



Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)



INTERIM REPORT 2005

The board of directors (the “Board”) of Deson Development International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2005, together with the comparative figures for the six months ended 30 September 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	Notes	2005 HK\$'000	2004 HK\$'000 (restated)
TURNOVER		258,830	217,686
Cost of construction contracts and direct expenses		(196,524)	(137,136)
Cost of property interests sold		(9,162)	(25,877)
Cost of inventories sold		(15,823)	(17,449)
Gross profit		37,321	37,224
Other operating income	3	15,696	60,294
Staff costs		(19,847)	(16,504)
Depreciation expense		(2,160)	(2,932)
Other administration expenses		(26,880)	(33,734)
		4,130	44,348
Finance costs	4	(989)	(1,381)
Share of results of associates		90	(163)
Share of results of a jointly-controlled entity		34	(8)
PROFIT BEFORE TAXATION		3,265	42,796
Income tax (expenses) credit	5	(440)	388
PROFIT FOR THE PERIOD		2,825	43,184
ATTRIBUTABLE TO:			
Equity holders of the Company		2,414	43,252
Minority interests		411	(68)
PROFIT FOR THE PERIOD		2,825	43,184
EARNINGS PER SHARE	6		
Basic		HK0.48 cent	HK9.01 cent
Diluted		N/A	HK8.79 cent

CONSOLIDATED BALANCE SHEET

At 30 September 2005

		30 September	31 March
		2005	2005
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(restated)
NON-CURRENT ASSETS			
Property, plant and equipment		44,881	45,969
Interests in associates	7	5,828	6,220
Interest in a jointly-controlled entity	8	8,239	6,604
Available-for-sale financial assets		8,422	6,153
Deferred tax assets		382	382
Loan receivable		–	46,355
		<hr/> 67,752 <hr/>	<hr/> 111,683 <hr/>
CURRENT ASSETS			
Properties held for sale	9	281,362	229,317
Amount due from contract customers		25,535	20,581
Inventories		5,534	5,275
Trade and other receivables	10	186,622	149,765
Amounts due from associates	7	10,426	8,690
Amounts due from minority shareholders		–	355
Pledged bank deposits		21,717	57,780
Bank balances and cash		32,591	60,551
		<hr/> 563,787 <hr/>	<hr/> 532,314 <hr/>

CONSOLIDATED BALANCE SHEET (Continued)

At 30 September 2005

		30 September	31 March
		2005	2005
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(restated)
CURRENT LIABILITIES			
Amount due to contract customers		44,952	44,582
Trade and other payables	11	207,108	166,783
Amounts due to associates	7	443	443
Amounts due to minority shareholders		6,758	7,005
Taxation payable		6,047	6,081
Bank and other borrowings		35,439	82,104
		300,747	306,998
NET CURRENT ASSETS		263,040	225,316
TOTAL ASSETS LESS CURRENT LIABILITIES		330,792	336,999
NON-CURRENT LIABILITIES			
Deferred tax liabilities		930	930
		329,862	336,069
CAPITAL AND RESERVES			
Share capital	12	49,847	51,675
Reserves		278,220	282,388
Equity attributable to equity holders of the Company		328,067	334,063
Minority interest		1,795	2,006
Total equity		329,862	336,069

