

VISION STATEMENT

A construction and integrated project development group engaged in the Hong Kong, Macau and Mainland China markets.

To be the “preferred business partner” of public and private sector clients seeking high technology and value-added solutions in the infrastructure, health and environmental sectors.



CORPORATE INFORMATION

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*
Anthony Francis RADEMEYER*
Ki-chi KWONG**

* *Independent Non-Executive Director*

** *Non-Executive Director*

AUDIT COMMITTEE

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

COMPANY SECRETARY

Wing-yin Betty WONG

SOLICITORS

F. Zimmern & Company
Herbert Smith

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
UFJ 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

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HSIN CHONG CONSTRUCTION GROUP LTD.

(Incorporated in Bermuda with Limited Liability)

The Directors of Hsin Chong Construction Group Ltd. ("Company") announce the results of your Company and its subsidiaries (together, the "Group") for the six months ended 30th September, 2004 pursuant to paragraph 46 of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Group's consolidated profit and loss account for the six months ended 30th September, 2004 and the Group's consolidated balance sheet as at 30th September, 2004, all of which are unaudited, along with explanatory notes, (all of which have been reviewed by the Audit Committee pursuant to the Listing Rules of 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

Operating results for the six months ended 30th September, 2004 disclose a profit of HK\$7.0 million after tax and minorities (2003: HK\$17.1 million). Earnings per share was HK1.1 cents versus HK2.7 cents for last year.

For the six months ended 30th September, 2004, the Group's turnover of HK\$520.5 million decreased by 50.7% compared with last corresponding period. This was due to lower order book and partly attributable to the shift of some construction work to the civil engineering segment undertaken through joint ventures, that cannot be consolidated as restricted by prevailing accounting standard. Despite the decline in turnover, gross profit increased by 96.3% to HK\$78.8 million from HK\$40.2 million of last corresponding period. This was mainly due to improved margins as a result of cost savings from completed building projects, better managed civil projects and the emerging construction management activities. Net profit though is lower by HK\$10.1 million at HK\$7.0 million due to prior period's non-cash gain of HK\$32.3 million from the deconsolidation of liquidated subsidiaries.

Segment Analysis

(1) Building construction and civil engineering

Turnover for the building and civil engineering divisions was HK\$504.8 million, a decrease of 51.5% compared with last corresponding period. The decrease was mainly attributable to the completion of significant projects last year, resulting in a comparatively lower order book this period. Profit after finance costs was HK\$23.4 million (2003: loss of HK\$10.2 million) for the period. Construction activities conducted via jointly controlled entities generated a profit of HK\$1.4 million for the period.

(2) Electrical and mechanical engineering

Through improved gross margins, Hsin Chong Aster reduced its loss significantly, from last period's HK\$2.3 million to HK\$0.6 million this period.

(3) Property development

The property development segment reported turnover of HK\$1.5 million and attained break-even with minimal profit of HK\$0.1 million for the period, versus last year's loss of HK\$15.6 million.

Share of loss from associated companies of HK\$0.4 million represented the remaining marketing expense for residential properties at 18A La Salle Road. The whole development had been disposed of at period end.

(4) Property rental

Total rental income (including rental income from Hsin Chong Center not occupied by the Group) was lower by 4.3% at HK\$9.8 million. No. 3 Lockhart Road was fully let. Lease renewal and new letting rentals were in line with market rate. Profit after finance costs was HK\$1.6 million (2003: HK\$3.8 million). The decrease was mainly due to higher amortization cost resulting from prior recognition of higher valuation.

(5) Hotel operations

Novotel Century Harbourview's average occupancy rate for the period was 89% and average room rate was more than 50% higher than the rate recorded in the same period of last year. These results reflect the hotel and tourism industry's V-shaped recovery as well as the management's successful migration towards high-yield segments of the market.

(6) Other operations

Other operations represented the integrated facility management ("IFM") in the People's Republic of China ("PRC"). Over the past six months, IFM reported turnover of HK\$4.4 million (2003: HK\$4.0 million) and operating loss of HK\$0.8 million (2003: profit of HK\$0.4 million).

