 89%) as cash and cash equivalents.

*Note: The method for calculating the above ratio can be referred to in last year's annual report.*

### **Financial Hedging And Other Financial Instruments**

The Group's net borrowings and cash balances are primarily denominated in Hong Kong and US dollars, except the construction finance for the Guangzhou Wen Chang Pavilion, which is denominated in Renminbi. The Group has no significant exposure to foreign currency fluctuations. In addition, the Group adopts hedging policies for mitigating interest rate risks and exchange rate risks associated with respective assets or liabilities, rights or obligations. Such policies ensure effective cost controls on construction cost as early as the tendering stage and controllable borrowing costs for operation and investment needs.

Interest rate risk and exchange rate risk are risks to earnings or capital arising from movement of respective rates. The former mainly arises from bank borrowings by the Group and the latter comprises exposure due to currency needs from normal business operation for material procurements and services requirements. The Group has established policies and procedures to the assessment, booking and monitoring of all such financial instruments under limits approved by the Finance Committee. The controls and procedures governing such activities were considered overall to be adequate.

Gain or loss arising from relevant hedging transactions will be booked as a profit or loss associated with the underlying assets or liabilities. For example, any differential interest receipts and payments, arising from interest rate swap agreements are accrued so as to match the net income or cost of such agreement with the related finance expenses from the underlying borrowings.

At period end, the Group has outstanding forward exchange contracts to hedge HK\$75.2 million mainly against US Dollar, GBP and Euro. Subsequent to period end, no material forward exchange contract was entered.

## **Operational Review On Contracts**

### **Subsidiaries**

Over the past six months, the building construction arm received new contracts of HK\$621.7 million, including a contract for the construction of Hong Kong Science Park Phase 2 (Area A), Pak Shek Kok, Tai Po (TPTL No. 182) from Hong Kong Science and Technology Parks Corporation, through collaboration with the Electrical and Mechanical Division, and a proposed residential development at Lot No. 4784 in D.D. 104, Ngau Tam Mei, Yuen Long, New Territories from Firmwin Peak Limited, a subsidiary of Hsin Chong International Holdings Limited. However, reduced nominated subcontractors' works of HK\$68.6 million and elimination of inter-group construction work of HK\$518.3 million for contracts sub-contracted to or shared by Hsin Chong Aster led to an overall net amount of HK\$34.8 million building construction contracts received.

In China, the Group received a new contract of HK\$494.1 million for the construction of Phase 3 of Central Park in Beijing. This is an extension of the Phase 2 Group II project awarded last year. Similarly, reduced builders' works and nominated subcontractor works' adjustments restricted the net increment to HK\$442.8 million.

Additionally, the Group increased its shareholding in Hsin Chong Aster from 50% to an effective 100% in the period. This led to an overall HK\$838.0 million of E&M installation contracts "booked" in the period, including a transfer of HK\$401.5 million to the opening balance and new contracts awarded of HK\$518.9 million. New contracts included Hong Kong Science Park Phase 2 (Area A) and (Area B), Pak Shek Kok, Tai Po from Hong Kong Science and Technology Parks Corporation and subcontract work for Retail Centre at Union Square, Kowloon Station.

Contracts totalling HK\$462.0 million were completed with HK\$292.4 million derived from the building construction arm mainly for Phase 7 development works for Hong Kong Polytechnic University and proposed composite development at I.L.110 R.P. at No. 52 Hollywood Road and Graham Street. Other works completed included a civil engineering contract from the Civil Engineering Department of the Hong Kong Government for a 10-Year Extended Landslip Preventive Measures Project in Lantau and Lamma Island, as well as two E&M installation contracts, namely the New Campus Development (Community College) for Lingnan University and Kwai Chung Container Port – Terminal 9 Development.

Overall, consolidated orders on hand amounted to HK\$5,415.0 million, a 10.8% increase from last year end.

The breakdown of incomplete contracts of the Group's construction subsidiaries is as follows:

	<b>31/3/2005</b>	<b>Contracts Received</b>	<b>Contracts Completed</b>	<b>30/9/2005</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<b><i>HK\$ Million</i></b>
Building Construction				
Hong Kong and Macau	3,083.3	34.8	(292.4)	<b>2,825.7</b>
Mainland China	987.5	442.8	–	<b>1,430.3</b>
Civil Engineering				
Hong Kong	413.0	(6.8)	(87.2)	<b>319.0</b>
Mainland China	2.0	–	–	<b>2.0</b>
	<u>4,485.8</u>	<u>470.8</u>	<u>(379.6)</u>	<b><u>4,577.0</u></b>
<i>Add: Acquiring full interest of</i>				
E&M Installation Operation				
Hong Kong	401.5	518.9	(82.4)	<b>838.0</b>
Total	<u><u>4,887.3</u></u>	<u><u>989.7</u></u>	<u><u>(462.0)</u></u>	<b><u><u>5,415.0</u></u></b>



The split of incomplete contracts at balance sheet date is as follows:

	<u>Amount</u>	<u>%</u>
	<i>HK\$ Million</i>	
Government	321.0	5.9
Public, Charitable or Non-Profit Institutions	774.0	14.3
Hospital	1,000.0	18.5
Private Developers	3,320.0	61.3
	<u>5,415.0</u>	<u>100.0</u>

### Joint Ventures

No material contract was received or completed during the period. The breakdown of incomplete contracts of the Group's construction joint ventures is as follows:

	<u>31/3/2005</u>	<u>Contracts Received</u>	<u>Contracts Completed</u>	<u>30/9/2005</u>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
MBH Joint Venture	1,483.4	–	–	<b>1,483.4</b>
Maeda-Hitachi-Yokogawa-Hsin Chong Joint Venture	2,760.0	–	–	<b>2,760.0</b>
	<u>4,243.4</u>	<u>–</u>	<u>–</u>	<u><b>4,243.4</b></u>

Notes:

- (1) The amounts shown above are gross figures and do not reflect the Group's net attributable share.
- (2) The opening balance in Hsin Chong Aster (previously under breakdown of joint ventures) has been transferred to subsidiaries' order book after the Group acquired the full interest in the company during the period.