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2005

	Attributable to equity holders of the Company												
	Share capital	Share premium account	Contributed surplus (note a)	Property revaluation reserve	Investment revaluation reserve	Capital reserve (note b)	Capital redemption reserve	Translation reserve	Reserve funds (note c)	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	51,675	105,783	15,262	6,450	-	4,259	7,355	914	3,260	139,105	334,063	2,006	336,069
Effect on changes in accounting policies - surplus on revaluation of available-for-sale financial assets	-	-	-	-	5,746	-	-	-	-	-	5,746	-	5,746
	51,675	105,783	15,262	6,450	5,746	4,259	7,355	914	3,260	139,105	339,809	2,006	341,815
Exchange difference arising on translating foreign operations	-	-	-	-	-	-	-	(95)	-	-	(95)	-	(95)
Deficit on revaluation of available-for-sale financial assets	-	-	-	-	(3,477)	-	-	-	-	-	(3,477)	-	(3,477)
Net gains not recognized in the income statement	51,675	105,783	15,262	6,450	2,269	4,259	7,355	819	3,260	139,105	336,237	2,006	338,243
Repurchase of shares	(1,828)	(8,636)	-	-	-	-	1,828	-	-	(1,828)	(10,464)	-	(10,464)
Share repurchase expenses	-	(120)	-	-	-	-	-	-	-	-	(120)	-	(120)
Released upon deemed disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(622)	(622)
Net profit for the period	-	-	-	-	-	-	-	-	-	2,414	2,414	411	2,825
At 30 September 2005	<u>49,847</u>	<u>97,027</u>	<u>15,262</u>	<u>6,450</u>	<u>2,269</u>	<u>4,259</u>	<u>9,183</u>	<u>819</u>	<u>3,260</u>	<u>139,691</u>	<u>328,067</u>	<u>1,795</u>	<u>329,862</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the period ended 30 September 2004

	Attributable to equity holders of the Company											
	Share capital	Share premium account	Contributed surplus (note a)	Property revaluation reserve	Capital reserve (note b)	Capital redemption reserve	Translation reserve	Reserve funds (note c)	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	46,688	95,648	15,262	7,784	4,259	5,577	911	3,260	99,376	278,765	11,182	289,947
Deferred tax liabilities arising on revaluation of properties	-	-	-	(61)	-	-	-	-	-	(61)	-	(61)
Net gains not recognized in the income statement	46,688	95,648	15,262	7,723	4,259	5,577	911	3,260	99,376	278,704	11,182	289,886
Repurchase of shares	(1,778)	(5,312)	-	-	-	1,778	-	-	(1,778)	(7,090)	-	(7,090)
Share repurchase expenses	-	(110)	-	-	-	-	-	-	-	(110)	-	(110)
Exercise of warrants	6,765	15,559	-	-	-	-	-	-	-	22,324	-	22,324
Released upon deemed disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	60,698	60,698
Dividend to minority shareholders	-	-	-	-	-	-	-	-	-	-	(152)	(152)
Released upon acquisition of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(56)	(56)
Net profit for the period	-	-	-	-	-	-	-	-	43,252	43,252	(68)	43,184
At 30 September 2004	<u>51,675</u>	<u>105,785</u>	<u>15,262</u>	<u>7,723</u>	<u>4,259</u>	<u>7,355</u>	<u>911</u>	<u>3,260</u>	<u>140,850</u>	<u>337,080</u>	<u>71,604</u>	<u>408,684</u>

Notes:

- The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange therefor, pursuant to the Group reorganisation on 21 May 1997.
- Capital reserve mainly comprises negative goodwill arising from the acquisition of subsidiaries, prior to 1 April 2002, of approximately HK\$13,380,000 (2004: HK\$13,380,000) and goodwill arising on acquisition of subsidiaries of approximately HK\$9,121,000 (2004: HK\$9,121,000), respectively.
- Reserve funds of the Group included statutory reserves required to be appropriated from the profit after taxation of the Company's PRC subsidiaries under PRC laws and regulations. The amount of the appropriation is at the discretion of the PRC subsidiaries' board of directors.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	2005 HK\$'000	2004 HK\$'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES	10,741	(15,025)
NET CASH FROM INVESTING ACTIVITIES	19,780	36,461
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(62,975)	50,195
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(32,454)	71,631
Cash and cash equivalents at beginning of period	49,605	37,104
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>17,151</u>	<u>108,735</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	32,591	95,280
Short-term time deposits	–	34,587
Bank overdrafts, secured	(15,440)	(21,132)
	<u>17,151</u>	<u>108,735</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements for the period ended 30 September 2005 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed financial statements have been prepared under the historical cost convention, as modified for certain investments in securities, which are measured at fair values.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 March 2005 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS”s), HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have effect on how the results for the current or prior accounting periods are prepared and presented:

Share-based Payments

In the current period, the Group has applied HKFRS 2 “Share-based Payment” which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ and employees’ share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