On consolidation, return on equity was 3.1% (2003: 7.6%).

Financial Position

The Group maintains its policy of conservative capital management with debt to capitalization of 30% at the balance sheet date (31st March, 2004: 35%). Total bank borrowing carried at weighted average interest rate of 3.6% per annum amounted to HK\$193.7 million (31st March, 2004: HK\$238.8 million), of which 59% (31st March, 2004: 30%) falls due after one year. Out of these borrowings, HK\$121.6 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, 2004, total credit facilities (exclude construction finance for Guangzhou Wen Chang Court) available to the Group amounted to HK\$458.0 million with an undrawn balance of HK\$340.0 million. Land and buildings with a carrying value of HK\$122.9 million (31st March, 2004: HK\$125.6 million) have been pledged to secure the related mortgage loan. In respect of Guangzhou Wen Chang Court first phase development in which your Group has an effective interest of 42%, a construction bank loan of RMB130 million has been arranged and RMB64.5 million has been drawn down as of 15th November, 2004. 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, 2004, net working capital amounted to HK\$220.7 million (31st March, 2004: HK\$175.3 million). Cash balances and short term investments are 19.1% lower at HK\$460.0 million compared with last year end (HK\$568.6 million) with 89% (31st March, 2004: 91%) as cash and cash equivalents.

Financial Hedging And Other Off Balance Sheet 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 Court, which is denominated in Renminbi. The Group has no significant exposure to foreign currency fluctuations. In addition, your Group adopts hedging policies for mitigating interest rate risk and exchange rate risk associated with respective assets or liabilities, rights or obligations. Such policies ensure effective cost controls on construction cost as early as at the tendering stage and controllable borrowing cost 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 your Group and the latter comprises exposure due to currency needs from normal business operation for material procurements and services requirements. Your Group has established policies and procedures to the assessment, booking and monitoring of all such off balance sheet financial instruments under limits approved by the Finance Committee. The controls and procedures governing such activities were overall considered adequate.

Gain or loss arising from relevant hedging transactions will be booked against profit and loss associated with 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, your Group has outstanding forward exchange contracts to expire within one year to hedge HK\$150 million against US Dollar. Besides, your Group also hedged 68% of its long-term borrowings (exclude borrowings for the construction of Guangzhou Wen Chang Court) for the HIBOR element by interest swap agreements with unexpired tenor of less than one year.

Operational Review On Contracts

Subsidiaries

Over the past six months, the building construction arm received a contract of HK\$579.0 million for the Residential Redevelopment at STTL 526, No. 2 Lok Kwai Path, Area 43, Shatin, New Territories.

Contracts totalling HK\$633.4 million were completed including: (a) the construction work of Senior Citizen Residence at Jordan Valley for the Hong Kong Housing Society; residential developments at (b) No. 42 Island Road, (c) 26 Belcher's Street; (d) a 30-classroom Primary School for Diocesan Boys' School Campus at Argyle Street, Kowloon; and (e) the construction management of Venetian Sands Casino Project in Macau.

Overall, consolidated orders on hand amounted to HK\$2,929.8 million, a 3.3% decrease from last year end.

The breakdown of outstanding contracts of your Group's construction subsidiaries is as follows:

	<u>31/03/2004</u>	<u>Received</u>	<u>Completed</u>	<u>30/09/2004</u>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Building Construction				
Hong Kong SAR	2,066.0	529.5	(630.1)	1,965.4
Mainland China	551.4	—	—	551.4
Civil Engineering				
Hong Kong SAR	<u>413.0</u>	<u>3.3</u>	<u>(3.3)</u>	<u>413.0</u>
	<u>3,030.4</u>	<u>532.8</u>	<u>(633.4)</u>	<u>2,929.8</u>

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

	<u>Amount</u>	<u>%</u>
	<i>HK\$ Million</i>	
Government	414.2	14.1
Public, Charitable or Non-Profit Institutions	369.0	12.6
Hospital	1,000.0	34.1
Private Developers	<u>1,146.6</u>	<u>39.2</u>
	<u><u>2,929.8</u></u>	<u><u>100.0</u></u>

Associate and Joint Venture

Hsin Chong Aster (the 50% owned electrical and mechanical installation associate) decreased its order book by 11.9% over last year's level. Electrical and mechanical installation contracts amounting to HK\$35.1 million were received including the MVAC, Electrical and Fire Services Installation Subcontract for Student Hostels Phase 3 Development at City University of Hong Kong and the Electrical and Mechanical Installation Subcontract for Kwai Chung Container Port — Terminal 9 Development. Contracts completed at HK\$99.4 million mainly represented Building 7 and 8 of Hong Kong Science Park at Pak Shek Kok, Phase 1C, New Territories.