### Construction Related Property Developments

- (1) Lung Mun Oasis, Tuen Mun, Hong Kong
- (2) No. 3 Lockhart Road, Wanchai, Hong Kong
- (3) Hsin Chong Center, Kwun Tong, Hong Kong
- (4) Novotel Century Harbourview, Sai Wan, Hong Kong
- (5) SuCasa Service Apartments, Kuala Lumpur, Malaysia

The status of the above five projects has not changed materially from the descriptions given in the Group's last annual report.

(6) Guangzhou Wen Chang Pavilion, PRC

The pre-sale of Phase I was launched in June, 2005 with over 50% of available units pre-sold up to 30th September, 2005. The construction work is progressing well and is expected to be completed in December, 2005.

## **Major Contracts And Projects Subsequent To Period End**

### **Consolidated**

Subsequent to the period end, the Group received an E&M installation contract of HK\$86.5 million for Main Work (Area C) for Hong Kong Science Park Phase 2 (TPTL No. 182). Total incomplete contracts increased from HK\$5,415.0 million at period end to HK\$5,501.5 million as of 15th November, 2005.

### **Joint Ventures**

No significant jobs were received or completed subsequent to the period end.

## **INTERIM DIVIDEND**

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The Board is pleased to be able to declare the payment of an interim cash dividend from attributable earnings for the period ended 30th September, 2005 of HK3.0 cents per share payable on 3rd January, 2006 (2004: no dividend declared). This represents a payout ratio on attributable earnings for the period of approximately 61%. Barring unforeseen circumstances, the Board looks forward to paying a further final dividend for the year while still retaining its historically conservative balance sheet.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS AND REPORT**

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The unaudited interim consolidated financial statements have been reviewed by the Company's auditors, PricewaterhouseCoopers, and an unmodified review report has been received by the Board.

The Audit Committee has reviewed this interim report with the management of the Company.

## **CORPORATE GOVERNANCE**

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The Company has complied with the code provisions and certain recommended best practices set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules of the Stock Exchange throughout the period, save for the code provision under A.4.2 that all directors should be subject to retirement by rotation at least once every three years. Under the Company's Bye-laws, both the chairman and managing director are not subject to retirement by rotation and re-election at annual general meetings. The Company is making a review of the rotation arrangements of directors and shall decide on compliance before the next annual general meeting and make appropriate arrangements or if it is decided to continue with the existing Bye-law shall explain the reason for non-compliance in the next annual report.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules of the Stock Exchange and all its directors have also confirmed compliance of the Model Code throughout the period.

## **SALE AND PURCHASE OF SHARES**

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During the period, there was no redemption, purchase, sale or cancellation of shares in the Company made by the Company or any of its subsidiaries during the six months ended 30th September, 2005.

## **OUTLOOK**

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### **The Economy**

The first half of the year has provided some long-awaited political and economic stability to Hong Kong which resulted in an obvious improvement in business sentiment and confidence. While the “real time” benefits of this encouraging trend have not yet filtered down to the construction industry sector, there are signs of recognition that certain much needed infrastructure/capital projects are falling seriously behind in terms of maintaining the City’s overall competitive edge. Recent clear indications of the Government’s intention towards a number of much delayed high profile projects, including the new Government headquarters in Tamar, the West Kowloon Cultural Hub concept, as well as the redevelopment of the old Kai Tak could provide some much needed revenue opportunities for the industry next year.

### **The Industry**

It is outside Hong Kong, however, where we have seen a more sustained level of economic growth with specific attention on Macau and mainland China. In Macau, the tax revenue generating potential of the booming gaming and tourism sector is creating the opportunity for improved infrastructure and development projects for the public sector, providing a second wave of capital investments beyond the gaming and related industries, which in turn provide stimuli for the investment hungry private sectors. Over the past year, we have seen an unprecedented growth in construction activities for Macau and this unfortunately has resulted in a steep inflationary spiral particularly in the labour market. Similar pressures in the mainland China market have been brought under somewhat better control by the Central Government in response to measures taken last year to limit land supply and curb speculative investment. Despite this, we still see good long term opportunities in mainland China and do not anticipate any significant reduction in economic growth forecasts.

## **The Group**

The scale and speed of growth in the Macau market has been fully capitalized by the management's focus and concentration on its strategic relationship with the Las Vegas Venetian group which continues to lead the market with its ambitious mega resort project on the Cotai strip. The Group's commitment under the existing construction management services agreement with Venetian is shortly to be expanded as the developer responds to the pressing demands for hotel and serviced accommodation in support of the casino, conference, entertainment and exhibition facilities under construction and due for delivery in 2007. The further development of the construction management business is consistent with the Group's strategy to gradually move towards a more service orientated market and to that end the Group is currently investing resources in developing new and exciting opportunities in mainland China for this value added consultancy service. In Hong Kong, the Group continues to maintain its traditional contracting activities in response to largely private sector demand with little growth contemplated in the public sector where margins are under constant pressure and price competition is fierce. It is, however, our intention to maintain active participation in our domestic market in both the building and civil engineering sectors. Similar tight margins and higher risk levels in mainland China have prompted management to seek a better balance between traditional contracting and the provision of construction management services in our projected workload but this continues to be a difficult market with its own unique industry culture and practices.