The Group had no outstanding share option since 29 April 2004 and all the vesting period ended before 1 April 2004, and accordingly, no retrospective restatement is required.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Interests in Jointly Controlled Entities

In previous periods, interests in jointly controlled entities were accounted for using the equity method. HKAS 31 “Interests in Jointly Controlled Entities” allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue applying the equity method to account for its interests in jointly controlled entities. As a result, there has been no change in accounting method in respect of the Group’s interests in jointly controlled entities.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Financial Instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

1. **BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**
(Continued)

Financial Instruments (Continued)

Debt or equity securities previously accounted for under the alternative treatment of Statement of Standard Accounting Practice (“SSAP”) 24 “Accounting for Investments in Securities”

By 31 March 2005, the Group classified and measured its equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in equity securities are classified as “trading securities”, “non-trading securities” or “held-to-maturity investments” as appropriate. Both “trading securities” and “non-trading securities” are measured at fair value. Unrealised gains or losses of “trading securities” are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified and measured its available for sales financial assets in accordance with the requirements of HKAS 39. An adjustment of HK\$5,746,000 to the previous carrying amounts of assets and liabilities at 31 March 2005 has been made to the Group’s investment revaluation reserve.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method.

The Group has not early applied the following new HKASs, HKFRS or Interpretations that have been issued by HKICPA but not yet effective

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration, and Environmental Rehabilitation Funds

The directors of the Company anticipate that the application of these new HKASs, HKFRS and Interpretations will have no material impact on the financial statements of the Group.

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(a) Business segments

	Construction business		For the six months ended 30 September				Consolidated	
	2005	2004	Property development and investment		Fitness club and related business		2005	2004
	HK\$'000	HK\$'000 (restated)	2005	2004	2005	2004	HK\$'000	HK\$'000 (restated)
Segment revenue:								
Sales to external customers	208,233	149,790	13,320	31,577	37,277	36,319	258,830	217,686
Other operating income	1,652	1,727	2,762	1,753	1,430	518	5,844	3,998
Total	<u>209,885</u>	<u>151,517</u>	<u>16,082</u>	<u>33,330</u>	<u>38,707</u>	<u>36,837</u>	<u>264,674</u>	<u>221,684</u>
Segment results	<u>(2,311)</u>	<u>(11,799)</u>	<u>4,295</u>	<u>7,434</u>	<u>(4,015)</u>	<u>(3,723)</u>	<u>(2,031)</u>	<u>(8,088)</u>
Interest income and dividend income							1,961	229
Gain on deemed disposal of interest in a subsidiary							122	15,885
Gain on disposal of interest in a subsidiary							-	40,182
Unallocated expenses							(3,691)	(3,308)
Unallocated income							7,769	-
Amortisation of goodwill							-	(552)
Finance costs							4,130	44,348
Share of results of associates	90	(163)	-	-	-	-	(989)	(1,381)
Share of results of a jointly-controlled entity	34	(8)	-	-	-	-	90	(163)
Profit before tax							3,265	42,796
Income tax (expenses) credit							(440)	388
Profit for the period							<u>2,825</u>	<u>43,184</u>
Other segment information:								
Depreciation	722	764	160	216	1,271	1,908	2,153	2,888
Unallocated amounts							7	44
							<u>2,160</u>	<u>2,932</u>
Other non-cash expenses	-	551	-	-	-	1	-	552
Unallocated amounts							-	-
							<u>-</u>	<u>552</u>

2. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

	For the six months ended 30 September					
	Hong Kong		Mainland China		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>169,426</u>	<u>125,116</u>	<u>89,404</u>	<u>92,570</u>	<u>258,830</u>	<u>217,686</u>

3. OTHER OPERATING INCOME

	For the six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Interest income	1,872	148
Gross rental income	1,067	1,142
Management fee on construction projects	–	230
Management fee received from associates	552	355
Dividend income from available-for-sale financial assets	90	81
Gain on disposal of interest in a subsidiary	–	40,182
Gain on deemed disposal of interest in a subsidiary	122	15,885
Write back of allowance for doubtful debts	8,389	–
Others	3,604	2,271
	<u>15,696</u>	<u>60,294</u>

4. FINANCE COSTS

	For the six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Interest on bank and other borrowings:		
– wholly repayable within five years	998	1,334
– not wholly repayable within five years	–	209
Total finance costs	998	1,543
Less: Interest capitalised	(9)	(162)
	<u>989</u>	<u>1,381</u>

5. INCOME TAX EXPENSES (CREDIT)

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profit arising in Hong Kong during the period.

