

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK 20 cents (2003: HK10 cents) per share for the six months ended 30th September, 2004 payable on Friday, 14th January, 2005 to shareholders whose names appear on the Register of Members of the Company on Friday, 7th January, 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 3rd January, 2005 to Friday, 7th January, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited of G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 31st December, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September, 2004, the Group continued its growth momentum and recorded an increase both in turnover and profit. The Group's turnover increased by 16.3% from last period's HK\$1.5 billion to this period's HK\$1.8 billion, and net profit increased a tremendous 66.4% from HK\$75 million last period to this period's HK\$125 million. The property sector, in particular, performed exceptionally well with income from rental property and cold storage warehouse reporting substantial growth.

Construction and Engineering

The turnover of this sector increased from HK\$760 million to HK\$986 million. This was mainly due to the increase in business volume of the pipe technology division and the consolidation of the building construction and civil engineering division after its privatization was completed last financial year.

Lifts and Escalators

The lifts and escalators market remained extremely competitive and the division's both turnover and profit decreased slightly. Major contracts undertaken during the period included the supply and installation of lifts and escalators at Nina Tower, the Hong Kong Four Seasons Hotel and various schools under the School Improvement Programme of the Architectural Services Department.

Aluminium Windows and Curtain Walls

This division's contracts on hand lessened due to the decrease in large-scale contracts in Hong Kong and Mainland China. Contracts undertaken in the period included the Tung Chung Station Citygate Hotel Development and residential development in Tin Ping Shan, Sheung Shui.

Pipe Technologies

Turnover of the pipe technologies business grew substantially when compared with the same period last year. In Hong Kong, the division secured various large contracts from both the public and private sectors as the benefits of “no-dig” pipe technologies are appreciated by the market. The Group’s 59% owned subsidiary in Europe, NordiTube Technologies AB, saw substantial improvement in both turnover and profit margin during the period; and the Group’s 74% owned subsidiary in Australia, Rib Loc Group Limited, was restructured to realign its growth track. At present, the Group has strong foothold in Hong Kong, China, Singapore, Taiwan, India, Europe, Australia and the Middle East.

Building Construction and Civil Engineering

The total value of the Group’s building construction and civil engineering works on hand amounted to approximately HK\$850 million. New construction contracts undertaken during the period included the construction of the Hong Kong Jockey Club Enterprise Centre at The Hong Kong University of Science and Technology, an international school of the English Schools Foundation in Ma On Shan, Shatin and a 36-Classroom Primary School in Yuen Long, the New Territories. Major civil engineering contracts completed during the period included the Stage 2 Construction of Seawalls and Reclamation at Tseung Kwan O Port Development Area 137 and Jordan Road Reclamation Phase III and Remaining Engineering Works.

Environmental, Electrical and Mechanical Engineering

The turnover of these divisions improved with all the projects on hand progressing smoothly. The environmental contracts included the installation of Irrigation Pumping Station at Penny Bay Development, replacement of Mechanical and Electrical Equipment in the Tsuen Wan Raw Water Pumping Station and a newly awarded contract for Combined Heat and Power Generating Set of the Shek Wu Hui Sewage Treatment Works. The Electrical and Mechanical contracts included the Mechanical & Electrical facilities and pumping stations for Central Reclamation Phase III and electrical installation of hotel development in Hunghom Bay and improvement works for the SARS Ward of Tseung Kwan O Hospital.

Insurance and investment

The turnover of this sector decreased from HK\$155 million to HK\$126 million. The growth in insurance business was hindered by keen market competition. As for the investment market, it was extremely volatile during the period leading to decline in turnover and profit from this sector. Coping with the uncertain market environment during the reporting period, we closely monitored our portfolio and continued our prudent investment strategy. The majority of the Group’s investments are in fixed income and deposits. It will continue to maintain a balanced portfolio in order to generate stable income in the medium to long term.

Property and Hotel

The turnover of this sector increased from HK\$153 million to HK\$184 million. This sector was the major growth driver for the overall performance of the Group, helped by the continuous strong growth of the warehousing business and the recovery of the property market in Hong Kong.