The Group's E&M installation and commissioning company – Hsin Chong Aster has started the year well with three successive awards on the Hong Kong Science Park development so far this year and is making good progress with its penetration of the mainland China market through its newly acquired stake in a PRC Class 1 E&M company headquartered in Beijing.

In respect of its non-construction activities, the Group anticipates a good response to the launch of the remaining units in phase 1 of its residential development in Guangzhou which will be built out later this year.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

	Note	Unaudited Six months ended 30th September		% Change
		2005 HK\$'000	2004 HK\$'000	
Turnover	3	<b>1,200,021</b>	520,523	130.5
Cost of sales		<b>(1,131,323)</b>	(441,687)	156.1
Gross profit		<b>68,698</b>	78,836	-12.9
Other income		<b>11,777</b>	4,744	148.3
General and administrative expenses		<b>(68,836)</b>	(69,849)	-1.5
Other operating expenses		<b>(6,778)</b>	(9,733)	-30.4
Impairment loss reversal		<b>38,222</b>	–	N/A
Transfer from deferred income		–	18,225	-100.0
Operating profit	4	<b>43,083</b>	22,223	93.9
Finance costs		<b>(3,707)</b>	(2,084)	77.9
Share of profits less losses/(losses less profits) of				
– jointly controlled entities		<b>610</b>	1,031	-40.8
– associated companies		<b>269</b>	(794)	N/A
Profit before taxation		<b>40,255</b>	20,376	97.6
Taxation	5	<b>3,340</b>	(5,683)	N/A
Profit for the period		<b>43,595</b>	14,693	196.7
Dividend	6	<b>19,187</b>	–	N/A
Profit attributable to:				
Shareholders		<b>31,228</b>	6,999	3.5x
Minority interests		<b>12,367</b>	7,694	60.7
		<b>43,595</b>	14,693	196.7
Earnings per share	7	<b>HK4.9 cents</b>	HK1.1 cents	3.5x

## CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2005 AND 31ST MARCH, 2005

		Unaudited 30th September 2005	Restated 31st March 2005	% Change
	Note	HK\$'000	HK\$'000	
<b>Non-current assets</b>				
Property, plant and equipment	8	79,370	81,771	-2.9
Investment properties	8	112,020	115,069	-2.6
Prepaid premium for land lease	8	39,069	39,540	-1.2
Intangible asset	8	2,850	-	N/A
Goodwill	8	5,568	-	N/A
Associated companies		83,148	105,774	-21.4
Jointly controlled entities		5,211	(27,021)	N/A
Held-to-maturity investments	10	23,487	-	N/A
Available-for-sale financial assets/ other investments		2,405	2,171	10.8
Deferred taxation asset		602	602	-
		<u>353,730</u>	<u>317,906</u>	11.3
<b>Current assets</b>				
Property under development for sale		132,807	48,634	173.1
Stocks and contracting work-in- progress		239,536	118,250	102.6
Receivables and prepayments	9	346,741	282,563	22.7
Amounts due from minority shareholders		3,266	5,154	-36.6
Held-to-maturity investments	10	7,859	-	N/A
Financial assets at fair value through profit or loss/short term investments		44,397	41,988	5.7
Deposits, cash and bank balances – restricted		116,951	13,803	7.5x
– unrestricted		470,889	449,261	4.8
		<u>1,362,446</u>	<u>959,653</u>	42.0
<b>Current liabilities</b>				
Current portion of long term bank loans	12	(127,702)	(99,274)	28.6
Short term bank loan, secured		(2,400)	(2,355)	1.9
Payables and accruals	11	(926,239)	(538,365)	72.0
Amounts due to minority shareholders		(18,048)	(8,002)	125.5
Taxation payable		(8,190)	(13,187)	-37.9
		<u>(1,082,579)</u>	<u>(661,183)</u>	63.7
<b>Net current assets</b>		<u>279,867</u>	298,470	-6.2
<b>Total assets less current liabilities</b>		<u>633,597</u>	616,376	2.8
<b>Non-current liabilities</b>				
Long term bank loans	12	(140,000)	(142,000)	-1.4
<b>Net assets</b>		<u>493,597</u>	<u>474,376</u>	4.1
<b>Equity</b>				
Share capital	13	63,955	63,940	0.0
Other reserves		274,436	274,087	0.1
Retained profits		145,092	126,655	14.6
Shareholders' funds		<u>483,483</u>	464,682	4.0
Minority interests		10,114	9,694	4.3
<b>Total equity</b>		<u>493,597</u>	<u>474,376</u>	4.1

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

	Unaudited		% Change
	Six months ended 30th September		
	2005	2004	
	HK\$'000	HK\$'000	
Operating activities			
Net cash inflow/(outflow) generated from operations	102,430	(58,687)	N/A
Interest received	4,429	1,232	2.6x
Interest paid	(6,044)	(2,249)	168.7
Dividends received from listed investments	162	63	157.1
Hong Kong profits tax refund	9	270	-96.7
Overseas tax paid	(1,613)	(1,531)	5.4
Proceeds received from pre-sale of property under development for sale	68,681	–	N/A
Net cash inflow/(outflow) from operating activities	168,054	(60,902)	N/A
Investing activities			
Increase in investment in a jointly controlled entity	–	(710)	-100.0
Increase in property under development	–	(3,294)	-100.0
Purchase of property, plant and equipment	(1,896)	(1,161)	63.3
Purchase of held-to-maturity investments	(31,811)	–	N/A
Disposal of property, plant and equipment	167	181	-7.7
Purchase of a subsidiary (formerly associated company), net of cash acquired (Note 16)	1,803	–	N/A
Net (advance)/repayment of loans (to)/from associated companies and jointly controlled entities	(24,302)	1,425	N/A
Net cash outflow from investing activities	(56,039)	(3,559)	14.7x
Net cash inflow/(outflow) before financing	112,015	(64,461)	N/A
Financing			
Repayment of bank loans			
– secured	–	(47,140)	-100.0
– unsecured	(2,000)	(2,000)	0.0
Increase in bank loans – secured	26,586	4,074	5.5x
Issue of shares	72	–	N/A
Repayment to minority shareholders	–	(3)	-100.0
Dividend paid	(12,791)	–	N/A
Increase in restricted bank deposits	(102,254)	–	N/A
Net cash outflow from financing	(90,387)	(45,069)	100.6
Increase/(decrease) in cash and cash equivalents	21,628	(109,530)	N/A
Cash and cash equivalents at 1st April	449,261	518,652	-13.4
Cash and cash equivalents at 30th September	470,889	409,122	15.1
Analysis of the balances of cash and cash equivalents			
Deposits, cash and bank balances			
– unrestricted	470,889	409,122	15.1