The People's Republic of China income tax is calculated at 33% of the assessable profit for the period.

	For the six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
		(restated)
Hong Kong Profits Tax		
Current	–	–
Overprovision in prior year	(14)	–
Overseas taxation		
Current	417	1,585
Under (Over) provision in prior year	37	(1,973)
	<u>440</u>	<u>(388)</u>

The taxation charge (credit) for the period can be reconciled to the profit before taxation per the income statement as follows:

	For the six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
		(restated)
Profit before taxation	<u>3,265</u>	<u>42,796</u>
Tax at the domestic tax rate of 17.5% (2004: 17.5%)	571	7,489
Effect of different tax rates of subsidiaries operating in other jurisdictions	(335)	872
Tax effect of expenses that are not deductible for tax purpose	396	96
Tax effect of income not taxable for tax purpose	(2,361)	(10,119)
Under (over) provision in respect of prior year	23	(1,973)
Utilisation of tax losses previously not recognised	(1,230)	(234)
Tax effect of tax losses not recognised	3,569	3,590
Tax effect of share of results of associates	(16)	(283)
Tax effect of share of results of a joint-controlled entity	(6)	–
Others	(171)	174
Taxation charge (credit) for the period	<u>440</u>	<u>(388)</u>

6. EARNINGS PER SHARE

	For the six months ended 30 September	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Earnings for the purposes of basic and diluted earnings per share		
– net profit for the period (profit for the period attributable to equity holders of the Company)	<u>2,414</u>	<u>43,252</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	502,302,154	480,113,900
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of warrants expired on 14 August 2004	<u>–</u>	<u>12,041,000</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>502,302,154</u>	<u>492,154,900</u>

The above weighted average number of ordinary share for both period were adjusted for the effect of share consolidation as disclosed in note 12 of this financial statements.

Diluted earnings per share during the period ended 30 September 2005 have not been disclosed as no dilutive events existed during the period.

7. INTERESTS IN ASSOCIATES

	30 September 2005 <i>HK\$'000</i>	31 March 2005 <i>HK\$'000</i>
Share of net assets	<u>5,828</u>	<u>6,220</u>
Amounts due from associates	<u>10,426</u>	<u>8,690</u>
Amounts due to associates	<u>(443)</u>	<u>(443)</u>

The amounts due from (to) associates are unsecured, non-interest bearing and repayable on demand.

7. INTERESTS IN ASSOCIATES (Continued)

Particulars of the Group's principal associates at 30 September 2005 are as follows:

Name of associate	Form of business structure	Place of incorporation or registration/ operations	Class of shares held	Percentage of ownership attributable to the Group	Principal activities
Asia Construction Holdings Limited	Corporation	Hong Kong	Ordinary	49	Investment holding
Deson Metals Company Limited	Corporation	Hong Kong/ PRC	Ordinary	40	Trading of construction materials
Fortune On Engineering Limited	Corporation	Hong Kong	Ordinary	50	Property development
Fuzhou Jiandi Concrete Co., Ltd. (ii)	Corporation	PRC	(i)	40	Manufacture of concrete products
Reality Profile Limited	Corporation	British Virgin Islands/ Hong Kong	Ordinary	45	Investment holding
Visonic Deson Limited	Corporation	Hong Kong	Ordinary	50	Selling, distributing and marketing of home security and automation products

- (i) The issued or paid-up capital of this associate is not classified.
- (ii) The remittance of dividends to the Group from this associate operating outside Hong Kong is subject to the availability of foreign currencies generated and retained by this associate.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

8. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	30 September 2005 <i>HK\$'000</i>	31 March 2005 <i>HK\$'000</i>
Share of net assets	525	491
Amount due from a jointly-controlled entity	<u>7,714</u>	<u>6,113</u>
	<u>8,239</u>	<u>6,604</u>

The amount due from the jointly-controlled entity is unsecured, bearing interest at a prevailing market rate per annum and has no fixed terms of repayment.