The Maeda-Hitachi-Yokogawa-Hsin Chong Joint Venture, in which your Group has 20% interest, received a civil engineering contract of HK\$2.76 billion for the world's longest cable-stayed bridge contract — Stonecutters Bridge from Highways Department. The substantial material requirements and long delivery schedule for this contract in a demand driven commodity market will make significant demands on the Joint Venture during the procurement period where fluctuating global price trends can be anticipated.

The Leighton-Hsin Chong Joint Venture, in which your Group has 50% interest, received an additional order of HK\$91.6 million for Contract P352 — SkyPlaza Advanced Works from the Hong Kong Airport Authority.

The breakdown of outstanding contracts of your Group's construction associate and joint ventures are as follows:

	31/3/2004	Received	Completed	30/09/2004
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Hsin Chong Aster	541.9	35.1	(99.4)	477.6
MBH Joint Venture	1,483.4	—	—	1,483.4
Maeda-Hitachi-Yokogawa- Hsin Chong Joint Venture	—	2,760.0	—	2,760.0
Leighton-Hsin Chong Joint Venture	<u>221.1</u>	<u>91.6</u>	<u>—</u>	<u>312.7</u>
	<u>2,246.4</u>	<u>2,886.7</u>	<u>(99.4)</u>	<u>5,033.7</u>

Note: The amounts shown above are gross figures and do not reflect your Group's net attributable share.

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 your Group's last annual report.

- (6) Budi Ikhtiar, Kuala Lumpur, Malaysia

In October 2004, the joint venture (in which your Group has 20% interest) with the Mandarin Oriental Hotel Group has disposed of the site for RM65 million (approximately HK\$133.9 million). Your Group's investment cost amounted to HK\$10.7 million as at 30th September, 2004.

- (7) Guangzhou Wen Chang Court, PRC

Superstructure construction work of the first phase development was commenced in October 2004 with a target completion date of December 2005.

Major Contracts And Projects Subsequent To Period End

Consolidated

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

Associate and Joint Venture

As mentioned in our last annual report, Hsin Chong Aster received a contract of RMB550 million in respect of building services work at Beijing Morgan Center, Beijing, PRC subsequent to the year end. Since then, there were significant variations in the development plan and designs. The project was put on hold at the moment.

Subsequent to the period end, Hsin Chong Aster completed HK\$21.4 million MVAC Installation Subcontract for Tung Chung Station Development Package II Site 4 Phase 1.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the period ended 30th September, 2004 (2003: Nil). However, if current operating trends continue and barring unforeseen circumstances, the Board looks forward to paying a final dividend, and, with the approval of relevant authorities, offering shareholders a scrip dividend alternative for those who would like to have more participation in the Company's future prospects.

REVIEW OF INTERIM FINANCIAL STATEMENTS

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.

CORPORATE GOVERNANCE

The Company has complied with Appendix 14 (Code of Best Practice) of the Listing Rules of the Stock Exchange throughout the period.

SALE AND PURCHASE OF SHARES

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, 2004.

OUTLOOK

The Economy

The Hsin Chong Group has diversified its operations across Hong Kong, China and more recently Macau and the economic performance of all these markets now impacts upon our future business.

The improved economy in Hong Kong is being felt in only limited sectors and whilst this improved market sentiment is welcome, we see little benefit flowing through to the building and civil engineering industry this year. The level of Government capital expenditure continues to decline and the private sector is approaching the current market with understandable caution.