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

	Unaudited							
	Share capital	Share premium	Exchange reserve	General reserve	Other reserves	Retained profits	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2004								
As previously reported, as equity	63,925	148,257	97	121,110	4,354	103,665	-	441,408
Reclassification of minority interests as equity	-	-	-	-	-	-	2,377	2,377
As restated	63,925	148,257	97	121,110	4,354	103,665	2,377	443,785
Exchange difference	-	-	(8)	-	-	-	-	(8)
Profit for the period	-	-	-	-	-	6,999	7,694	14,693
Distributed as non-equity minority interests	-	-	-	-	-	-	(299)	(299)
At 30th September, 2004	<u>63,925</u>	<u>148,257</u>	<u>89</u>	<u>121,110</u>	<u>4,354</u>	<u>110,664</u>	<u>9,772</u>	<u>458,171</u>
At 1st April, 2005								
As previously reported, as equity	63,940	148,314	309	121,110	4,354	126,655	-	464,682
Reclassification of minority interests as equity	-	-	-	-	-	-	9,694	9,694
As restated	63,940	148,314	309	121,110	4,354	126,655	9,694	474,376
Exchange difference	-	-	58	-	-	-	-	58
Profit for the period	-	-	-	-	-	31,228	12,367	43,595
Distributed as non-equity minority interests	-	-	-	-	-	-	(11,947)	(11,947)
Fair value gain on available-for-sale financial assets	-	-	-	-	234	-	-	234
Final dividend paid	-	-	-	-	-	(12,791)	-	(12,791)
Issue of shares	15	-	-	-	-	-	-	15
Premium arising from issue of shares	-	57	-	-	-	-	-	57
At 30th September, 2005	<u>63,955</u>	<u>148,371</u>	<u>367</u>	<u>121,110</u>	<u>4,588</u>	<u>145,092</u>	<u>10,114</u>	<u>493,597</u>

At 30th September, 2005, other reserves represent capital redemption reserve of HK\$4,354,000 and investment revaluation reserve of HK\$234,000 (30th September, 2004: capital redemption reserve of HK\$4,354,000).



## NOTES TO INTERIM ACCOUNTS

### 1. Basis of preparation and accounting policies

These unaudited consolidated interim accounts (“interim accounts”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2005 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) which are effective for accounting periods commencing on or after 1st January, 2005. The changes to the Group’s accounting policies and the effect of adopting these new accounting policies are set out in note 2 below.

### 2. Impact of new/revised HKFRSs

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 3	Business Combinations

## 2. Impact of new/revised HKFRSs (continued)

The adoption of the above HKFRSs has the following impacts on the Group's accounting policies:

- (a) The adoption of new/revised HKASs 1, 2, 7, 8, 10, 11, 12, 14, 16, 18, 21, 23, 24, 27, 28, 31, 33, 36, 37, 38, HK-Int 3, HKAS-Int 15 and HKAS-Int 21 did not result in substantial changes to the Group's accounting policies. In summary:
- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and jointly controlled entities and other disclosures.
  - HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 21, 23, 24, 27, 28, 31, 33, 36, 37, 38, HK-Int 3, HKAS-Int 15 and HKAS-Int 21 had no material effect on the Group's policies.
- (b) The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to prepaid premium for land lease. The up-front prepayments made for the leasehold land are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account.
- (c) The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classifications of other investments and short term investments.
- Other investments have been re-designated as available-for-sale financial assets and are stated at fair values. Changes in their fair values are accounted for as movements in investment revaluation reserve. In previous accounting periods, other investments were stated at cost less provision for impairment.
- Short term investments have been re-designated as financial assets at fair value through profit or loss.
- (d) The adoption of HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recognised in the profit and loss account.
- (e) The adoption of HKFRS 3 has resulted in a change in accounting policy of goodwill. In accordance with HKFRS 3, goodwill arising from business combinations after 1st April, 2005 is not amortised and is tested annually for impairment, as well as when there is an indication of impairment. Any impairment loss recognised is charged to the profit and loss account.
- (f) The change in accounting policies did not have material financial impact to the results for the six months ended 30th September, 2004. The effects of changes in accounting policies on the consolidated profit and loss account for the six months ended 30th September, 2005 are as follows:

Six months ended 30th September, 2005	Effect of adopting		
	HKAS 17 HK\$'000	HKAS 40 HK\$'000	Total HK\$'000
Increase/(decrease) in profit for the period			
Amortisation of prepaid premium for land lease	(471)	–	(471)
Fair value gain on investment property	–	1,250	1,250
	<u>(471)</u>	<u>1,250</u>	<u>779</u>

2. **Impact of new/revised HKFRSs** (continued)