As at 30 September 2005, the Group had interest in the following jointly-controlled entity:

Name of entity	Form of business structure	Place of registration and operations	Class of shares held	Percentage of			Principal activities
				Ownership interest	Voting power	Profit sharing	
Kenworth-Watfield Joint Venture Limited	Corporation	Hong Kong	Ordinary	50	50	50	Provision of electrical and mechanical engineering services

The jointly-controlled entity is held through subsidiaries.

9. PROPERTIES HELD FOR SALE

	30 September 2005 <i>HK\$'000</i>	31 March 2005 <i>HK\$'000</i>
Completed properties held for sale	118,281	126,973
Properties under development for sale	<u>163,081</u>	<u>102,344</u>
	<u>281,362</u>	<u>229,317</u>

10. TRADE AND OTHER RECEIVABLES

An aged analysis of accounts receivable as at the balance sheet date is as follows:

	30 September 2005	31 March 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	30,048	49,631
Between 91– 180 days	6,579	23,512
Between 181– 360 days	17,941	22,558
Over 360 days	19,919	2,907
	<hr/>	<hr/>
	74,487	98,608
Retention money receivable	7,507	7,713
Prepayment, deposit and other receivables	104,628	43,444
	<hr/>	<hr/>
Total	186,622	149,765
	<hr/> <hr/>	<hr/> <hr/>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 60 days. For retention receivables in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

11. TRADE AND OTHER PAYABLES

An aged analysis of trade payables as at the balance sheet date is as follows:

	30 September 2005	31 March 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	46,100	67,976
Between 91– 180 days	7,186	4,098
Between 181– 360 days	1,531	3,650
Over 360 days	7,538	4,145
	<hr/>	<hr/>
	62,355	79,869
Other payables	144,753	86,914
	<hr/>	<hr/>
	207,108	166,783
	<hr/> <hr/>	<hr/> <hr/>

12. SHARE CAPITAL

	30 September 2005	31 March 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
1,500,000,000 (31 March 2005:15,000,000,000)		
ordinary shares of HK\$0.1 (31 March 2005: HK\$0.01) each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
498,473,017 (31 March 2005: 5,167,540,176)		
ordinary shares of HK\$0.1 (31 March 2005: HK\$0.01) each	<u>49,847</u>	<u>51,675</u>

During the period, the movements in share capital were as follows:

	<i>Notes</i>	Number of ordinary shares	Amount <i>HK\$'000</i>
Authorised:			
At 1 April 2005		15,000,000,000	150,000
Consolidation of shares	<i>(ii)</i>	<u>(13,500,000,000)</u>	–
At 30 September 2005		<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid:			
At 1 April 2005		5,167,540,176	51,675
Repurchase of shares	<i>(i)</i>	(182,810,000)	(1,828)
Consolidation of shares	<i>(ii)</i>	<u>(4,486,257,159)</u>	–
At 30 September 2005		<u>498,473,017</u>	<u>49,847</u>

12. SHARE CAPITAL (Continued)

Notes:

- (i) The Company repurchased a total of 182,810,000 of its own shares on the Stock Exchange at a price of HK\$0.036 to HK\$0.065 per share, for a total consideration, before expenses, of HK\$10,464,000. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$1,828,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchased shares was charged against the share premium account.

Month of purchase	Number of ordinary shares of HK\$0.01 each	Price per share		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
April 2005	76,430,000	0.065	0.063	4,935
May 2005	37,290,000	0.062	0.057	2,200
June 2005	56,080,000	0.052	0.049	2,848
August 2005	13,010,000	0.038	0.036	481
	<u>182,810,000</u>			<u>10,464</u>

- (ii) With effect from 1 September 2005, the Company's authorized share capital of HK\$150,000,000 divided into 15,000,000,000 ordinary shares of HK\$0.01 each was consolidated into 1,500,000,000 ordinary shares of HK\$0.1 each. On the same date, the Company's issued and fully paid share capital of HK\$49,847,000 divided into 4,984,730,176 ordinary shares of HK\$0.01 each was consolidated into 498,473,017 ordinary shares of HK\$0.10 each.

13. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
Within one year	10,628	10,785
In the second to fifth year inclusive	31,823	34,045
After five years	12,315	14,619
	<u>54,766</u>	<u>59,449</u>

Operating lease payments represent rentals payable by the Group for certain of its office and fitness club premises. Leases are negotiated for terms ranging from one to ten years and rentals are fixed for an average of five years.

14. CAPITAL COMMITMENTS

	30 September 2005 <i>HK\$'000</i>	31 March 2005 <i>HK\$'000</i>
Commitments in respect of property, plant and equipment		
– contracted for but not provided in the financial statements	<u>16,438</u>	<u>–</u>

15. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

	For the six months ended 30 September	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fees received from associates	<u>552</u>	<u>330</u>

In the opinion of directors, the above transactions were undertaken in the ordinary course of business transactions and the terms were mutually agreed between Group and the related parties.

16. PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES

As at the balance sheet date, the advances made to affiliated companies by the Group amounted to HK\$18,140,000. Affiliated companies included associated companies and jointly controlled entities. A proforma combined balance sheet of the affiliated companies as at 30 September 2005 is presented below:

	Group's attributable interest <i>HK\$'000</i>
Available-for-sale financial assets	620
Property, plant and equipment	3,718
Interest in associates	6
Current assets	27,878
Current liabilities	(26,507)
Minority interest	<u>(311)</u>
Shareholders' fund	<u>5,404</u>

BUSINESS REVIEW

The Group's turnover for the period was HK\$258,830,000 which represented an increase of 19% as compared with the corresponding last period. The net profit attributable to the equity holder of the Company amounted to approximately HK\$2,414,000 representing a decrease of 94% from last period. Earnings per share is approximately HK0.48 cent. The substantial dropped in the net profit attributable to the equity holder was mainly due to the non-recurring gain arising on deemed disposal and disposal of interest in Chinese People Gas Holdings Company Limited, a former subsidiary of the Company, aggregating HK\$56 million in the last corresponding period, no such disposal with similar size was reported in current period.

The Group's major business segment comprises (i) construction and electrical and mechanical ("E&M") works; (ii) property development and investment; and (iii) fitness club and related business. During this period, the Group already completed projects such as fitting out for Sogo New Department Store at 12 Salisbury Road, Tsim Sha Tsui, Kowloon and main contractor for construction of a 7-storey secondary school at Nam Fung Road, Aberdeen, Hong Kong. Turnover contributed from the construction business substantially increased by HK\$58 million, representing an increase of 39% as compared to the corresponding last period.

During the period, the Group sold certain units in Phase II and Phase III, Asian Villas, Haikou, Hainan Province and certain villas in Parkview Garden, Shanghai. The turnover in this sector decreased significantly due to the recognition of most of the turnover in prior periods.

More to note, the fitness club and related business generated a meaningful turnover totalling HK\$37 million to the Group during the period. In July 2005, a new fitness centre was opened at Hong Kong New World Tower (Shanghai), Shanghai, PRC. This club has over 5,000 members upto the date of this report.

PROSPECTS

Construction and E&M works business

The Group will uphold an on-going parallel development of its construction and E&M business in both PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, the Group is now included in the “List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Environment, Transport and Works Bureau of the HKSAR”. In May 2004, the Group was upgraded to Group II under the “Turn-key Interior Design and Fitting-out Works” under the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works”, this together with the 11 licenses held under the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR”, enables the Group to take an active part in the construction and E&M works business development.

During this period, new projects such as main contractor for construction of four residential houses at 10 Pollock’s Path, The Peak, Hong Kong, main contractor for construction of a residential building at no.1, the Peak, Hong Kong and building services installation for the construction of a direct subsidy scheme school in Shatin, Hong Kong were awarded. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$750 million.