In China we continue to see a reduction in private developer's confidence in the traditional residential, commercial and retail sectors with new starts significantly reduced due to the recent actions by the Central Government to slow the economy. The pressure from the business community for some relief of these measures and the scale of infrastructure development necessary to support the upcoming major international events in Beijing and Shanghai over the next five years will keep China's growth at regionally high levels. This will keep inflationary pressure on domestic and international materials pricing.

The Group's newest market, Macau, has experienced unprecedented growth since the combined effects of opening up the casino/gaming industry and the change in travel permit policy for individuals from China. The impact of such growth within such a small economic zone will inevitably result in higher levels of public and private sector spending in the short to medium term and your Group is positioning itself to take advantage of this situation.

The Industry

The construction industry in Hong Kong is under performing and is failing to invest in capital and training. The continued use of the traditional procurement model by both public and private clients constrains the industry leaders from developing innovative ideas that will add value to the product and enable them to participate in the benefits that result from a job well done. It is evident that many contractors and consultant companies are turning to new markets outside Hong Kong and are enjoying some success in the growth economies of China and India.

Closer to home in Macau and China, the industry is benefiting from a more enlightened procurement approach where extensive use is being made of the design and build and construction management models for procurement. This approach is not restricted to foreign direct investment initiatives but also applies to domestic public and private sectors' customers where there is a desire to become more engaged in the contract management process. These markets carry increased levels of risk but generally support a sustainable risk reward profile.

The Group

In line with some of its industry peers, the Group has aggressively sought new markets which will sustain our traditional core business but more importantly provide the basis for a construction services culture in establishing new business opportunities that enable us to offer our customers real time savings and added value through the application of our management skills and procedures. We continue to seek and work with technical and investment partners that can support and share this vision and over the last six months, this has enabled us to open up our China business in the education, healthcare and tourism sectors.

In Macau the Group has maintained its construction management activities in the development of new casino/gaming facilities and is set to expand this division over the next three years. We have also established our electrical and mechanical (E&M) services company Hsin Chong Aster in Macau and have been actively bidding into this new and exciting market.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

		Unaudited		
		6 months ended 30th September		
		2004	2003	% Change
	Note	HK\$'000	HK\$'000	
Turnover	2	520,523	1,056,370	-50.7
Cost of sales		(441,687)	(1,016,200)	-56.5
Gross profit		78,836	40,170	96.3
Other income		4,744	10,101	-53.0
General and administrative expenses		(69,849)	(60,594)	15.3
Other operating expenses		(9,733)	(12,606)	-22.8
Other write back		—	1,566	-100.0
Net transfer from deferred income		18,225	3,826	376.3
Deconsolidation of liquidated subsidiaries		—	32,255	-100.0
Operating profit	3	22,223	14,718	51.0
Finance costs		(2,084)	(2,366)	-11.9
Share of profits less losses/ (losses less profits) of				
— jointly controlled entities		1,031	12	84.9x
— associated companies		(608)	(2,544)	-76.1
Profit before taxation		20,562	9,820	109.4
Taxation	4	(5,869)	(1,581)	271.2
Profit after taxation		14,693	8,239	78.3
Minority interests		(7,694)	8,904	N/A
Profit attributable to shareholders		6,999	17,143	-59.2
Earnings per share	6	HK1.1 cents	HK2.7 cents	-59.3

CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2004 AND 31ST MARCH, 2004

		Unaudited 30th September 2004	31st March 2004	% Change
	Note	HK\$'000	HK\$'000	
Fixed assets		221,525	232,638	-4.8
Associated companies		84,412	104,205	-19.0
Jointly controlled entities		22,305	2,990	6.5x
Other investments		1,638	2,210	-25.9
Properties under development		27,172	21,854	24.3
Current assets				
Stocks and contracting work-in-progress		114,395	117,139	-2.3
Receivables and prepayments	7	264,323	301,531	-12.3
Short term investments		37,021	36,135	2.5
Deposits, cash and bank balances				
— restricted		13,849	13,849	0.0
— unrestricted		409,122	518,652	-21.1
		838,710	987,306	-15.1
Current liabilities				
Current portion of long term bank loans	9	(79,995)	(127,633)	-37.3
Short term bank loan, secured		—	(40,000)	-100.0
Payables and accruals	8	(520,279)	(631,538)	-17.6
Taxation payable		(17,687)	(12,845)	37.7
		(617,961)	(812,016)	-23.9
Net current assets		220,749	175,290	25.9
Deferred taxation assets	12	667	248	169.0
Deferred income		(3,204)	(21,425)	-85.0
Long term bank loans	9	(113,703)	(71,131)	59.9
Net assets		461,561	446,879	3.3
Financed by:				
Share capital	10	63,925	63,925	0.0
Reserves	11	384,474	377,483	1.9
Shareholders' funds		448,399	441,408	1.6
Minority interests		13,162	5,471	140.6
		461,561	446,879	3.3