- (g) The financial effects of the above changes in accounting policies on the consolidated balance sheet are as follows:

At 30th September, 2005	Effect of adopting				Total HK\$'000
	HKAS 1 HK\$'000	HKAS 17 HK\$'000	HKAS 32 & HKAS 39 HK\$'000	HKAS 40 HK\$'000	
<b>Increase/(decrease) in net assets</b>					
Property, plant and equipment	-	(39,540)	-	(36,249)	(75,789)
Prepaid premium for land lease	-	39,069	-	-	39,069
Investment properties	-	-	-	37,499	37,499
Available-for-sale financial assets	-	-	234	-	234
Net amounts due to minority shareholders	(14,782)	-	-	-	(14,782)
	<u>(14,782)</u>	<u>(471)</u>	<u>234</u>	<u>1,250</u>	<u>(13,769)</u>
<b>Increase/(decrease) in total equity</b>					
Retained profits	-	(471)	-	1,250	779
Investment revaluation reserve	-	-	234	-	234
Minority interests	(14,782)	-	-	-	(14,782)
	<u>(14,782)</u>	<u>(471)</u>	<u>234</u>	<u>1,250</u>	<u>(13,769)</u>
At 31st March, 2005					
<b>Increase/(decrease) in net assets</b>					
Property, plant and equipment	-	(39,540)	-	(36,249)	(75,789)
Prepaid premium for land lease	-	39,540	-	-	39,540
Investment properties	-	-	-	36,249	36,249
Net amounts due to minority shareholders	(2,848)	-	-	-	(2,848)
	<u>(2,848)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,848)</u>
<b>Decrease in total equity</b>					
Minority interests	(2,848)	-	-	-	(2,848)
	<u>(2,848)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,848)</u>

### 3. Segment information

#### Primary reporting format: business segments

The Group is organised into three major business segments, being building construction and civil engineering, property development and rental, and electrical and mechanical installation.

Six months ended 30th September, 2005	Building construction and civil engineering <i>HK\$'000</i>	Property development and rental <i>HK\$'000</i>	Electrical and mechanical installation <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>1,071,700</u>	<u>9,740</u>	<u>118,581</u>	<u>-</u>	<u>1,200,021</u>
Segment results	1,398	39,522 <sup>#</sup>	2,029	(792)	42,157
Financial and securities income					4,817
Unallocated corporate expenses, net of income					<u>(3,891)</u>
Operating profit					43,083
Finance costs	(3,315)	-	(392)	-	(3,707)
Share of results of					
– Jointly controlled entities	(5)	-	757	(142)	610
– Associated companies	-	81	(399)	587	<u>269</u>
Profit before taxation					40,255
Taxation					<u>3,340</u>
Profit for the period					<u>43,595</u>
Six months ended 30th September, 2004					
Turnover	<u>504,763</u>	<u>11,348</u>	<u>-</u>	<u>4,412</u>	<u>520,523</u>
Segment results	25,479	1,700	-	(819)	26,360
Financial and securities income					46
Unallocated corporate expenses, net of income					<u>(4,183)</u>
Operating profit					22,223
Finance costs	(2,039)	(45)	-	-	(2,084)
Share of results of					
– Jointly controlled entities	1,409	-	-	(378)	1,031
– Associated companies	-	(404)	(747)	357	<u>(794)</u>
Profit before taxation					20,376
Taxation					<u>(5,683)</u>
Profit for the period					<u>14,693</u>

<sup>#</sup> Includes HK\$38.2 million write back of impairment loss on property under development for sale in Wen Chang Pavilion, Guangzhou, PRC

3. **Segment information** (continued)

**Secondary reporting format: geographical segments**

	Segment turnover		Segment results	
	Six months ended 30th September		Six months ended 30th September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	928,647	424,625	3,821	23,850
Macau	179,099	57,906	13,468	14,233
PRC	92,275	37,992	24,868	(11,723)
	<u>1,200,021</u>	<u>520,523</u>	<u>42,157</u>	<u>26,360</u>
Financial and securities income			4,817	46
Unallocated corporate expenses, net of income			(3,891)	(4,183)
Operating profit			<u>43,083</u>	<u>22,223</u>

4. **Operating profit**

Operating profit is stated after charging/(crediting) the following:

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Depreciation		
– investment property	–	4,299
– building on medium term leasehold land	2,471	2,731
– owned fixed assets	2,112	5,224
Net loss on forward contracts	673	–
Net fair value loss on investment properties	3,049	–
Net gain on financial assets at fair value through profit or loss	(2,409)	(886)
Impairment loss reversal	<u>(38,222)</u>	<u>–</u>

## 5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period after application of available tax losses brought forward. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (credited)/charged to the consolidated profit and loss account represents:

	<b>Six months ended 30th September</b>	
	<b>2005</b>	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	<b>(3,086)</b>	2,101
Overseas tax	<b>(254)</b>	3,582
	<b><u>(3,340)</u></b>	<b><u>5,683</u></b>

Share of associated companies' taxation for the six months ended 30th September, 2005 of HK\$10,200 (2004: HK\$186,200) are included in the consolidated profit and loss account as share of profits less losses of associated companies.

## 6. Dividend

	<b>Six months ended 30th September</b>	
	<b>2005</b>	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend: HK3.0 cents (2004: Nil) per ordinary share	<b><u>19,187</u></b>	<b><u>–</u></b>

## 7. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders HK\$31,228,000 (2004: HK\$6,999,000) and the weighted average number of 639,477,000 shares (2004: weighted average of 639,258,000 shares) in issue during the period. No diluted earnings per share for the periods ended 30th September, 2005 and 2004 are presented because there were no dilutive potential ordinary shares outstanding during these periods.