Property development and investment

The development of high-class residential property development project, Parkview, near the Botanical Gardens in Shanghai with a gross floor area of approximately 56,000 sq. metres was completed in December 2003. 97% of the apartments and 36% of the villas of Parkview were sold at a total contractual sum of over RMB299 million. As Shanghai is now vigorously developing into a metropolis serving as an international financial, information and transportation center, the Directors believe that this project has great market potential and bright prospects by virtue of its unique Botanical Gardens surroundings.

PROSPECTS (Continued)

Property development and investment (Continued)

In addition, Asian Villas City Square at Haikou, Hainan Province will be developed into a residential and commercial complex with a total gross floor area of approximately 130,000 sq. metres. Construction is on schedule, gross floor area of approximately 60,000 sq. metres was completed subsequent to the balance sheet date, and the remaining will be completed by the mid of 2006. Up to now, presale of Phase I of Asian Villas City Square met with an overwhelming market response and the total contract sum achieved amounted to approximately RMB87 million. The Directors are confident that the aforesaid projects will have a significant contribution to the turnover and profit of the Group in the second half of this year and coming years.

During the period, the Group has been granted the land use rights of a development site in Long Ting District of the City of Kai Feng, PRC. The Directors intends to develop a commercial and residential complex on the site with an estimated gross floor area of approximately 177,000 sq. metres, and is expected to contribute revenue to the Group from the year 2006 and expected to be completed by the year 2008.

Although the residual effect of the macro-economic tightening measures have added uncertainties to the growth of the PRC economy, however, the Directors believe that the austerity measure had only a moderate and short term impact on the property market in PRC. With strong sustained economic growth in PRC, coupled with the expected appreciation of RMB, the PRC property market offers tremendous opportunities, and the Directors are now looking for property development projects in PRC prime cities and may acquire additional land bank for property development purpose, however, the Group has no specific investment plan in relation to any particular project.

PROSPECTS (Continued)

Operation of sports club, fitness and spa centres and related business

In the past few years, several fitness and spa centres were opened in various locations in the PRC. In May 2004, one of the biggest sport club in the PRC was opened in Jinqiao, Shanghai, PRC, this sports club has a total gross floor area of approximately 11,000 square meters equipped with swimming pool, tennis court, spa and gym facilities. The Group has over 9,500 members upto the date of this report. In addition, a new fitness club will be opened in Chengdu, PRC, this new fitness club is now under decoration, and the grand opening is scheduled in early 2006. As Beijing has won the right to host the 2008 Olympic Games, the Directors believe that such event will stimulate the public's enthusiasm in fitness and sports and this business segment will provide a favourable contribution to the Group's revenue in the future.

MAJOR TRANSACTION

As stated in the Company's circular dated 2 August 2005, the Board proposes to consolidate every 10 ordinary shares of HK\$0.01 ("Old Share") each into one consolidated share of HK\$0.10 ("Existing Share"), and change the board lot size from 10,000 Old Shares to 5,000 Existing Shares. The share consolidation and change of board lot size were approved by the shareholders of the Company on 31 August 2005 and became effective on 1 September 2005.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2005, the Group had total assets of HK\$631,539,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$300,747,000, HK\$930,000, HK\$328,067,000 and HK\$1,795,000, respectively.

The Group continued to maintain a low gearing ratio, at 0.3% (31 March 2005: 0.3%). It was calculated based on the long term borrowings of HK\$930,000 (31 March 2005: HK\$930,000) and long term capital of HK\$330,792,000 (31 March 2005: HK\$336,999,000).

At as the balance sheet date, the Group had bank and other borrowings totally HK\$35,439,000, which are repayable within one year, prime rate based and principally denominated in Hong Kong dollars and Renminbi. No significant exposure to foreign exchange rate fluctuations is expected, and in view of the fact that Hong Kong dollars interest rate had risen in the past few months to a level similar to Renminbi interest rate, the Group will increase its Renminbi borrowings to an appropriate level in line with our actual need.

CAPITAL STRUCTURE

The Group's long-term capital mainly comprised of shareholders' equity which is confirmed with the low gearing ratio as discussed in the section "Liquidity and capital resources" above.