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

	Unaudited 6 months ended 30th September		% Change
	2004 HK\$'000	2003 HK\$'000	
Operating activities			
Net cash (outflow)/inflow generated from operations	(58,687)	51,412	N/A
Interest received	1,232	2,639	-53.3
Interest paid	(2,249)	(3,446)	-34.7
Dividends received from listed investments	63	73	-13.7
Hong Kong profits tax refund/(paid)	270	(110)	N/A
Overseas tax paid	(1,531)	(186)	7.2x
Net cash (outflow)/inflow from operating activities	(60,902)	50,382	N/A
Investing activities			
Purchase of additional interest in a subsidiary	—	(3,493)	-100.0
Net increase in investment in a jointly controlled entity and an associated company	(710)	(2,275)	-68.8
Increase in properties under development	(3,294)	(15,786)	-79.1
Sales proceeds from disposal of interest in property under development	—	5,989	-100.0
Purchase of fixed assets	(1,161)	(1,866)	-37.8
Deconsolidation of liquidated subsidiaries	—	(1,147)	-100.0
Disposal of fixed assets	181	389	-53.5
Net repayment/(advance) of loans from/(to) associated companies and jointly controlled entities	1,425	(8,926)	N/A
Net cash outflow from investing activities	(3,559)	(27,115)	-86.9
Net cash (outflow)/inflow before financing	(64,461)	23,267	N/A
Financing			
Repayment of bank loans			
— secured	(47,140)	(18,390)	156.3
— unsecured	(2,000)	(20,000)	-90.0
Increase in bank loans			
— secured	4,074	11,664	-65.1
— unsecured	—	20,000	-100.0
Repayment to minority shareholders	(3)	(8,400)	-100.0
Release of restricted fixed deposits	—	12,000	-100.0
Net cash outflow from financing	(45,069)	(3,126)	13.4x
(Decrease)/increase in cash and cash equivalents	(109,530)	20,141	N/A
Cash and cash equivalents at 1st April	518,652	485,246	6.9
Cash and cash equivalents at 30th September	409,122	505,387	-19.0
Analysis of the balances of cash and cash equivalents			
Deposits, cash and bank balances — unrestricted	409,122	505,387	-19.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

	Unaudited		
	6 months ended 30th September		
	2004	2003	% Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Total equity as at 1st April	441,408	440,505	0.2
Exchange differences arising on translation of the accounts of overseas operations not recognised in the consolidated profit and loss account	(8)	(56)	-85.7
Profit attributable to shareholders	<u>6,999</u>	<u>17,143</u>	-59.2
Total equity as at 30th September	<u>448,399</u>	<u>457,592</u>	-2.0

NOTES TO INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

The unaudited consolidated interim accounts ("interim accounts") are prepared in accordance with Statement of Standard Accounting Practice 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants, and Appendix 16 of the Listing Rules of 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, 2004 except for the following:

Changes in Accounting Estimates

In the current period, the Group revised the accounting estimate in respect of the profits of incomplete contracts effective from 1st April, 2004. The revision to the Group's accounting estimate and the corresponding financial effects are set out as follows.

In prior years, profits in respect of the incomplete contracts were calculated in accordance with the stage of completion. Profits calculated in this manner were transferred from gross profit to deferred income on the balance sheet and a portion was released to the profit and loss account in accordance with the stage of completion of the contracts after projects were more than 40% complete.