The storage capacity of the 18-storey cold storage warehouse in Kwai Chung was fully occupied. The Group's luxury residential property in Shanghai Chevalier Place, maintained an occupancy rate of approximately 80%. Rental from other investment properties in Hong Kong and overseas also improved.

Progress of real estate projects in the Mainland was satisfactory. They included a deluxe residential project "City Oasis II", a 49,000 sq.m. commercial and residential establishment "ShiDaiJinJiang II" in Chengdu, and a 102,000 sq.m. commercial property development project "HuaQiaoShangCheng" in Hefei.

The property management division maintained a number of sizable management contracts from both the public and private residential, commercial and industrial buildings. During the period, the division also won the merit award of the "Best Property Management Companies (Occupational Safety and Health) Competition" held by the Occupational Safety and Health Council, adding to its excellent reputation in the industry.

The overall occupancy rate of hotels in the PRC improved while that of the hotel in Vancouver was stable during the period under review.

IT & Other Business

Information Technology and Network Solutions

The turnover of this sector increased from HK\$262 million to HK\$290 million. The computer division's turnover increased satisfactorily. Such performance, however, was offset by the decline in profit of the business machine division due to keen competition and the overall performance was affected.

Motor Vehicles and trading

The operating profit of the automobile business in Canada improved substantially with the country's consumer market experiencing strong growth this year. Despite the competitive market, the trading, distribution and wholesale businesses of food products in the West Coast of the US sustained satisfactory results.

PROSPECTS

The Group's excellent performance in the first half of 2004/05 demonstrated the success of its balanced business portfolio with focus on generating strong income and cash flow. Despite the slowdown in the insurance and investment sector, returns on investment in property sector, especially those from the cold storage business and rental property, continued to expand, leading to the growth in the Group's overall profitability. Turnover of the pipe technology group increased substantially during the period after a series of reorganization. The management is confident that the division will become the Group's major growth segment in the near future.

In 2004, Hong Kong appears to have fully recovered from the impact of the Asian financial crisis and the outbreak of SARS in 2003. As a small open economy, Hong Kong remains vulnerable to global fluctuation, and could be hit hard by economic slowdown in either the US or China. The Group, however, remains confident that Hong Kong will continue to grow next year, though at a slower pace, as Hong Kong is ideally an important gateway to the Mainland and is poised to take advantage of the emergence of China as a global economic power house.

Looking forward, the Group will continue its strategies of expanding its existing businesses and prudently reviewing other investment opportunities in order to bring maximum benefits to the Group and its shareholders.

FINANCIAL REVIEW

As at 30th September, 2004, the Group's total net assets amounted to approximately HK\$2,540 million (HK\$2,474 million as at 31st March, 2004).

As at 30th September, 2004, total debt to equity ratio was 48.4% (51% as at 31st March, 2004) and net debt to equity ratio was 14.9% (4% as at 31st March, 2004), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net assets of HK\$2,540 million (HK\$2,474 million as at 31st March, 2004).

As at 30th September, 2004, the Group's bank and other borrowings amounted to HK\$1,229 million (HK\$1,260 million as at 31st March, 2004). Cash and deposit at bank including pledged deposits amounted to HK\$850 million (HK\$1,156 million as at 31st March, 2004) and net borrowings amounted to HK\$379 million (HK\$104 million as at 31st March, 2004). Most of the borrowings are carrying floating interest rates based on Hong Kong Interbank Offering Rates. Among those floating rate loans, HK\$100 million are hedged to fixed rates through Interest Rate Swap Agreements (HK\$750 million as at 31st March, 2004).

Finance costs for the period amounted to HK\$10.1 million (HK\$19.9 million for the corresponding period last year).

The Company has provided guarantees in respect of loan facilities granted to subsidiaries amounting to HK\$760 million (HK\$878 million as at 31st March, 2004).

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in Hong Kong or US dollars. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank loans, the Group will consider new financing while maintaining an appropriate level of gearing.