## 8. Capital Expenditure

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Prepaid premium for land lease <i>HK\$'000</i>	Intangible asset <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
Opening net book value at 1st April, 2005	157,560	78,820	–	–	–	236,380
Opening adjustment on the adoption of HKAS 17	(39,540)	–	39,540	–	–	–
Opening adjustment on the adoption of HKAS 40	(36,249)	36,249	–	–	–	–
Restated at 1st April, 2005	81,771	115,069	39,540	–	–	236,380
Additions	1,896	–	–	–	–	1,896
Acquisition of a subsidiary (note 16)	374	–	–	3,000	5,568	8,942
Disposals	(88)	–	–	–	–	(88)
Fair value loss	–	(3,049)	–	–	–	(3,049)
Depreciation and amortisation	(4,583)	–	(471)	(150)	–	(5,204)
Closing net book value at 30th September, 2005	<u>79,370</u>	<u>112,020</u>	<u>39,069</u>	<u>2,850</u>	<u>5,568</u>	<u>238,877</u>

Intangible asset represents the use of trademarks and trade names under the Trade Mark Licence Deed for the purpose of continuity of the brand name – “Hsin Chong Aster” in the electrical and mechanical industry in Hong Kong, Macau and the Mainland China for a fixed period of 5 years. Under HKAS 38 “Intangible Assets”, intangible asset is stated at cost and amortised over a finite useful life.

During the six months ended 30th September, 2004, the Group acquired and disposed property, plant and equipment amounted to HK\$1,161,000 and HK\$20,000 respectively.

## 9. Receivables and prepayments

Included in receivables and prepayments are trade debtors and their ageing analysis is as follows:

	Not yet due <i>HK\$'000</i>	1 to 30 days <i>HK\$'000</i>	31 to 90 days <i>HK\$'000</i>	91 to 180 days <i>HK\$'000</i>	Over 180 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Balance at</b>						
<b>30th September, 2005</b>	<u>158,086</u>	<u>25,804</u>	<u>10,197</u>	<u>5,288</u>	<u>107,599</u>	<u>306,974</u>
Balance at						
31st March, 2005	<u>158,072</u>	<u>8,540</u>	<u>27,696</u>	<u>3,662</u>	<u>44,804</u>	<u>242,774</u>

Interim application for progress payments in construction contracts are normally on a monthly basis and settled within one month with retention monies withheld but released on the issuance of relevant maintenance certificates. Rental income is billed in advance of the rental period.

## 10. Held-to-maturity investments

Held-to-maturity investments represent the bonds that are denominated in US dollars ("US\$") and have a maturity of between 1.5 months to 2.5 years with total repayment of US\$3,000,000 due more than one year and US\$1,000,000 due within one year.

## 11. Payables and accruals

Included in payables and accruals are trade payables and their ageing analysis is as follows:

	<b>Not yet due</b>	<b>1 to 30 days</b>	<b>31 to 90 days</b>	<b>91 to 180 days</b>	<b>Over 180 days</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Balance at</b>						
<b>30th September, 2005</b>	<b><u>669,137</u></b>	<b><u>27,164</u></b>	<b><u>10,301</u></b>	<b><u>571</u></b>	<b><u>14,272</u></b>	<b><u>721,445</u></b>
Balance at						
31st March, 2005	<u>385,342</u>	<u>26,701</u>	<u>9,644</u>	<u>1,922</u>	<u>9,599</u>	<u>433,208</u>

## 12. Long term bank loans

	<b>30th September 2005</b>	31st March 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans, wholly payable within five years		
– secured	<b>223,702</b>	195,274
– unsecured	<b>44,000</b>	46,000
	<b>267,702</b>	241,274
Amounts due within one year included under current liabilities	<b>(127,702)</b>	(99,274)
	<b>140,000</b>	142,000
The repayment schedule of long term bank loans is as follows:		
– within one year	<b>127,702</b>	99,274
– in the second year	<b>40,000</b>	42,000
– in the third to fifth years, inclusive	<b>100,000</b>	100,000
	<b>267,702</b>	241,274



### 13. Share capital

	<b>30th September 2005</b>	31st March 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
1,000,000,000 (31st March, 2005: 1,000,000,000) shares of HK\$0.10 each	<b><u>100,000</u></b>	<u>100,000</u>
Issued and fully paid:		
639,551,065 (31st March, 2005: 639,407,500) shares of HK\$0.10 each	<b><u>63,955</u></b>	<u>63,940</u>

The movements of the issued share capital of the Company are summarized below:

	Number of shares	<i>HK\$'000</i>
At 31st March, 2005	639,407,500	63,940
Issue of shares ( <i>note</i> )	<u>143,565</u>	<u>15</u>
At 30th September, 2005	<b><u>639,551,065</u></b>	<b><u>63,955</u></b>

*Note:*

During the period, 143,565 new shares of HK\$0.10 each in the Company were issued pursuant to the Employee Share Subscription Scheme ("Subscription Scheme") with a price of HK\$0.50 for cash at an aggregate amount of HK\$71,783. In addition, as at 30th September, 2005, subscription monies amounting to HK\$35,856 have been received from a qualifying employee who has accepted offer to subscribe for shares of the Company under the Subscription Scheme in respect of the current operating period (1st July, 2005 to 31st December, 2005). Under the Subscription Scheme, the subscription price and the number of shares to be allotted were determined on the expiration of the operating period in accordance with the terms of the Subscription Scheme.

During the period, no options to subscribe for shares in the Company under the Executive Share Option Scheme ("Option Scheme") lapsed and determined. No option holders exercised their options to subscribe for shares of HK\$0.10 each in the Company during the period. The option holders are entitled to exercise their options at a price of HK\$0.80 per share. At 30th September, 2005, 5,014,000 (31st March, 2005: 5,014,000) options exercisable before 24th September, 2009 were outstanding.