Following favourable financial history of contract outturns together with the introduction of an improved contract review system, the Group considers the deferred income policy is no longer appropriate.

This revision has resulted a decrease of deferred income by HK\$16.7 million. Consequently, the current period profit has also been increased by HK\$16.7 million.

2. Segment information

Primary reporting format: business segments

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

Six months ended 30th September, 2004	Building construction and civil engineering <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Electrical and mechanical installation <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	504,763	1,523	9,825	—	—	4,412	520,523
Segment results	25,479	99	1,601	—	—	(819)	26,360
Financial and securities income							46
Unallocated corporate expenses, net of income							(4,183)
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	—	(401)	—	(610)	341	62	(608)
Profit before taxation							20,562
Taxation							(5,869)
Profit after taxation							14,693
Minority interests							(7,694)
Profit attributable to shareholders							6,999
Six months ended 30th September, 2003							
Turnover	1,040,649	1,412	10,267	—	—	4,042	1,056,370
Segment results	(8,057)	*(15,576)	4,106	—	—	*33,387	13,860
Financial and securities income							2,076
Unallocated corporate expenses, net of income							(1,218)
Operating profit							14,718
Finance costs	(2,103)	—	(263)	—	—	—	(2,366)
Share of results of — Jointly controlled entities	12	—	—	—	—	—	12
— Associated companies	—	954	—	(2,309)	(1,349)	160	(2,544)
Profit before taxation							9,820
Taxation							(1,581)
Profit after taxation							8,239
Minority interests							8,904
Profit attributable to shareholders							17,143

Includes HK\$16.0 million impairment loss on property under development in Wen Chang Court, Guangzhou, PRC.

* Includes HK\$32.3 million gain on deconsolidation of liquidated subsidiaries.

2. **Segment information** (continued)

Secondary reporting format: geographical segments

	Segment turnover		Segment results	
	Six months ended	30th September	Six months ended	30th September
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	424,625	839,357	23,864	21,681
PRC#	95,898	217,013	2,510	(7,760)
Others	—	—	(14)	(61)
	520,523	1,056,370	26,360	13,860
Financial and securities income			46	2,076
Unallocated corporate expenses, net of income			(4,183)	(1,218)
Operating profit			22,223	14,718

Including Macau

3. **Operating profit**

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

	6 months ended 30th September	
	2004	2003
	HK\$'000	HK\$'000
Depreciation		
— investment property	4,299	4,282
— building on long term leasehold land	2,731	1,426
— owned fixed assets	5,224	6,239
Net unrealised gain on short term investments	(314)	(978)
Other charge/(write back)		
— impairment loss on property under development	—	16,000
— write back of special retirement benefits costs	—	(17,566)
	—	(1,566)
Deconsolidation of liquidated subsidiaries	—	(32,255)

4. 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 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 represented:

	6 months ended 30th September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Company and subsidiaries:		
Hong Kong profits tax		
— provision for the period	2,280	312
— over provision in prior years	(11)	—
Overseas tax	3,582	1,240
Net transfer from deferred taxation (note 12)	(419)	—
	5,432	1,552
	-----	-----
Associated companies:		
Hong Kong profits tax		
— provision for the period	142	29
Overseas tax	44	—
	186	29
	-----	-----
Jointly controlled entities:		
Hong Kong profits tax		
— provision for the period	251	—
	-----	-----
Taxation charge	5,869	1,581
	=====	=====

5. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th September, 2004 (2003: Nil).

6. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$6,999,000 (2003: HK\$17,143,000) and the weighted average number of 639,258,000 shares (2003: 639,258,000 shares) in issue during the period. Diluted earnings per share for the periods ended 30th September, 2004 and 2003 have not been calculated as no diluting events existed during these periods.

7. Receivables and prepayments

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

	Not yet due	1 to 30 days	31 to 90 days	91 to 180 days	Over 180 days	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at						
30th September, 2004	<u>174,541</u>	<u>2,950</u>	<u>6,200</u>	<u>3,554</u>	<u>40,741</u>	<u>227,986</u>
Balance at						
31st March, 2004	<u>222,639</u>	<u>407</u>	<u>5,471</u>	<u>10,519</u>	<u>33,996</u>	<u>273,032</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.