RISK OF CURRENCY FLUCTUATION

The Group's receivables and payables were denominated mainly in US dollar, Hong Kong dollar and Renminbi. Since Hong Kong dollar is linked to US dollar, and Renminbi is relatively stable, we consider the exchange risk is not significant.

CONTINGENT LIABILITIES

At the balance sheet date, the Group has no significant contingent liabilities.

EMPLOYEE SCHEMES

As at 30 September 2005, the Group had 464 employees, 307 of whom were based in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonus and share options are linked to individual performance as recognition of and reward for value creation.

CHARGES ON GROUP ASSETS

The Group's bank loans and the banking facilities are secured by:

- (i) certain of the Group's land and buildings situated in Hong Kong, which had an aggregate net book value at the balance sheet date of approximately HK\$31,216,000 (31 March 2005: HK\$31,610,000); and
- (ii) the pledge of certain of the Group's time deposits amounting to HK\$21,717,000 (31 March 2005: HK\$57,780,000).

SHARE OPTION SCHEME

On 14 August 2002, the share option scheme of the Company adopted on 21 May 1997 ceased to operate and a new share option scheme (the “Scheme”) was adopted on the same date to comply with the requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. The options granted under the old scheme will remain in force and effect.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors, including independent non-executive directors, the Company’s shareholders and other employees of the Group. The Scheme became effective on 14 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and expiring on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

At 31 March 2005 and 30 September 2005, no share options were outstanding under the Scheme and none of the Company’s directors or the Group’s employees were granted share options during the period.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2005, the interests of the directors and their associates of the Company in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Ordinary shares of HK\$0.1 each of the Company

Name of director	Capacity and nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Tjia Boen Sien	Through a controlled corporation*	226,250,000	45.39%
	Directly beneficially owned	35,584,400	7.14%
Wang Jing Ning	Directly beneficially owned	11,839,600	2.38%
Wang Ke Duan	Directly beneficially owned	268,960	0.05%
Siu Man Po	Directly beneficially owned	180,000	0.04%

* Sparta Assets Limited ("Sparta Assets"), a company incorporated in the British Virgin Islands which is wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company. Mr. Tjia Boen Sien is also a director of Sparta Assets.

Save as disclosed above, none of the directors nor their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors interests in shares and underlying shares" and "Share Option Scheme" above, at no time during the period were the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.1 each of the Company

Name of shareholder	Capacity and nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Sparta Assets	Directly beneficially owned	226,250,000	45.39%
Tjia Boen Sien	Through a controlled corporation*	226,250,000	45.39%
	Directly beneficially owned	35,584,400	7.14%
Okabe Co. Ltd.	Directly beneficially owned	28,125,000	5.64%

* Sparta Assets, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company. Mr. Tjia Boen Sien is also a director of Sparta Assets.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the period, the Company repurchased certain of its shares on the Stock Exchange, details of which are set out in note 12 to the financial statements. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, with the following deviations:

Code Provisions A.4.1

Under Code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive directors are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company’s Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

Code Provisions A.4.2

Under Code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To comply with the code provision, relevant amendments to the Company’s Articles of Association were proposed and approved by the shareholders at the Company’s annual general meeting held on 31 August 2005. Under the Company’s existing Articles of Association, every director, including those appointed for a specific terms, should be subject to retirement by rotation at least once every three years.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2005. The audit committee comprises the three independent non-executive directors of the Company.

REMUNERATION COMMITTEE

The Company has a remuneration committee which was established in accordance with the requirements of the Code for the purpose of reviewing the remuneration policy and fixing the remuneration packages for all Directors. The remuneration committee currently comprises two executive Directors, namely Mr. Tjia Boen Sien, Mr. Wang Jing Ning, and the three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors on terms no less exactly than the required standard set out in the Model Code. Having made specific enquiry of the Directors, all Directors has complied with, for any part of the accounting period under review, the required standard set out in the Model Code and its code of conduct regarding directors securities transactions.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors of the Company are Mr. Wang Ke Duan, Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Mr. Keung Kwok Cheung, and Mr. Ong Chi King, and the independent non-executive Directors are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver.

By Order of the Board

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong, 20 December 2005.