No options to subscribe for shares in the Company have been granted pursuant to the Option Scheme for the period ended 30th September, 2005.

### 14. Contingent liabilities

	<b>30th September 2005</b>	31st March 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks for facilities granted to associated companies	<b><u>16,500</u></b>	<u>38,300</u>

## 15. Commitments

- (a) At 30th September, 2005, the outstanding commitments in respect of property under development for sale were as follows:

	<b>30th September 2005</b> <i>HK\$'000</i>	31st March 2005 <i>HK\$'000</i>
Contracted but not provided for	<b>28,358</b>	54,001
Authorised but not contracted for	<b>23,471</b>	40,280
	<b><u>51,829</u></b>	<b><u>94,281</u></b>

- (b) Commitments under operating leases

At 30th September, 2005, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases as follows:

	<b>30th September 2005</b> <i>HK\$'000</i>	31st March 2005 <i>HK\$'000</i>
Land and buildings		
– not later than one year	<b>2,551</b>	3,936
– later than one year but not later than five years	<b>1,211</b>	77
	<b><u>3,762</u></b>	<b><u>4,013</u></b>

At 30th September, 2005, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases, which were typically run for a period of one to three years, as follows:

	<b>30th September 2005</b> <i>HK\$'000</i>	31st March 2005 <i>HK\$'000</i>
Land and buildings		
– not later than one year	<b>10,938</b>	10,179
– later than one year but not later than five years	<b>11,958</b>	12,355
	<b><u>22,896</u></b>	<b><u>22,534</u></b>

## 16. Business combinations

The Group acquired 50% of the share capital of Hsin Chong Aster Building Services Limited (“Hsin Chong Aster”) for a cash consideration of HK\$28,410,000 (including HK\$3,000,000 for intangible asset – see note 8) in July 2005. Hsin Chong Aster is principally engaged in the electrical and mechanical services in Hong Kong, Macau and the Mainland China and holds 100% interests in Hsin Chong Aster Building Services (Asia) Limited, Hsin Chong Aster China Limited and Hsin Chong Aster Macau Limited, 25% interests in Hsin Chong Aster Zhong Biao Building Services Limited, 30% interests in AEH Joint Venture and 45% interests in Hsin Chong-Hsin Chong Aster Joint Venture. Before the acquisition, Hsin Chong Aster was an associate of the Group and it became a wholly-owned subsidiary of the Group upon the completion of the acquisition. The acquired business contributed turnover of HK\$118,581,000 and net profit of HK\$2,136,000 to the Group for the period from 1st July, 2005 to 30th September, 2005. If the acquisition had occurred on 1st April, 2005, Group turnover would have been HK\$1,209,597,000 and profit attributable to shareholders would have been HK\$30,829,000.

	<b>Book value</b> <i>HK\$'000</i>	<b>Fair value</b> <i>HK\$'000</i>
Consolidated net assets acquired		
Property, plant and equipment	374	374
Intangible asset (note 8)	–	3,000
Jointly controlled entities	9,030	9,030
Contracting work-in-progress	33,306	33,306
Receivables and prepayments	43,497	43,497
Taxation recoverable	52	52
Cash and bank balances		
– restricted	676	676
– unrestricted	30,213	30,213
Payables and accruals	(72,701)	(72,701)
	<u>44,447</u>	<u>47,447</u>
Interest originally held by the Group as an associated company		<u>(24,605)</u>
		<u>22,842</u>
Goodwill on acquisition		<u>5,568</u>
Total consideration		<u><u>28,410</u></u>
Satisfied by:		
Cash		<u><u>28,410</u></u>
Net cash inflow arising on acquisition		
Cash paid		(28,410)
Cash and bank balances acquired – unrestricted		<u>30,213</u>
Net cash inflow in respect of the acquisition of a subsidiary		<u><u>1,803</u></u>

The goodwill is attributable to the positive future prospect of electrical and mechanical business and the significant synergies expected to arise after acquisition.

## 17. Related party transactions

- (a) Details of material transactions between certain companies of the Group and its associated companies and related companies are as follows:

	Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000
Billing of contracts from associated companies	(78,605)	(25,526)
Billing of contracts from related companies	(817)	(1,037)
Billing of contracts to a related company	18,193	–
Service centre charges received from related companies	734	1,177
Secretarial and accountancy fee received from associated companies	487	1,012
Insurance premiums refunded from/(paid to) a related company	16,497	(3,348)
Rental received from related companies	<u>1,106</u>	<u>1,172</u>

- (b) Receivables and prepayments of the Group included trade receivables from associated companies, jointly controlled entities and related companies of HK\$7,090,000 (31st March, 2005: HK\$10,018,000).

## 18. Comparative figures

Certain comparative figures presented in these unaudited interim consolidated financial statements have been restated to comply with the relevant new HKFRSs as set out in note 2.

## PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES

The Group had amounts due from and loans to certain affiliated companies in a total sum of HK\$197.6 million and guarantee given to a bank for facility granted of HK\$16.5 million totalling HK\$214.1 million as at 30th September, 2005 which exceeds 8% of the Group's total assets. A proforma combined balance sheet of certain affiliated companies to which the Group provide major financial assistance and the Group's attributable interest in these affiliated companies are presented below:

	<b>Pro-forma combined balance sheet</b> <i>HK\$'000</i>	<b>Group's attributable interest</b> <i>HK\$'000</i>
Property, plant and equipment	376,215	84,648
Prepaid premium for land lease	151,262	34,034
Associated companies	31,581	10,527
Current assets	5,954	1,387
Current liabilities	(20,818)	(4,687)
Long term bank loan	(57,200)	(12,870)
Shareholders' advance	(631,228)	(148,308)
Provision for impairment on land and property	(172,151)	(38,734)
	<u>(316,385)</u>	<u>(74,003)</u>

## DIRECTORS' INTERESTS

At 30th September, 2005, the interests/short positions of each of the Directors and Alternate Director(s) in the shares and underlying shares of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, are set out below:

(i) **Long position in the shares and underlying shares of the Company and its associated corporations**

	Number of shares held				Percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other interests	
V-nee YEH *	15,969,825	–	–	113,350,819 (Note 1)	20.22

\* *Mr. V-nee YEH holds 768,000 options to subscribe for shares in the Company under the Company's Executive Share Option Scheme.*

*Note 1: The share interests are held by GHY Company Limited acting as trustee of a trust in which Mr. V-nee YEH has a beneficial interest.*

Mr. V-nee YEH was a participant of the Employee Share Subscription Scheme ("ESSS") of the Company for the Operating Period from 1st July, 2005 to 31st December, 2005. The unit price and the number of shares to be issued to the participant under the ESSS will only be determined at the end of the Operating Period.

Save as disclosed above, none of the other Directors and Alternate Director(s) had interests in the shares and underlying shares of the Company and its associated corporations as at 30th September, 2005.

(ii) **Short position in the shares and underlying shares of the Company and its associated corporations**

None of the Directors and Alternate Director(s) had short positions in respect of the shares and underlying shares of the Company and its associated corporations as at 30th September, 2005.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th September, 2005, the interests/short positions of Substantial Shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO are set out below:

### (i) Long position in the shares and underlying shares of the Company

The Company had been notified of the following Substantial Shareholders' interests in the shares as at 30th September, 2005.

Shareholder's name	Number of shares held	Percentage interest in the Company's issued share capital
Meou-tsen Geoffrey YEH	186,866,064 <i>(Note 1)</i>	29.22
Hsin Chong International Holdings Limited	183,130,508	28.63
V-nee YEH	129,320,644 <i>(Note 2)</i>	20.22
GHY Company Limited	113,350,819	17.72
Shai-yun TUNG	80,074,576 <i>(Note 3)</i>	12.52
Howay Investment Ltd.	80,074,576	12.52
J.P. Morgan Trust Company (Jersey) Limited	80,074,576	12.52
HSBC International Trustee (BVI) Limited	296,481,327 <i>(Note 4)</i>	46.36
HSBC International Trustee Limited	296,481,327	46.36

*Note 1: These share interests include 183,130,508 shares held by Hsin Chong International Holdings Limited in which Dr. Meou-tsen Geoffrey YEH has a corporate interest pursuant to the SFO.*

*Note 2: These share interests include 113,350,819 shares held by GHY Company Limited acting as trustee of a trust in which Mr. V-nee YEH has a beneficial interest.*

*Note 3: These share interests include 80,074,576 shares held by Howay Investment Ltd. which is wholly owned by a trust. Ms. Shai-yun TUNG is the founder and has beneficial interests in the trust. J.P. Morgan Trust Company (Jersey) Limited is the trustee of the trust.*

*Note 4: These share interests include 183,130,508 shares and 113,350,819 shares held by Hsin Chong International Holdings Limited and GHY Company Limited respectively. HSBC International Trustee (BVI) Limited is controlled by HSBC International Trustee Limited and both of them are trustees of the trusts.*

### (ii) Short position in the shares and underlying shares of the Company

As at 30th September, 2005, the Company had not been notified of any short position being held by any Substantial Shareholder in the shares and underlying shares of the Company.

## EXECUTIVE SHARE OPTION AND EMPLOYEE SHARE SUBSCRIPTION SCHEMES

The Company operates an Executive Share Option Scheme (“ESOS”) and an Employee Share Subscription Scheme (“ESSS”).

During the period, there was no movement of options granted under the ESOS. The information relating to the ESOS are set out below:

Name of participant	Date of grant	Options held as at 1/4/2005	Changes during the period				Options held as at 30/9/2005	Exercise price (HK\$)	Exercisable period
			Lapsed	Granted	Exercised	Cancelled			
<b>Director and Substantial Shareholder</b>									
V-nee YEH	25/9/1996	384,000	-	-	-	-	384,000	0.80	25/9/1998 – 24/9/2008
	25/9/1996	384,000	-	-	-	-	384,000	0.80	25/9/1999 – 24/9/2009
<b>Employees (in aggregate)</b>	25/9/1996	266,000	-	-	-	-	266,000	0.80	25/9/1997 – 24/9/2007
	25/9/1996	1,992,000	-	-	-	-	1,992,000	0.80	25/9/1998 – 24/9/2008
	25/9/1996	1,988,000	-	-	-	-	1,988,000	0.80	25/9/1999 – 24/9/2009
		<u>5,014,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,014,000</u>		

During the period, Mr. V-nee YEH was a participant of the ESSS of the Company for the two Operating Periods from 1st January, 2005 to 30th June, 2005 (Operating Period I) and from 1st July, 2005 to 31st December, 2005 (Operating Period II). A total of 143,565 shares were issued to the participant for the Operating Period I under the ESSS at HK\$0.50 per share on 4th July, 2005. The unit price and the number of shares to be issued to the participant for the Operating Period II under the ESSS will only be determined at the end of the Operating Period II.

Save as mentioned in the preceding paragraphs, at no time during the period was the Company or its subsidiaries, a party to any other arrangements to enable the Directors or Chief Executive or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate.

On behalf of the Board  
**V-nee YEH**  
*Chairman*

Hong Kong SAR, 2nd December, 2005