8. Payables and accruals

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

	Not yet due	1 to 30 days	31 to 90 days	91 to 180 days	Over 180 days	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at						
30th September, 2004	<u>384,141</u>	<u>15,811</u>	<u>479</u>	<u>1,211</u>	<u>10,946</u>	<u>412,588</u>
Balance at						
31st March, 2004	<u>476,517</u>	<u>24,047</u>	<u>573</u>	<u>4,669</u>	<u>5,969</u>	<u>511,775</u>

9. Long term bank loans

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Bank loans, wholly payable within five years		
— secured	175,698	178,764
— unsecured	18,000	20,000
	193,698	198,764
Amounts due within one year included under current liabilities	(79,995)	(127,633)
	113,703	71,131
The repayment schedule of long term bank loans is as follows:		
— within one year	79,995	127,633
— in the second year	4,000	59,435
— in the third to fifth years, inclusive	109,703	11,696
	193,698	198,764

10. Share capital

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Authorised:		
1,000,000,000 (31st March, 2004:		
1,000,000,000) shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
639,258,083 (31st March, 2004: 639,258,083)		
shares of HK\$0.10 each	63,925	63,925

During the period, no new shares were issued pursuant to the Employee Share Subscription Scheme ("Subscription Scheme"). As at 30th September, 2004, subscription monies amounting to HK\$35,856 have been received from a qualifying employee who has accepted the offer to subscribe for shares of the Company under the Subscription Scheme in respect of the current operating period (1st July, 2004 to 31st December, 2004). Under the Subscription Scheme, the subscription price and the number of shares to be allotted are determined on the expiration of the operating period in accordance with the terms of the Subscription Scheme.

10. Share capital (continued)

During the period, no options to subscribe for shares in the Company under the Executive Share 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, 2004, 5,164,000 (31st March, 2004: 5,164,000) options exercisable before 24th September, 2009 were outstanding.

No options to subscribe for shares in the Company have been granted pursuant to the Executive Share Option Scheme for the period ended 30th September, 2004.

11. Reserves

	Exchange reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	General reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 31st March, 2003	280	148,257	4,354	121,110	102,579	376,580
Profit retained for the period	—	—	—	—	17,143	17,143
Exchange translation	(56)	—	—	—	—	(56)
At 30th September, 2003	224	148,257	4,354	121,110	119,722	393,667
At 31st March, 2004	97	148,257	4,354	121,110	103,665	377,483
Profit retained for the period	—	—	—	—	6,999	6,999
Exchange translation	(8)	—	—	—	—	(8)
At 30th September, 2004	89	148,257	4,354	121,110	110,664	384,474

12. Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (31st March, 2004: 17.5%).

The movement in deferred tax (assets)/liabilities is as follows:

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
At the beginning of the period/year	(248)	7,282
Credited to consolidated profit and loss account (note 4)	(419)	(7,530)
At the end of the period/year	(667)	(248)

13. Contingent liabilities

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Guarantees given to banks for facilities granted to associated companies	40,100	47,400

14. Commitments

- (a) At 30th September, 2004, the outstanding commitments in respect of properties under development were as follows:

	30th September 2004	31st March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Company and subsidiaries		
Contracted but not provided for	51,113	4,405
Authorised but not contracted for	52,300	101,623
	103,413	106,028

- (b) At 30th September, 2004, the amounts of capital commitments relating to the Group's interest in the jointly controlled entities were as follows:

	30th September 2004	31st March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	710	1,768

- (c) Commitments under operating leases

At 30th September, 2004, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases as follows:

	30th September 2004	31st March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
— not later than one year	2,559	2,739
— later than one year but not later than five years	725	1,598
	3,284	4,337

14. Commitments (continued)

(c) Commitments under operating leases (continued)

At 30th September, 2004, 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:

	30th September 2004	31st March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
— not later than one year	9,414	11,075
— later than one year but not later than five years	<u>6,615</u>	<u>6,581</u>
	<u><u>16,029</u></u>	<u><u>17,656</u></u>

15. Related party transactions

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

	6 months ended 30th September 2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Billing of contracts from associated companies	(25,526)	(2,340)
Billing of contracts from related companies	(1,037)	(1,195)
Service centre charges received from related companies	1,177	2,923
Secretarial and accountancy fee received from associated companies	1,012	1,050
Insurance premiums paid to a related company	(3,348)	(16,364)
Rental received from related companies	<u><u>1,172</u></u>	<u><u>1,219</u></u>

(b) Receivables and prepayments of the Group included trade receivable from associated companies, jointly controlled entities and related companies of HK\$8,559,000 (31st March, 2004: HK\$4,725,000).

16. Subsequent event

In October 2004, the joint venture (in which the Group has 20% interest) with the Mandarin Oriental Hotel Group has disposed the site for RM65 million (approximately HK\$133.9 million). Your Group's investment cost amounted to HK\$10.7 million as at 30th September, 2004.

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\$169.7 million and guarantees given to banks for facilities granted of HK\$40.1 million totalling HK\$209.8 million as at 30th September, 2004 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:

	Pro-forma combined balance sheet <i>HK\$'000</i>	Group's attributable interest <i>HK\$'000</i>
Fixed assets	536,666	120,901
Associated companies	30,057	10,019
Jointly controlled entities	7,745	3,873
Current assets	108,161	52,810
Current liabilities	(87,669)	(38,240)
Long term bank loans	(73,200)	(16,470)
Shareholders' advances	(631,947)	(148,489)
Provision for impairment loss on property	<u>(304,018)</u>	<u>(68,404)</u>
Net liabilities	<u><u>(414,205)</u></u>	<u><u>(84,000)</u></u>

DIRECTORS' INTERESTS

At 30th September, 2004, the interests/short positions of each of the Directors 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*	15,676,843	—	—	113,350,819 (Note 1)	20.18

* 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, 2004 to 31st December, 2004. 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 had interests in the shares and underlying shares of the Company and its associated corporations as at 30th September, 2004.

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

None of the Directors had short positions in respect of the shares and underlying shares of the Company and its associated corporations as at 30th September, 2004.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th September, 2004, 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 of the Company as at 30th September, 2004.

Shareholder's Name	Number of Shares Held	Percentage Interest in the Company's Issued Share Capital
Meou-tsen Geoffrey YEH	186,866,064 (Note 1)	29.23
Hsin Chong International Holdings Limited	183,130,508	28.65
V-nee YEH	129,027,662 (Note 2)	20.18
GHY Company Limited	113,350,819	17.73
Mou-chong David YEH	80,906,535 (Note 3)	12.66
Shai-yun TUNG	80,074,576	12.53
Howay Investment Ltd.	80,074,576	12.53
J.P. Morgan Trust Company (Jersey) Limited	80,074,576	12.53
HSBC International Trustee (BVI) Limited	296,481,327 (Note 4)	46.38
HSBC International Trustee Limited	296,481,327 (Note 4)	46.38

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. Mr. Mou-chong David YEH (deceased) and his spouse, Ms. Shai-yun TUNG, are the founders and have 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 trusts.

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

As at 30th September, 2004, 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 1/4/2004	Changes during the period				Options held as at 30/9/2004	Exercise price (HK\$)	Exercisable period	
			Lapsed	Granted	Exercised	Cancelled				
Director and Substantial Shareholder										
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	
Employees (in aggregate)	25/9/1996	266,000	—	—	—	—	266,000	0.80	25/9/1997 – 24/9/2007	
	25/9/1996	2,068,000	—	—	—	—	2,068,000	0.80	25/9/1998 – 24/9/2008	
	25/9/1996	2,062,000	—	—	—	—	2,062,000	0.80	25/9/1999 – 24/9/2009	
		5,164,000	—	—	—	—	5,164,000			

During the period, Mr. V-nee YEH was a participant of the ESSS of the Company for the Operating Period from 1st July, 2004 to 31st December, 2004. 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 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.

V-nee YEH

Chairman

Hong Kong SAR, 3rd December, 2004